

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Tuesday, 4 February 2020 at 7.00 pm

PRESENT: Councillors Jim Mallory (Chair), Louise Krupski (Vice-Chair), Tauseef Anwar, Patrick Codd, Alan Hall, Mark Ingleby, Paul Maslin and Joan Millbank and Bill Brown

APOLOGIES: Councillors Juliet Campbell and James Rathbone

ALSO PRESENT: Councillor John Muldoon, Councillor Luke Sorba, Mayor Damien Egan (Mayor), Councillor Amanda De Ryk (Cabinet Member for Finance and Resources), Timothy Andrew (Scrutiny Manager), David Austin (Acting Chief Finance Officer), Tom Brown (Executive Director for Community Services), Stephanie Fleck (Principal Lawyer), Katharine Nidd (Strategic Procurement and Commercial Services Manager), Kevin Sheehan (Executive Director for Housing, Regeneration & Environment) and Selwyn Thompson (Director of Financial Services)

1. Minutes of the meeting held on 16 December 2019

- 1.1 **Resolved:** that the minutes of the meeting held on 16 December 2019 be agreed as an accurate record.

2. Declarations of interest

- 2.1 Councillor Ingleby declared a non-prejudicial interest in relation to item four as a Director of Lewisham Homes.
- 2.2 Councillor Hall declared a non-prejudicial interest in relation to item four as a former Director of Phoenix Housing.

3. Responses from Mayor and Cabinet

- 3.1 David Austin responded to a question from the Committee – the following key points were noted:
- It was acknowledged that there was a common theme in reports regarding the Council's financial reporting which involved timeliness of actions and the availability of staff and resources.
 - The budget addressed a number of the issues regarding resourcing.
 - The Panel and the Chief Executive had made it clear that the timeliness of reporting had to improve.
 - Over the last two reporting cycles there had been a marked improvement. If additional resources were required to sustain this improvement then that would be made available.
- 3.2 **Resolved:** that the response from Mayor and Cabinet be noted.

4. Council budget 2020-21

- 4.1 Mayor Egan was invited to address the Committee – the following key points were noted:
- Government narrative about austerity “being over” would be challenged at every opportunity – because it was not the case.

- The Committee would recognise that although some of the figures in the budget were not as bad as had been anticipated – services were still critically underfunded.
- The budget did not forecast that the Council would be required to use its reserves to balance its budget this year – but the recent financial settlement did not come close to reversing the decade of cuts.
- There were still a number of areas of uncertainty – including: over Brexit; funding for adult social care and in education funding.
- The Council was still faced with cutting services by £16.6m.
- Through careful management the Council was able to direct support towards its priorities, including: responding to the climate emergency; the sanctuary borough programme; insourcing services.
- Funding had also been directed to support services in the children and young people directorate in order to bolster early help services and to recruit more foster carers.
- The Council was increasing its focus on social value – and there had been early successes in recruiting more apprentices.
- Borrowing would increase to fund the housing programme and to allow investment in the Council's transformation programme.
- Council tax would be increased – and it now made up 47% of the budget – which was a significant increase on the position a decade ago.
- Rents would be increased. The rent freeze imposed by government had a significant impact (that would last for decades) on the availability of funds for housing improvements and the delivery of new homes.
- In setting the budget – the Council would have to be sensitive to risks. It was anticipated that an additional £40m of cuts would have to be made over the next three years.
- The Council had a “solid position” regarding its reserves. The housing revenue account reserves could be used to fund the housing delivery programme.
- Government data indicated that Lewisham had the 9th highest reserves of all London boroughs and the Chartered Institute for Public Finance financial resilience index indicated that the Council's finances were robust.
- Thanks were due to Councillor de Ryk (Cabinet Member for Finance and Resources) and David Austin (Acting Chief Finance Officer) for their hard work and diligence.

4.2 Councillor de Ryk was invited to address the Committee – the following key points were noted:

- The budget had been prepared following a very late announcement of the provisional settlement for local government.
- This was not the comprehensive spending review that had been promised – which had been delayed to 2021.
- It was anticipated that all government departments would be expected to make 5% cuts – which was significant – and would bring Lewisham's settlement in line with the medium term financial forecasts.
- It was hoped that the base position for future cuts would be the settlement that had been agreed this year – rather than the reduced settlement that had been anticipated.
- The government freeze on rents had a significant impact on the housing revenue account – which necessitated borrowing to build new homes.

- Even though the budget was better than had been anticipated – the Council was still in receipt of a number of grants – which made a real difference on the Council's ability to deliver services.
- £4.5m of funding was being allocated to finance transformation work.
- The work that the Committee was doing demonstrated the importance of developing a commercial culture.
- The Council needed to enable officers to behave in more entrepreneurial ways.
- The budget process had been vital in helping services to demonstrate rigor with their finances, understand their costs – and to develop “a grip” on budgets.

4.3 Kevin Sheehan (Executive Director for Housing, Regeneration and Environment) responded to a question from the Committee about an article in 'Inside Housing' which claimed that Lewisham had the highest proportion of homes in the country that did not meet the decent homes standard as well as the highest number of 'category one' hazards in its properties. The following key points were noted:

- The article did not accurately represent the information that had been provided by the Council to the journalist who wrote the article.
- As part of the response to the request for information additional information about hazards had been provided – which had been included in the article's figures as 'category one' hazards – when they were not. If the extra information was excluded from the figures – then Lewisham would in fact have one of the lowest number of properties with 'category one' hazards in the country.
- It was a financial challenge for the Council to invest in new homes but additional funding had been made available for repairs and maintenance in recognition of the importance of health and safety.
- Lewisham Homes was currently undertaking a condition survey – which would provide the basis for a programme for repairs and maintenance in the coming years.

4.4 Kevin Sheehan responded to a question about the investment needed in housing to meet the challenges of the climate crisis – the following key points were noted:

- The scale of investment needed in housing to meet the government targets for climate change would dwarf the entire budgets of most councils.
- The Council could – and would – work to implement new technologies and to ensure that routine maintenance was planned to be as efficient as possible but the government would need to demonstrate leadership –and make significant funding available if it was serious about meeting its own emissions targets.
- The Council would prepare itself to respond when the government made resources available.
- The heating of homes using gas was a significant hurdle to meeting carbon reduction targets.

4.5 David Austin was invited to highlight 'key issues' in the budget report – the following key points were noted:

- The government had ended the business rates pilot. This would result in a loss of between £4m - £7m in funding.
- Fees and charges had been comprehensively reviewed.

- Schools funding had been increased but schools costs were rising more quickly – which meant that schools were managing a real terms reduction in resources. Schools had also experienced a second year of falling pupil numbers.
- In future, the Council would need to borrow on a significantly different scale than it had done to finance its building programme. These figures were reflected in the treasury strategy.
- The Greater London Authority had changed its budget requirement to provide additional funding for services (principally for policing) so there would be a slight adjustment in revised reports to Mayor and Cabinet and to Council.

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

- In terms of the general fund - future borrowing requirements were not included in the budget unless there was some certainty that schemes would happen (to avoid borrowing and incurring costs if a scheme was delayed).
- In terms of housing – the borrowing had been included in the budget in order to allow for flexibility to borrow as soon as schemes were ready to commence.
- Interest rates were low – but this did not mean that the Council should borrow now to avoid paying higher interest rates at a later date. Confidence was required that schemes would come forward and under the prudential code for local government finances – the Council could not borrow to invest commercially because security and liquidity were the primary considerations.
- It was better to use the Council's cash balances for schemes that needed funding immediately because of the low returns on investment (due to low interest rates).
- The treasury strategy set out a range of low risk options for investments and borrowing.
- There was no intention to close the Broadway theatre – however – some repairs and maintenance work needed to be carried out. The timing of this work was yet to be agreed but it would be scheduled to take as little time as possible.
- The borrowing to enable the Catford regeneration had to be balanced with the value of the Council's assets.
- Lettings in the Catford centre were being carefully managed to keep the centre running but to enable the regeneration.
- There would come a time when the Catford Regeneration Partnership would have to be incorporated into the programme for the regeneration.
- Last year funds have been set aside to manage overspends – this was also the case this year.
- This funding was held centrally – and allocated as required.
- The Council held the minimum amount of reserves for emergencies.
- The earmarked reserves decreased last year – due to the use in the budget to meet overspends.
- The figures did not always match due to movements between budgets. The figures were all in the public domain and were fully audited.

- Underspends in budgets returned to the general fund for reallocation – which took place in the wider strategic context of the Council’s budget pressures.
- Each scheme in the housing programme was different – so the return on the investment would be different.
- Detailed work was being carried out to manage the programme of investment, borrowing and cash flow to enable development over the next 40 years.

4.7 Councillor Luke Sorba (Chair of the Children and Young People Select Committee) was invited to address the Committee – the following key points were noted:

- The Committee had previously referred back to Mayor and Cabinet a proposal to cut funding to the health visiting service by £196k.
- It was recognised that the merger of the school visiting service and the health visiting service would result in some efficiencies and the Committee believed that - as a result - the numbers of staff providing the service and their grades would not need to be reduced.
- The Laming report set national standards for the minimum and optimal levels of health visitors for numbers of population. There was concern that the service could fall below those numbers.
- The Council had recently published a new special and educational needs strategy that committed to increasing the number of health visits for two year olds – which would likely represent a pressure on the reduced budget for the service.
- Health visiting was part of wrap-around early help service that was currently being reviewed. He proposed that funding be diverted to health visiting from underspending in the children and families centre budget.
- The experience of efficiency savings that reduced so-called management overheads was that the burden for administration fell more heavily on clinicians.
- The Committee should give consideration to the invest to save value provided by health visitors – because they supported families at an early stage, often before issues or problems became critical.

4.8 Tom Brown (Executive Director for Community Services) responded to questions from the Committee – the following key points were noted:

- Confirmation had been received from the Chief Executive of the Lewisham and Greenwich NHS Trust that discussions had been held with the relevant clinical teams and that there would be “no diminution in outcomes” as a result of the merger of the two services - and that this would be achieved within the reduced level of funding.
- The clinical model (including the number and grading of posts) was a decision for the Trust.
- The Council commissioned the service based on outcomes. It did not specify how – or by whom (or at which occupational grades) – the service should delivered.
- The Care Quality Commission (CQC) monitored the quality of health visiting services.
- The Council was confident that increased efficiencies in the back office and management structures of the services being integrated would allow for the number of health visits to increase.

- 4.9 In Committee discussions – the following key points were also noted:
- Major investment would be needed in both social and private housing to meet the challenge of climate change.
 - Members were supportive of the Broadway theatre remaining open. The work of the staff in the theatre should be commended.
 - The Committee would have to increase its skills and knowledge about major regeneration schemes in order to properly scrutinise the future plans for Catford.
 - The Committee was not minded to support the reversal of budget cuts – unless there was a proven case that service would diminish as a result.
 - It would be very important for the children and young people (CYP) committee to closely scrutinise the outcomes of the combined health visiting service.
 - The Chair summarised the Committee's work over his period as Chair and thanked officers and Committee members for their efforts.
- 4.10 **Resolved:** that the report be noted – with reference to the CYP committee's comments on the health service and the Committee's recommendation that funds be made available through the transformation fund to support officers to deliver a new commercial venture (under item five).

5. Select Committee work programme

There was a discussion about the meeting with officers from the London Borough of Waltham Forest before the consideration of the substantive items on the agenda.

- 5.1 Timothy Andrew (Scrutiny Manager) introduced the write-up from the evidence session with officers from the London Borough of Waltham Forest.
- 5.2 In the Committee discussion – the following key points were noted:
- The approach being taken by Waltham Forest was different to the approach being taken by Barking and Dagenham (visited previously).
 - Waltham Forest had taken a more 'organic' rather than 'big bang' approach to developing commercialisation and income generation initiatives.
 - Officers had been allowed freedom to take measured risks and to behave commercially.
 - The freedom had also been given for officers to try things and to fail.
 - The Committee would welcome funding for officers in Lewisham to initiate a new commercial project.
 - The Waltham Forest approach provided a focal point (through the commercial enterprise) for officers to go with good ideas. This also gave officers the freedom throughout the organisation to think more commercially.
 - Members felt that the stage had been reached in Lewisham where something needed to happen. The structures were in place to support a new commercial project and now was the time to "push the button" to make it happen.
 - The Waltham Forest approach had already delivered successful financial outcomes.

- Councillors were not involved in the direct management of Waltham Forest's commercial enterprise. It was implied that by having that structure the organisation was able to adapt quickly and make decisions.
- Councillors were involved in the governance at the right levels.
- A balance needed to be reached between enabling a commercial enterprise to be flexible – and ensuring there was public accountability. It was recognised that these issues would have to be considered if any proposal came forward to set up a new commercial body in Lewisham.
- There had to be a degree of separation between a commercial body and the Council.
- Councillors would welcome the opportunity for officers to be more creative and innovative.
- Culture change happened from the 'bottom up' as well as 'top down' and the two had to work together.
- Further consideration should be given to the ways in which the Council managed its assets.

5.3 Katherine Nidd (Strategic Procurement and Commercial Services Manager) was invited to address the Committee – the following key points were noted:

- There had also been a discussion between Lewisham officers and those from Waltham Forest.
- Lewisham officers were impressed by the Waltham Forest approach to their commercialisation programme and the management of risk.
- The 'organic' approach taken in Waltham Forest fitted with the wider culture and the set-up of the Council.
- Lewisham's new chief executive had initiated a change programme – in consultation with staff – much of it focused on culture and developing new ways of working.
- It was important that income generation did not become 'siloed' – or detached from the wider work that was taking place in the organisation to improve ways of working.
- The first commercialisation pilot session for service managers would be held in March.
- Work would also take place with the new 'change network' to embed commercialisation into the Council's wider culture.
- The structures were in place to enable funding to be made available when ideas were put forward for commercial projects.

5.4 **Resolved:** the Committee recommended that funding be made available from the transformation budget to support new commercial initiatives. The Committee would welcome proposals as soon as possible to develop this work.

5.5 Following the consideration of the budget – the Committee considered the work programme for its March meeting.

5.6 **Resolved:** that items on: income generation; the commercialisation and culture change review; community wealth building; the audit panel and financial forecasts be added to the agenda for the meeting on 18 March. It was also agreed that a briefing would be provided on the Council's approach to asset management – in order to inform decisions about future scrutiny.

The meeting ended at 9.15 pm

Chair:

Date:
