Public Accounts Select Committee Agenda

Wednesday, 28 October 2015
7.00 pm,
Committee Room 1
Civic Suite
Lewisham Town Hall
London SE6 4RU

For more information contact: Katie Wood (Tel: 0208 31 49446)

This meeting is an open meeting and all items on the agenda may be audio recorded and/or filmed.

Part 1

Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Wednesday, 28 October 2015.

Barry Quirk, Chief Executive
Tuesday, 20 October 2015

Councillor Jamie Milne (Chair) Councillor Mark Ingleby (Vice-Chair) Councillor Abdeslam Amrani Councillor Chris Barnham Councillor Maja Hilton Councillor Ami Ibitson Councillor Roy Kennedy Councillor Helen Klier Councillor Jim Mallory Councillor Crada Onuegbu Councillor Alan Hall (ex-Officio) Councillor Gareth Siddorn (ex-Officio)	

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Tuesday, 29 September 2015 at 7.00 pm

PRESENT: Councillors Jamie Milne (Chair), Mark Ingleby (Vice-Chair), Chris Barnham, Maja Hilton, Ami Ibitson, Helen Klier and Jim Mallory.

APOLOGIES: Councillors Abdeslam Amrani and Roy Kennedy

ALSO PRESENT: Councillor Alan Hall (Chair of Overview & Scrutiny Committee), Mayor Sir Steve Bullock (Mayor), Councillor Kevin Bonavia (Cabinet Member Resources), Councillor Hilary Moore (Chair Children & Young People Select Committee), Councillor Stella Jeffrey, Councillor Liam Curran (Chair Sustainable Development Select Committee), Councillor Carl Handley (Chair Housing Select Committee), Councillor Pauline Morrison (Chair Safer & Stronger Communities), David Austin (Head of Corporate Resources), Aileen Buckton (Executive Director for Community Services), Duncan Dewhurst (Head of Service Change and Technology), Robyn Fairman (Head of Strategy), Andreas Ghosh (Head of Personnel & Development), Helen Glass (Principal Lawyer), James Lee (Service Manager, Inclusion and Prevention and Head of Cultural and Community Development), Barrie Neal (Head of Corporate Policy and Governance), Janet Senior (Executive Director for Resources & Regeneration), Selwyn Thompson (Head of Financial Services), Ralph Wilkinson (Head of Public Services), Sara Williams (Executive Director, Children and Young People) and Katie Wood (Scrutiny Manager)

1. Minutes of the meeting held on 14 July 2015

1.1 **RESOLVED:**

That the minutes of the meeting held on the 14 July 2015 be agreed as an accurate record of proceedings and the Chair be authorised to sign them.

2. Declarations of interest

2.1 Councillor Jim Mallory declared a personal interest in item 3 as he was a school governor at Abbey Manor College.

3. Lewisham Future Programme 2016/17 Draft Revenue Budget Savings Proposals

3.1 David Austin, Head of Corporate Resources, introduced the savings report to the committee and explained that the report continued the work from the last financial year and could be looked at in the context of the Medium Term Financial Strategy. The following points were noted:

- Pending the Comprehensive Spending Review in November and the Local Government Financial Statement in December 2015, there was uncertainty as to the full amount needed for savings up to 2020.

- There was a minimum of £45 million of savings which would be needed over the next two financial years. The current report put forward £12 million of new savings for 2016/17 and a further £14 million of new savings for 2017/18.
- The Council had already made £120 million savings from 2010 up to 2015.
- Referrals made by the Public Accounts Select Committee would go to Mayor and Cabinet in the 30th September 2015.

3.2 Sir Steve Bullock, Mayor of Lewisham, addressed the committee and stressed the scale of the savings needed as well as that additional details would be known following the Comprehensive Spending Review (CSR) and the Local Government Financial Statement (LGFS) in November and December respectively.

3.3 Councillor Bonavia, Executive Member for Resources, addressed the committee reiterating comments from the Mayor and emphasising the size of the reductions needed and that further information would be available following the CSR and LGFS.

3.4 Councillor Hilary Moore, Chair of the Children and Young People Select Committee (CYPSC), addressed the committee highlighting the comments and concerns raised at the meeting of the CYPSC on 8 September 2015 as listed in Appendix 18 of the report to Public Accounts Select Committee.

3.5 Councillor Stella Jeffrey, Vice-Chair of Healthier Communities Select Committee (HCSC), addressed the committee highlighting the comments and concerns raised at the meeting of the HCSC held on 9 September 2015 as listed in Appendix 18 of the report to Public Accounts Select Committee.

3.6 Councillor Liam Curran, Chair of Sustainable Development Select Committee (SDSC), addressed the committee highlighting the comments and concerns raised at the meeting of the SDSC held on 15 September 2015 as listed in Appendix 19 of the report to Public Accounts Select Committee.

3.7 Councillor Carl Handley, Chair of Housing Select Committee (HSC), addressed the committee highlighting the comments and concerns raised at the meeting of the HSC held on 16 September 2015 as listed in Appendix 19 of the report to Public Accounts Select Committee.

3.8 Councillor Pauline Morrison, Chair of Safer, Stronger Communities Select Committee (SSCSC), addressed the committee highlighting the comments and concerns raised at the meeting of the SSCSC held on 16 September 2015 as listed in Appendix 19 of the report to Public Accounts Select Committee. In addition to this, Councillor Morrison highlighted the importance of considering the equality impact of savings proposals on residents with protected characteristics, both for individual proposals and when considered overall, and that the equalities information provided by officers be updated as these proposals are developed and monitored once implemented, with additional analysis where possible.

3.9 Councillor Alan Hall, Chair of the Overview and Scrutiny Committee addressed the committee and thanked the select committees for their work on the budget scrutiny and endorsed Cllr Morrison's comments regarding equalities information.

3.10 Ralph Wilkinson, Head of Public Services, addressed the committee on savings proposals F2a and F2b, improving the online offer and encouraging customers to self-serve online wherever possible. During the presentation and the discussion that followed, the following key points were raised:

- Channel shifting to encourage more people to use online services would help to reduce costs.
- It was important to have a service that was digital end to end to capture the most savings.
- Data protection tests would be built in to ensure safety of personal information and data accuracy.

3.11 Selwyn Thompson, Head of Finance, addressed the committee regarding G2a, G2b and G2c – income generation. During the presentation and the discussions that followed, the following key point was raised:

- The income generation proposals included just over £1 million of savings and included proposing income from the wireless concession as identified by the Public Accounts Select Committee in their in-depth review on Income Generation.

3.12 Ralph Wilkinson addressed the committee regarding G2d and G2e – income generation through centralised debt collection and parking charges. During the presentation and the discussions that followed, the following key points were raised:

- The 2013 Parking Policy Review agreed that there would be no parking increases until 2016.
- It was important that charges were in line with neighbouring boroughs.

3.13 Barrie Neal, Head of Corporate Policy and Governance, addressed the committee regarding savings proposal I2a, I2b and I2c addressing policy and performance service redesign, senior management executive support and Governance. During the presentation and the discussions that followed, the following key points were raised:

- The Policy team had a £900,000 reduction in 2015/16 and was now proposing an additional £180,000 savings in 2017/18.
- The impact of the proposed savings in Governance would be across both the Business & Committee and the Scrutiny Teams.

3.13 Ralph Wilkinson addressed the committee regarding I3, reorganisation of complaints with an anticipated saving of £50k. During the presentation and the discussions that followed, the following key point was raised:

- It would be useful to have feedback after the review had taken place and an item on the Public Accounts Select Committee work programme could be beneficial.

3.14 Robyn Fairman, Head of Strategy addressed the committee regarding savings proposals I4a and I4b. The savings in the Communications Team were as a result of voluntary redundancies. The savings in the Strategy Team were due to the team having successfully won European Social Funding.

3.15 David Austin addressed the committee regarding savings proposals I5 and I6 on commissioning & procurement and insurance & risk.

3.16 Selwyn Thompson presented the savings proposal I7 on Finance reductions. During the presentation and the discussions that followed, the following key points were raised:

- There had been significant reductions of £1.6 million in the Finance team over the last few years and a reorganisation.
- The proposal was for a full review of the non-salary budget and vacancies.
- It was important to ensure that there enough capacity was maintained in the team to ensure financial obligations.

3.17 Helen Glass addressed the committee outlining savings proposal I8 for a minor reorganisation of legal services to incorporate the procurement function.

3.18 Andreas Ghosh, Head of Human Resources, addressed the committee regarding savings proposals I9a, I9b, I9c, I9d and I9e. During the presentation and the discussions that followed, the following key points were raised:

- The savings proposal included HR support, Trade Union (TU) secondments, Graduate Schemes, Social Care Training and realigning schools HR costs.
- The reductions in the TU secondees would only be implemented once the current secondees had ceased post.
- There was liaison with Adult Social Care on any reductions to Social Care Training.

3.19 Duncan Dewhurst, Head of Technology and Change, addressed the committee regarding savings proposals I10a and I10b, revising the IT infrastructure support arrangements and contract and moving to digital access only for committee papers. During the presentation and the discussions that followed, the following key points were raised:

- The Council was moving to a shared service with LB Brent which would save £1 million per annum over 2016/17 and 2017/18.
- There were risks with new infrastructure but these were less than current risks of capacity problems with the current service.

3.20 Standing Orders were suspended at 9.25pm

3.21 Ralph Wilkinson, presented savings proposals O4 and O5, efficiencies in approach to financial assessments and options for changes to the discretionary freedom pass. During the presentation and the discussions that followed, the following key points were raised:

- There were two options considered – the first would withdraw the discretionary scheme. This was for the 1246 users who currently received this on the local criteria but would not be eligible under the national criteria. Some of these users may be entitled to other services such as the 60+ London Oyster Photocard.
- The other option put forward was to close the discretionary scheme to new applicants.
- Concerns were raised that vulnerable residents needed to be protected and that the comments and suggestions put forward by the Safer, Stronger Communities Select Committee on this proposal should be endorsed.

3.22 **RESOLVED:**

That the following comments be referred to Mayor and Cabinet:

(1) The referrals made by Select Committees (attached at Appendix A of the full agenda report) be endorsed with the exceptions of referrals I9e from Children and Young People Select Committee, and G2 from Sustainable Development Select Committee on which the committee decided to reserve judgement in order to fully consider these matters at its own meeting. The Committee asked that the Mayor and Cabinet take these referrals into account alongside officer reports when taking a decision on the Lewisham Future Programme – 2016/17 Revenue Budget Savings Report.

(2) In addition to these Select Committee referrals, the Public Accounts Select Committee agreed to add an additional recommendation to the Mayor and Cabinet as requested by the Chair of Safer, Stronger Communities Select Committee to endorse the importance of considering the equality impact of savings proposals on residents with protected characteristics, both for individual proposals and when considered overall, and that the equalities information provided by officers be updated as these proposals are developed and monitored once implemented, with additional analysis where possible.

(3) The Public Accounts Select Committee agreed the following proposals be referred with no changes: F2a and F2b;F3; I2a,I2b and I2c;I4a and I4b;I5:I6;I7;I8;I9a,I9b,I9c,I9d,I9e; I10a and I10b; and O4.

(4) The Public Accounts Select Committee made additional comments for referral on the following proposals:

G2: Income generation

The Committee agreed with the comments of the Safer, Stronger Communities Select Committee and strongly endorsed the appointment of a commercialism specialist at senior officer level. This had been brought out in evidence sessions as part of the Income Generation Review being conducted by the committee and would be one of the key recommendations of the final report which would be presented to Mayor and Cabinet at its meeting on 11 November 2015.

I3: Reorganisation of how complaints are managed across the Council.

The Committee agreed the proposal but requested that the Public Accounts Select Committee receive feedback on the results of the review after it had been completed.

O5 Discretionary Freedom Pass

The Committee endorsed the comments of the Safer, Stronger Communities Select Committee and rejected the proposal in its current form requesting that it be reconsidered in light of the implications on vulnerable residents.

4. Income Generation Review evidence session

4.1 Selwyn Thompson, Head of Finance, introduced the report to the committee, highlighting that this evidence session focussed on what LB Lewisham were currently undertaking in the field of income generation. During the presentation and in the discussion that followed, the following key points were raised:

- Generating income was a key strand of the Lewisham 2020 scheme.
- The Fees and Charges strategy was a central part of this.
- The current main areas where the Council sold services were to schools in the borough.
- Improving performance on operational assets was also of key importance including maximising market rent.

4.2 Councillor Ingleby, Vice-Chair of the Public Accounts Select Committee, tabled a report highlighting discussions he had held around income generation models, a copy of this will be interleaved with the agenda.

- In the discussion that followed committee members highlighted the importance of a commercialisation specialist being appointed at senior manager level.

4.3 **RESOLVED:**

(1) That the report be noted.

(2) That the additional information tabled by Cllr Ingleby be noted.

(3) That an update on the Fees and Charges Strategy be brought back to the Public Accounts Committee at the end of this municipal year.

(4) That the draft recommendations for the Income Generation Review include a recommendation for the Council to appoint a commercialisation specialist.

5. Select Committee work programme

5.1 Katie Wood, Scrutiny Manager, introduced the report to the committee and asked for any comments on the work programme.

RESOLVED:

1. That the report be noted.

2. That an update on the Complaints Review (listed in savings proposal I3) be presented to the committee during the current municipal year.

6. Referrals to Mayor and Cabinet

The meeting ended at 10.10 pm

Chair:

Date:

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Committee	Public Accounts Select Committee		Item No.	2
Title	Declarations of Interest			
Wards				
Contributors	Chief Executive			
Class	Part 1	Date	28 October 2015	

Declaration of interests

Members are asked to declare any personal interest they have in any item on the agenda.

1 Personal interests

There are three types of personal interest referred to in the Council's Member Code of Conduct:-

(1) Disclosable pecuniary interests
(2) Other registerable interests
(3) Non-registerable interests

2 Disclosable pecuniary interests are defined by regulation as:-

(a) Employment, trade, profession or vocation of a relevant person* for profit or gain

(b) Sponsorship –payment or provision of any other financial benefit (other than by the Council) within the 12 months prior to giving notice for inclusion in the register in respect of expenses incurred by you in carrying out duties as a member or towards your election expenses (including payment or financial benefit from a Trade Union).

(c) Undischarged contracts between a relevant person* (or a firm in which they are a partner or a body corporate in which they are a director, or in the securities of which they have a beneficial interest) and the Council for goods, services or works.

(d) Beneficial interests in land in the borough.

(e) Licence to occupy land in the borough for one month or more.

(f) Corporate tenancies – any tenancy, where to the member's knowledge, the Council is landlord and the tenant is a firm in which the relevant person* is a partner, a body corporate in which they are a director, or in the securities of which they have a beneficial interest.

(g) Beneficial interest in securities of a body where:-

(a) that body to the member's knowledge has a place of business or land in the borough; and

(b) either
(i) the total nominal value of the securities exceeds £25,000 or 1/100 of the total issued share capital of that body; or

(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person* has a beneficial interest exceeds 1/100 of the total issued share capital of that class.

*A relevant person is the member, their spouse or civil partner, or a person with whom they live as spouse or civil partner.

(3) Other registerable interests

The Lewisham Member Code of Conduct requires members also to register the following interests:-

(a) Membership or position of control or management in a body to which you were appointed or nominated by the Council

(b) Any body exercising functions of a public nature or directed to charitable purposes, or whose principal purposes include the influence of public opinion or policy, including any political party

(c) Any person from whom you have received a gift or hospitality with an estimated value of at least £25

(4) Non registerable interests

Occasions may arise when a matter under consideration would or would be likely to affect the wellbeing of a member, their family, friend or close associate more than it would affect the wellbeing of those in the local area generally, but which is not required to be registered in the Register of Members' Interests (for example a matter concerning the closure of a school at which a Member's child attends).

(5) Declaration and Impact of interest on member's participation

(a) Where a member has any registerable interest in a matter and they are present at a meeting at which that matter is to be discussed, they must declare the nature of the interest at the earliest opportunity and in any event before the matter is considered. The declaration will be recorded in the minutes of the meeting. If the matter is a disclosable pecuniary interest the member must take not part in consideration of the matter and withdraw from the room before it is considered. They must not seek improperly to influence the decision in any way. **<u>Failure to declare such an interest which has not already been entered in the Register of Members' Interests, or participation where such an interest exists, is liable to prosecution and on conviction carries a fine of up to £5000</u>**

(b) Where a member has a registerable interest which falls short of a disclosable pecuniary interest they must still declare the nature of the interest to the meeting at the earliest opportunity and in any event before the matter is considered, but they may stay in the room, participate in consideration of the matter and vote on it unless paragraph (c) below applies.

(c) Where a member has a registerable interest which falls short of a disclosable pecuniary interest, the member must consider whether a reasonable member of the public in possession of the facts would think that their interest is so significant that it would be likely to impair the member's judgement of the public interest. If so, the member must withdraw and take no part in consideration of the matter nor seek to influence the outcome improperly.

(d) If a non-registerable interest arises which affects the wellbeing of a member, their, family, friend or close associate more than it would affect those in the local area generally, then the provisions relating to the declarations of interest and withdrawal apply as if it were a registerable interest.

(e) Decisions relating to declarations of interests are for the member's personal judgement, though in cases of doubt they may wish to seek the advice of the Monitoring Officer.

(6) Sensitive information

There are special provisions relating to sensitive interests. These are interests the disclosure of which would be likely to expose the member to risk of violence or intimidation where the Monitoring Officer has agreed that such interest need not be registered. Members with such an interest are referred to the Code and advised to seek advice from the Monitoring Officer in advance.

(7) Exempt categories

There are exemptions to these provisions allowing members to participate in decisions notwithstanding interests that would otherwise prevent them doing so. These include:-

(a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
(b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
(c) Statutory sick pay; if you are in receipt
(d) Allowances, payment or indemnity for members
(e) Ceremonial honours for members
(f) Setting Council Tax or precept (subject to arrears exception)

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Public Accounts Select Committee			
REPORT TITLE	Financial Forecasts 2015/16 as at 30 September 2015		
KEY DECISION	No	Item No.	3
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources and Regeneration		
CLASS	Part 1	Date	28 October 2015

1. EXECUTIVE SUMMARY

1.1 This report sets out the financial forecasts for 2015/16 as at 30 September 2015 and makes comparisons to the first report which presented financial monitoring information to the end of May 2015. The key areas to note are as follows:

i. There is a forecast overspend of £8.1m against the directorates' net general fund revenue budget as at 30 September 2015. This is set out in more detail in sections five to nine of this report. This compares to a forecast overspend of £8.6m as at the end of May 2015. It should be noted that the Council recorded a final outturn of £5.2m for 2014/15 which resulted after applying £3.9m of funding for 'risks and other budget pressures' against the directorates' year-end overspend of £9.1m for that year.

ii. For the Dedicated Schools Grant (DSG) there are three schools which are expected to report and apply for a licensed deficit by the year end. This is set out in more detail in section 11 of this report.

iii. The Housing Revenue Account (HRA) is projecting a £2.3m surplus. This surplus is expected to be transferred to reserves at the end of the year to ensure that there are sufficient resources available to fund the current housing programme over the medium term. This is set out in more detail in section 12 of this report.

iv. As at 30 September 2015, council tax collection is 0.3% lower than this year's profile and 0.2% lower than this time last year. Business rates collection is 1.8% higher than the same period last year and is 0.1% lower than the required profile collection to achieve the target of 99% for the year. This is set out in more detail in section 13 of this report.

v. The Capital Programme overall spend to 30 September 2015 is £44.8m, which is 39% of the revised budget of £116.2m. Further details are given in section 14 of this report. The comparable figure last year was 26% of the revised budget of £147.3m, with the final outturn being 89% of the revised budget of £137.3m.

2. PURPOSE

2.1 The purpose of this report is to set out the financial forecasts for 2015/16 as at the end of September 2015, projected to the year end.

3. RECOMMENDATIONS

3.1 The Public Accounts Select Committee is asked to:

3.3.1 Note the current financial forecasts for the year ending 31 March 2016 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.

4. POLICY CONTEXT

4.1 Reporting financial results in a clear and meaningful format contributes directly to the council's tenth corporate priority: inspiring efficiency, effectiveness and equity.

5. DIRECTORATE FORECAST OUTTURN

5.1 The forecasts against the directorates' general fund revenue budgets are shown in Table 1 below. In summary, a forecast year end overspend of £8.1m is being reported as at 30 September 2015. At the same time last year, an overspend of some £10.6m was forecast. Members should note that for 2015/16 there is a sum of £3.2m held corporately for managing 'risks and other budget pressures' which emerge during the year. The Executive Director for Resources and Regeneration will give due consideration as to when it might be appropriate to apply this sum to alleviate budget pressures. This will happen towards the end of the financial year, after assessing the progress which has been made to manage down the current forecast overspend.

Table 1 – Overall Directorate position for 2015/16

Directorate	Gross budgeted spend	Gross budgeted income	Net budget	Forecast over/ (under) spend September 2015	Forecast over/ (under) spend May 2015
	£m	**£m**	**£m**	**£m**	**£m**
Children & Young People (1)	68.9	(17.8)	51.1	6.5	4.7
Community Services	**171.3**	**(75.0)**	96.3	(0.2)	2.0
Customer Services (2)	91.8	(48.2)	43.6	3.6	3.0
Resources & Regeneration	43.6	(13.9)	29.7	(1.8)	(1.1)
Directorate Totals	**375.6**	**(154.9)**	**220.7**	**8.1**	**8.6**
Corporate Items	25.5	0.0	25.5	0.0	0.0
Net Revenue Budget	**401.1**	**(154.9)**	**246.2**	**8.1**	**8.6**

(1) – gross figures exclude £279m Dedicated Schools' Grant expenditure, pupil premium expenditure £18m, Post 16 Funding £7m, and universal free meals expenditure £2m and all the matching grant income

(2) – gross figures exclude approximately £240m of matching income and expenditure for housing benefits.

5.2 The financial forecasts at this stage of the year are usually higher than the resulting outturn for various reasons. However, similar to the scale of the variances projected last year, the current overspending projections are significantly greater than those in recent earlier years. The council continues to face significant budget pressures.

5.3 Directorate Expenditure Panels (DEPs) operated throughout 2014/15, with the Corporate Expenditure Panel (CEP) becoming operational in October 2014. Both continue to operate in 2015/16, and following a review of the operation of these panels, it has been confirmed that the CEP will continue until at least the end of the financial year. This will ensure that a regular corporate oversight of the council's financial spending position remains in place.

5.4 Delivering a large package of revenue budget savings for 2015/16 is managerially complex and challenging. There is an inherent risk that some savings will be delivered later than planned, which would results in overspends within the year. As a result, officers will take a greater focus on monitoring the progress of savings being implemented.

5.5 The table below sets out the proportion of agreed savings delivered in the year. Any variances are included in the overall forecasts shown in the Table 1. The details and reasons for variances against the forecast delivery are set out in each of the directorate summaries in section six to nine.

Table 2 – Forecast Savings Delivery

Directorate	Savings Agreed for 2015/16	Forecast Delivery	Variance	
	£m	£m	£m	%
Children & Young People	6.8	5.6	1.2	18
Community Services	14.6	11.6	3.0	20
Customer Services	3.9	3.2	0.7	18
Resources & Regeneration	2.8	2.7	0.1	3
Corporate	3.3	3.3	0.0	0
Corporate Budget Adjustment	(3.2)	0.0	(3.2)	0
Total	**28.2**	**26.4**	**1.8**	**6**

6 CHILDREN AND YOUNG PEOPLE'S SERVICES

6.1 As at the end of September 2015, the Children and Young People's directorate is forecasting an overspend of £6.5m. At the same time last year, the year-end forecast was an overspend of £9m, with the actual year-end outturn being an overspend of £9.9m.

Table 3 – Children & Young People Directorate

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Children's Social Care Services	40.0	(1.1)	38.9	4.3
No Recourse to Public Funds	3.6	0.0	3.6	1.0
Standards & Achievements	2.8	(1.9)	0.9	0.0
Education Infrastructure	0.1	0.0	0.1	0.0
Partnerships/Targeted Services	15.0	(3.1)	11.9	1.3
Resources & Performance	7.4	(10.4)	(3.0)	(0.1)
Schools	0.0	(1.3)	(1.3)	0.0
Total	**68.9**	**(17.8)**	**51.1**	**6.5**

* The government grants include the Adoption Reform Grant, SEND reform grant, Troubled Families grant and Music grant

6.2 The most significant cost pressures for the directorate fall within the *children's social* care and *no recourse to public funds* service areas and together amount to £5.3m. The key issues pertaining to the pressures are set out in the following paragraphs.

6.2.1 For clients with no recourse to public funds, there is a cost pressure of £1m. These are families who seek support from the local authority under Section 17 of the Children's Act because they claim to have no financial means of supporting themselves whilst they are in the process of attempting to regularise their stay in the UK with the Home Office. There are currently 214 clients with no recourse to public funds compared to a peak of 286 in June 2014. The estimated cost to the end of year of the current clients is £4.8m.

6.2.2 The pilot team has been working with the Home Office to get code 1a (entitlement to mainstream benefits) granted for cases the council is supporting. In total, 129 cases have been granted this status change since the pilot team began operating. The full year impact, once all of these cases have been transitioned is a cost reduction of £2.8m per annum. There are 54 clients, who have been changed to code 1a status which the council continue to make payments to. It is anticipated that on average it will take four to five months to ensure a comprehensive re-settlement process which will also reduce the likelihood of representations back to our housing needs service. On average there continues to be between four to 10 cases per week that are being converted to 1a status. Within the forecast, there is a saving of £0.6m which has been built into the figures to reflect the savings that will be made on these clients. When the full year impact of this is seen in 2016/17, it is expected that the spend will be within the current budget level of £3.6m.

6.2.3 Over the course of the year, there will be some new clients who present themselves to the council. Some will result in costs, but it is anticipated there will be a reduction in spend as support is ceased to other non code 1a clients. Officers are undertaking further work on the likely profile of new clients and clients which the council cease to support. Therefore, the forecast will be adjusted appropriately over the coming months.

6.2.4 The placement budget for *looked after children* is currently forecast to overspend by £1.7m with the current number of looked after children totalling 466. Total revenue budget savings on the placement budget of £1.5m were agreed by the Mayor for 2015/16. The work to implement these savings has been delayed due to staff changes. It is expected that some savings will be generated, but only toward the end of the financial year, with the full year effect likely to come through in 2016/17. The shortfall for 2015/16 is estimated to be in the region of £1.2m and this is included in the above overspend figure.

i. *Children leaving care* is currently forecast to overspend by £1.7m. The number of clients is now 98, whereas the average for last year was 74.

ii. There is an additional pressure on the *Section 17* unrelated to no recourse to public funds of £0.2m and on salaries and wages which show a forecast overspend of £0.7m. This has mainly been created by greater use of agency of the last three months.

6.3 The key unit costs and activity levels within children's social care are summarised in the following table.

Table 4 – Fostering Client Numbers

Placement type	Average weekly unit costs		Client numbers
	September 2015 (£)	September 2014 (£)	September 2015
Local Authority fostering	402	380	206
Agency fostering	902	873	180
Residential homes	3,492	3,205	53

6.4 The unit cost information set out in the table above demonstrates the importance of the directorate's strategy for shifting the balance of provision towards fostering, as well as reducing costs. As an example, every client moving from agency to local authority fostering results in a saving of around £26k per annum and around £135k for every movement from a residential placement to agency fostering.

6.5 The only other budget pressure in the rest of the directorate is on schools' transport within the *partnerships and targeted services* area. The final outturn on schools' transport at end of 2014/15 was an overspend of £1.1m. The number of children transported has stayed similar to last term, but the contract costs has increased as there has been a greater number of taxis journeys. The total extra costs being £0.3m. The forecast has been subsequently reduced to £1.3m and there has been progress on the increased use of independent travel and direct payments. A major transport review is underway.

7 COMMUNITY SERVICES

7.1 As at the end of September 2015, the Community Services directorate is forecasting an underspend of £0.2m. At the same time last year, the year-end forecast was an overspend of £0.2m, with the actual year-end outturn being an underspend of £2.3m.

Table 5 – Community Services

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Adult Services Division	117.7	(44.2)	73.5	0.3
Cultural and Community Development	19.9	(7.0)	12.9	0.2
Public Health	12.4	(15.1)	(2.7)	0.3
Crime Reduction & Supporting People	19.5	(8.4)	11.1	0.1
Strategy & Performance	1.8	(0.2)	1.6	(0.1)
Community Reserves – transfers from reserves				(0.9)
Total	**171.3**	**(74.9)**	**96.4**	**(0.2)**

7.2 These forecasts assume no community services spend on budgets transferred to other directorates as part of reorganisations of business support, strategy and performance. The overall position for Community Services now assumes the drawdown of £0.9m from earmarked reserves in respect of the following areas - Public Health £0.25m, adult social care – health transfer section 256 of £0.3m, local assemblies £51k, community sector grants £0.2m, youth offending service-IT £0.06m and The Broadway Theatre equipment £0.05m.

7.3 The *adult services* division is forecast to overspend by £0.3m (£1.9m, May 2015). This projection assumes achievement later in the year of revenue budget savings of £1.7m in addition to savings already achieved and includes use of non-recurrent funding totalling £2.4m. At the end of the last financial year, adult services overspent by £2m. The projection is a reduction on May's position reflecting reductions in projected spend on implementation of the Care Act and delayed award of home care contracts including payment for travel time.

7.4 There are a number of over and underspends forecast against individual services within adult social care. The key issues for members to note are as follows:

i. The largest overspends are on budgets for packages and placements where current forecasts are for an overspend of up to £1.9m.

ii. Although there are some demographic pressures, these overspends are largely as a result of delayed achievement of savings proposals. Savings totalling £7.5m were agreed for adult social care for 2015/16 and these are in addition to the revenue budget savings of £6.8m agreed for 2014/15. In most cases, these budget savings have been implemented, but the full impact will take some months to come through because it requires a review of individual packages.

iii. In two cases, the implementation is considered complex and is yet to be started.

A2i Learning disability supported accommodation. A new framework was approved by Mayor & Cabinet (Contracts) on 15 July 2015 and implementation is now proceeding

A3 Re-configuration of day care including transport. Proposals were agreed by Mayor & Cabinet on 15 July 2015.

iv. The following revenue budget savings will not be achieved until 2016/17:

- Meals – £0.25m – contract expires in 2016/17
- Support Services (sheltered housing, linkline etc.) – £0.25m

v. The impact of delayed achievement has been partially offset in 2015/16 by use of non-recurrent funding received from health of £1.25m. The underlying overspend, excluding this one-off support, is £2.4m.

vi. Overall, underachievement of £2.7m against the savings target is forecasted this year.

vii. The forecast currently assumes underspends against some elements of the Better Care Fund supporting local authority budgets but that the Fund will be reallocated to other Council budgets . Over the course of the next few weeks officers will be doing further work on spend estimates for the Fund, as there are some early indications that underspends on the schemes overall could be up to circa £4m. For specific grants paid in 2015/16 for implementation of the Care Act, the delay in government reforms means that there is no need to do the assessments for self-funders. An underspend of some £500k has been projected.

viii. The forecasts in this report do not include the effect of transitions from children's social care.

ix. The forecasts assume an in year underspend of £1.4m against the growth allocated for the increase in London living wage, payment of travelling time etc. New home care contracts, expected to be in place by February 2016, will include travel time and the growth sum is expected to be fully committed in 2016/17.

7.5 The *cultural and community development division* is still forecasting an overspend of £0.2m. This compares to an underspend of £1.6m at 2014/15 outturn. However, transfers from earmarked reserves will reduce this overspend down to a balanced budget position for the division. The voluntary and community sector grants budget is forecasting an overspend of £0.2m. However, this variance will be fully offset by the agreed use of earmarked reserves set aside to cover the cost of additional once off grant allocations for 2015/16. There will also be a managed underspend of £0.1m on the leisure management lifecycle and dilapidations budget and an underspend of £0.1m Community and Neighbourhood Development budget team core staffing budget due to staff vacancies. These variances will be used to offset the potential overspend of £0.2m resulting from slippage on the implementation of the 2015/16 savings proposals on the Broadway Theatre.

7.6 The potential variance of £0.08m on the Deptford Lounge budget resulting from a combination of low levels of income generated from third party room hire and the increasing cost of reactive maintenance on the building will now be contained within the overall budget for the Libraries Service. The Broadway Theatre budget is forecasted to overspend by £0.28m due to slippage against the delivery of 2014/15 and 2015/16 savings and the need to fund essential equipment and technical works. This will be reduced, however, by transfers from reserves to fund the equipment and technical works (£0.05m). The remaining financial pressure of £0.22m on the Broadway Theatre will be contained within the overall divisional budget.

7.7 An underspend of £0.1m on the Local Assemblies Fund devolved budget was carried forward to 2015/16 through an earmarked reserve. This expenditure will show as an overspend on the service budget, but this will be fully funded by a drawdown from the reserve.

7.8 The Adult Learning Lewisham (formerly Community Education Lewisham) service is almost entirely funded from a combination of grant from the Skills Funding

Agency (SFA) and student fee income. The curriculum delivery plan for the 2015/16 academic year will be set in line with available resources and the service is currently expected to spend to budget.

7.9 An overspend of £0.1m is forecast for *crime reduction and supporting people, this is £.1m down on last month due to a reduction in the potential overspend on the Crime, Enforcement and Regulation Service.* This compares to an underspend of £1.4m in 2014/15. The agreed saving of £0.8m resulting from the review of the *crime, enforcement and regulatory services* functions is now expected to be largely fully delivered despite the implementation date for the new service being delayed until 3 August 2015. A combination of some staff leaving earlier than expected and recruitment drag on posts left vacant by the restructure means the budget is now projecting a small variance of just £30k. The full costs of the redundancies arising from the service restructure will be funded centrally following the agreement to transfer £0.2m to reserves from the service underspend in 2014/15. The supporting people budget is projecting a small underspend of £0.05m resulting primarily from the reimbursement of contract costs incurred in the 2014/15 financial year.

7.10 At this stage, an overspend of £0.05m is projected on the budget for secure remand placements within the *youth offending service*. This comes as a result of a reduction in the 2015/16 grant paid by the Ministry of Justice to part fund the cost of secure remand placements in young offenders' institutes. The current overspend of £0.1m represents the loss of grant and currently assumes similar remand activity levels to 2015/16. However, this can be a volatile area of spend which is not entirely controllable in that costs are driven by the number of local young people ordered into secure remand by the courts, the severity of their offences and hence how long they are held pending the court process. Additionally, £0.05m will be spent in 2015/16 to fund the replacement of the current youth offending information system. This is the data management system specific to youth justice providers across England and Wales. This will also represent an overspend against the service budget, but will be funded by a transfer from an earmarked reserve created at the end of 2014/15 for this purpose.

7.11 In the 2015/16 budget process, savings totalling £2.7m were agreed on the budgets for *public health* and funded by public health grant. Eligible spend has been identified elsewhere in the council, so the council can retain the grant. However, budgets have not yet been moved to reflect this. Therefore, as at end of June 2015, the public health division had a net credit budget of £2.7m. There has been some delay in reallocating these budgets, but officers will ensure that the reallocation is completed by the end of November 2015.

7.12 Similarly, savings were agreed on drugs & alcohol budgets funded by public health budgets within *crime reduction & supporting people* and these services currently have budgets with a credit value of £0.5m. These will also be reallocated within the same timescale.

7.13 Not all of the public health savings have yet been achieved with particular problems with renegotiation of contracts with LG Trust. So although at this stage an overspend is indicated, it is expected that these savings will be delivered in full in 2016/17 and in the current financial year will be supported by use of a £250k carry forward of 2014/15 public health grant. The reported position does not include the possible in-year reduction to Public Health Grant.

7.14 The *strategy, improvements and partnerships division* is projecting a small underspend against the budget.

8. CUSTOMER SERVICES

8.1 As at the end of September 2015, the Customer Services directorate is forecasting an overspend of £3.6m, an increase of £0.6m from the reported position as at the end of May 2015. At the same time last year, the year-end forecast was an overspend of £1.9m, with the actual year-end outturn being an overspend of £3.6m.

Table 6 – Customer Services

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Strategic Housing	13.9	(10.0)	3.9	2.7
Environment	38.0	(19.2)	18.8	0.5
Public Services*	31.4	(17.6)	13.8	0.5
Technology and Change	8.5	(1.4)	7.1	(0.1)
Total	**91.8**	**(48.2)**	**43.6**	**3.6**

* - excludes £240m of matching income and expenditure in respect of housing benefits

8.2 The *strategic housing service* is projecting an overspend of £2.7m, an increase of £0.3m compared to the position as at the end of May 2015. This relates solely to nightly paid temporary accommodation, more commonly referred to as bed and breakfast.

8.3 The number of bed and breakfast tenancies as at end of September 2015 was 583, compared to 586 reported in May. This compares to 509 at the same time in 2014, and is an increase of 24 on the figure of 559 at the end of 2014/15.

8.4 Prior to August, numbers had reached a relative level of stability compared to the sharp increases experienced during the last financial year, which saw numbers peak at 616 in February 2015. Numbers increased by 64 between July and August 2014 suggesting that the increase this month is potentially a seasonal blip.

8.5 In recent months, a review of practices and a staffing reorganisation have led to a more rigorous approach to both prevention methods and decision making in respect of accepting a homelessness duty. As this settles down, numbers are expected to reduce, assuming that numbers of applications remain at their current levels.

8.6 Officers are also focusing on income collection, either by ensuring those that are entitled to benefits have claimed them or by improving rent collection from those that are not entitled. If successful, this will lead to a reduction in the bad debt provision required and a subsequent reduction in the forecasted overspend.

8.7 In an effort to control accommodation costs, the council is participating in a pan London scheme intended to restrict the ability of providers to charge excessive rates to boroughs procuring accommodation across London. The impact this scheme is having will be reported through to members as part of the financial forecast report in due course.

8.8 Significant investment has also been made in procuring additional temporary accommodation units. The majority of these will not become available until early 2016, so will impact mainly on the 2016/17 position.

8.9 The projection assumes that resources will be identified to cover unachievable savings in respect of hostels income (£0.2m) and expected reduced costs in Housing Needs in respect of moving the service to Holbeach. The former did not get the required consent of the Secretary of State and the latter move did not take place after a revision of the accommodation plan.

8.10 The *environment division* is forecasting an overspend of £0.5m. This is an increase of £0.4m compared to the figure reported in May.

8.11 The overspend has arisen in the Green Scene and Strategic Waste Management departments within the division. The former relates to the savings proposal to increase community and voluntary sector engagement in the maintenance of small parks. When approving the proposal, members requested that additional consultation with park stakeholders should take place. This resulted in a later than planned implementation date which has subsequently slipped back further. This has resulted in a projected overspend of £0.2m.

8.12 As with the Council's previous dry recycling provider, some months into agreement, the current provider is claiming excessive levels of contamination and have invoiced the council for the additional costs of processing in disposal. The increased charges, significantly higher than those charged for the disposal of residual waste, will cost the council an estimated £0.3m in a full financial year. Officers are continuing to negotiate with the contractor, but it is likely that the council will incur additional costs this year.

8.13 The division is also showing a £0.1m overspend in street management. Changes in contractual arrangements with JC Decaux have resulted in an increase in the cost of providing automated public conveniences. As the contract has produced savings elsewhere within the council, a request will be submitted for this overspend to be covered by corporate resources.

8.14 The *public services division* is forecasting an overspend of £0.5m arising from delays in the implementation of the new business support service, agreed as a part of the 2015/16 budget savings process. The service is now expected to be established and operational from October 2015, the effect of which is that only half of the proposed saving of £0.9m will be achieved in the current year.

8.15 An underspend of £0.1m is being forecast in the technology and change division. This is as a result of higher than anticipated savings arising from the new photocopying contract.

9. RESOURCES AND REGENERATION

9.1 As at the end of September 2015, the Resources and Regeneration directorate is forecasting an underspend of £1.8m. At the same time last year, the year-end forecast was an underspend of £0.5m, with the actual year-end outturn being an underspend of £2.1m.

Table 7 – Resources and Regeneration

Service Area	Gross Budgeted Spend	Gross Budgeted Income	Net Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Corporate Resources	5.0	(2.3)	2.7	0.0
Corporate Policy & Governance	3.8	0	3.8	(0.5)
Financial Services	5.4	(1.2)	4.2	(0.4)
Executive Office	0.2	0	0.2	0
Human Resources	3.0	(0.3)	2.7	(0.3)
Law	3.0	(0.4)	2.6	0
Strategy	2.5	(0.5)	2.0	(0.2)
Planning	3.3	(1.6)	1.7	(0.8)
Regeneration & Asset Management	17.3	(7.3)	10.0	0.4
Reserves	0.0	(0.3)	(0.3)	0.0
Total	**43.5**	**(13.9)**	**29.7**	**(1.8)**

9.2 The *corporate resources* division is forecasting a nil variance. This division includes the insurance budget which, as highlighted in previous years, may change once the outcome of the annual actuarial valuation is known (towards the end of the year) which recommends any necessary contributions to provisions and reserves.

9.3 The *corporate policy & governance* division is forecasting an underspend of £0.5m. This is mainly in respect of staffing costs where the outcome of the staffing reorganisation has resulted in a number of vacant posts plus a number of secondments to other areas of the council.

9.4 The *financial services* division is forecast to underspend by £0.4m. This partly relates to the contingency for the directorate that is held within this division. There is also underspending due to vacant posts, and additional income receivable from schools and the pension fund.

9.5 The *human resources* division is forecast to underspend by £0.3m. This is mainly due to vacant posts across the division.

9.6 The *legal services* division is currently forecasting a nil variance.

9.7 The *strategy* division is forecasting an underspend of £0.2m. This is mainly due to reduced recruitment of apprentices in this year's cohort, and a staffing underspend due to vacant posts in the communications unit.

9.8 The *planning* division is forecasting an underspend of £0.8m. This forecast is based on exceptionally high levels of planning fee income received during the first six months of the year, along with receipt of £0.1m of New Burdens Grant relating to land charges search fees restitution claims. The high levels of planning fee income currently being received is the main reason for the Directorate underspend increasing significantly from the position at the end of May.

9.9 The *regeneration & asset management* division is forecasting an overspend of £0.4m. There are a number of under and overspends in this area, which include increased income from commercial rents and underspending on staffing costs being offset by reduced network management income from utility companies and the costs of managing the corporate estate.

10 CORPORATE PROVISIONS AND TREASURY MANAGEMENT

10.1 The Corporate financial provisions include working balances, *capital expenditure charged to the revenue account* (CERA), and interest on revenue balances. These provisions are not expected to overspend although, with the impact of continued reductions in service budgets, there is ever greater pressure on working balances. Certainty on their outturn only becomes clear towards the end of the financial year.

10.2 With continued concerns about the stability of the banking sector, the council's treasury management strategy continues to be focused on avoiding risk, wherever possible. With investment returns still at historically low levels, albeit with indications of modest rate rises possible early next year, there is little opportunity to seek higher returns. However, the council continues to keep its strategy under review and assess alternative investment strategies to find the appropriate balance in the trade off between return and risk. Members should note that similar to last year, a sum of £3.2m is being held corporately to help manage ‘risks and other pressures’ during 2015/16.

11 DEDICATED SCHOOLS’ GRANT

11.1 The current level of the Dedicated Schools Grant (DSG) is as follows:

Table 8 – Dedicated Schools Grant

DSG Area	Before Academy Recoupment	After Academy Recoupment
	£m	£m
Schools block	214.607	188.140
Early years block	21.196	21.196
High needs block	43.588	42.624
Total additions for non-block funding	0.052	0.052
Total DSG allocation	**279.443**	**252.012**

Note: The above table excludes the Pupil Premium (£18m), Post 16 funding (£7m), and Universal Free School Meals Grant (£2m).

<u>Schools Budget Plans</u>

11.2 The Council have now received budget returns from all schools.

11.3 There are two secondary schools with deficit budgets. These are Sedgehill and Deptford Green schools. There is also one primary school, which is All Saints.

11.4 The school budget plans are indicating a total carry forward for all Lewisham schools at the end of 2015/16 of some £5m. Traditionally, the actual year end carry forward is somewhat different from the budget plans of schools. Usually the year end position is two to two and a half times higher than budget plans. In past years' the budget plans have shown a carry forward of around £6m.

11.5 As at the end of last year, the overspend position on High Needs pupils was higher than expected. This was caused by more placements being made to providers outside of Lewisham. These placements were not in the independent sector but in further education colleges, other local authorities maintained schools and academies. The full year impact of these placements results in a shortfall in the funding this year of £2m. This can be met out of the contingency for 2015/16. The High Needs sub group of the Schools Forum will consider how the budget can be balanced in the long term, they will report back with their recommendations to the full Forum on the 10 December 2015. This is the date the Forum will set next year's budget.

12. HOUSING REVENUE ACCOUNT

12.1 The table below sets out the current budget for the Housing Revenue Account (HRA) in 2015/16. An underspend of £2.3m is being reported, compared to the balanced position reported at the end of May 2015.

Table 9 – Housing Revenue Account

	Expenditure Budget	Income Budget	2015/16 Budget	Forecast over/ (under) spend
	£m	£m	£m	£m
Customer Services - Housing	12.1	(3.0)	9.1	0
Lewisham Homes & R&M	35.7	0	35.7	(1.0)
Resources	2.1	0	2.1	0
Centrally Managed Budgets	50.8	(97.7)	(46,9)	(1.3)
Total	**100.7**	**(100.7)**	**0**	**(2.3)**

12.2 Lewisham Homes manages certain budgets on behalf of the council in addition to those formally delegated to them. Following two years of significant underspending, the repairs and maintenance budget is expected to underspend again this year. This in part reflects the continued investment in the decent homes programme, which has tended to reduce demand for day to day repairs and maintenance as properties are brought up to standard. An underspend of £1.0m is projected in the current year.

12.3 A review of asset management spending requirements has been undertaken and officers are currently considering the outcome. It is envisaged that any underspend in repairs and maintenance will be reinvested in revised asset management priorities arising from the review.

12.3 Overall, the HRA is expected to make a surplus on its activities during 2015/16. It will continue to build upon its reserves on an annual basis and this is mainly to ensure that there are sufficient resources available to fund the current 30 year business plan which seeks to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term.

12.4 In addition to the underspend in repairs and maintenance budgets, the current projected surplus of £2.3m includes £1.3m arising from increased tenants' rental and leaseholder service charge income. The former has arisen due to of lower than budgeted void rates in respect of tenanted properties. The additional leaseholder income is as a result of major works income.

12.5 After transfers to reserves, the HRA is expected to report a balanced budget position.

13. COLLECTION FUND

13.1 As at 30 September 2015, £56.1m of council tax had been collected, 50.9% of the total amount due for the year of £110.2m. This is the slightly below the profiled rate required of 51.2% if the overall target of 96% is to be met. The rate being achieved at this time last year was 51.1%

13.2 Business rates collection is at 64.6%, an increase of 1.8% compared to the same period last year but 0.1% lower than the profiled collection rate required if the overall target rate for the year of 99% is to be achieved.

14. CAPITAL EXPENDITURE

14.1 The overall spend to 30 September is £44.8m, which is 39% of the revised budget of £116.2m, and below the profile figure expected if the programme is to be delivered in full. However, the year end expenditure is forecast to be the same as the revised budget. The revised budget shows a decrease to the budget figure in May 2015 of £154.8m. This is mainly as a result of re-profiling the HRA capital budgets. The comparable expenditure figure last year was 26% of the revised budget of £147m, with the final outturn being 89% of the revised budget of £137.3m. The following table gives a breakdown of the budget and spend to date.

Table 10 – Capital Programme

2015/16 Capital Programme	Original 2015/16 Budget (Per 2015/16 Budget Report)	Revised Budget	Spend to 30 September 2015	Spend to Date (on Revised Budget)
	£m	£m	£m	%
Community Services	0.4	0.7	0.2	33
Resources & Regeneration	9.0	17.1	3.0	18
CYP	23.5	32.8	28.1	86
Customer Services	0.2	1.0	0.1	9
Housing (Gen Fund)	29.3	25.7	2.0	8
Total General Fund	**62.4**	**77.4**	**33.4**	**43**
HRA - Council	22.3	6.8	0.4	5
HRA - Lewisham Homes	47.9	32.0	11.1	35
Total HRA	**70.2**	**38.8**	**11.5**	**29**
Total Expenditure	**132.6**	**116.2**	**44.8**	**39**

14.2 The table below shows the current position on the major projects in the 2015/16 general fund capital programme (i.e. those over £1m in 2015/16).

Table 11 – Major Capital Projects

2015/16 Capital Programme	Original 2015/16 Budget (Per 2015/16 Budget Report)	Revised Budget	Spend to 30 September 2015	Spend to Date (on Revised Budget)
	£m	£m	£m	%
Housing Regeneration Schemes (Kender, Excalibur, Heathside and Lethbridge)	4.5	6.0	0.9	16
Primary Places Programme	15.7	17.0	23.2	137
BSF – Sydenham	4.8	4.9	1.6	32
BSF – Brent Knoll	0.0	1.7	1.5	90
Other Schools Capital Works	3.1	7.9	2.3	28
Disabled Facilities / Private Sector Grants	1.3	1.3	0.5	41
Asset Management Programme	2.5	2.7	0.1	5
Acquisition – Hostels Programme	2.8	6.0	0.2	3
Grove Park Streetscape Improvements		1.2	0.0	0
Brookdale Club - Freehold Property Purchase		1.2	0.3	21
Property Acquisition – LH	20.0	11.0	0.0	0
Highways and Bridges (TfL)	2.0	4.7	0.1	2
Highways and Bridges (LBL)	3.5	4.0	1.6	41
Other Schemes less than £1m	2.2	7.8	1.1	14
Grand Total	**62.4**	**77.4**	**33.4**	**43**

14.3 The main sources of financing the programme include grants and contributions, and capital receipts from the sale of property assets. £8.6m of usable receipts have been received so far this year, comprising £2.8m in respect of previous year's housing stock transfers, £3.1m (net) from housing Right-To-Buy sales and £2.7m from other sales.

15 FINANCIAL IMPLICATIONS

15.1 This report concerns the financial forecasts for the 2015/16 financial year. However, there are no direct financial implications in noting these.

16 LEGAL IMPLICATIONS

16.1 The Council must act prudently in relation to the stewardship of Council taxpayers' funds. The Council must set and maintain a balanced budget.

17 CRIME AND DISORDER ACT IMPLICATIONS

17.1 There are no crime and disorder implications relevant to this report.

18 EQUALITIES IMPLICATIONS

18.1 There are no equalities implications relevant to this report.

19 ENVIRONMENTAL IMPLICATIONS

19.1 There are no environmental implications relevant to this report.

20 CONCLUSION

20.1 The report presents the half year position of the council financial position and shows that officers have continued to apply sound financial controls. However, the short and medium-term outlook remains difficult and continued strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2015/16 and beyond.

BACKGROUND PAPERS AND APPENDICES

Short Title of Report	Date	Location	Contact
Financial Forecasts 2015/16	22 July 2015 (M&C)	3rd Floor Laurence House	Richard Lambeth
Financial Outturn for 2014/15	3 June 2015 (M&C)	3rd Floor Laurence House	Richard Lambeth
2015/16 Budget	25 February 2015 (Council)	3rd Floor Laurence House	Shola Ojo

For further information on this report, please contact Selwyn Thompson, Head of Financial Services on 020 8314 6932

PUBLIC ACCOUNTS SELECT COMMITTEE			
Report Title	**Treasury Management Mid-year Review Report 2015/16**		
Key Decision	No		Item No: 5
Ward	All		
Contributors	**Executive Director for Resources & Regeneration**		
Class	Part 1		Date: 28 October 2015

1. EXECUTIVE SUMMARY

1.1 The report presents the current economic conditions in which the Council is operating in respect of its investments and borrowing. It then sets out the Council's treasury performance and Capital position as at 30th September 2015. It also provides updates on the arrangements in place and an assessment of the current Treasury Management strategy as required by the Chartered Institute of Finance and Accountancy (CIPFA) Code of Practice.

1.2 The UK economy has performed well in 2015 and the outlook is optimistic for growth, continuing low inflation, low interest rates and low unemployment. However, this perspective is tempered by the following risks:

- Geopolitical risks with instability in strategic regions,
- Weakening global growth, in particular in China, Japan and Emerging Markets, and.
- Recapitalisation of European banks and a resurgence of the Eurozone sovereign debt crisis.

1.3 In terms of performance, the capital expenditure estimate for 2015/16 has fallen to £116m, from £133m. On current plans no difficulties are envisaged for the current or future years in complying with the Code's requirements for prudential borrowing. Council investments are managed within the agreed parameters and delivered a yield (on an annualised basis) for the six months to 30 September of 0.65% (up from 0.58% last year). For this risk profile this performance is in line with the benchmark group of London Authorities.

1.4 There are no changes proposed to the Treasury Management strategy proposed at this time. However, Members are asked to note the changes to the rating approach adopted by the Council's advisors and officers intention to explore use of longer term (more than one year) pooled investment funds within the non-specified investments parameters of the treasury management strategy.

3. STRUCTURE

3.1. The rest of this report is structured with the following sections:

- Purpose
- Recommendations
- Policy Context
- Background
- Economic Update
- Treasury Management Strategy Statement And Annual Investment Strategy Update
- The Council's Capital Position
- Investment Portfolio 2015/16
- Borrowing
- Debt Rescheduling
- New Banking Contract

4. PURPOSE OF THE REPORT

3.1 This mid-year review has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. It covers the following:

(i) An economic update for the first six months of 2015/16;

(ii) A review of the Treasury Management Strategy Statement and Annual Investment Strategy;

(iii) The Council's capital expenditure (prudential indicators);

(iv) A review of the Council's investment portfolio for 2015/16;

(v) A review of the Council's borrowing strategy for 2015/16;

(vi) A review of any debt rescheduling undertaken during 2015/16; and

(vii) A review of compliance with Treasury and Prudential Limits for 2015/16.

5. RECOMMENDATIONS

5.1. The Public Accounts Select Committee is asked to note the report, in particular the:

- macro economic context, performance of investments to date, updates on capital expenditure and borrowing in line with CIPFA requirements and the Council's treasury management strategy.
- changes to the credit methodology adopted by the Council's advisors – Capita Asset Services – whereby viability, financial

strength, and support ratings will not be considered as key criteria in the choice of creditworthy investment criteria (Section 8).

- intention of officers to explore the use of pooled investment funds for periods of greater than twelve months, for example property funds, and that, if required, changes to non-specified investments in the Annual Investment Strategy will be brought forward when the treasury strategy is reset with the budget in February 2016.

6. POLICY CONTEXT

5.1 The contents of this report are consistent with the Council's policy framework. It supports the achievement of the Council's corporate priority to ensure efficiency, effectiveness and equity in the delivery of excellent services to meet the needs of the community.

7. BACKGROUND

7.1. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

7.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

7.3. Accordingly, treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

7.4. The Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011). The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year. (This is the mid year report).
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Public Accounts Select Committee.

8. ECONOMIC UPDATE

8.1. The Economic update is provided by our Treasury Advisors Capital Asset Services:

UK economic performance to date and outlook

8.2. UK GDP growth rates in 2013 of 2.2% and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again, possibly being equal to that of the US. However, quarter 1 of 2015 was weak at +0.4% (+2.9% y/y) though there was a rebound in quarter 2 to +0.7% (+2.4% y/y). Growth is expected to weaken to about +0.5% in quarter 3 as the economy faces headwinds for exporters from the appreciation of Sterling against the Euro and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme, although the pace of reductions was eased in the Summer Budget. Despite these headwinds, the Bank of England August Inflation Report had included a forecast for growth to remain around 2.4 – 2.8% over the next three years, driven mainly by strong consumer demand as the squeeze on the disposable incomes of consumers has been reversed by a recovery in wage inflation at the same time that CPI inflation has fallen to, or near to, zero over the last quarter. Investment expenditure is also expected to support growth. However, since the report was issued, the Purchasing Manager's Index, (PMI), for services on 5 October would indicate a further decline in the growth rate to only +0.3% in Q4, which would be the lowest rate since the end of 2012. In addition, worldwide economic statistics and UK consumer and business confidence have distinctly weakened so it would therefore not be a surprise if the next Inflation Report in November were to cut those forecasts in August.

8.3. The August Bank of England Inflation Report forecast was notably subdued in respect of inflation which was forecast to barely get back up to the 2% target within the 2-3 year time horizon. However, with the price of oil taking a fresh downward direction and Iran expected to soon rejoin the world oil market after the impending lifting of sanctions, there could be several more months of low inflation still to come, especially as world commodity prices have generally been depressed by the Chinese economic downturn.

8.4. There are therefore considerable risks around whether inflation will rise in the near future as strongly as had previously been expected; this will make it more difficult for the central banks of both the US and the UK to raise rates as soon as was being forecast until recently, especially given the recent major concerns around the slowdown in Chinese growth, the knock on impact on the earnings of emerging countries from falling oil and commodity prices, and the volatility we have seen in equity and bond markets in 2015 so far, which could potentially spill over to impact the real economies rather than just financial markets.

USA

8.5. The American economy made a strong comeback after a weak first quarter's growth at +0.6% (annualised), to grow by no less than 3.9% in quarter 2 of 2015. While there had been confident expectations during the summer that the Fed. could start increasing rates at its meeting on 17 September, or if not by the end of 2015, the recent downbeat news about Chinese and Japanese growth and the knock on impact on emerging countries that are major suppliers of commodities, was cited as the main reason for the Fed's decision to pull back from making that start. The nonfarm payrolls figures for September and revised August, issued on 2 October, were disappointingly weak and confirmed concerns that US growth is likely to weaken. This has pushed back expectations of a first rate increase from 2015 into 2016.

Eurozone

8.6. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This already appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to a significant improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and looks as if it may maintain this pace in quarter 3. However, the recent downbeat Chinese and Japanese news has raised questions as to whether the ECB will need to boost its QE programme if it is to succeed in significantly improving growth in the EZ and getting inflation up from the current level of around zero to its target of 2%. During July, Greece finally capitulated to EU demands to implement a major programme of austerity and is now cooperating fully with EU demands.

China and Japan

8.7. Japan is causing considerable concern as the increase in sales tax in April 2014 has suppressed consumer expenditure and growth. In Q2 2015 growth was -1.6% (annualised) after a short burst of strong growth of 4.5% in Q1. During 2015, Japan has been hit hard by the downturn in China. This does not bode well for Japan as the Abe government has already fired its first two arrows to try to stimulate recovery and a rise in inflation from near zero, but has dithered about firing the third, deregulation of protected and inefficient areas of the economy, due to political lobbies which have traditionally been supporters of Abe's party.

8.8. As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market. Many commentators are concerned that recent growth figures around that figure, could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much bank lending to corporates and local government during the post 2008 credit expansion period and whether the bursting of a bubble in housing prices is drawing nearer. Overall, China is still expected to achieve a growth figure that the EU would be envious of. However, concerns about whether the Chinese cooling of the economy could be heading for a hard landing, and the volatility of the Chinese stock market, have caused major volatility in financial markets in August and September such that confidence is, at best, fragile.

Emerging countries

8.9. There are considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in western currency denominated debt since the financial crisis, caused by western investors searching for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields (due to QE), and near zero interest rates, into emerging countries, there is now a strong current flowing to reverse that flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields. This change in investors' strategy and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US and UK, has helped to cause the dollar and sterling to appreciate. In turn, this has made it much more costly for emerging countries to service their western currency denominated debt at a time when their earnings from commodities are depressed. There are also going to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates, if available at all.

8.10. Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by sovereign wealth funds of countries highly exposed to falls in commodity prices which, therefore, may have to liquidate investments in order to cover national budget deficits.

Capita Asset Services' Interest Rate Forecast

8.11. Table 1: The Council's treasury advisor, Capita Asset Services, has provided the following forecast.

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Bank rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%
5yr PWLB rate	2.40%	2.50%	2.60%	2.80%	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.00%	3.20%	3.30%	3.40%	3.50%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%
50yr PWLB rate	3.60%	3.80%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%

8.12. Capita Asset Services undertook its last review of interest rate forecasts on 11 August shortly after the quarterly Bank of England Inflation Report. Later in August, fears around the slowdown in China and Japan caused major volatility in equities and bonds and sparked a flight from equities into safe havens like gilts and so caused PWLB rates to fall below the above forecasts for quarter 4 2015. However, there is much volatility in rates as news ebbs and flows in negative or positive ways and news in September in respect of Volkswagen, and other corporates, has compounded downward pressure on equity prices. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

8.13. Despite market turbulence since late August causing a sharp downturn in PWLB rates, the overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

8.14. The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

8.15. The disappointing US nonfarm payrolls figures and UK PMI services figures at the beginning of October have served to reinforce a trend of increasing concerns that growth is likely to be significantly weaker than had previously been expected. This, therefore, has markedly increased concerns, both in the US and UK, that growth is only being achieved by monetary policy being highly aggressive with central rates at near zero and huge QE in place. In turn, this is also causing an increasing debate as to how realistic it will be for central banks to start on reversing such aggressive monetary policy until such time as strong growth rates are more firmly established and confidence increases that inflation is going to get back to around 2% within a 2-3 year time horizon. Market expectations in October for the first Bank Rate increase have therefore shifted back sharply into the second half of 2016.

8.16. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate. Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

8.17. The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The ECB severely disappointing financial markets with a programme of asset purchases which proves insufficient to significantly stimulate growth in the EZ.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

9. CHANGES IN CREDIT RATING METHODOLOGY

9.1. The main rating agencies (Fitch, Moody's and Standard & Poor's) have, through much of the financial crisis, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies have begun removing these “uplifts” with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have “netted” each other off, to leave underlying ratings either unchanged or little changed. A consequence of these new methodologies is that they have also lowered the importance of the (Fitch) Support and Viability ratings and have seen the (Moody’s) Financial Strength rating withdrawn by the agency.

9.2. In keeping with the agencies’ new methodologies, the credit element of our own credit assessment process now focuses solely on the Short and Long Term ratings of an institution. While this is the same process that has always been used by Standard & Poor’s, this has been a change to the use of Fitch and Moody’s ratings. It is important to stress that the other key elements to our process, namely the assessment of Rating Watch and Outlook information as well as the Credit Default Swap (CDS) overlay have not been changed.

9.3. The evolving regulatory environment, in tandem with the rating agencies’ new methodologies also means that sovereign ratings are now of lesser importance in the assessment process. Where through the crisis, clients typically assigned the highest sovereign rating to their criteria the new regulatory environment is attempting to break the link between sovereign support and domestic financial institutions. While this authority understands the changes that have taken place, it will continue to specify a minimum sovereign rating of ….. This is in relation to the fact that the underlying domestic and where appropriate, international, economic and wider political and social background will still have an influence on the ratings of a financial institution.

9.4. It is important to stress that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution, merely a reassessment of their methodologies in light of enacted and future expected changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the 2008 financial crisis when they had higher ratings than now. However, this is not universally applicable, leaving some entities with modestly lower ratings than they had through much of the “support” phase of the financial crisis.

10. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY UPDATE

10.1. The Treasury Management Strategy Statement (TMSS) for 2015/16 was approved by Council on 25 February 2015.

10.2. No changes to the current treasury strategy are proposed at the current time.

10.3. Officers are exploring the option, as a non-specified investment, to use pooled investment funds for periods of greater than twelve months. For example, property funds. Such funds typically have relatively high entry and exit fees and therefore require a linger term investment horizon of five years plus. The use of such instruments can be deemed capital expenditure and as such will be an application (spending) of capital resources. The Authority will seek guidance on the status of any fund it may consider using and appropriate due diligence will also be undertaken before any such investment is committed to.

10.4. If required, changes to or clarifications within the non-specified investments Annual Investment Strategy will be brought forward when the treasury strategy is reset with the budget in February 2016.

11. THE COUNCIL'S CAPITAL POSITION (PRUDENTIAL INDICATORS)

11.1. This section of the report is structured to update on:

a) The Council's capital expenditure plans;

b) How these plans are being financed;

c) The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and

d) Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

11.2. This table shows the original estimates for capital expenditure and the changes since the capital programme was agreed by Council in the Budget.

Table2: Capital Expenditure by Service

2015/16 Capital Expenditure By Service	Original Estimate £m	Latest Expenditure (to end Sept 15) £m	Revised Estimate £m
Education	24	28	33
Highways and Regeneration	9	3	17
Housing General Fund	29	2	26
Other General Fund	1	0	1
Housing Revenue Account	70	12	39
Total Expenditure	**133**	**45**	**116**

Financing of the Capital Programme

9.3 The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 3: Capital Expenditure Financing

2015/16 Capital Expenditure Financing	**Original Estimate £m**	**Revised Estimate £m**
Total Expenditure	**133**	**116**
Financed by:		
Capital Grants	25	25
General Resources (Capital Receipts, Reserves and Revenue Contributions)	85	80
Total Financing Used	**110**	**105**
Borrowing Required	**23**	**11**

9.4 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Table 4: Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

2015/16 Prudential Indicators (as at the end of the year)	Original Estimate £m	Forecast Outturn £m
CFR – General Fund	403.7	400.4
CFR – HRA	83.6	79.8
Total Capital Financing Requirement	**487.3**	**480.2**
External Debt / Operational Boundary		
Borrowing	191.3	191.3
Other long term liabilities*	252.2	247.8
Total External Debt as at 31 March 16	**443.5**	**439.1**
New and Maturing Debt	0	0
Operational Boundary as at 31 March 16	**443.5**	**439.1**

** On balance sheet PFI schemes and finance leases etc.*

Limits to Borrowing Activity

9.6 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) is only undertaken for capital purposes. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has an approved policy for borrowing in advance of need which will be utilised if it is deemed to be prudent.

9.7 The Executive Director for Resources and Regeneration reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator. The table above shows the forecast position for the end of 2015/16 where the CFR is approximately £40m higher than the external debt.

9.8 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements and is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table 5: Limits to Borrowing

2015/16 Prudential Indicators (as at the end of the year)	Original Indicator £m	Forecast Indicator £m
Operational Boundary for External Debt	**450.3**	**439.0**
Provision for unexpected short term borrowing	46.0	46.0
Authorised Limit for External Debt	**496.3**	**485.0**

12. INVESTMENT PORTFOLIO 2015/16

12.1. In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. As set out in Section 7, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.

12.2. The Council held £365m of investments as at 30 September 2015 (£326m at 31 March 2015) and the investment portfolio yield for the first six months of the year is 0.65%.

12.3. The Council is a member of a London treasury benchmarking group (organised by Capita Services) along with 11 other London authorities. An extraction of the June benchmarking report is shown in Appendix 2. This shows that the return on investments in June is in-line with the model weighted average rate of return provided by the Council's treasury advisors and based on the overall risk the investments are exposed to.

12.4. A full list of investments held as at 30 September 2015 is shown below:

Table 6: Fixed Term Deposits

Counterparty	Duration	Principal £m	Rate	Interest £
Standard Charter Bank (CD)	183	10.000	0.72%	34,600
Bank of Scotland Plc (TD)	364	5.000	1.00%	49,863
Lloyds Bank Plc (TD)	364	5.000	1.00%	49,863
Rabobank Nederland (TD)	364	5.000	0.83%	41,386
Lloyds Bank Plc (TD)	365	5.000	1.00%	50,000
Barclays Bank Plc (TD)	365	5.000	0.93%	46,500
The Royal Bank of Scotland Plc (CD)	365	20.000	0.90%	174,052

Counterparty	Duration	Principal £m	Rate	Interest £
Barclays Plc (TD)	183	10.000	0.66%	33,090
Landesbank Hessen – Helaba (TD)	183	10.000	0.76%	38,104
The Royal Bank of Scotland Plc (CD)	365	20.000	0.89%	172,051
Lloyds Bank Plc (TD)	365	10.000	1.00%	100,000
Credit Industriel et Commercial (TD)	186	5.000	0.72%	17,951
Landesbank Hessen – Helaba (TD)	182	5.000	0.72%	17,951
Cooperative Centrale Raiffeisen Boerenlenbank (TD)	184	15.000	0.67%	50,663
Societe Generale (CD)	182	10.000	0.73%	34,909
Landesbank Hessen – Helaba (TD)	185	5.000	0.70%	17,740
Nationwide BS (TD)	184	5.000	0.66%	16,636
Santander UK Plc (TD)	176	5.000	0.71%	17,118
Credit Agricole (TD)	182	10.000	0.70%	34,904
DZ Bank AG (TD)	182	15.000	0.69%	51,608
Skandinaviska Enskilda Banken AB (CD)	274	10.000	0.73%	52,560
Standard Charter Bank (CD)	365	10.000	0.90%	87,026
Credit Agricole (CD)	365	15.000	0.95%	138,041
Skandinaviska Enskilda Banken AB (CD)	365	10.000	0.84%	81,024
Pohjola Bank (TD)	364	20.000	0.96%	191,474

10.5 In addition to the fixed investments above, the Council holds certain funds in the money markets, call accounts, and treasury bills. A list of these investments held as at 30 September 2015 is shown below:

Money Market Funds

MMF Counterparty	Principal £m	Average Interest
Ignis	30.000	0.50%
Insight	30.000	0.45%
Federated (PR)	30.000	0.48%
Blackrock	10.533	0.45%

Call and Notice Accounts

Counterparty	Principal £m	Interest Rate
Santnder UK Plc (95 Day Notice)	10.000	0.60%
Deutsche Bank AG (95 Day Notice)*	10.000	0.46%

** notice given to close this account*

10.6 The Executive Director for Resources and Regeneration confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2015/16.

Investment Counterparty List

10.7 The current investment counterparty criteria selection approved in the TMSS is meeting the requirements of the treasury management function.

13. BORROWING

13.1. The Council's latest forecast capital financing requirement (CFR) for 2015/16 is £480m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing).

13.2. The balance of external and internal borrowing is generally driven by market conditions. The Council has borrowings of £191m and has utilised £28m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.

13.3. It is anticipated that further borrowing may be undertaken during this financial year as the capital programme develops. This position will require ongoing monitoring alongside review of opportunities to favourably refinance existing borrowing.

14. DEBT RESCHEDULING

14.1. Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. Two of the Council's Lender Option / Borrower Option (LOBOs) were offered by the lender for early redemption on payment of a proposed fair value premium. Having taken advice, it was decided not to accept the offer. No debt rescheduling was undertaken during the first six months of 2015/16.

15. FINANCIAL IMPLICATIONS

15.1. There are no additional financial implications other than those mentioned in the body of the report.

16. LEGAL IMPLICATIONS

16.1. There are no additional legal implications other than those mentioned in the main budget report.

17. ENVIRONMENTAL IMPLICATIONS

17.1. There are no specific environmental implications relating to this report.

18. HUMAN RESOURCES IMPLICATIONS

18.1. There are no specific human resources implications relating to this report.

19. CRIME AND DISORDER IMPLICATIONS

19.1. There are no specific crime and disorder implications relating to this report.

20. EQUALITIES IMPLICATIONS

20.1. There are no specific equalities implications relating to this report.

For further information about this report, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114, or

Richard Lambeth, Group Manager Capital and Accounting on 020 8314 3797.

APPENDIX 1 - Extract from Credit worthiness Policy

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of total investments/ £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating	£20m	1 year
UK Government Treasury blls	UK sovereign rating	100%	6 months
Money market funds	AAA	£30m	Liquid
Local authorities	N/A	£10m	1 year
Term deposits and Certificates of Deposits with banks and building societies	Yellow* Purple Blue** Orange Red Green*** No Colour	£30m £25m £40m £20m £15m £10m 0	Up to 1year Up to 1 year Up to 1 year Up to 1 year Up to 6 mths Up to 100 days Not for use
Call accounts and notice accounts	Yellow Purple Blue Orange Red Green No Colour	In line with the above	Liquid

**for UK Government debt, or its equivalent, constant net asset value money market funds and collateralised deposits where the collateral is UK Government debt*

***Part-nationalised banks*

**** The green limit was formerly for 3 months but the Financial Conduct Authority set (July 2013) a requirement for qualifying deposits for bank liquidity buffers of a minimum of 95 days so the green band has been slightly extended to accommodate this regulatory change.*

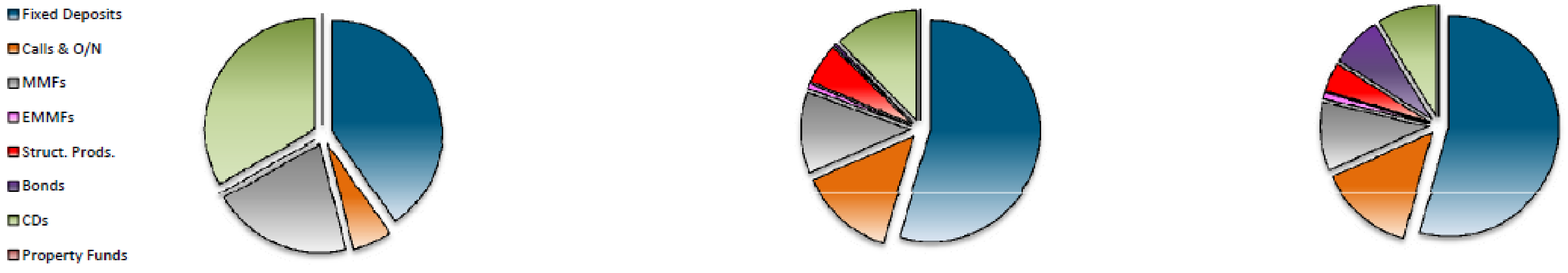
APPENDIX 2 - Extract of the Benchmarking Data with 11 other London Authorities June 2015

London Borough Of Lewisham

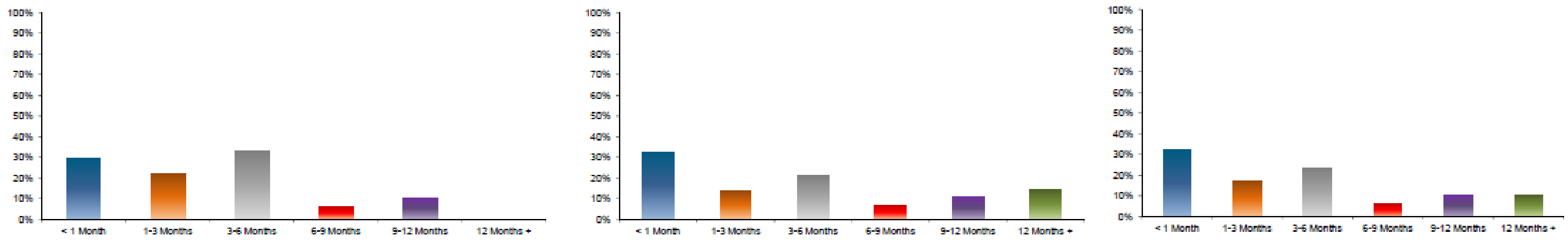
Summary Sheet

	London Borough Of Lewisham	Benchmarking Group 2 (15)	London (21)
		Basic Portfolio Characteristics	
WARoR	0.72%	0.84%	0.82%
WAM	106	184	160
WATT	215	334	295
WA Credit Risk	3.6	3.6	3.5
Model WARoR	0.70%	0.79%	0.75%
Difference	0.02%	0.05%	0.06%
Model Band	0.65% - 0.75%	0.74% - 0.84%	0.70% - 0.81%
Performance	Inline	Inline	Above

Asset Breakdown



Maturity Profiles



APPENDIX 2 - Extract of the Benchmarking Data with 11 other London Authorities June 2015

London Borough Of Lewisham

Peer Comparison

	London Borough Of Lewisham	Benchmarking Group 2 (15)		London (21)		Population Average (210)	
Basic Characteristics							
Principal	£346,354,000	£197,753,650		£240,511,096		£80,831,265	
WARoR	0.72%	0.84%		0.82%		0.69%	
WAM	106	184		160		99	
WATT	215	334		295		190	
WA Credit Risk	3.61	3.61		3.51		3.76	
Portfolio Breakdown							
Fixed Deposits	40.42%	54.61%	14	54.36%	21	51.04%	193
Calls & O/N	5.77%	13.88%	12	14.15%	18	24.71%	184
MMFs	20.60%	12.04%	12	10.06%	15	15.06%	136
EMMFs	0.00%	0.76%	2	0.95%	3	1.71%	20
Struct. Prods.	0.00%	5.88%	5	4.20%	5	0.65%	9
Bonds	0.00%	0.37%	1	7.40%	4	1.62%	16
CDs	33.20%	12.45%	9	8.89%	9	5.21%	58
Property Funds	0.00%	0.00%	0	0.00%	0	0.00%	0
Institution Breakdown							
Banks	75.07%	71.18%	15	62.85%	21	61.10%	206
Building Socs.	4.33%	6.84%	9	8.21%	14	12.16%	137
Government	0.00%	9.03%	9	16.56%	13	9.60%	82
MMFs	20.60%	12.04%	12	9.49%	15	15.00%	136
EMMFs	0.00%	0.76%	2	0.95%	3	1.71%	20
MLDBs	0.00%	0.00%	0	0.45%	1	0.06%	2
Other	0.00%	0.16%	2	1.50%	4	0.37%	9
Domestic/Foreign Exposure							
Domestic	44.75%	66.37%	15	72.03%	21	75.44%	208
Foreign	34.65%	20.83%	10	17.48%	13	7.85%	90
MMFs	20.60%	12.04%	12	9.54%	15	15.01%	136
EMMFs	0.00%	0.76%	2	0.95%	3	1.71%	20
Maturity Structure							
< 1 Month	29.26%	32.62%		32.41%		48.57%	
1-3 Months	21.65%	13.45%		17.16%		14.23%	
3-6 Months	33.20%	21.58%		23.35%		18.30%	
6-9 Months	5.77%	7.01%		6.34%		9.07%	
9-12 Months	10.11%	10.96%		10.47%		6.67%	
12 Months +	0.00%	14.39%		10.28%		3.15%	

Definitions

WARoR	Weighted Average Rate of Return	This is the average annualised rate of return weighted by the principal amount in each rate.
WAM	Weighted Average Time to Maturity	This is the average time, in days, till the portfolio matures, weighted by principal amount.
WATT	Weighted Average Total Time	This is the average time, in days, that deposits are lent out for, weighted by principal amount.
WA Risk	Weighted Average Credit Risk Number	Each institution is assigned a colour corresponding to a suggested duration using Capita Asset Services' Suggested Credit Methodology 1 = Yellow; 1.25 = Pink 1; 1.5 = Pink 2, 2 = Purple; 3 = Blue; 4 = Orange; 5 = Red; 6 = Green; 7 = No Colour
Model WARoR	Model Weighted Average Rate of Return	This is the WARoR that the model produces by taking into account the risks inherent in the portfolio.
Difference	Difference	This is the difference between the actual WARoR and the model WARoR; Actual WARoR minus Model WARoR.

Public Accounts Select Committee				
Title	Income Generation Review		**Item No.**	
Contributors	Scrutiny Manager			
Class	Part 1	**Date**	28 October 2015	

1. Purpose of paper

1.1 As part of the work programme for 2015/6, the Select Committee agreed to carry out a review on Income Generation. The review was scoped in March 2015 and evidence sessions held between April and September 2015.

1.2 The attached report presents the evidence received for the review. Members of the Committee are asked to agree the report and suggest recommendations for submission to Mayor and Cabinet.

2. Recommendations

2.1 Members of the Select Committee are asked to:

- Agree the draft review report
- Consider any recommendations the report should make
- Note that the final report, including the recommendations agreed at this meeting, will be presented to Mayor and Cabinet

3. The report and recommendations

3.1 The draft report attached at **Appendix 1** presents the written and verbal evidence received by the Committee. The Chair's introduction, recommendations and conclusion will be inserted once the draft report has been agreed and the finalised report will be presented to a Mayor and Cabinet at the earliest opportunity.

4. Legal implications

4.1 The report will be submitted to Mayor and Cabinet, which holds the decision making powers in respect of this matter.

5. Financial implications

5.1 There are no direct financial implications arising out of this report. However, the financial implications of any specific recommendations will need to be considered in due course.

6. Equalities implications

6.1 There are no direct equalities implications arising from the implementation of the recommendations set out in this report. The Council works to eliminate unlawful discrimination and harassment, promote equality of opportunity and good relations between different groups in the community and to recognise and to take account of people’s differences.

For more information on this report please contact Katie Wood, Scrutiny Manager, on 020 8314 9446

Overview and Scrutiny

Income Generation
Public Accounts Select Committee

October 2015

Membership of the Public Accounts Select Committee in 2015/16:

Councillor Jamie Milne (Chair)

Councillor Mark Ingleby (Vice-Chair)

Councillor Abdeslam Amrani

Councillor Chris Barnham

Councillor Maya Hilton

Councillor Ami Ibitson

Councillor Roy Kennedy

Councillor Helen Klier

Councillor Jim Mallory

Councillor Crada Onuegbu

Contents

Chair's Introduction

To be inserted.

Councillor Jamie Milne
Chair of the Public Accounts Select Committee

Executive summary

To be inserted

Recommendations

The Committee would like to make the following recommendations:

3 Purpose and structure of review

3.1 As a result of the severe financial pressures faced by Local Government, the Public Accounts Select Committee decided, as part of its work programme, to carry out an in-depth review into Income Generation. The Committee wished to consider ways of maximising income generation to help protect the services to residents in the borough.

3.2 At its meeting on 10th March 2015, the Committee received and agreed a scoping paper that set out the background and key lines of enquiry for the review. The key areas proposed to be considered were:

Fees and charges

- What is the role of the Fees and Charges Working Group?
- How regularly are regulated and non-regulated fees and charges (including parking fines and charges for road closures) reviewed?
- What steps is the Council taking to improve customer insight and use relevant information and data to understand demand and its drivers and set fees and charges accordingly?
- How is the non-payment of fines, fees and charges dealt with?
- What steps are being taken to improve the way services work with the central Debtors team?

Assets

- What methodology has been followed in relation to the rationalisation of the operational estate?
- Is the Council realising the full rental value of its commercial assets? What are the constraints?
- How is the non-payment of rent dealt with?

Investment income

- How successful have the changes made to the balance of investments been?
- Is the balance of investments right or is there any scope to change it further?

Other proposals and workforce development

- What other work is taking place across the Council, beyond the key work around fees and charges; assets and investments?
- Are any steps being taken to assess and develop the commercial expertise of Council staff?

Good practice

- What are other councils doing to maximise the generation of income and would any of these initiatives be suitable for implementation in Lewisham?

3.3 The Committee requested that there be an increased focus on good practice and innovative ideas from other Councils and there be three evidence sessions: the first of which would highlight good practice from other Councils; the second would expand on this and hear from expert witnesses in other Councils and the third would look at current proposals from Lewisham on maximising its income generation as well as looking at fees and charges and asset management strategies.

3.4 The timetable for the Review was as follows:

14 April 2015 – First evidence session to receive a report from officers highlighting good practice from other Councils in respect of maximising income generation and inviting discussion on the potential for replication in Lewisham.

5 June 2015 – Meeting with the London Borough of Camden to discuss Wireless Network Concessions in public spaces.

11 June 2015 – Meeting with the London Borough of Hammersmith & Fulham to discuss commercialisation and income generation strategies.

14 July 2015 – Second evidence session to hear evidence from Shropshire Council and IP and E Ltd on setting up a trading company wholly owned by Shropshire Council; and to hear evidence from the London Borough of Brent.

29 September 2015 – Third evidence session to receive a report and evidence from officers at the London Borough of Lewisham including details of the Council's fees and charges strategy. At this meeting the committee also received a paper tabled by the Vice-Chair of the Public Accounts Select Committee outlining further discussions he had undertaken around some of the ideas covered in the review...

28 October 2015 – Meeting of the Committee to consider its final report presenting all the evidence taken and to agree recommendations for submission to Mayor & Cabinet.

4 Policy Context and Legislative Background

4.1 The Council has an overarching vision, enshrined in the Sustainable Community Strategy, that "together we will make Lewisham the best place in London to live, work and learn". The Council's ten corporate priorities and the overarching Sustainable Community Strategy drive budgetary decisions. Lewisham's corporate priorities were agreed by full Council and they remain the principal mechanism through which the Council's performance is reported and through which the impact of saving and spending decisions are assessed.

4.2 The Council's current financial situation is exceptionally challenging. The funding available to local authorities has fallen sharply in recent years, with councils just over half way through a scheduled 40 per cent cut in funding from central government. Having delivered £10 billion of savings in the three years from 2011/12, local authorities have to find the same savings again by the end of 2015/16[1]. London, in particular, has been hit hard, taking a 33 per cent real terms cut in funding for service provision from central government between 2009/10 and 2013/14[2] with further cuts in funding expected until at least 2018. Although councils across the country have seen substantial cuts to their budgets, the situation is particularly acute in London due to the rapidly rising population, demographic complexity, rising housing costs and the disproportionate impact of welfare reforms. Boroughs have tried to make the large savings required without cutting front line services, focussing on achieving efficiencies; withdrawing or reducing discretionary services; paring back how statutory services are provided, targeting those most in need; and looking to maximise income.

4.3 Lewisham Council has made savings of £120m to meet its revenue budget requirements since May 2010 and the non-schools workforce has reduced from nearly 4,000 employees to 2,500 over the same period.[3] The Medium Term Financial Strategy, reported to Mayor & Cabinet in July 2014, estimated that £85m of savings were still required over the period 2015/16 to 2017/18. As a result, very severe financial constraints will continue to be imposed on Council services, with cuts to be made year on year. The Lewisham Future Programme Board was established to progress cross-cutting and thematic reviews to deliver required savings and one of these reviews is focussed on income generation.

4.4 The recent Local Government Association (LGA) report *Under Pressure* suggests that one of the most common budget strategies being followed by local authorities for 2015/16 is maximising income from investments, fees and charges[4]. The report states that some of the strategies being adopted include:

- Ensuring investments generate the maximum possible income.
- Changing fee charging structures to ensure that, while remaining equitable, service charges move closer to recovering the full costs of providing those services.
- Maximising the income generated by assets.

4.5 Specific powers to charge for services are contained in a variety of local government statutes. Under the Local Authorities (Goods and Services) Act 1970 councils were given powers to enter into agreements with each other and with a long list of other designated public bodies. The Local Government Act 2003 added further possibilities. It enables councils to trade in activities related to their functions on a commercial basis with a view to profit through a company. In addition, the 2003 Act empowers councils to charge for any discretionary services on a cost recovery basis. Originally, trading through a

[1] LGA (2014), *Under Pressure, how councils are planning for future cuts, p3*
[2] A Fitzgerald, R Lupton, R Smyth, P Vizard (2013), *Hard Times, New Directions? The Impact of the Local Government Spending Cuts in London,* P4
[3] http://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/equality-and-diversity/Pages/Monitoring-equality-within-the-workforce.aspx Lewisham Council Employment Profile 2009-2010 and 2014-15
[4] LGA (2014), *Under Pressure, how councils are planning for future cuts, p9*

company was confined to certain categories of councils but a Trading Order, in force since October 2009, removed such restrictions.[5].

4.6 The new General Power of Competence (GPC) contained in the Localism Act 2011 now sits alongside local government's existing powers to trade and charge. The General Power of Competency states that councils have the power to do anything an individual may do unless specifically prohibited.[6] This has allowed councils additional flexibility but there are still substantial constraints as under the GPC they are only allowed to charge for discretionary services and fees must be limited to recovering costs and not to generate a profit or surplus. These limitations to the ability of councils to generate profit have meant that many have set up trading arms or limited companies in order to generate a profit that can affectively be fed back into a council's general fund.

The Findings

5 Overview of Other Local Authorities

5.1 At its meeting on the 14th April 2015, the Committee looked at examples of innovative practice from other councils with the aim of committee members being able to draw out examples where external witnesses and additional information would add value to the review. These examples focussed on the key lines of enquiry in particular: fees and charges, looking at the LB Croydon and the LB Westminster; the commercialisation of staff, looking at the example of Hammersmith and Fulham; mutuals, looking at Oldham Council; generating income through wireless concessions, looking at the example of the LB of Camden; and generating income through website advertising, considering Birmingham Council's activity in this area; and setting up trading arms looking at an example from the LB Brent. Following the meeting of the Committee, further evidence was sought on the wireless concession at LB Camden; commercialisation strategies at the LB Hammersmith and Fulham; and on trading arms, hearing from the LB Brent, so these have their own respective sections in this report.

Fees and Charges – Croydon

5.2 Like many councils, the London Borough of Croydon has changed its approach to setting fees and charges. It is now following a new income policy based on moving away from the use of historical prices to inform fees and charges, to understanding the true cost of providing or commissioning services and pricing accordingly, whilst recognising the service user's need for the services being charged for, and their ability to pay[7]. As part of this, Croydon is striving to develop a more commercial / entrepreneurial culture within the Council. Croydon's review of fees and charges has resulted in an increase in income generation in 2014/15 of £1.162m.

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[5] Enterprising Councils – Getting the most from trading and Charging, LGA, 2012 http://www.local.gov.uk/c/document_library/get_file?uuid=f8aaa25f-81d6-45c9-aa84-535793384085&groupId=10180

[6] http://www.local.gov.uk/c/document_library/get_file?uuid=83fe251c-d96e-44e0-ab41-224bb0cdcf0e

[7] For further information see: https://www.croydon.gov.uk/democracy/budgets/2014-15

5.3 However, a major barrier regarding the setting of fees and charges remains regulation. Even if it was determined, that an increase in fees and charges above the costs of providing the service would not reduce demand, many fees and charges (such as those levied by Highways and Building Control) are heavily regulated and can only be charged on the basis of cost recovery, offering no scope for generating a profit. In their evidence to the 2013 London Finance Commission, London Councils encouraged that body 'to press for deregulation' and 'the freedom to set in some cases market rate' fees in areas such as 'planning applications, building control, land searches and licensing.' London Councils argued that, 'there are many services that local government has a statutory duty to deliver, but is required to charge for at a level determined by central government. The result is that there are a number of services which leave councils with an overall net loss each year.'[8] Westminster City Council also called for, in its evidence to the Commission, the ability 'to offer price-differentiated levels of service in order to recoup costs and to offer innovative services.'[9]

5.4 Westminster Council recently faced a legal challenge against the fees it charged for licensing sex establishments. The Court of Appeal ruled that the fees set must not exceed the costs of administering the licensing regime. This meant that the council was no longer able to include the cost of enforcement against unlicensed sex establishment operators when setting the licence fee, although the cost of visits to licensed premises to monitor compliance could be recovered through fees. Westminster City Council has since appealed to the Supreme Court but a final determination is still to be made[10].

Mutuals – Oldham Council

5.5 Oldham Council has developed a trading arm for adult social care that is building new business from self-funders and people with personal budgets[11]. Adult Social Care provider services transferred from the Council into the new wholly-owned company – Oldham Care and Support Ltd. – on 1st October 2013 following the drawing up of a detailed Service Level Agreement between the Council and the Company, to ensure the Company will continue to deliver against Oldham's key Adult Social Care outcomes and support the Council to achieve its priorities and Co-operative ambitions.

5.6 Around 450 staff were transferred over to the company, who were reassured that the new company would retain its public sector ethos whilst developing its commercial capacity to effectively compete in the adult social care market, thereby safeguarding both jobs and quality services. The Council owned company delivered its required efficiency savings of £1.2m for 2013/14 three months ahead of time, and financial forecasts indicate that it is on track to achieve further savings for 2014/15 amounting to £1.3m. The Council reports

[8] For further information see: http://www.london.gov.uk/sites/default/files/London per cent20Councils.pdf
[9] For further information see: http://www.london.gov.uk/sites/default/files/Summary per cent20of per cent20written per cent20evidence.pdf
[10] For further information see: https://www.supremecourt.uk/cases/uksc-2013-0146.html
[11] For further information see: http://committees.oldham.gov.uk/documents/s42561/Trading per cent20Arm per cent20for per cent20Adult per cent20Social per cent20Care per cent20Services per cent20Jan per cent2014.pdf

that financial sustainability is looking very promising, with growth plans for a second wholly-owned “start-up” company, Oldham Care and Support at Home Ltd.

5.7 The Committee felt that the Oldham model of a trading arm for adult social care was interesting but there was concern as to whether it could be defined as a mutual and uncertainty about the potential benefits of such a proposal. In his paper tabled to the Committee – Councillor Ingleby highlighted issues with the transfer of staff via TUPE and changes to their terms and conditions. In addition to this there was scepticism as to the achievability of the predicted profit levels.

Advertising - Birmingham City Council

5.8 Birmingham City Council is generating income through advertising on the Council’s website. This is an interesting and potentially controversial method of income generation, but according to Birmingham Council, they are predicted to receive significant income through this stream. The Council is a member of “Capacity Grid” the Council Advertising Network[12] and it uses this economy of scale to sell to a wider network, generating increased income. The Council argues that it can generate significant income from its website without detracting from the user experience. Birmingham has set income targets based on the number of views per page but has stated that income can fluctuate from what was originally predicted.

5.9 There are two methods of generating income through advertising on a Council website: Councils can either sell direct to advertisers or agencies; or (as is the case in Birmingham), or can partner with an ad-network who put code into the Council website and automatically sell this on to advertisers and agencies who buy against the use of key words.

5.10 There are a lot of issues to consider here and two of the key factors are the appropriateness of any adverts and consumer protection. There would need to be sufficient controls in place to ensure that adverts appearing next to content are appropriate and the technologies and systems in place to ensure this would have to be developed. There would also have to be a balance between the actual predicted revenue and any detriment to the user experience of accessing content on the Council website. By allowing an ad-network to put code into the website, it can be very difficult to stop inappropriate juxtaposition of adverts and content. For example, an advert for a local restaurant may seem perfectly acceptable until for example, a picture of say a chocolate cake appears next to pages on obesity and healthy eating. It would be very difficult to ensure that content was always appropriate as individual adverts would be different based on user viewing habits. There could also be issues of competition with Council services. For example, an advert for a private gym next to details of the Council’s leisure centre activities or for a private fostering agency or charity next to the Council’s own pages on fostering.

[12] For further information see: http://capacitygrid.com/services-2/council-advertising-network/

5.11 In Birmingham's case the partner ad-network have put code directly into the website. This allows a third party to place cookies on the Council browser which track the user. Adverts are sold on the basis of either amounts of views or can be targeted "i.e. female; aged 20-30; lives in Birmingham". The amount of income generated would very much depend on the amount of traffic and number of pages of the website as targets would be set by impressions.

5.12 If generating income in this way was pursued there are factors that needed to be considered, namely:

- privacy for website users
- procurement – ensuring that there was significant expertise in digital advertising and IT to ensure the process was to the greatest advantage to the Council
- Cost-benefit analysis – a clear understanding of the amounts of views the website generates and the amount of income this would be likely to generate versus the potential conflicts of interest and possible reduced quality of the user experience.

5.14 There are real concerns that advertising on the Council website could be highly detrimental to the user experience. It is also likely to only generate income if website usage was sufficiently high. Other sources of advertising income including identifying potential sites for place advertising is also being investigated and are likely to be more profitable. This is explored in more detail later in this report.

6 Wireless Concession

6.1 Alec Hartopp, Programme Manager for Digital Connectivity and Ben Pass, ICT Programme Manager at the LB Camden gave evidence to members of the Committee on Friday 5th June 2015 on Collaborative Procurement for Wireless Networks in Public Spaces.

6.2 The LB of Camden led and initiated a collaborative IT procurement project for wireless services, essentially a concession licensing the use of street furniture to install wireless networking equipment in exchange for income to the council. The aims of this included accelerating the take-up of Wi-Fi in areas where no coverage existed, stimulating the market, and generating income which was then ring-fenced for Economic Development and Social/Digital Inclusion projects.

6.3 The collaboration initially took place with 16 other London boroughs which helped to make the appeal very strong to the service providers. Sharing resources and expertise in legal services, ICT and procurement helped to save an estimated £30,000 per authority. The procurement model used required no capital or revenue investment for the local authorities other than officer time and the maintenance, installation and removal costs were all taken on by the supplier. In addition to this the fixed legal and consultancy costs for procurement were off-set by the income generated.

6.4 Success criteria for local authorities collaborating in the procurement process included: better identification and ownership of risk; increased leverage through the collaborative competitive dialogue process; shared knowledge and expertise; mitigation of risk through adoption of common approach to evaluation and management of the procurement process; and pooling of expertise.

6.5 The procurement process[13] resulted in a concession contract that is currently providing a minimum of 30 minutes free internet access per day to Camden residents and businesses and 24 hour free access to the Camden Council website and related online services via a council branded Wi-Fi network deployed in areas of highest footfall in the borough. Currently the concessionaire in Camden (Arqiva) has installed 112 access points on council owned assets (lampposts and CCTV columns) as part of the contract. They have approximately 40 additional access points of their own across the borough.

6.6 In Camden, areas of high footfall were targeted by the suppliers but different suppliers can have different need for coverage in particular areas. This means that it can be very challenging to assess value on a site by site case. Generally speaking areas with high footfall or tourist destinations are often the most sought after. The suppliers can use different models to generate their own income and any individual Council's assets and procurement process can favour one model over another.

6.7 There are different income models for suppliers but one is that they can sell on targeted (and non-targeted) advertising and anonymised data of users or it can lease the mobile bases on to another supplier. They can also generate income by selling additional Wi-Fi to residents and businesses after the free allocation has been used. In Camden it was not possible to base the contract on a price per column so it used a model based on a concession fee for exclusive rights to specified assets with additional percentage shares of gross revenue year on year. The prediction is for £3.5 million income over ten years.

6.8 The "small cells"[14] can be useful to the big mobile phone networks who are having coverage and capacity issues with 3G and 4G networks. It is estimated that an Operator (e.g. Vodafone) can rent the small cells for up to £4-7000 per annum from the concessionaire.

6.9 In addition to the increased revenue directly from the contract, Camden is anticipating some reductions in costs from increased use of online services by residents and businesses and reduction in costs for staff who could use the network whilst working away from the office. Currently the statistics in

[13] LB Camden did not specifically procure a Wi-Fi service. As it was a concession, they were not able to procure services. Instead they expressed their aspirations which included the desire to provide free Wi-Fi. The bidders chose to include a Wi-Fi offer in their bid. This was not evaluated under procurement criteria so did not affect the outcome but was a benefit of the approach taken.

[14] "**Small cells"** is an umbrella term for operator-controlled, low-powered radio access nodes, including those that operate in licensed spectrum and unlicensed carrier-grade Wi-Fi. **Small cells** typically have a range from 10 meters to several hundred meters. With mobile operators struggling to support the growth of mobile data traffic, some are increasingly using small cells to maintain capacity.

Camden show approximately 600 users per week on the network but it is believed that there is higher usage than this and that this will be captured by the analysis as it gets more detailed.

6.10 The contract and procurement process was technical and mitigating risks of State Aid[15], Telecom Code Powers[16] and liability for Business Rates was essential. The contract is for 10 years and Camden included an exclusivity clause in order to safeguard its assets. The contract also ensured that Business Rates were paid by the concessionaire. This was particularly pertinent as there were changes in legislation around business rates for internet providers.

6.11 There are other models available for installing small cells and generating income in this way. Alternative assets can be identified such as buildings or some providers will install stealth designed equipment and then pay a one off capital sum and recurring revenue for the duration of the contract.

6.12 In addition to generating income through small cells, Camden is pursuing the possibility of income generation through installing mobile phone masts on suitable tall buildings in the borough. Clauses are being drafted for potential contracts to ensure that the risk from the Telecom Code Powers were mitigated such as adding wording to ensure that "at the end of the term of lease apparatus remaining on our assets transfer to us." There was a need for specialists to ensure that the terms and conditions provided adequate protection for the council and residents to ensure the return of assets to the borough. Contracts also ensured that Business Rates were paid by the concessionaire. This was particularly pertinent as there were changes in legislation around business rates for internet providers as mentioned above.

6.13 Statistics from the company "Point Topic" can be used to assess broadband coverage and connectivity in a locality helping to highlight areas to focus on in order to increase connectivity. In Camden there is a correlation between areas with low connectivity and high footfall meaning that there is demand from providers for rooftop masts in those areas.

6.14 Housing estates are a controversial choice for phone masts and residents' concerns over matters such as health always need to be addressed. The LB Camden proposes to ring-fence any income for social and digital inclusion projects and put the positives outcomes in place upfront (such as free / subsidised Wi-Fi for the estate/free Wi-Fi for Tenants and Resident Association halls/ training for those who currently do not use the internet etc).

[15] Using taxpayer-funded resources to provide assistance to one or more organizations in a way that gives an advantage over others may be state aid. https://www.gov.uk/state-aid

[16] The Electronic Communications Code ('the Code') enables electronic communications network providers to construct electronic communications networks. The Code enables these providers to construct infrastructure on public land (streets), to take rights over private land, either with the agreement with the landowner or applying to the County Court or the Sheriff in Scotland. It also conveys certain immunities from the Town and Country Planning legislation in the form of Permitted Development. http://www.ofcom.org.uk/

These could also have the added effect of increasing channel shift to online Council services helping to further reduce council costs.

6.15 This scrutiny review has identified that the potential for income generation in Lewisham from wireless concessions is substantial. However, the Camden model has caveats from a Lewisham context, in particular due to existing PFI contracts on much of the street furniture which would limit the negotiation options and also add a far greater complexity to them which could substantially reduce any potential income. The review did identify other Councils who had worked through PFI contracts such as the London Borough of Islington so acknowledges that it is still possible for this to be an income stream but still feels the evidence shows the increased complexity and reduction in profits makes it a less appealing model.

6.16 However, further investigations as part of the scrutiny review process and research has now highlighted a different model for installing small cells and generating income. The review discovered a different approach with companies who were interested in working with Lewisham but using existing buildings and stealth designed equipment for the purpose of housing small cells and macros. This review has now identified that the potential income that could be generated by the Council is substantial and that it could be in the region of £1 - £2 million over a 5 year period with a continuing revenue stream of up to £100,000 /annum over the duration of the contract.

6.17 Another recent development to this is that National Government in a recent letter from The Department for Communities and Local Government, the Cabinet Office and the Department for Culture, Media and Sport to all Council Leaders, has also noted the benefits of income through wireless concessions and endorsed the approach both as a service to residents in improving digital connectivity and in a substantial income stream to Councils.[17]

6.18 As part of the review, additional information was sought on any potential health risks as a result of exposure to small cells and macros. The government research indicates that the most substantial health risk from mobile phones remains their use whilst driving. Following this, it is usage of individual handsets and there is currently no research that has identified a risk from proximity to small cells[18]

6.19 Picture 1 below shows an example of small cells and shows the potential for them to be blended with a building and have minimal impact on the appearance of buildings.

[17] https://www.gov.uk/government/publications/the-digital-communications-infrastructure-strategy/the-digital-communications-infrastructure-strategy
[18] http://www.nhs.uk/Conditions/Mobile-phone-safety/Pages/QA.aspx#research-on-health-risks

Examples of Ericsson small cells

6.20 The Committee felt strongly that the potential for a substantial revenue and capital income stream to the Council was very important and the momentum on investigations needed to be maintained to ensure this potential was realised. This was a substantial capital and revenue income stream discovered and developed through this review and a company had now been identified as a potential partner to achieve this income.

7 Commercialisation Strategies

7.1 Members of the Public Accounts Select Committee felt strongly that additional evidence on commercialisation methods and strategies would be highly beneficial to the review. The Committee heard evidence from Lyn Carpenter, Executive Director Environment, Leisure and Residents Services Department, Hammersmith and Fulham on commercialisation and income generation strategies at an informal meeting on 11th June 2015.

7.2 Commercialisation could be defined as developing an organisation that was customer oriented and keen to enhance the customer experience each and every time. Ensuring that service interactions were easy for the customer and enhanced the customer experience and were responsive to their needs. LB Hammersmith and Fulham felt strongly that developing a commercial culture helped to maximise income generating opportunities whilst developing innovative service delivery models.

7.3 At Hammersmith and Fulham, commercialisation was seen as a positive way of generating income to protect services. It could feel challenging at times and staff and managers needed to be supported through the process but the benefits to the organisation were substantial in terms of cross funding back into the general fund.

7.4 In order to develop a successful commercial strategy it was important to identify and examine income generating services, ensuring a thorough understanding of costs and service levels as well as competition and value. Proactively cross-selling of services by staff was key.

7.5 It was essential to properly assess "contributions" of non-statutory services and use thorough analysis to help make difficult choices. For example some services were routinely being subsidised at higher rates than others purely due to annual price rises effecting costs across services differently. If there was subsidy from the Council it needed to be properly assessed and be based on policy rather than being applied randomly from historic price uplifts and ineffective cost analysis of inflationary increases.

7.6 The evidence from Hammersmith and Fulham stressed that better segmentation of the Council's customer base was required to move away from the assumption that "one sized fitted all" to a comprehensive understanding of different customers and service areas needing different arrangements and staff needing different skills. For example – increasing income from Registrars verses income from Trade Waste would need very different skills-sets amongst staff and different approaches. There also needed to be an effective understanding of debt and debt recovery to ensure cost efficiencies and sensible service provision decisions.

7.7 There needed to be a shift across the whole organisation ensuring an entrepreneurial and commercially minded staff. Key features of the changes at Hammersmith and Fulham included introducing a simple approach to sales and marketing. Namely:

1. Identifying and maximising external income opportunities across all areas. This involved a mix of retention, acquisition and win-back strategies to increase then maintain customers. It also involved effective debt management strategies.
2. Creating a sales service ethic amongst officers. Engaging and motivating as well as incentivising via performance related pay and sales targets.
3. Ensuring that this was all underpinned with an appropriate and fit for purpose commercial infrastructure.
4. Ensuring there was a focus on customer experience. Customer Loyalty and lifetime customers were valued highly.

7.8 An example of the success of the Hammersmith and Fulham strategy was Commercial Waste - income from this has now grown by 30 per cent in 4 years and their market share had increased by 20 per cent in this time to over 40 per cent. Profits were returned to the corporate budget and £0.5 million has been returned to the general fund over this time. Kensington and Chelsea were also pursuing a similar approach and had secured around 70 per cent of the market share in Commercial Waste. Targeting high value customers had been one of the changes that had helped to secure this increase. Staff needed to understand the balance between focussing on high value customers verses overall customer numbers and be flexible to adapt to changing markets as they happened.

7.9 Another example listed was a change of mind-set in the events and lettings team, which had meant that over the last four years they became entirely self-funded by the income they generated and in addition to this had made a contribution of £0.4 million to the central fund. This represented a 25 per cent growth in external income over the period.

7.10 A change of mind-set beyond covering costs to generating profit to feed back into the general fund was encouraged.

7.11 Hammersmith and Fulham reported that traditionally there had been problems understanding markets and fully understanding the strengths of services. A top down analysis helped to identify key income generating activities for the Council including high level income and expenditure comparisons with other London boroughs and comparisons with private sector providers. Managers needed to engage services to carry out diagnostics of skills and capabilities – including understanding: current and potential customer base; the true costs of generating income (i.e. is there a real surplus after all costs met); understanding the market and customer requirements; understanding churn including rates of acquisition, retention, win-back, and conversion of customers.

7.12 It was recognised that commercial skills were not necessarily inherent in public sector workforce and it was important to teach staff selling techniques and maintain engagement to help with the transition. Staff needed to have high energy, work hard have qualitative and quantitative focus, be results orientated, work to targets and be focussed on the needs of the customer. They also needed to be credible, have a thorough understanding of the product and be able to sell and close on a sale.

7.13 In order for this to be successful, sales targets were introduced and new performance indicators were created and monitored such as the conversion rates for new customers. Staff were rewarded through performance related pay; there was an increased focus on ensuring performance of any sub-contractors. There was training for officers to understand the importance of customer loyalty and how this linked into increasing the market share of a service. Net Promoter Scores[19] were compiled to measure customer loyalty

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[19] The Net Promoter Score is based on the fundamental perspective that every company/business's customers can be divided into three categories: Promoters, Passives, and Detractors. By asking the question — *How likely is it that you would recommend [this service] to a friend or colleague?* — you can track these groups and get a clear measure of your company's performance through the customers' eyes. Customers respond on a 0-to-10 point rating scale and are categorized as follows:

- **Promoters** (score 9-10) are loyal enthusiasts who will keep buying and refer others, fuelling growth.

and benchmarked against the private sector. Staff were encouraged to think about levels of service (Gold, Silver, Bronze) and matching the requirements of the customer with the level of service. Thinking about branding was important and exploiting the power of the brand of a good council – increased levels of trust and confidence from customers. Managers had to ensure they recognised success and rewarded and praised excellence to keep staff positive and motivated.

7.14 There was also an increased focus on customer interfaces. For example, the first point of contact for many customers is the reception staff and they needed to have the right skillset to match the customer focussed culture change. Hammersmith & Fulham introduced a strong ethos of focusing on the customer and customer experience across the whole Council. Phones had to be answered within three rings and messages followed up on promptly. In addition to this a "Customer and Business Development Officer" with a private sector background was employed to help with the transition. No consultants were used during the process; all expertise was built up in-house.

7.15 There were challenges experienced and in addition to those already listed these included: understanding the true costs of services as the information could be very difficult to obtain in some circumstances; helping and supporting staff to understand the technical concepts and the shift to a more commercial outlook; and the time and energy needed to make the changes. The need for the right people, right skills and right approach.

7.16 Hammersmith and Fulham believe that their change in focus to a more commercial strategy has been able to protect service provision across the Council by covering costs in non-statutory areas and bringing in profit to the general fund to protect other services.

7.17 In analysing the evidence, the committee highlighted that Cross-selling services and a commercial culture within the Council needed to be looked at carefully as there could be negative aspects if staff were not fully engaged with the changes or if the customer experience was negatively affected. How the change was managed was of vital importance and helping to create a cultural shift to accept that commercialisation was a way in which essential services could be protected for residents.

7.18 The table below lists other ideas that had been considered by Hammersmith & Fulham as having the potential to increase income generation and shows questions raised to ensure a thorough understanding the market place and to balance service level, quality and price.

- **Passives** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings.
- **Detractors** (score 0-6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth.

To calculate your company's NPS, take the percentage of customers who are Promoters and subtract the percentage who are Detractors. Work can then be targeted to increase number of promoters and reduce number of detractors.

Hammersmith & Fulham Presentation

Service Area	Ideas/opportunities/queries
Adult Social Care	• Could a pricing structure be created that would mean that self-funders subsidise those with less ability to pay to reduce costs overall? • Should we continue to provide a meals service- does it achieve cost recovery? • Should we providing a removals service? • Should we be charging for other services that are currently free at the point of access and have we considered the links and implications of Personal Budgets? • What do we take into account when financially assessing for home/residential care- how do we interpret FACS and what are the implications for income?
Adult Education	• All fees have been inflated by 5 per cent- why? Need more customer intelligence including take up to inform future strategy and associated pricing points.
Housing	• Do we have a Landlord accreditation scheme? • Do we charge Housing Associations/estate agents to publicise via Choice Based Lettings?
Play Service	• Which groups attract a concessionary rate? • How do prices compare with the external market and what is our cost recovery level for the service?
Traded services to schools	• Do we have visibility of the range of services provided to schools under SLA arrangements, who buys back which services, how much income they generate etc? • How do we price and do we know whether we cost recover?
Street trading	• Should we consider differential rates for different areas of the borough e.g. a higher price for prime sites of footfall? • Should we introduce a more comprehensive pricing structure that reflects different trading activities e.g. do we charge shops for trading fruit and veg on the highway? Burger vans? Newspaper stands?
Cemeteries	• Is pricing consistent? • Could the Council introduce memorial schemes which have proved very lucrative in other authorities Pet cemetery? Multi faith burial site?
Pest control	• Does the service achieve cost recovery? • Could the commercial offer be packaged with other services such as trade waste and offer contracts to ensure guaranteed income?
Licensing	• Does table and chair licensing achieve cost recovery levels? • Income seems very low for tables and chairs- have we got the right pricing point? • Do we charge for A boards on the highway?
Highways	• Do we enforce against unauthorised crossings? • Do we charge for street naming and numbering?
Planning	• Do we charge for a dedicated officer for large new developments? Croydon have previously done this to provide a single point of contact.

8 Trading Companies

8.1 As cited in paragraph 4.6 above, the Localism Act 2011 still places restraints on local authorities' abilities to generate profit for non-statutory services. Many councils are working in innovative ways to create limited companies or trading arms in order to get round these constraints and help to create income for the authorities.

8.2 At their meeting of 14 July 2015 the Committee heard from Aktar Choudhury, LB Brent, Tim Smith, Finance and Commercial Director, IP & E Ltd, and Martin Key, Operations Manager, IP & E Ltd/Shropshire Council. The following paragraphs summarise the evidence provided to the Committee.

London Borough of Brent

8.3 The LB Brent is looking at a proposal to create an independent trading arm for building control. The aim is to maximise non-ring-fenced income to the local authority so that the planning & regeneration service is a net contributor to the general fund. The same trading arm could be used to generate net income in other regulatory functions, so it is important that the articles of association are set up in such a way as to allow the flexibility to achieve this. As part of this they are looking to gain "Approved Inspection" status for their Building Regulation team to enable them to undertake work throughout England without needing to obtain the host local authority's agreement to work within their area. This ability will allow Brent to market their building regulation services in the same way as private sector companies and compete with private sector Approved Inspectors. In taking forward this model, Brent is reviewing its charges to reflect market rates, whilst ensuring that they remain competitive; and developing mechanisms whereby inspection of works can be effectively resourced and undertaken.

8.4 The LB Brent commissioned a thorough review of regulatory services looking at the full range of services, what was being done and why and how efficient they were. This was with the aim of creating a savings target to make the service self-funding and with the aspiration of becoming a net contributor to the general fund. The Council needs to make budget savings of £54m over the next two years whilst meeting its statutory requirements and continuing to provide quality services. They are hoping to achieve savings, or generate increased income of minimum £300,000 from the net operating cost of the Regulatory Services functions that have historically sat within Environment & Neighbourhoods Division. An aim is to identify a realistic way that this group of services can become a net contributor to the council, whilst improving the quality of service provided to residents and businesses within the borough.

8.5 There are already some areas where the council has chosen to provide regulation over and above their statutory obligations, such as in private housing regulation. From 1 January 2015, all houses in multiple occupation (HMOs) within the borough, and all privately rented properties in Willesden, Harlesden and Wembley Central became obliged to hold a licence, regardless of whether they met the Government's national mandatory licensing criteria. Whilst the Council is prohibited from generating income through this activity to cross-subsidise statutory activities, they are able to recover their costs. LB Brent believe that implementing this additional and selective licensing should have a number of wider benefits to the council, such as improving the standard of privately rented stock throughout the borough, whilst also building stronger relationships with over 6,000 landlords, who own a significant proportion of the private privately rented properties in Brent.

8.6 IP&E were appointed by Brent Council to undertake phase 1 of the review in April 2015, through a competitive tender process. They provided a frank analysis, looking at customer experiences. The focus was on generating more income; staff and the organisation becoming increasingly commercially aware; and focussing on areas where there was most commercial potential. The IP & E Ltd contract was to do a thorough audit and review of regulatory services but they were not employed as contractors to actually deliver the review's suggestions, as this was undertaken by LB Brent itself.

8.7 Within the review process all methods of streamlining costs including reanalysing management structures and the level of skills needed across work areas were considered. An example given was the planning department: It was much more cost effective for administration staff and junior planners to be doing the lower-level and more routine work with the higher paid senior planners working on the larger and potentially more profitable projects. Management structures needed to be studied very closely with analysis based on role breakdowns rather than just the title and grade of a post. Highly qualified professionals were effectively doing low skilled tasks and there needed to be process redesign to improve capacity and resilience and increase cost effectiveness.

IP & E Ltd and Shropshire Council

8.8 IP & E Ltd is a limited company wholly owned by Shropshire Council. It was set up as an alternative structure to outsourcing with all profit invested back into public services. They do not pay dividends to private individuals and this was a key feature that appealed to public sector and third sector clients. The Grant Thornton Report "Spreading their wings – Building a successful local authority trading company[20]" had cited this as a good practice case study.

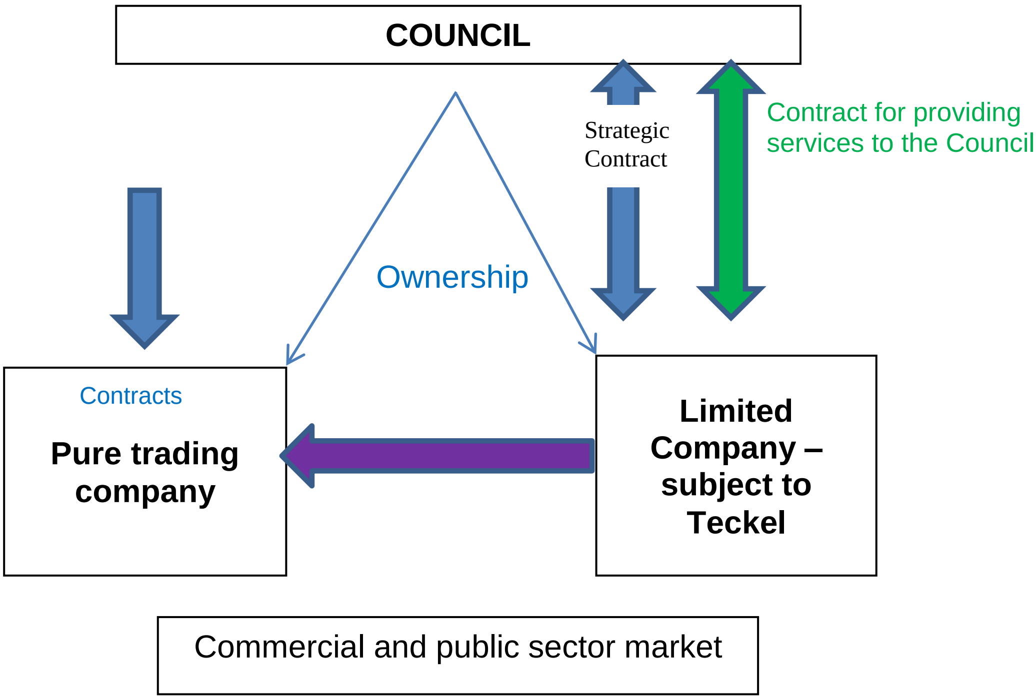
8.9 The company was set-up using statutory powers in the Localism Act 2011 to enable profit to be generated by trading with a view to creating "public profit." Commercialisation was at the heart of the company but whilst maintaining a public sector ethos and focus on customer experience. There were limitations within the contract to ensure that IP & E Ltd was only able to work in a way that was felt by Shropshire Council to be compatible with their own aims and objectives. The company did not work in isolation and worked closely with Shropshire Council, sharing policy aims, objectives and priorities. There was a

[20] See: http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf

public sector ethos within the company which was combined with a very strong customer focus based on fully evaluating needs and objectives.

8.10 Shropshire Council set up two styles of companies within the IP & E branding – a trading company and a limited “Teckal” company. Currently the trading company was dormant and all work was being conducted through the Teckal Company. Set up costs for IP & E Ltd had included the option of a loan from Shropshire Council of £500,000 and an agreement with the local authority to use some of the IT infrastructure and office accommodation on a charged basis.

Overview of company structure of IP and E Ltd



8.11 The Teckal exemption enabled Shropshire Council to contract with the company in a way which enabled any contract award to be treated as “in house” and therefore not subject to the standard procurement processes. To qualify for Teckal exemption, a company must be wholly owned by public bodies including by the public body contracting with the company and the “essential part” of the company’s activities being undertaken for the members of the company. This “essential part” has been reduced from 90 per cent to 80 per cent following a European Directive.[21]

[21] EU Directive 2014/24 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32014L0024

Teckal exemption criteria: 1. The company is wholly controlled by public bodies (without any private ownership) including by the public body contracting with the company (the ‘control test’); and 2. The “essential part” of the company’s activities must be undertaken for the member(s) of the company (the “function test”). ‘Essential part’ is currently interpreted by case law to mean 80 per cent of the turnover of the company.

8.12 In the case of IP and E Ltd, should the external demand for services start to impact on the minimum 80 per cent council trading income, these services could be transferred to the ‘trading’ business arm thus preserving the Teckal exemption. This was the reason for setting up the two companies.

8.13 The company is also able to trade successfully with private and public sector clients across Shropshire and beyond, including schools and other public bodies. IP & E Ltd.’s not for profit nature appealed to other public sector companies as well as private individuals and companies as all profits return to the public sector for further investment in the services provided.

8.14 Examples of services traded included: communications; business design; public health initiatives; business support and regulatory services; and schools traded services. For example, communications and media support was provided back to Shropshire Council but also to external customers and partner organisations such as the Police and the Fire Brigade.

8.15 Within Adult Social Care the model allowed staff to reassess care packages in partnership with clients and carers to prioritise actual needs and eliminate unnecessary expenditure. Eligibility criteria had not been raised, but costs had been reduced by having a different focus on what the customer actually needed. In terms of reducing costs in Adult Social Care, analysis of call centre patterns and behaviours were undertaken. Previously all related calls to the call centre had been put through to adult social care. This was costly and inefficient and through better understanding of the nature of calls a triage process was now being done. Call centre staff were being trained to answer additional queries and now 73 per cent of calls were dealt with at first point of call or by being transferred to a relevant third sector organisation meaning significant cost reductions were being made.

8.16 In terms of the reassessments of service users for adult social care, there had been a different focus asking about the full details of existing care paths to ensure that every element added value and if it didn’t then changing the path to better reflect needs and abilities of the client. Users and Carers were central to the discussion and this enable improved care packages whilst reducing overall expenditure.

8.17 Shropshire Council became a unitary authority in 2009. Planning and Regulatory Services faced significant savings pressures including £4 million taken out of front line services. Different models were assessed for continuing to provide these services to residents in the most cost-effective way. These included: staff mutuals; shared services; outsourcing; and a stand-alone trading company.

8.18 There were challenges with a staff mutual in terms of staff motivation and relevant skill sets. Outsourcing was less appealing as there was often no cost saving involved and profits were going to private companies rather than being reinvested in the service and community.

8.19 Setting up a trading company meant that there would be freedom to trade and generate a profit to be reinvested back into services. In 2014/15, business support and regulatory services functions within IP & E Ltd had £400,000 external trading income which was predicted to double by the end of 2015/16.

8.20 The primary aims were to sell locally to the private sector or individual consumers but selling to other public sector organisations was also successful. For example a pest control contract had been won with a large public sector organisation. IP & E Ltd had been able to significantly undercut the previous contract with a private provider saving the client money, whilst still generating profit on the contract.

8.21 Part of the model for success was about changing the culture and leadership strategy within the organisation and amongst staff. Placing an additional focus on customer experience, quality and performance, in addition to this, commercialisation of staff and delivering a marketing plan with income targets. In this respect the culture shift very much mirrored that of the evidence provided by Hammersmith and Fulham.

8.22 There had also been a reduction in tiers of management and a focus on front line delivery staff. Staff were focussed on partnership working and client liaison face to face, online and on the telephone.

8.23 The State Aid rules were an important consideration in setting up a publicly funded body. There needed to be a transparent funding arrangement and a “true” profit in the trading of services or there could be potential for this to be considered as “State Aid” thus unfairly distorting the commercial market.

8.24 Governance was also an important issue and IP & E Ltd had an “open book” approach to ensure that Shropshire County Council were able to monitor all aspects of trading and accounts. In the running of IP & E Ltd, there were times when tensions had arisen with the partnership with Shropshire Council but these generally had positive outcomes and ensured shared priorities. The contract output specifications and performance framework had been important when setting up the company but both partners felt that it was important not to make the performance framework so comprehensive and onerous that it created a substantial additional workload as this would make the company less competitive and divert resources away from frontline services.

8.25 Currently the company was generating a modest profit but it was seen as much more important that setting it up had protected services.

8.26 It is important to note that the risks associated with councils setting up trading arms are also considerable. The Grant Thornton Report cited above[22] notes that a number of adult social care service Local Authority Trading Companies (LATC) have slipped into deficit or have been brought back in-house following concerns over service delivery and value for money. Examples of LATCs that have failed include a trading company entering into a large catering contract resulting in a substantial loss that required funding by the council. A supplier of council house windows did not have a business plan outside of the 'decent homes' standards requirements. When this ended, the company required significant levels of interim financial support and restructure. Another example cited a company set up to tender for a large contract which did not win the work. With no other strands to its business plan, it eventually became dormant and never managed to repay the initial capital investment.[23]

8.27 When considering a LATC option, Grant Thornton recommends the following:

- Consider the strategic fit – undertake a strategic review at the start of the process.
- Appraise options thoroughly – look at all alternative service delivery models
- Develop an outline business case – including commercial strategies and business, financial and marketing plans.[24]

9 Overview from the London Borough of Lewisham

The Lewisham Future Programme

9.1 The Lewisham Future Programme is the Council's organisational approach to meeting the financial pressures placed on it by central government. The Council is now in the sixth year of an expected ten year long period of resource reduction. In the period 2010 to 2015, the Council made savings of over £120m. A number of proposals are being pursued by Lewisham Council as part of the Lewisham Future Programme income generation strategy. Current proposals include:

- Increasing the amount of Council tax collected
- Generating more income from School Service Level Agreements
- Maximising investment income
- Increasing income from advertising
- Reviewing fees and charges with a view to increasing income.

9.2 At the meeting of the Public Accounts Select Committee on 29th September the Committee received information prepared by the Lewisham Future Board. This board drives the Lewisham Future programme forward, is officer led and

[22] http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf
[23] ibid
[24] ibid

has the aim of highlighting work being currently undertaken by Lewisham Council in the field of income generation and future strategies.

9.3 Theoretically the Council can generate income where it is able to sell a service at a cost greater than that spent on delivering it. The main areas the Council can look to do this are through:

- Fees and charges
- Identifying areas where the council excels in performance and cost effectiveness and sell our core services to other councils through the use of trading companies for instance
- Selling the use of our assets particularly street assets (some will be covered by the fees and charges policy, but the council could explore other commercial areas)
- Using our assets to generate income, particularly revenue income
- Improving treasury management to ensure that we generate as much income as possible (within prudential risk criteria)

9.4 In 2013/14 Lewisham generated £118.3m of income, from fees, charges and other service income. This was from a variety of sources from Adult Social Care to Leisure Centres. This revenue is increasingly important with Government budget reductions meaning that the Council is required to save £85m between 2015/16 and 2017/18 to balance its budget. While income will play a critical role in meeting this challenge, it must be undertaken in a clear, transparent and consistent way.

9.5 Income can be a means by which to ensure a service is sustainable in the longer term but if not implemented in a fair and transparent way it can lead to a lack of engagement and distrust in the service and Council as a whole. The Lewisham Income Strategy is intended to ensure that where the Council has in place fees, charges and sources of income they are guided by certain principles and managed in a thoughtful and consistent way.

9.6 In addition to working up specific proposals, the analysis has resulted in the development of a comprehensive income strategy. The strategy is intended to ensure that the management of the fees and charges levied by the Council, and other sources of income that the Council receives, is consistent and guided by agreed principles. The adoption of the new strategy in May 2015 means that the Council will adhere to the following principles when setting or introducing fees and charges:

- **Full Cost** – Any fees and charges should cover, at a minimum, the full costs of the service (including capital and revenue investment and overheads) unless there are contrary policies, strategy, legal or contractual reasons.

- **Market Rates** – Where fees and charges are in place they should reflect market rates subject to meeting full cost. Any charges that are significantly lower than the market rate must be agreed by the Fees and Charges Working Group.

- **Inflation Rise** – All fees and charges will rise in line with inflation in order to avoid sharp increases in prices.

- **Benchmarking** – All fees and charges should be benchmarked with neighbouring local authorities and the voluntary and private sector delivering similar services. Charges should not be significantly below comparator councils.

- **Agreeing Subsidy** – The Fees and Charges Working Group must agree any decision to subsidise a service through lower fees. A business case must be presented setting out the rationale behind the subsidy and the full costs of the subsidy (including annual and whole life revenue, overheads and capital costs).

- **Understanding Demand** – Demand analysis must be undertaken to understand the impact of fees and charges on service and non-service users. This should include the elasticity of demand.

- **Concessions** – Any concessionary scheme should be based on ability to pay or promote a strategic objective and be applied in a consistent and transparent way across all council services.

- **Collection** – All fees and charges should be collected in the most efficient form. All fees and charges should be collected through automated electronic means and prior to the service being delivered.

- **Targeting Charges** – Managers should actively consider the use of alternative pricing structures to take advantage of opportunities to segment markets, and to target and promote take-up of services to specific target groups as appropriate to strategy objectives.

9.7 The strategy provides a guide for service managers and helps ensure that fees, charges and other income sources are guided by specific principles and managed in a consistent way. A fees and charges working group has also been established which includes the Head of Finance, three additional Heads of Service and the Cabinet Member for Resources.

Fees and charges to our residents

9.8 The Council has undertaken significant work in this area as listed in the paragraphs above. It is therefore important to assess whether existing policies have been implemented, or whether the Council needs to explore wholly new approaches.

9.9 Being a public body there are of course limitations on where money can be generated and in many of administrative functions such as licensing, planning, some areas of regulation, a nationally determined fee is prescribed or a local fee can be set at a level that recovers cost (but does not make the council a profit).

9.10 Fees and charges are important because the council does not want to have to subsidise from the General Fund administrative functions for which the Government determines the fee. The Council therefore needs to attempt to reduce administrative costs to match the fee structure - otherwise the council tax payer is subsidising an activity that is supposedly paid for by the applicant.

9.11 Income generation through fees and charges to residents delivers relatively low levels of income. As a council it is only possible to charge the competitive rate. To overcharge will have the potential to reduce demand. High charges can cause perverse consequences. It may drive people to avoid the charge and thereby reduce the council's scope to raise additional income. It may also generate behaviours that are not wanted, and stop people using services that would benefit them. Therefore, increases in fees and charges are likely to be marginal.

9.12 The fees and charges policy has a principle of full cost recovery. This is not achieved in all services and so these areas should be reviewed again. If it is not possible to increase the fee, consideration should be given to the alternative approach of reducing costs to bring them in line with the fee. If this was achieved in the Planning service for instance, the Council could achieve notable savings. In planning, there are also additional fees that can be charged for pre-application advice and Planning Performance Agreements. These are set locally and give more flexibility in income generation.

9.13 Individual Services and Departments are also considering where they can go beyond their current offer to offer additional services. This would not be to make a profit from residents but to be able to contribute to the fixed costs of services. Examples include: Selling green waste services which is currently out to consultation.

Future Proposals

10.1 Proposals currently identified by the Lewisham Future Programme have identified potential proposals to generate sustainable income of £1.050m for 2016/17 and a further £0.250m in 2017/18. This is excluding the ongoing review of fees and charges which officers are continuing to progress and excluding the evidence and findings from this scrutiny review highlighting the income potential from the wireless concession.

Advertising Income

10.2 This proposal seeks to exploit advertisement opportunities in the borough. A piece of work from advertising specialists was commissioned to undertake an audit of the borough. This work sought to identify key locations in the borough where it is felt that increases in advertising activity would work well. It provided some reasoned indications that sustainable income of some £0.300m per annum could be achieved by a mixture of large format digital and non-digital advertising at various sites in the borough. This level of income is based on the likely guaranteed fixed rents payable to the Council and reflects assumptions regarding commissions, discounts, voids and capital amortisation.

10.3 The Council is currently examining design option for the advertising scheme which involves the final identification of the sites on which to focus and how the advertising offer will be marketed.

Finance and Accounting Policies

10.4 This proposal is centred on the review of regulatory restrictions for the Housing Revenue Account (HRA), Dedicated Schools Grant (DSG) and the Capital Programme and review of treasury management. In the latter half of the current financial year, the regulation restrictions pertaining to these areas of business will be further examined. This is to ascertain what is charged to these accounts thereby providing the potential to release general fund resources.

10.5 This detailed desktop exercise has begun and a target for this element of £0.200m on going would appear realistic for 2016/17. For treasury management, the first year proposal focused on achieving greater gains from investments on treasury management activity. This proposal looks at a comprehensive review of the long term debts the Council has to assess options for debt rescheduling and debt redemption. This will be dependent upon market conditions and the willingness of counterparties to enter negotiations on revising their loan books. An annualised equivalent saving target of approximately £0.100m is being estimated.

Review of sundry debtor collection

10.6 A review of sundry debtor collection is being carried out with a target to improve collection by at least 1 per cent which is equivalent to £0.250m. The review, led by the Head of Public Services, will look at the end to end process for sundry debtor collection and review the use of technology and the staffing arrangements. The current arrangements are that services raise invoices and where these remain unpaid they are followed up by the central sundry debt collection team using the new Oracle system. These arrangements will be comprehensively reviewed using external expertise to ensure we have the best structure in place and are following an effective process making the most of the technology available.

Review of the impact of the Controlled Parking Zones Programme £0.250m 2017/18

10.7 The Council reviewed its parking policy in 2012/13. On the 10th April 2013, Mayor and Cabinet agreed 37 recommendations which led to a revised parking policy. Recommendation 10 set out that the Council would freeze parking charges at the current levels until 2015/16 and review annually thereafter. Recommendation 11 set out that the Council would consult on any future charge increases that exceeded inflation.

10.8 The Council's parking policy has to balance the needs of those living, working, visiting and trading in the borough as well as ensuring that the cost of parking controls is met. The increase in car ownership and demand for parking spaces need to be balanced against the need to reduce the harmful effects of car use on the environment. The Council's parking charges reflect the need to not only cover the costs of delivering parking controls but also managing these issues.

10.9 The parking charges are fixed in accordance with the requirements of the Road Traffic Regulation Act 1984. Section 122 of the Act imposes a duty on the Council to use them to 'secure the expeditious, convenient and safe movement of vehicular and other traffic including pedestrians and the provision of suitable and adequate parking facilities on and off the highway'.

10.10 Charges were set at a level which was in line with the median level in London. Setting charges at that level ensured that the borough did not become a 'car park' for those travelling into London. It also ensured the Council continued to meet the objectives set out above and comply with the requirements of Section 122 Road Traffic Regulations Act 1984.

10.11 The Council's fear of becoming a 'car park' for commuters is very real. The introduction of the congestion charge in 2003 saw the number of commuters driving into central London reduce, but the risk was and remains that they park in the surrounding areas. The Council has multiple transport links into central London which makes this a risk. This is especially the case as Lewisham is just inside zone 2 and at the end of the Docklands Light Railway. Added to this is the fact that access to Lewisham is relatively easy for commuters driving into London, but becomes more difficult the further into London they travel as travel times' increase.

10.12 The charges were last increased in 2011. The parking policy review also led to a controlled parking zone programme of reviews of existing arrangements and the implementation of new zones. Whilst the review of existing zones is likely in some cases to lead to a loss of income and there is a cost of reviewing and implementing zones overall, there is likely to be an increase income overall.

Lewisham's potential Youth Service mutual

Investigations into the potential creation of an Employee Led Mutual (ELM) for the Youth Service are taking place.

The potential for income generation will be a key element of the planning process as it is envisaged that, should a mutual be created, it would be self-sustaining within three years.

The service is already generating income by renting space to private and community sector users and bidding for relevant available grants. Based on current projections the Service is projected to generate £100k by the end of 2015/16

However, by spinning out of Council control, it is felt that greater commercial and entrepreneurial activity could be engendered, as well as the ability to access funding streams unavailable to local authorities, such as Children In Need funding.

10.13 It is estimated that increased charges and the controlled parking zone programme will lead to an additional income of £0.25m.

Selling services to other councils and organisations

10.14 The evidence the Committee received from the Lewisham Income Board stated that very few councils successfully sold services and made a 'profit' that could be returned to the General Fund and cited the largest and arguably most successful traded service as being the Norse Group, a trading company set up by Norfolk county council. The Norse Group is a holding company providing services to a number of local authorities across the UK. It was established in April 2006. The holding company contains:

- NPS Property Consultants Group
- Norse Commercial Services Limited (facility management)
- NorseCare (a care provider)

10.15 Norse Group is wholly owned by Norfolk County Council. In 2014, the group's turnover amounted to £248m with pre-tax profit of £6.8m. However, the Norse Group is a business, with all the attendant risk, and so much of the profit is needed to be reinvested into the business or used for pension liabilities (from the TUPE and Joint Venture (JV) arrangements entered into with local authorities), This means that monies returning to the General Fund are less than £1m.

10.16 Although such levels of profit returning to the Council may not be a significant driver to sell services (considering it has taken Norse nine years to generate profit), one of the major benefits of doing so is the ability to 'subsidise' the overhead costs within the Council. As the Council gets smaller the relative contribution of overheads (governance, HR, policy, finance etc.) gets bigger as there are significant fixed costs.

10.17 The Council is already selling its services to partner organisations. The main area is the services provided to schools that are above the statutory service and which schools are not obliged to purchase through the local authority. As long as the local authority is charging enough to cover both the direct costs and the overheads, then it makes sense to do so. In financial terms, it is the subsidisation of the central overheads that is the gain from selling such services rather than direct revenue. There is a market and schools would go elsewhere if costs were disproportionate to market costs. The Council also provide services to the ALMO and have further proposals on services such as lumber collection.

10.18 Lewisham has explored other areas where there is potential to sell a service. There are two examples of where this may happen. One is an energy consultancy (with limited income potential circa £50k to £100k) and the other is the potential from the shared IT service with Brent, but this is still in development and as yet unknown potential.

Potential Sustainability Consultancy at the London Borough of Lewisham.

An initial proposal for a sustainability consultancy was put forward by members of staff as a way to use the expertise within the Council to maintain a service, generate income and return additional funds to the Council's general fund. The annual turnover of this proposed consultancy was anticipated as being £100,000.

Whilst investigating methodology it became clear that, as there is no overarching Council trading arm established, setting up one purely for the purpose of running the Sustainability Consultancy, would not be profitable.

The common legal and financial issues for any trading / income generation activity on a commercial basis and seeking clients beyond the remit/mandate of the local authority are that:

- Costs of overheads such as HR, finance and accounting, banking charges, payroll, legal, governance and contract support, insurances, property/asset services, technology support etc need to be recharged.
- Cost of business development activities such as staff time for market making, relationship management and selling, product development, branding and communication etc need to be costed in.
- Staff would need to transfer across (usually under TUPE) to new body. Terms and conditions, including pension arrangements, and ability to ride out peaks and troughs in workload depending on scale of business activities need to be considered and budgeted for.
- Tax affairs need to be managed to include VAT, corporation tax, capital gains, treatment of dividends etc.

The exact scale and impact for each of these is considered on an individual business case.

The end additional income generated is only the net profit after tax - in any mature business this will typically be in the region of 5 per cent on average so one needs a turnover of £2m to generate a profit of £100k.

On this basis, there was felt to be more scope to trade from within the Council within the constraints of current legislation. Increasing the revenue generated by the service to cover all overheads would be permitted under current legislation and services could therefore be protected.

10.19 In order to be worth developing options in this area it would need to be identified that:

- A service is high performing
- Other organisations/individuals would wish to purchase these services
- Services can be provided at a competitive cost and make a net and cashable profit after paying direct and indirect overheads and costs,
- The management of the service has the capability and mind-set to operate commercially
- The council is willing to bear the risks involved of delivering other council's services.

Using Council assets to generate income

10.20 The Regeneration and Asset Management Division has undertaken considerable work over the last few years on improving the performance of the operation of Council assets and estate (including the commercial performance). Out of all the income generating areas that could be focused on, managing, developing and maximising the use of our assets has the greatest potential to generate significant income.

10.21 Income generation opportunities have been identified and developed within the council's Strategic Asset Management Plan 2015-2020. They focus on better operating and increasing the efficiency of existing Council functions and include:

- Classifying Council assets into the operational, third sector assets and commercial assets
- Ensuring that rents and lease arrangements are clear and up to date, and that rents are collected and voids reduced in the commercial estate
- More efficient use of the operational estate
- Better use of community facilities and schools estates
- Transfer of the non-housing stock (garages and commercial estate) from the HRA to the General Fund.

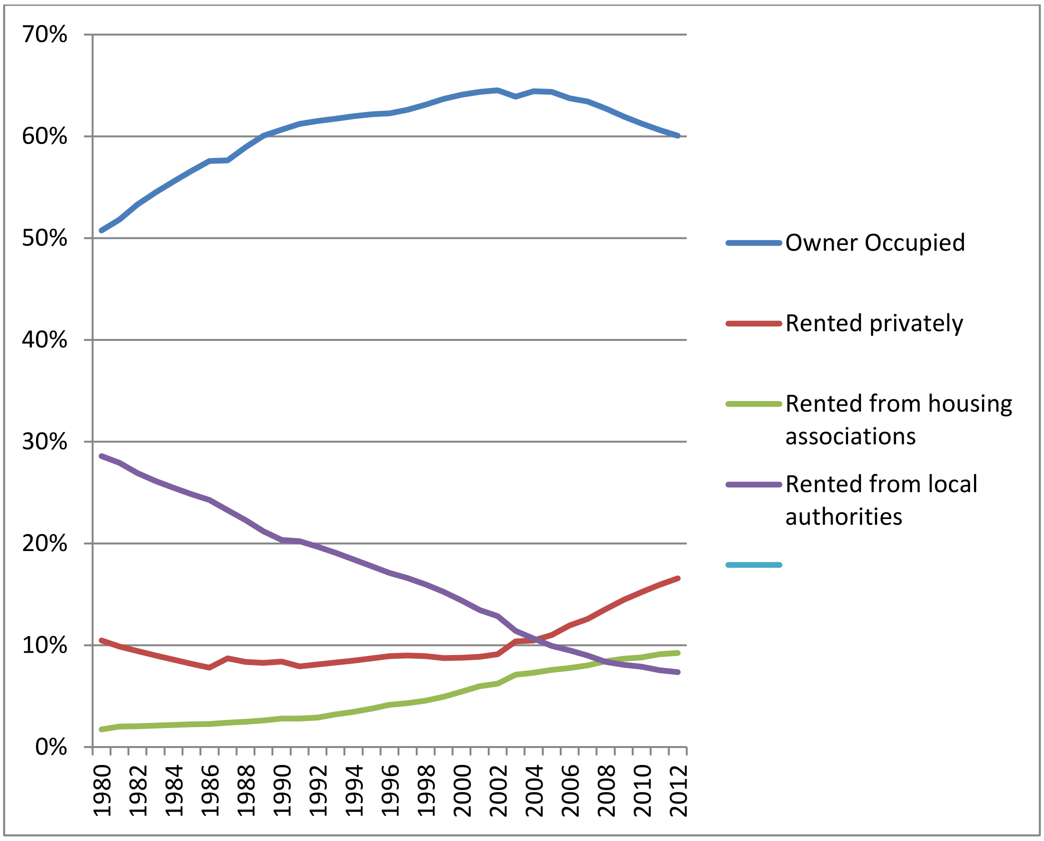
10.22 The area with the greatest potential to create additional revenue is by being creative with the Council asset base. With this potential for increased profit, there are, however, associated risks. Proposals will need to be fully developed and tested. The risk includes legal, financial and governance issues.

10.23 The Council's Strategic Housing Team and Regeneration and Asset Management Division are developing a property investment and development strand within the council's asset portfolio which has the potential to generate both economic and social benefits. The main opportunities relate to the private rented sector (PRS) with the Council retaining some or all ownership and therefore the opportunity to generate income. The graph below shows UK dwelling stock by tenure from ONS statistics. The current predictions estimate that going forward to 2020 the trends will continue with the private rental sector increasing on the same trajectory.

Red Door Ventures – LB Newham

LB Newham have set up a wholly owned Council trading company - Red Door Ventures. Over the next 13 years, Red Door Ventures aims to build at least 3,000 new homes in Newham and will also acquire a further 500 existing properties. All the homes will be available for residents at market rent or below with a third of the homes set at affordable rent subsidised by the council with plans to increase this. The current business model proposes 69% available at market value and 31% for affordable homes.

This company will make Newham Council the first local authority to deliver a large programme of private rented homes for residents. To finance the early stages of the programme of development, the council will provide loans to the company as a commercial investment.



Data from ONS – UK dwelling stock by tenure[25]

10.24 Work is on-going to identify suitable sites for high quality well managed private sector rented housing, and to research options for how these programmes will be delivered. Soft market testing amongst potential partners is also currently being carried out. Options for delivery include:

- Lewisham Homes, the Arms-Length Management Organisation (ALMO) (not recommended as a route to income generating PRS, but might work for some mixed sites)
- Setting up a commercial Special Purpose Vehicle (SPV) or limited company – similar to Catford Regeneration Partnership Ltd, but with dedicated purpose
- Entering a joint venture with a development or investment partner (likely that the council would be the investor so more likely to be a development partner)
- Procuring a development partner.

A **Special Purpose Vehicle** is normally created as a wholly owned subsidiary of a council with a separate asset/liability structure and legal status. SPVs allow a council, for example, to build through the General Fund (rather than the capped Housing Revenue Account). An SPV can borrow money from a council and use it to pay a developer to build properties. The SPV therefore serves as a mechanism that can enables a council to intervene in the market to deliver new homes.

25 http://visual.ons.gov.uk/uk-perspectives-housing-and-home-ownership-in-the-uk/

10.25 Each of these routes (apart from the ALMO route that looks more problematic) are viable options for moving forward but it is likely that different sites, with different requirements will require different delivery routes. Apart from building the stock, there is also the issue of the best option for the commercial operation of running PRS stock. Further analysis of the market needs to take place. Managing large scale PRS is a specialist operation and may be best done by the private sector. The Regeneration Team are working on a site by site basis to explore possibilities. Across the wider programme there are opportunities for us to establish SPVs to support income generation through PRS, student / hotel bed spaces and other commercial investments.

10.26 Considerable work is needed including site by site feasibility studies, and on planning commercial operations. Developing the site is part of the issue but one that the Council has considerable experience in managing: developing and potentially running profit-making businesses is a crucial part of the equation and one where the Council is less likely to have all the skills needed.

10.27 This new investment has the potential to deliver significantly to the Council's new net revenue position, as well as contributing to delivery of the Regeneration Strategy's aspirations for regeneration and growth and the Housing Strategy's ambitions for affordable and high quality housing.

10.28 Initial modelling conducted for the council identifies yields of about 4.5 per cent on any development. Significant development would be required to generate significant income, and would take time and resources to deliver.

10.29 This new income project is designed to achieve savings required by the Council through the Lewisham Future Programme and is seeking to deliver increased income of £200k by 2017/18. This milestone reflects the lengthy lead in time for construction projects of this nature. Given continued growth predictions for London beyond this it is estimated that this could be a significant source of income beyond 2017/18, with potentially £5m+ a year income potential by 2021 through development aligned to the borough's regeneration. This income can be used to reduce overall costs as well as support the continue delivery of wider Council services.

10.30 Further work may need to be undertaken to ensure consensus on the Nature of the commercial development, i.e. are the PRSs being built to use instead of temporary accommodation (which will mean a social housing delivery/ management may be sufficient to deliver) or is it aiming to maximise income with commercial PRS management (which would lead to commercial delivery and management). If the above is decided on a case by case basis in relation to sites, then that site specific business case in needed now in order to set up delivery structures.

Improving treasury management

10.31 This area is one of generating the maximum income from the Council's considerable balance sheets. Proposals for 2016/17 include reviewing finance strategies for debt management. Other opportunities include more aggressively managing the balance sheet. However this will expose the council to higher levels of risk, and the risk appetite within the council would need to be fully understood, and considered decisions taken on financial management going forward.

11 Conclusion

To Follow

12 Monitoring and on-going scrutiny

12.1 The recommendations from the review will be referred for consideration by the Mayor and Cabinet at their meeting on 11th November 2015 and their response reported back to the Public Accounts Select Committee within two months of that meeting. In order to monitor the implementation of the review recommendations, the Committee will receive a progress update in six months' time.

Public Accounts Select Committee			
Title	Select Committee Work Programme		
Contributor	Scrutiny Manager	Item	7
Class	Part 1 (Open)	28 October 2015	

1. Purpose

To advise Committee members of the work programme for the 2015/16 municipal year, and to decide on the agenda items for the next meeting.

2. Summary

2.1 At the beginning of the new administration, each select committee drew up a draft work programme for submission to the Business Panel for consideration.

2.2 The Business Panel considered the proposed work programmes of each of the select committees on 28 April 2015 and agreed a co-ordinated overview and scrutiny work programme. However, the work programme can be reviewed at each Select Committee meeting so that Members are able to include urgent, high priority items and remove items that are no longer a priority.

3. Recommendations

3.1 The Committee is asked to:

- note the work plan attached at **Appendix B** and discuss any issues arising from the programme;
- specify the information and analysis required in the report for each item on the agenda for the next meeting, based on desired outcomes, so that officers are clear on what they need to provide;
- review all forthcoming key decisions, attached at **Appendix C**, and consider any items for further scrutiny.

4. The work programme

4.1 The work programme for 2015/16 was agreed at the Committee's meeting on 14 April 2015.

4.2 The Committee is asked to consider if any urgent issues have arisen that require scrutiny and if any existing items are no longer a priority and can be removed from the work programme. Before adding additional items, each item should be considered against agreed criteria. The flow chart attached at **Appendix A** may help Members decide if proposed additional items should be added to the work programme. The Committee's work programme needs to be achievable in terms of the amount of meeting time available. If the committee agrees to add additional item(s) because they are urgent and high priority, Members will need to consider which medium/low priority item(s) should be removed in order to create sufficient capacity for the new item(s).

5. The next meeting

5.1 The following reports are scheduled for the meeting on 2 December 2015:

Agenda item	Review type	Link to Corporate Priority	Priority
Annual Complaints Report	Performance monitoring	Inspiring efficiency, effectiveness and equity	Medium
No Recourse to Public Funds Review -6 month update	In-depth review	Inspiring efficiency, effectiveness and equity	Low
Contract Monitoring – Public Realm	Performance monitoring	Inspiring efficiency, effectiveness and equity	Medium

5.2 The Committee is asked to specify the information and analysis it would like to see in the reports for these item, based on the outcomes the committee would like to achieve, so that officers are clear on what they need to provide for the next meeting.

6. Financial Implications

There are no financial implications arising from this report.

7. Legal Implications

In accordance with the Council's Constitution, all scrutiny select committees must devise and submit a work programme to the Business Panel at the start of each municipal year.

8. Equalities Implications

8.1 The Equality Act 2010 brought together all previous equality legislation in England, Scotland and Wales. The Act included a new public sector equality duty, replacing the separate duties relating to race, disability and gender equality. The duty came into force on 6 April 2011. It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

8.2 The Council must, in the exercise of its functions, have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

8.3 There may be equalities implications arising from items on the work programme and all activities undertaken by the Select Committee will need to give due consideration to this.

9. Date of next meeting

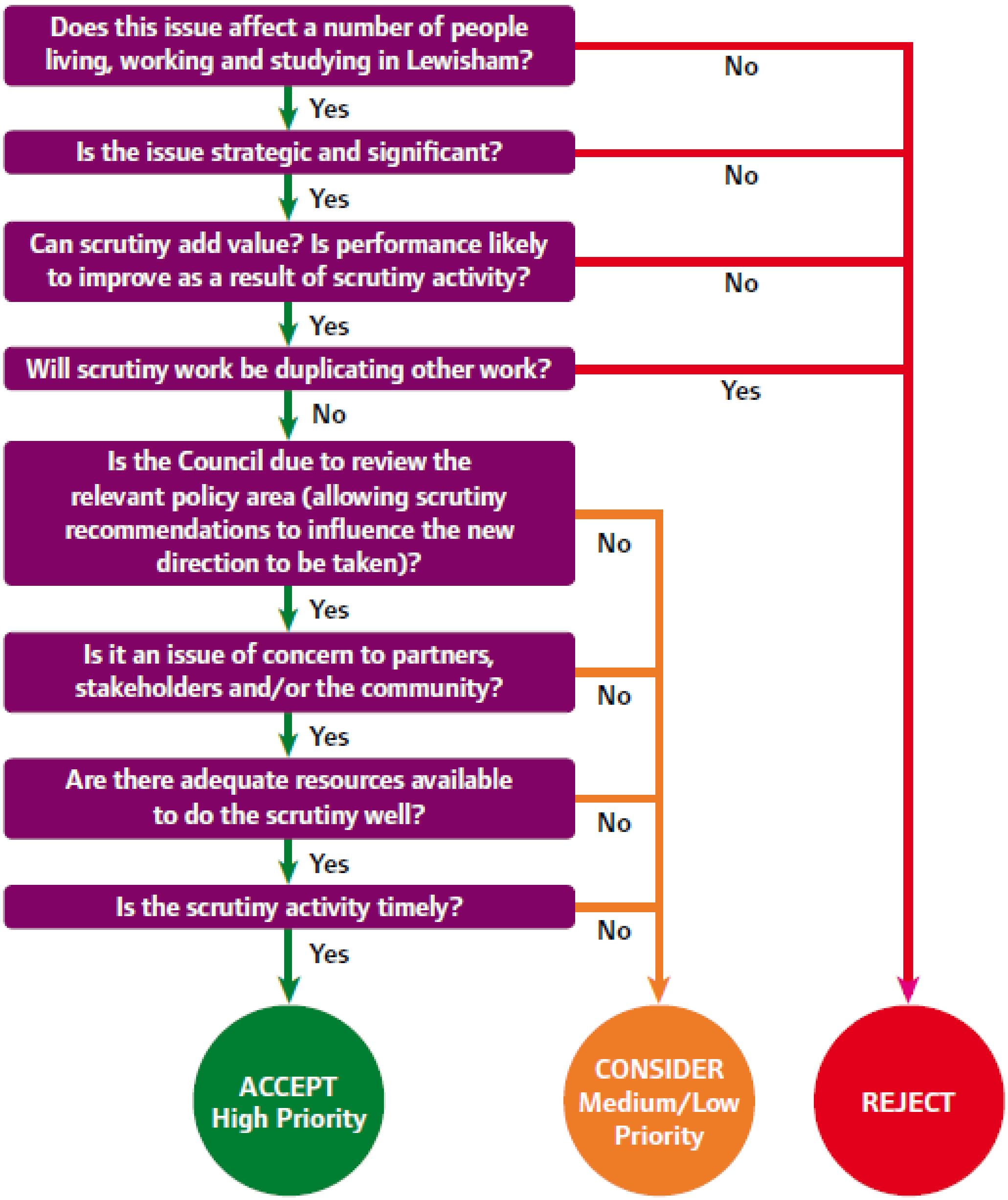
9.1 The date of the next meeting is Wednesday 2 December 2015.

Background Documents

Lewisham Council's Constitution

Centre for Public Scrutiny: the Good Scrutiny Guide

Scrutiny work programme – prioritisation process



Public Accounts Select Committee Work Programme 2015/16

Draft programme of work

Work Item	Type of review	Priority	Strategic Priority	Delivery deadline	14-Apr	27-May	14-Jul	29-Sep	28-Oct	02-Dec	27-Jan	16-Mar
Lewisham Future Programme	TBC	High	CP10	Mar-16				Savings				
Election of Chair and Vice-Chair	Constitutional requirement	High	CP10	Apr-15								
Select Committee Work Programme 15/16	Constitutional requirement	High	CP10	Apr-15								
Financial forecasts 2015/16	Performance monitoring	Medium	CP10	Jan-16								
Final Outturn 2014/15	Performance monitoring	Medium	CP10	Jul-15								
Management report	Performance monitoring	Low	CP10	Jan-16								
Income Generation review	In-depth review	Medium	CP10	Sep-15	Evidence session		Evidence session	Evidence session	Report and recs			
Mid-year Treasury Management Review	Performance monitoring	Medium	CP10	Oct-15								
Annual complaints report	Performance monitoring	Medium	CP10	Dec-15								
Shared Services	Performance monitoring	High	CP10	Jul-15								
Asset management update	Standard item	Medium	CP10	Jul-15								
ICT Strategy	Information item	High	CP10	May-15								
NRPF	Recommendations follow-up	Medium	CP10	Dec-15		Response				Follow-up		
Annual Budget 2015/16	Standard item	High	CP10	Jan-16								
Contract monitoring - public realm	Performance monitoring	Medium	CP10	Dec-15								
Implementation of savings proposal 03 (creating an internal enforcement agency	Performance monitoring	Medium	CP10	Mar-16								
Audit Panel update	Constitutional Requirement	Medium	CP10	Mar-16								

	Item completed
	Item on-going
	Item outstanding
	Proposed timeframe
	Item added

Meetings					
1)	Wed	22 April	5)	Wed	28 October
2)	Wed	27 May	6)	Wed	2 December
3)	Tue	14 July	7)	Wed	27 January
4)	Tue	29 September	8)	Wed	16 March

Shaping Our Future: Lewisham's Sustainable Community Strategy 2008-2020		
	Priority	
1	Ambitious and achieving	SCS 1
2	Safer	SCS 2
3	Empowered and responsible	SCS 3
4	Clean, green and liveable	SCS 4
5	Healthy, active and enjoyable	SCS 5
6	Dynamic and prosperous	SCS 6

Corporate Priorities		
	Priority	
1	Community Leadership	CP 1
2	Young people's achievement and involvement	CP 2
3	Clean, green and liveable	CP 3
4	Safety, security and a visible presence	CP 4
5	Strengthening the local economy	CP 5
6	Decent homes for all	CP 6
7	Protection of children	CP 7
8	Caring for adults and older people	CP 8
9	Active, healthy citizens	CP 9
10	Inspiring efficiency, effectiveness and equity	CP 10

FORWARD PLAN OF KEY DECISIONS

Forward Plan November 2015 - February 2016

This Forward Plan sets out the key decisions the Council expects to take during the next four months.

Anyone wishing to make representations on a decision should submit them in writing as soon as possible to the relevant contact officer (shown as number (7) in the key overleaf). Any representations made less than 3 days before the meeting should be sent to Kevin Flaherty, the Local Democracy Officer, at the Council Offices or kevin.flaherty@lewisham.gov.uk. However the deadline will be 4pm on the working day prior to the meeting.

A “key decision”* means an executive decision which is likely to:

(a) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council’s budget for the service or function to which the decision relates;

(b) be significant in terms of its effects on communities living or working in an area comprising two or more wards.

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
August 2015	**Community Budget: Establishment of a joint committee between Lambeth, Lewisham and Southwark**	21/10/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
September 2015	**Making of instrument of Government The Governing Body of te Leathersellers Federation of Schools**	21/10/15 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
August 2015	**New Homes Better Places Programme Update**	21/10/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
February 2015	**Review of Licensing Policy**	21/10/15 Mayor and Cabinet	Aileen Buckton, Executive Director for Community Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
August 2015	**Lewisham River Corridor Improvement Plan Supplementary Planning Document**	21/10/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
June 2015	**Homecare Contracts Extension**	21/10/15 Mayor and Cabinet	Aileen Buckton, Executive Director for		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
		(Contracts)	Community Services and Councillor Chris Best, Cabinet Member for Health, Wellbeing and Older People		
September 2015	**Beckenham Place Park Golf Course Contract Extension**	21/10/15 Mayor and Cabinet (Contracts)	Kevin Sheehan, Executive Director for Customer Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
August 2015	**Re-procurement of Sexual Health Services (GUM)**	21/10/15 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Cabinet Member for Health, Wellbeing and Older People		
November 2014	**Award of Highways Public Realm Contract Coulgate Street**	21/10/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
September 2015	**Interim arrangements for Project Management Support to the School Places programme**	21/10/15 Mayor and Cabinet (Contracts)	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
June 2015	**Woodvale Contract award**	21/10/15	Kevin Sheehan,		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
		Mayor and Cabinet (Contracts)	Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
August 2015	**Annual Complaints Report 2014/15**	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Joe Dromey, Cabinet Member Policy & Performance		
August 2015	**Annual Parking Report**	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Rachel Onikosi, Cabinet Member Public Realm		
	Beckenham Place Park Consultation	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Rachel Onikosi, Cabinet Member Public Realm		
June 2015	**Capital and Revenue Budget Monitorig**	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
August 2015	**Children and Young People Plan**	11/11/15 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
			Councillor Paul Maslin, Cabinet Member for Children and Young People		
August 2015	**Discharge into the Private Rented Sector**	11/11/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
September 2015	**Disposal of Land at corner of Deptford Church Street and Creekside**	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
August 2015	**Heathside & Lethbridge Housing Regeneration Scheme update Parts 1 & 2**	11/11/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
August 2015	**Homelessness out of Borough Locational Priority Policy**	11/11/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
	Horniman Museum Heritage Lottery Fund Proposal	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
August 2015	**Housing-Led Regeneration Opportunities Parts 1 and 2**	11/11/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
September 2015	**National Non Domestic Rates - Discretionary Discount Scheme for Businesses Accredited to Living Wage**	11/11/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
	The 2020 Programme	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	School Minor Capital Works Programme 2016	11/11/15 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
September 2015	**Sheltered Housing Investment and Improvement Update**	11/11/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		
September 2015	**Voluntary Sector Accomodation Implementation**	11/11/15 Mayor and Cabinet	Aileen Buckton, Executive Director for		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
	Plan Consultation Parts 1 and 2		Community Services and Councillor Joan Millbank, Cabinet Member Third Sector & Community		
	Working Skills strategy	11/11/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
	Annual Report on Energy Prices	11/11/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
August 2015	**ICT Shared Service Update**	11/11/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	Award of Homecare Contracts	11/11/15 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Cabinet Member for Health, Wellbeing and Older People		
	Public Health Contracts for Health Checks and Sexual Health Promotion	11/11/15 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
			Councillor Chris Best, Cabinet Member for Health, Wellbeing and Older People		
August 2015	**Children and Young People Plan**	25/11/15 Council	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
August 2015	**Lewisham River Corridor Improvement Plan Supplementary Planning Document**	25/11/15 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
February 2015	**Review of Licensing Policy**	25/11/15 Council	Aileen Buckton, Executive Director for Community Services and Councillor Rachel Onikosi, Cabinet Member Public Realm		
August 2015	**Copperas Street Depot - Disposal**	09/12/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
June 2015	**Council Tax Reduction Scheme 2016-17**	09/12/15 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia,		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	**Description of matter under consideration**	**Date of Decision Decision maker**	**Responsible Officers / Portfolios**	**Consultation Details**	**Background papers / materials**
			Cabinet Member Resources		
August 2015	**Parks Events Policy 2016- 2020**	09/12/15 Mayor and Cabinet	Councillor Alan Smith, Deputy Mayor and Councillor Rachel Onikosi, Cabinet Member Public Realm		
	Planning Service Annual Monitoring Report 2014-15	09/12/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
June 2015	**Revenue Budget Savings**	09/12/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
August 2015	**Section 75 arrangements for Children and Young People**	09/12/15 Mayor and Cabinet	Kath Nicholson, Head of Law and Councillor Paul Maslin, Cabinet Member for Children and Young People		
June 2014	**Surrey Canal Triangle (New Bermondsey) - Compulsory Purchase Order Resolution**	09/12/15 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
	Youth Service Mutual	09/12/15 Mayor and Cabinet	Sara Williams, Executive Director, Children and		

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			Young People and Councillor Paul Maslin, Cabinet Member for Children and Young People		
September 2015	**FM Contract Structure and Procurement approach**	09/12/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
September 2015	**FM Compliance Contracts Structure and Procurement approach**	09/12/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
September 2015	**Extension of Security (CIS Security Limited) & PPM (Interserve Facilities Management) Contracts**	09/12/15 Mayor and Cabinet (Contracts)	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	Prevention and Inclusion Contract	09/12/15 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Janet Daby, Cabinet Member Community Safety		
	Resouce Link Contract Extension	15/12/15 Overview and	Janet Senior, Executive Director for Resources &		

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		Scrutiny Business Panel	Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
	Setting the Council Tax Base, the NNDR Base and Discounts for Second Homes and Empty Homes	13/01/16 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
August 2015	**Determination of the applications to establish a neighbourhood forum and to designate a neighbourhood area for Lee Green**	13/01/16 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
August 2015	**Determination of the applications to establish a neighbourhood forum and to designate a neighbourhood area for Deptford**	13/01/16 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
May 2015	**Formal Designation of Crystal Palace & Upper Norwood Neighbourhood Forum and Area**	13/01/16 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Alan Smith, Deputy Mayor		
September 2015	**Determined School Admissions Arrangements for 2017/18**	13/01/16 Mayor and Cabinet	Sara Williams, Executive Director, Children and Young People and Councillor Paul Maslin, Cabinet Member for Children and Young		

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			People		
	Award of Contracts Tier 4 Services and Day Programmes People with Substance Misuse Services	13/01/16 Mayor and Cabinet (Contracts)	Aileen Buckton, Executive Director for Community Services and Councillor Janet Daby, Cabinet Member Community Safety		
	Setting the Council Tax Base, the NNDR Base and Discounts for Second Homes and Empty Homes	20/01/16 Council	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
June 2015	**Council Tax Reduction Scheme 2016-17**	20/01/16 Council	Kevin Sheehan, Executive Director for Customer Services and Councillor Kevin Bonavia, Cabinet Member Resources		
June 2015	**Capital and Revenue Budget Monitoring**	10/02/16 Mayor and Cabinet	Janet Senior, Executive Director for Resources & Regeneration and Councillor Kevin Bonavia, Cabinet Member Resources		
August 2015	**Housing Allocations Policy**	02/03/16 Mayor and Cabinet	Kevin Sheehan, Executive Director for Customer Services and Councillor Damien Egan, Cabinet Member Housing		

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