

# MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Wednesday, 20 March 2019 at 7.00 pm

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

ALSO PRESENT: Councillor James Rathbone, Councillor Amanda De Ryk (Cabinet Member for Finance, Skills and Jobs (job share)), Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Mala Dadlani (Group Finance Manager, Children and Young People), Chris Damri (SGM Asset Strategy and Technical Support), Lynne Farrow (Group Finance Manager, Customer Services), Robert Mellors (Finance Manager, Community Services and Adult Social Care), Andy Mudd (Head of APSE Solutions) (Association for Public Service Excellence), Freddie Murray (Assistant Director, Regeneration and Place), Katharine Nidd (Strategic Procurement and Commercial Services Manager) (LBL) and Selwyn Thompson (Head of Financial Services)

## 1. Minutes of the meeting held on 5 February 2019

1.1 Robert Mellors (Group Finance Manager, Community Services) was invited to provide an update on the figures for adult social care spending that were requested at the last meeting (attached to the minutes) - the following key points were noted:

- The figures provided information about the net budget for adult social care – and included details of external funding available in addition to the core budget for social care.
- In the current financial year the core budget was £71.2m (including £1m of funding from the council tax precept)
- Including additional resources from Better Care and Improved Better Care funds, the Community Services directorate had been able to spend a sum in excess of £80m in relation to adult social care.

1.2 Councillor Amanda de Ryk (Cabinet Member for Finance, Skills and Jobs) was invited to comment on the adult social care budget. The following key points were noted:

- There needed to be additional focus on transition from children's to adult social care.
- Some work had taken place on making changes to transport services but further focus needed to be given to this area of expenditure.
- A new director of adult social care had been appointed. It was hoped that they would bring new thinking to some of the challenges of the role.
- Additional work needed to take place on the budgets for Public Health.

1.3 **Resolved:** that the minutes of the meeting held on 5 February be agreed as an accurate record. It was also agreed that the new director of adult social care would be invited to a future meeting of the Committee.

## 2. Declarations of interest

Councillor Ingleby declared a non-prejudicial interest in relation to item seven as a Director of Lewisham Homes.

### **3. Responses from Mayor and Cabinet**

3.1 There were none. The Committee requested an update on the response to its referral on the financial control review. A response is due at Mayor and Cabinet on 24 April 2019.

### **4. Income generation and commercialisation**

4.1 Andy Mudd (Head of APSE Solution, Association for Public Service Excellence) introduced a presentation (included with the minutes). In addition to the information provided in the slides, the following key points were noted:

- The Association for Public Service Excellence (APSE) was a networking organisation, which supported the sharing of best practice.
- Changes in the law meant that there were more commercial services opportunities open to councils. However, there was still a reluctance to embrace the agenda, particularly in London.
- It was important to understand that commercialisation was different from charging fees (which councils already did for a range of services). To be commercial mean that services had to be provided in a market – in which customers had a choice of providers.
- There were very few authorities that were producing income from purely commercial services (as opposed to gaining income from fees, charges and investments).
- One of the drawbacks of councils' increasing moves to commercialisation was that they had inadvertently created markets for private businesses in services that were previously the preserve of councils.
- For example, increases in charges for bereavement services meant that it was now profitable for private companies to offer services previously only provided by councils.
- Councils were tentative about charging for services to make money but ultimately, commercialisation was about making profits to offset costs.
- There was a lot of property investment activity in London (as opposed to trading and commercial services).
- A number of authorities had embarked on projects to develop commercial services, including: Oxford (which had set up a trading arm); Nottingham (which had created an energy company and had a profitable parks department); Birmingham (which was making money from digital advertising); Spelthorne (which had heavily invested in commercial property); Wandsworth (which had created a commercial property portfolio); Hackney (which had invested in housing) and the City of London (which owned approximately £26b of property in central London); Westminster (which made money from parking).
- Lewisham was ahead of many other London authorities in its approach to commercialisation.
- London boroughs had not faced the level of financial pressure being felt by other councils (particularly those in the north).

- Elected members had to create the conditions for officers to change council culture.
- It was important that councils encouraged the development of the right skills amongst officers.
- There was sometimes tension between the focus on providing ‘societal good’ and focusing on serving customers.
- Council commercial activities could support wider ambitions for public good by providing local employment and developing local markets.

4.2 Andy Mudd responded to questions from the Committee, the following key points were noted:

- Councils did not collect standardised information about the money they made from commercial services.
- London councils had significant opportunities for generating income from parks due to the density of populations as well as the quality and accessibility of green spaces and good weather.
- Public perceptions (and business perceptions) of councils acting in a commercial way had to be anticipated and managed.
- It was important that councils were open and transparent in their operations in order to avoid perceptions of unfairness/public subsidy of commercial activity.
- It was important that councils had a good understanding of the income being generated by their services – which was why trading accounts (that allow the tracking of funds between services) were important.
- Rather than separating commercial services from democratic oversight – it was important that there was strong governance for commercial activities. The most successful commercial activities by councils had strong political leadership and clear operating parameters.
- Other public sector organisations provided lots of opportunities for selling services because they required all of the same services that the Council was already supplying.

4.3 Katherine Nidd (Strategic Procurement and Commercial Services Manager) introduced the report, the following key points were noted:

- The income generation strategy and fees & charges framework (presented in draft to the Committee in December 2018) had been approved by Mayor and Cabinet.
- The focus would now move to developing officers’ commercial mind-set as well as changing the Council’s culture and enabling Council officers to use the tools developed as part of the income generation strategy.
- The work that was being carried out on fees and charges would feed into the next budget setting report for February (2020).
- Mayor and Cabinet had approved a growth budget for procurement and commercial services. This would enable the hiring of officers to support and develop this area of work.
- Mayor and Cabinet had also agreed the procurement social value policy.
- The Centre for Local Economic Strategy (CLES) had been commissioned to carry out work at the Council on income generation, community wealth building, procurement and other initiatives. Work would also take place with Lewisham’s public sector partners (including Phoenix Housing;

- 4.4 Katherine Nidd and David Austin (Head of Corporate Resources) responded to questions from the Committee, the following key points were noted:
- Updates could be provided throughout the year on progress with the fees and charges framework.
  - The income generation strategy provided a set of defined terms in order to provide clarity.
  - The income generation strategy also related to the cuts programme – which included a number of income generation proposals.
  - A new post had been proposed to support fees and charges work.
  - One of the areas that the new appointees to the procurement and commercial service team would consider was contract management, which was historically a difficult area to get right.
  - Work had started on exploring opportunities for future insourcing.
  - There were proposals to reintroduce trading accounts for some services. They had been removed as part of previous rounds of efficiency savings but the deployment of Oracle Cloud provided an opportunity to re-implement them.
  - Work was ongoing to develop the Council's approach to fees and charges. This incorporated demand modelling and activity based costing. It would be difficult to provide targets for income from fees and charges at present.
  - Current commercial activity fitted within the Council's governance structures and was aligned with its principles.
  - It would be three to six months before the income generation approach would become widely recognised by officers and begin to deliver on its ambitions.
- 4.5 Councillor Amanda de Ryk addressed the Committee, the following key points were noted:
- There was an appetite amongst Council officers for change.
  - If officers were asked to take risks and innovate – there also had to be an acceptance that some projects would fail.
  - Any commercial activity had to work for the Council culturally as well as financially.
  - There were options for the Council to work collaboratively with partner organisations in the public sector and with other councils.
  - It might be necessary for the Council to appoint specialists to support this work.
  - It was important that the Council moved quickly and learnt lessons from new initiatives as well as failures.
- 4.6 In the Committee's discussions (which included members attending under standing orders), the following key points were also noted:
- Transport for London had significant investment in commercial advertising which limited opportunities for London Councils.
  - There were risks from doing nothing (in contrast with the risk of developing more commercial services and projects).

- Lewisham’s Mayor and Cabinet needed to support the change in Lewisham’s culture.
- Councils were not known for the effectiveness of their contract management. The Public Accounts Select Committee should consider scrutinising the effectiveness of contracted service providers (including the parks service and providers of highways maintenance)
- Members were concerned about the complexity of Council contracts and the level of enforcement that was carried out.
- It was felt that the Council should strongly enforce contracts to save money and improve the quality of service delivery.
- Members would welcome additional information about the opportunities for the Council to operate a ‘VAT shelter’ for commercially provided services.
- Consideration could be given to isolating commercial activity from democratic oversight – or to ensuring that decision making could be made quickly.
- Officers were asked to review the sequence of programming of service reviews through the fees and charges framework. It was felt that increased trading of building control, environmental services, cleaning should be priorities alongside the creation of a public services staffing agency.
- It was noted that the Committee would receive additional information during the next round of cuts on the work taking place to deliver income generating activities.

4.7 **Resolved:** the Committee endorsed the report and welcomed the contribution from Andy Mudd. It highlighted the importance of member accountability and the necessity of operational clarity for any future commercial service activity.

It was also agreed that the Committee would share its views with Mayor and Cabinet as follows:

In order to allow for the tracking and development of income generating activities the Committee believes that, for the appropriate services, officers should be tasked with considering the reimplementation of trading accounts.

## 5. Financial forecasts 2018-19

5.1 Selwyn Thompson (Head of Financial Services) introduced the report, the following key points were noted:

- The forecasts presented the Council’s financial position to the end of January 2019 – at that point the Council had overspent its budget by £9.9m against a projection of £10.4m.
- The Council had been using Oracle Cloud for ten months. It would be an increasingly effective tool for assisting managers to control their budgets.
- The Community Services directorate was projecting an underspend of £1.9m.
- The Customer Services directorate was overspent by £2.5m.
- The Public Services division in Customer Services had been underspending by £300k but it was now overspending by £300k. This was as a result of changes in council tax administration and a drop in the recovery of housing benefit overpayments.

- The Children and Young People directorate have been overspent by £9.6m for a number of months.
- An improvement board, chaired by the Cabinet Member for School Performance and Children's Services was meeting regularly to oversee the improvement plan for children's social care.
- There was also a CYP finance board – which oversaw spending pressures in the directorate's budget.
- Community Services had underspent on the funding it had been allocated for winter pressures, which contributed to the directorate's overall underspending position.
- The Council continued to provide support for schools with their budgets.
- Council tax collection was slightly down on target.
- Income shortfalls on commercial rents had increased the budget pressure on the regeneration and place division.
- It was anticipated that the expenditure of the capital programme would move closer to target towards the end of the year.

5.2 Selwyn Thompson, Mala Dadlani (Group Finance Manager, Children and Young People) and Lynne Farrow (Group Finance Manager, Customer Services) and David Austin responded to questions from the Committee, the following key points were noted:

- The figures provided in the report for volumes of activity and expenditure in children's services were averages of placements throughout the year. In reality, the costs fluctuated during the year and were dependent on the types of placements being used.
- Further work was taking place on developing the sufficiency strategy for children's social care placements.
- The issue of placements was complex. This was because the cheapest placement might not be the best for a child. Placing a child in the incorrect placement could lead to problems and increased future costs.
- There was a potential for future pressure in the 'no recourse to public funds' budget.
- No immediate figures were available on the impact of Lewisham becoming a 'sanctuary borough' for refugees.
- Some additional funding had previously been made available by government to support unaccompanied asylum seeking children.
- Budgets in children's social care would be reviewed throughout the year to determine how effective the current programme of transformation work was.
- Income and expenditure in the parking service budget had both increased.
- The Council was charged transaction fees and bank charges by providers for cashless parking.
- The budget for the technology and change division had been adjusted for 2019-20. It was originally intended that the shared service would sell its services to others – however – the London Borough of Southwark had joined the service as a partner (rather than as a customer) which meant that previously projected savings had not been achieved.
- There had also been a significant security breach during the course of the year – which required the shared service to update its systems. This

resulted in additional costs and contributed to the ongoing overspend in the division.

- There were also additional costs from the introduction of the general data protection regulations.

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

- There was challenge to officers regarding the activities being carried out in children's services to manage overspending in light of the apparent lack of change over the course of the past year.
- There was a challenge to the figures provided in the report detailing placements for children in social care. There appeared to be a £275k variance.
- Whilst supportive of the policy, Members expressed concern about the lack of projections for the additional costs of Lewisham becoming a 'sanctuary borough' for refugees. This was particularly the case given the previous pressures on the budget for the 'no recourse to public funds' team at the Council.

5.4 **Resolved:** that figures would be provided in future reports regarding the 'no recourse to public funds' budget. Additional information would also be provided on the fees paid to suppliers for cashless parking services.

## 6. Audit Panel update

6.1 David Austin introduced the report, the following key points were noted:

- The Panel had met during the year, as intended.
- It had covered all of the work in its programme as well as a number of other issues.

6.2 Councillor Alan Hall (Chair of the Audit Panel) addressed the Committee, the following key points were noted:

- The Panel had met throughout the year, as intended. It also convened an additional informal meeting because reports that it was due to consider had not been made available to it in a timely fashion.
- The annual audit letter had been received from the Council's external auditors. It included a qualification regarding the accounts for the transformation and change division.
- The auditors had also commented on the departure of the former chief executive. It was noted that the Council needed to reflect on its processes and consider the Council's governance in a strategic way.
- The Panel recommended that the Public Accounts Select Committee should consider an update on the operation and governance of the Catford Regeneration Partnership Limited (CRPL).
- As the masterplan for Catford progressed, it was acknowledged that the Partnership's governance structure would need to change.
- He noted his ongoing concern that there was little meaningful change at the Council.

- He asked that his thanks to the independent members (Stephen Warren, Carol Murray and Ian Pleace) of the Audit Panel be put on record.
  - He also thanked the City of London Corporation for its support and advice.
- 6.3 David Austin responded to questions from the Committee, the following key points were noted:
- The business plan for the CRPL would be presented to Mayor and Cabinet next week. It set out all of the company's activity, ambitions and objectives for the year, as approved by Council. The report was produced annually.
  - Officers would provide a report about the governance and operation of the CRPL.
  - CRPL, as structured at present (in line with its articles of association) could not carry out the Catford regeneration programme.
- 6.4 In Committee discussions (which included members attending under standing orders) the following key points were noted:
- A view was expressed that the work of the Audit Panel in the previous year could have been more closely focused on its principal responsibilities - as opposed to questioning its own terms of reference and the broader issues under its remit.
  - The Chair of the Audit Panel shared personal acknowledgements that he had received regarding the work of the Panel - as well as instances of apparent failures that had been raised through the work of the Panel.
- 6.5 **Resolved:** That the report be noted. It was also agreed that officers would provide a report about the governance and operation of the CRPL.

## 7. **Asset management update**

- 7.1 Freddie Murray (Assistant Director, Regeneration and Place) introduced the report, the following key points were noted:
- Work was taking place across the corporate estate to make the best use of the Council's assets.
  - The insourcing of the Council's facilities management contract was underway.
  - Previously facilities management services were being delivered by Kier. There was a backlog of work to deal with. Further work would take place in future to procure specialist services.
  - Work was progressing with the 'One Public Estate' programme, funded by central government.
- 7.2 Freddie Murray responded to questions from the Committee, the following key points were noted:
- A pilot for condition survey work across the corporate estate was currently being carried out.
  - It was planned that there be surveys for the fabric of buildings as well as for building mechanical and electrical services. Surveys were carried out on approximately five year cycle.

- Some work had been carried out to consider the development potential of garages owned by the Council and assess their quality.
- There were very few Council assets being sold (in line with Council policy). However – the assumption was that any money made from sales would return to the capital fund.
- There were regular meetings between officers in property services and those in community services to ensure there was a coordinated approach to the use of Council buildings by community groups.

7.3 In the Committee’s discussions (including members attending under standing orders) the following key points were noted:

- Developing an understanding of the commercial potential of buildings being used by the community and voluntary sector should be cautiously welcomed.
- Members noted the community gain from the work of community and voluntary sector organisations.
- Officers should revisit previous work that was carried out in this area.

7.4 **Resolved:** the Committee endorsed the report.

## 8. **Select Committee work programme**

8.1 The Committee discussed the work programme and agreed it would focus on key priorities in the coming year. Particular issues of interest (to be agreed at the first meeting of the new municipal year) could include: transport; contract management; income generation and commercialisation; adult social care - including transition from children’s to adult social care.

## 9. **Referrals to Mayor and Cabinet**

9.1 **Resolved:** that the Committee’s comments under item four be referred to Mayor and Cabinet.

The meeting ended at 10.00 pm

Chair: -----

Date: -----