

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Thursday, 13 June 2019 at 7.00 pm

PRESENT: Councillors Jim Mallory (Chair), Louise Krupski (Vice-Chair), Patrick Codd, Alan Hall, Mark Ingleby, Paul Maslin and James Rathbone

APOLOGIES: Councillors Tauseef Anwar, Juliet Campbell and Joan Millbank

ALSO PRESENT: Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Stephanie Fleck (Principal Lawyer), Katharine Nidd (Strategic Procurement and Commercial Services Manager) (LBL) and Selwyn Thompson (Head of Financial Services)

1. Minutes of the meeting held on 9 May 2019

- 1.1 It was noted that officers had received directions from the Mayor on the appointment of an additional Director for the Catford Regeneration Partnership Limited. The Committee urged that this should happen forthwith. It was also noted that an update on the memorandum of understanding requested by the Committee on the relationship between CRPL and the Council would be presented to the Committee at its next meeting. It was also reported that the Committee's referral to Sustainable Development Select Committee had been received – and that further scrutiny on the issues raised would take place in July.
- 1.2 **Resolved:** that the minutes of the meeting held on 9 May be agreed as an accurate record.

2. Declarations of interest

- 2.1 Councillor Ingleby declared a non-prejudicial interest in relation to item five as a Director of Lewisham Homes.
- 2.2 Councillor Mallory declared a non-prejudicial interest in relation to item five as a member of the board of governors of Abbey Manor pupil referral unit.

3. Responses from Mayor and Cabinet

- 3.1 There were none.

4. Income generation and commercialisation

- 4.1 Katherine Nidd (Strategic Procurement and Commercial Services Manager) introduced the report, the following key points were noted:
 - Work was taking place to implement the income generation strategy.
 - The model presented in the report identified the importance of key enablers for change.

- Information had also been provided in the appendix from the Centre for Public Scrutiny – about the role that scrutiny could play in income generation.
- The report highlighted the importance of leadership in bringing about change.
- The income board had a key role to play in delivery of the ambitions in the income generation strategy.
- All areas of the Council that were seeking to generate income needed to be customer focused. The focus on customers could also support the pursuit of social value.
- Officers would seek further leadership from the Committee about the potential for culture change at the Council.
- New appointments had been made to support this work. The new starters were highly skilled and had a strong track record of innovation and excellence.

4.2 Katherine Nidd responded to questions from the Committee, the following key points were noted:

- Work had previously been carried out to review the service level agreements for schools and for housing services. In carrying out that work, the model for analysing costs had been improved.
- Discussions had been held with Kent County Council about their commercial agency for social workers. This was a relatively high-level discussion because of the commercially sensitive nature of the information.
- Kent had established partnerships with a number of authorities. These partnerships ranged from taking an advisory role to setting up full joint ventures.
- There were differences between the way the London authorities operated and the operations of large country councils.
- One of the key differences was that county councils covered a large geographic area – whereas agency workers in London were likely to be more geographically mobile.
- Kent had not given any information about the authorities they were working with in London.
- No information had been shared about the structure of the agency service. Full consideration would need to be given to the form a company in Lewisham might take.
- Lewisham had a memorandum of understanding with other London boroughs to manage the cost of agency social workers – which had mitigated some previous problems in recruitment and contained costs.
- The Council currently had a contract with Reed to provide agency services. When the contract expired, full consideration would be given to the other options for delivering the service (which could include the option to set up an in-house agency) – as with all major contracts.
- The income board met every eight weeks. There was an item on the agenda for the Executive Management Team every three months to discuss proposals for income generation and procurement.

- Key decisions – including those related to fees and charges – were decided by Mayor and Cabinet. Any proposals for projects would be subject to the usual decision making processes.
- Consideration was being given to creating income generation champions for each of the relevant areas.
- A flowchart of key processes was included in the income generation strategy.

4.3 The Committee also considered the final report of its strategic income generation and commercialisation review – as well as proposals (attached to the minutes) from Councillor Krupski regarding the next stage of the Committee’s scrutiny of this issue, the following key points were noted:

- There was an urgent need for the Council to change its culture in order to become more commercially minded.
- The right governance structures also needed to be in place to ensure that change could happen.
- The questions proposed by Councillor Krupski should form the basis of future reports on this issue.
- Consideration would need to be given to commercial projects on a case by case basis.
- The changing culture of the Council might also facilitate more interaction between councillors and officers at all levels.
- The Director of Organisation Development and Human Resources was working on updating Lewisham’s people management approach: ‘the Lewisham Way’. Members might want to hear from the Director about plans for the future.
- Proactive and positive leadership was of central importance to building and changing culture.
- A member development session could be held for councillors about potential future options for income generation.
- The Committee would welcome some examples of possible income generation projects (particularly those for commercialisation) laid out in a clear format. This might form the basis of a communications strategy for stakeholders.

4.4 David Austin (Acting Chief Finance Officer) responded to comments made by the Committee, the following key points were noted:

- Income generation comprised of three parts: fees and charges; traded services and new ventures.
- There were examples of initiatives carried out by the Council in each of these areas.
- The Council had not tended to become involved in new ventures – and where it had the benefits that accrued were in social value rather than financial. An example was the investment being made in affordable housing.
- A significant proportion of the ‘cuts’ proposals over the past few years had in fact been proposals for income generation. The majority of this was from fees and charges.
- A forthcoming National Audit Office report would likely be critical of local authority investment in commercial property.

4.5 **Resolved:** that the recommendations of the strategic income generation and commercialisation review be agreed and referred to Mayor and Cabinet. It was also agreed that the report and Councillor Krupski's proposals would form the basis of a scoping report for an in-depth review of commercialisation and cultural change.

5. Financial results 2018-19

5.1 Selwyn Thompson (Director of Financial Services) introduced the report and highlighted budget pressures in key areas.

5.2 Selwyn Thompson and David Austin responded to questions from the Committee, the following key points were noted:

- Concerns had been raised by some service managers about their capacity to use the Oracle financial system. This was particularly the case in areas of the Council that employed significant numbers of agency staff because the system required more data input for payments than had previously been the case.
- There was a mismatch between the operational costs of the youth service and its contract value.
- As part of the mutualisation of the youth service (in 2015) there was an expectation that the new organisation would be able to access funding and grants that were not available for Council services. This had not been the case.
- However, the service had increased the number of young people it provided services for. It had also reduced its overhead costs.
- There was additional pressure on the budget due to the withdrawal of a Government grant for youth services.
- Future options were currently being considered for the contract. This would involve re-working assumptions about the budget.
- Increases in budgets for services would have to be met through either cuts from other services or by drawing on reserves.
- Measures were being taken to manage overspending in the children and young people directorate budget.
- A pantomime had been held in the Broadway theatre for the first time in a number of years. It had not been as successful as expected, which resulted in a significant loss.
- Three years ago investment had been made in new refuse vehicles. It was intended that this would solve the problem of overspending. The service still requires hire vehicles and an additional refuse round had been added.
- Work was also ongoing to use capital expenditure to buy vehicles to replace the use of hire vehicles and the associated costs.
- Further information would be provided about the replacement of refuse vehicles in future budget monitoring reports.
- Underspend on the One Public Estate programme was a timing issue. The Council was still committed to delivering the programme.
- There was no indication in January that there would be an overspend in the Lewisham Homes repairs and maintenance budget.

- Officers could not confirm that the overspend was due to the performance of Lewisham Homes' repairs and maintenance contractor.
- The figures in the report had been provided earlier than usual. It was possible that part of the sum for repairs and maintenance might have been intended to be capital, rather than revenue spending.
- Lewisham Homes had a significant annual spend on repairs and maintenance with a programme which would be delivered over a number of years – it was possible that the spending this year would be offset in another.
- There had been no previous indication that Lewisham Homes was overspending its repairs and maintenance budget.
- One of the big shortfalls in the capital budget was as a result of the housing matters programme.
- A capital programme budget had also been set aside for the redevelopment of Catford Town Centre.
- There had been some revaluations and some movements in the Council's stated position on its reserves.
- The level of the Council's unearmarked reserves had been increased by £7m – from £13m to £20m.
- Earmarked reserves had reduced from £160m to £148m. Within the earmarked reserves there were various movements. Allocations in some areas (such as the PFI sinking funds) had increased and although some of the reserves had been released to cover the overspend in the 2018-19 budget - the Council was spending in line with its plans.

5.3 In Committee discussions, the following key points were also noted:

- Members highlighted the need for service managers to understand levels of spending in their services – in order to ensure that problems could be foreseen – and appropriate management action taken.
- Members questioned the way in which budgets were set for services. Examples were given of services that continually appeared to overspend in consecutive years.
- There were specific concerns about the way in which the budget had been set for children and young people's services.
- The new Executive Director for Community Services would be invited to the next meeting of the Committee. It was acknowledged that he was new to the role – so he would also be invited to provide a more comprehensive update to the Committee on the finances of adult social care in the autumn.
- Members noted the additional funding that had been made available for adult social care through the Better Care Fund and questioned whether action was still being taken to manage pressures and control costs.
- Examples were given of issues with the management and operation of Lewisham's leisure centres.
- Members questioned the processes in place for managing and enforcing contracts.
- It was noted that a recent report had been considered by the Healthier Communities Select Committee about the management and operation of the leisure centres contract.

- There were differences of opinion about future options for the Broadway theatre. Some Members felt it was difficult to make it work as a commercial venture, others expressed the importance of the theatre as a key part of Catford's future cultural offer.
- There was significant concern about the overspend in the housing revenue account repairs and maintenance budget for Lewisham Homes.
- Members noted concerns that had been expressed about Lewisham Homes' repairs and maintenance subcontractor.
- Members highlighted the discrepancy in the budgeted and the actual spending of capital programme resources.
- It was noted that the Committee's proposal to Overview and Scrutiny Business Panel – that all select committees should give additional consideration to budgetary issues- had been agreed.
- Members expressed their continued concerns about the viability of the children and young people's budget.

5.4 **Resolved:** that the report be noted. That additional information should be provided about the funding being made available for dilapidation works on leisure centre buildings. The Chair also agreed to give further consideration to scrutiny of the issue of leisure centres management – in consultation with the Chair of Overview of Scrutiny.

6. Medium term financial strategy

6.1 David Austin (Acting Chief Finance Officer) introduced the report, the following key points were noted:

- The assumption had been made that the Council's grant would continue to be reduced by the government (in line with the trajectory that funding had been on for the past seven years).
- It was also assumed that business rates growth would continue to grow – although at less than inflation due to pressures in the sector.
- It was assumed that the Council would continue to increase Council tax. Projections for housing growth had been taken from the planning numbers.
- It was anticipated that funding would need to be made available over a number of years to manage pressures in the children and young people's directorate budget.
- The assumptions enabled officers to project the cuts required in the coming years. For 2020-21 the projection was £12m. This figure was expected to increase in the following year – before reducing thereafter. Over the four years from 2021-22 the potential requirement for cuts could be £50m. The initial focus was on delivering the £12m for 2020-21.
- There was still a high level of uncertainty about the position central government would take on future funding for local authorities.
- There were a number of decisions due to be made by the current Government (including the comprehensive spending review) that would have a significant impact on the Council's medium term finances.
- The Better Care Fund had alleviated some of the problems in adult social care – it was anticipated that action would be taken to manage pressures in children's social care.

- If the current trajectory of spending for local government continued – a significant number of local authorities would be unable to balance their budgets.
- The Council would be in a strong position (with a good level of reserves) to make future decisions – as long as it delivered the cuts it had already agreed and tackled the £12m required for the coming year.
- The cuts programme was currently being developed. Service managers were being asked to demonstrate how their service compared with other local authorities in terms of cost.
- Questions were also being asked about which services required investment to enable improvement.

6.2 David Austin responded to questions from the Committee, the following key points were noted:

- Work could be done to develop projections of future volumes of activity and spending in service areas. However, it would be difficult to match this to additional allocation of reserves because this could create the sense that current spending and practice had no need to improve.
- Good social work practice was more cost effective because it enabled early intervention and reduced escalation.
- Schools were having a real terms cash reduction in their budgets. A number were trying to work their way through deficit plans. There remained a risk to the Council from a breakdown in a school's budgeting processes.
- The Council had £60m of usable reserves. Additional information would be provided for members.

6.3 In Committee discussions, the following key point was also noted:

- Members were concerned about the future challenges facing the Council. There was a request that members of the Council's Executive should make more public statements about the future financial position of the Council.

6.4 **Resolved:** that the report be noted. That further information should be provided when there was more certainty about spending by government.

7. **Select Committee work programme**

7.1 **Resolved:** that the items for the Committee's meeting on 10 July would be: an introduction to the Executive Director for Community Services; an update on the financial position of children's social care; and a scoping report for the next phase of the Committee's income generation and commercialisation review.

8. **Referrals to Mayor and Cabinet**

8.1 **Resolved:** that the Committee's income generation and commercialisation report be referred to Mayor and Cabinet for consideration.

The meeting ended at 9.55 pm

Chair:

Date:
