

Public Accounts Select Committee Agenda

Wednesday, 18 March 2020
7.00 pm, Committee room 1
Civic Suite
Lewisham Town Hall
London SE6 4RU

For more information contact: Timothy Andrew
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This meeting is an open meeting and all items on the agenda may be audio recorded and/or filmed.

Part 1

| Item | Pages |
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| 1. Minutes of the meeting held on 4 February 2020 | 5 - 12 |
| 2. Declarations of interest | 13 - 16 |
| 3. Responses from Mayor and Cabinet There are none. | |
| 4. Financial forecasts | 17 - 60 |
| 5. Income generation and commercialisation | 61 - 70 |
| 6. Update on Community Wealth Building and the Inclusive Growth and Innovation Strategy | 71 - 122 |
| 7. Audit panel update To follow | |
| 8. Select Committee work programme (including the final report of the Committee's in-depth review) | 123 - 194 |

Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Wednesday, 18 March 2020.

Kim Wright, Chief Executive
Tuesday, 10 March 2020

| | |
|--|--|
| Councillor Jim Mallory (Chair) | |
| Councillor Louise Krupski (Vice-Chair) | |
| Councillor Tauseef Anwar | |
| Councillor Juliet Campbell | |
| Councillor Patrick Codd | |
| Councillor Alan Hall | |
| Councillor Mark Ingleby | |
| Councillor Paul Maslin | |
| Councillor Joan Millbank | |
| Councillor James Rathbone | |
| Councillor Bill Brown (ex-Officio) | |
| Councillor Sakina Sheikh (ex-Officio) | |

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 be 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 ‘siloes’ – 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:



Public Accounts Select Committee

Declarations of Interest

Date: 2020-2021

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Chief Executive (Director of Law)

Outline and recommendations

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

1. Summary

1.1. Members must declare any personal interest they have in any item on the agenda. 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.

1.2. Further information on these is provided in the body of this report.

2. Recommendation

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

3. Disclosable pecuniary interests

3.1 These 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.

4. Other registerable interests

4.1 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.

5. Non registerable interests

- 5.1. 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).

6. Declaration and impact of interest on members' participation

- 6.1. 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. **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**
- 6.2. 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 6.3 below applies.
- 6.3. 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.
- 6.4. 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.
- 6.5. 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.

7. Sensitive information

- 7.1. 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.

8. Exempt categories

- 8.1. 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).

9. Report author and contact

9.1. Kath Nicholson, Director of Law, Kath.Nicholson@lewisham.gov.uk, 020 83147648



Public Accounts Select Committee

Financial Forecasts 2019/20

Date: 18 March 2020

Key decision: No.

Class: Part 1

Ward(s) affected: N/A

Contributors: Executive Director for Corporate Services

Outline and recommendations

The purpose of this report is to set out the financial forecasts for 2019/20 as at the end of January 2020, noting any exceptional items to the end of February 2020, and projected to the year end.

This report is for internal purposes only at this stage the Public Accounts Select Committee is asked to:

Note the current financial forecasts for the year ending 31 March 2020 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.

Timeline of engagement and decision-making

This report sets out the financial forecasts for 2019/20 as at 31st January 2020, noting any exceptional items to the end of February 2019.

There is a forecast overspend of £4.2m against the directorates' net general fund revenue budget. This is set out in more detail in sections five to nine of this report. The main budget pressures are in the Children's & Young People and the Housing, Regeneration & Environment directorates.

Details of the Dedicated School Grant (DSG), Housing Revenue Account (HRA), Collection Fund and Capital Programme are set out in sections ten to thirteen.

1. Summary

- 1.1 This report sets out the financial forecasts for 2019/20 as at 31st January 2020, noting any exceptional items to the end of February 2019. The key areas to note are as follows:
- i. There is a forecast overspend of £4.2m against the directorates' net general fund revenue budget. This is set out in more detail in sections five to nine of this report. The main budget pressures are in the Children's & Young People and the Housing, Regeneration & Environment directorates.
 - ii. The Dedicated Schools Grant (DSG) is expected to balance at the year end. There are nine schools with loans totaling £2.4m. This is set out in more detail in section 10 of this report.
 - iii. The Housing Revenue Account (HRA) is currently projecting a surplus of £3.3m compared to a balanced budget previously reported. This is set out in more detail in section 11 of this report.
 - iv. As at 31st January 2020, some 82.7% of council tax due and 90.7% of business rates due had been collected. At this point last year, 82.4% of council tax due and 93.4% of business rates due had been collected. This is set out in more detail in section 12 of this report.
 - v. The Capital Programme spend as at 31st January 2020 is £89.1m, which is 52% of the revised 2019/20 budget of £170.1m. At this point last year, 61% of the revised budget had been spent, with the final outturn being 82% (£71.1m) of the revised budget of £87.0m. This has been set out in more detail in section 13 of this report and the appended documents.

2. Recommendations

- 2.1 The purpose of this report is to set out the financial forecasts for 2019/20 as at the end of January 2020, noting any exceptional items to the end of February 2020, and projected to the year end. 2.2 This report is for internal purposes only at this stage the Public Accounts Select Committee is asked to:
- 2.3 Note the current financial forecasts for the year ending 31 March 2020 and the action being taken by the Executive Directors to manage down the forecasted year-end overspend.

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3. Policy Context

- 3.1 This financial position demonstrates the impact of the very severe financial constraints which have been imposed on Council services with the cuts made year on year, despite the increasing demand to deliver services to the borough's residents.
- 3.2 The information set out in the body of this report is consistent with the delivery of the Council's corporate priorities (contained within the new Corporate Strategy 2018-22), and is particularly relevant to the Council's strong and resilient framework for prioritising action which has assisted the organisation in the face of austerity and on-going cuts to local government spending. This continues to mean, that even with the prospect of the most daunting financial challenges facing the Council and its partners, the Council continues to work alongside our communities to achieve more than it could by simply working alone.

4. Background

4.1 This report sets out the financial forecasts for 2019/20 as at 31st January 2020, noting any exceptional items to the end of February 2019. The key areas to note are as follows:

- i. There is a forecast overspend of £4.2m against the directorates' net general fund revenue budget. This is set out in more detail in sections five to nine of this report. The main budget pressures are in the Children's & Young People and the Housing, Regeneration & Environment directorates.
- ii. The Dedicated Schools Grant (DSG) is expected to balance at the year end. There are nine schools with loans totaling £2.4m. This is set out in more detail in section 10 of this report.
- iii. The Housing Revenue Account (HRA) is currently projecting a surplus of £3.3m compared to a balanced budget previously reported. This is set out in more detail in section 11 of this report.
- iv. As at 31st January 2020, some 82.7% of council tax due and 90.7% of business rates due had been collected. At this point last year, 82.4% of council tax due and 93.4% of business rates due had been collected. This is set out in more detail in section 12 of this report.
- v. The Capital Programme spend as at 31st January 2020 is £89.1m, which is 52% of the revised 2019/20 budget of £170.1m. At this point last year, 61% of the revised budget had been spent, with the final outturn being 82% (£71.1m) of the revised budget of £87.0m. This has been set out in more detail in section 13 of this report and the appended documents.

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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 £4.2m is being reported as at the end of January 2020. At the same time last year, an overspend of some £9.9m was forecast.

Table 1 – Overall Directorate position for 2019/20

| Directorate | Gross budgeted spend | Gross budgeted income | Net budget 2019/20 | Forecast over/ (under) spend January 2020 | Forecast over/ (under) spend October 2019 |
|-------------------------------------|----------------------|-----------------------|--------------------|---|---|
| | £m | £m | £m | £m | £m |
| Children & Young People (1) (3) | 68.9 | (9.8) | 59.1 | 3.3 | 3.7 |
| Community Services | 179.7 | (88.0) | 91.7 | (2.5) | (2.3) |
| Housing, Regeneration & Environment | 123.4 | (88.9) | 34.5 | 2.7 | 2.6 |
| Corporate Services (2) | 62.5 | (28.2) | 34.3 | 0.7 | 1.4 |
| Directorate Totals | 434.5 | (214.9) | 219.6 | 4.2 | 5.4 |
| Corporate Items | 23.6 | (0.0) | 23.6 | 0.0 | 0.0 |
| Net Revenue Budget | 458.1 | (214.9) | 243.2 | 4.2 | 5.4 |

(1) – gross figures exclude £290m Dedicated Schools' Grant expenditure and matching grant income

(2)

(2) – gross figures exclude approximately £213m of matching income and expenditure for housing benefits.

(3) – includes £5.4m of once-off funding for 2019/20 to be reviewed in 2020/21

6. CHILDREN AND YOUNG PEOPLE'S SERVICES

- 6.1 As at the end of January 2020, there is an anticipated overspend of £3.3m for the Children and Young People's Directorate. This is a decrease of £0.4m from the October position and arises as a result of reduced numbers of households that are being provided with support in the No Recourse to Public Funds service.

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Table 2 – Children & Young People Directorate

| Service Area | Gross budgeted Spend | Gross budgeted income – including grants* | Net budget | Forecast Outturn for 2019/20 | Forecast over/ (under) spend January 2019 | Forecast Outturn as at the end of October 2019 |
|------------------------------------|----------------------|---|-------------|------------------------------|---|--|
| | £m | £m | £m | £m | £m | £m |
| Children’s Social Care | 43.7 | (0.9) | 42.8 | 44.5 | 1.7 | 1.7 |
| No Recourse to Public Funds | 4.0 | (0.0) | 4.0 | 2.6 | (1.4) | (1.0) |
| Education, Standards and Inclusion | 11.4 | (1.7) | 9.7 | 11.6 | 1.9 | 1.9 |
| Joint Commissioning and Early Help | 9.8 | (5.5) | 4.3 | 5.4 | 1.1 | 1.1 |
| Schools | 0.0 | (1.7) | (1.7) | (1.7) | 0.0 | 0.0 |
| Total | 68.9 | (9.8) | 59.1 | 62.8 | 3.3 | 3.7 |

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

* The budget has increased by £0.2m as a result of the transfer from Corporate Services in respect of the Tribal system budget which was formerly a part of the IMT budget.

6.2 Children’s Social Care

6.2.1 The largest areas of spend within the Children’s Social Care budget are on children’s placements (£30m), and staffing (£17m). Saving proposals of £1.575m were agreed in setting the placements budget for 2019/20. At this stage of the financial year, that budget is expected to be overspent by £0.5m after taking these savings. This represents no movement from the position reported in October and appears to be due to a net increase of fourteen placements in residential care compared to the figure reported in July. The nature of residential placements means that they are of a high cost compared to other categories of placement and support. The service is currently reviewing each placement to establish whether any costs are very short term (seasonal non-availability of foster carers, short term arrangements for UASCs) or whether these are new, longer term commitments. Results of that review will give an indication of the impact of the increase in numbers on future years budgets. Gatekeeping panels are in place to reduce numbers coming into care and reduce escalation to high cost placements, but the complexity of cases is also increasing.

6.2.2 Current spending against the staffing budget suggests that a balanced budget will be achieved at the end of the financial year. The service has reviewed its staffing structure with a view to remaining within the available budget going forward. It should

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be noted however that a budget pressure on the service arises from work to maintain/increase the pace of improvement following the recent Ofsted inspection of Children's Social Care (CSC). Initial proposals were considered by the CSC Improvement Board and have been taken away to be worked up further. This will need to be considered as a part of the wider Council budget strategy.

6.2.3 With regard to placements of children looked after, the table below shows placement numbers for the last four months of the current financial year, 2019/20. The information is based on figures obtained from the Commissioning and Performance teams and is under continuous review to improve accuracy and consistency. It can be seen that the total number of cases has increased this month but this is expected to be mitigated by other changes by the year end and not expected to have an impact on current projections.

6.2.4 **Table 3 – Looked After Children**

| Looked After Children and care leavers Placement Numbers (Average) | | | | |
|---|-------------------------|--------------------------|--------------------------|-------------------------|
| | October 2019 | November 2019 | December 2019 | January 2020 |
| LA Fostering (including kinship) | 162 | 162 | 162 | 162 |
| Agency Fostering | 190 | 191 | 188 | 194 |
| Residential Children's Homes | 61 | 60 | 60 | 62 |
| Semi-Independent placements | 42 | 38 | 38 | 38 |
| Leaving Care 18+ | 336 | 352 | 342 | 342 |
| Special Guardianship Orders | 224 | 224 | 226 | 226 |
| Total | 1,015 | 1,027 | 1,016 | 1,024 |

6.2.5 In 2019/20, the other *Children's Social Care* budgets (i.e. non-salaries and placements) are forecast to be overspent by £1.2m. This is in line with a similar overspend in 2018/19. It should be noted that there is a risk of additional pressures in this area as placement methods are reviewed, for example, an increased risk of legal challenge. As in previous years, this is offset by a £1.4m underspend in the budget for No Recourse to Public Funds, leaving a net underspend of £0.2m.

- 6.2.6 The *No Recourse to Public Funds* service has significantly reduced the number of households that are being provided with support from 100 cases in April 2018, to 78 at the end of the last financial year. The vast majority of cases closed are because households have regularised their immigration status which provides them with recourse to public funds. This resulted in an underspend of approximately £1m as at the end of the last financial year, 2018/19.
- 6.2.7 Current activity suggests that this level of underspend is expected to increase. Whilst there is an increase in the number of new cases, it is offset by an increased number of closed cases. Based on current case activity, the budget is expected to underspend in the region of £1.4m by the end of this financial year.
- 6.2.8 The Section 17 budget, which includes non-housing NRPf spend, is a demand led budget and experiencing a pressure of £0.6m. This will need to be reviewed as part of the CSC budget setting process. This review should also aim to net off pressures on the budgets for Legal Fees of £0.2m and Looked After Children 'additional extras' of £0.4m. The net effect of this, after taking into account the NRPf underspend is an underspend of £0.2m.

6.3 Education Services

- 6.3.1 The main cost pressure within the *Education Services* division relates to SEN transport with a projected overspend of £2.0m. The overspend is consistent with the position for the previous two financial years. Consistent with the national position, the Council has experienced an increase in the numbers of pupils with Education, Health and Care Plans (EHCPs) while succeeding in decreasing the percentage of EHCP children on SEND transport. The Education Psychology (EP) and Specific Learning Difficulties (SPLD) team has pressure on the salary budget of £0.4m due to demand in the service, but this is alleviated by underspends in the Young People Relate service of £0.2m and Business Support and School Improvement recruitment totalling £0.2m.
- 6.3.2 Officers continue to progress work to manage demand. A review into the Council's use of transport is being undertaken this year. This review is being led by the Executive Director for Housing, Regeneration and Environment, but it is still too early to anticipate the full benefits in this financial year.

6.4 Joint Commissioning and Early Help

- 6.4.1 The early help offer for families is funded exclusively from the Troubled Families (TF) grant. Although the Council's TF claims are at the level expected by the Ministry of Housing, Communities and Local Government (MHCL), the service is again reporting a pressure of circa £0.9m. This is a legacy from the 2015/16 savings process. The TF grant was expected come to an end later this year, but current indications suggest that it will continue next year.

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6.4.2 A budget shortfall of £0.5m for the Youth Service contract, partially offset by an underspend in the Children’s Centres budget of £0.3m accounts for the balance of the overspend. The new contract for youth services is currently in the process of being negotiated and is expected to be within the reduced budget total.

6.4.3 The net effect of the above is that the *Joint Commissioning and Early Help* Division is reporting a budget pressure of some £1.1m for 2019/20.

6.5 Progress on Savings for 2019/20

The progress on revenue budget savings for the directorate have been set out in the table below. The comments are based on conversations between the finance officers and the service. As mentioned in 6.2.1 above saving proposals of £1.575m were agreed in setting the 2019/20 budget and the budget is expected to be overspent by £0.5m after taking these savings. Finance is working with the service to quantify the impact of action taken on each of the individual proposals and identify any other factors that may have impacted on the financial performance of this budget.

Table 4 – CYP Savings Tracker for 2019/20

| Ref | Description | Division | £k | Comment |
|-------|--|---------------------------------|--------------|--|
| CYP01 | More efficient use of residential placements | CSC | 500 | Delayed, no savings forecast |
| CYP02 | Improved placement process and more efficient systems with rigorous control through operating model and IT | CSC | 250 | Actions undertaken but level of savings not yet quantifiable |
| CYP03 | More systematic and proactive management of the market for independent fostering | CSC | 350 | Under review |
| CYP04 | Commission semi-independent accommodation for care leavers | CSC | 250 | On track |
| CYP05 | Residential framework for young people - Joint South East London Commissioning Programme | CSC | 200 | Saving under review |
| CYP06 | Cease funding for former CYP funded post in Voluntary Action Lewisham | Joint Commissioning/ Early Help | 25 | On track |
| | Total | | 1,575 | |

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7. COMMUNITY SERVICES

- 7.1 As at the end of January 2020, the Community Services directorate is forecasting an underspend of £2.5m, which represents an increase of £0.2m on the underspend position reported at the end of October 2019.

Table 5 – Community Services Directorate

| Service Area | Gross budgeted Spend | Gross budgeted income | Net budget | Forecast Outturn for 2019/20 | Forecast over/ (under) spend January 2020 | Forecast over/ (under) spend October 2019 |
|-------------------------------------|----------------------|-----------------------|-------------|------------------------------|---|---|
| | £m | £m | £m | £m | £m | £m |
| Adult Social Care | 127.9 | (55.4) | 72.5 | 70.7 | (1.8) | (2.0) |
| Cultural and Community Development | 16.4 | (7.9) | 8.5 | 8.5 | 0.0 | 0.3 |
| Public Health | 14.9 | (15.3) | (0.3) | (0.2) | 0.1 | 0.0 |
| Crime Reduction & Supporting People | 19.2 | (9.3) | 10.0 | 9.2 | (0.8) | (0.6) |
| Strategy & Performance | 1.3 | 0 | 1.3 | 1.2 | (0.1) | 0.0 |
| Reserves | 0.0 | (0.2) | (0.2) | (0.2) | 0.0 | 0.0 |
| Total | 179.7 | (88.0) | 91.7 | 89.2 | (2.5) | (2.3) |

- 7.2 The most significant cost variance for the directorate falls within the *Adult Social Care division*. The following sections provide a summary of the revenue forecast by division. It provides an explanation of the cause of the variance and any movements from the previous period. It also makes clear what the impact of any management action or other intervention will have on the forecast projected to the year-end. Where any variance is impacted upon by demand driven activity, then these are also set out and made clear in this section.

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7.3 Adult Social Care Services

- 7.3.1 An underspend of £1.8m is projected in the *Adult Social Care* division. The budget has been increased in 2019/20 by the precept of £2m to fund the rise in London Living Wage costs and a rise in the improved Better Care Fund grant of £2.8m. There are cost pressures arising from transition and other demographic effects and from increased costs of care arising from the London and National Living Wage. However, the effects of these are less than the new level of resource available for 2019/20.
- 7.3.2 The net variance is £0.2m lower than at period 7 with increased projected spend on packages and placements partially offset by reduced overspends on staffing budgets. The pressure on package and placement budgets continues to be due, at least in part, to increased demand to speed up flow from UHL. In order to improve the performance of Lewisham hospital, LGT are in receipt of support from the National Director of Urgent and Emergency Care and there is pressure on the community system, particularly adult social care. These impacts have led to increased costs of care and support as people discharged often require more intense and costly care and support. There is also a £0.3m projected overspend on the cost of client transport.
- 7.3.3 Most of the revenue budget savings have been achieved. There has been improved management of enquiries and how these can be resolved by the staff who handle them. Such new approaches to demand management have reduced the numbers of older service users, particularly smaller care packages. An updated position of the progress of delivering the revenue savings has been set out in the table below.

Table 6 – Community Services Savings Tracker for 2019/20

| Ref | Description | Division | £k | Comment |
|-------|--|----------|-----|--|
| COM01 | Managing demand at the point of access to adult social care services | ASC | 122 | On track |
| COM02 | Ensuring support plans optimise value for money | ASC | 250 | On track |
| COM03 | Increase revenue from charging Adult Social Care clients | ASC | 159 | Saving now fully achieved despite auto charging and configuration still not complete – prospect to improve charging in 20/21 |
| COM04 | Reduce costs for Learning Disability and Transitions | ASC | 900 | Work in progress – partial achievement (£700k savings) expected in 2019/20 |

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| | | | | |
|-------|--|-------|--------------|---|
| COM05 | Increased focus of personalisation | ASC | 260 | On track |
| COM06 | Reduction in Mental Health Residential care costs | ASC | 300 | On track |
| COM07 | Reduction in Adult Social Care contribution to Mental Health Integrated Community Services | ASC | 100 | On track |
| COM09 | Cut to intensive housing advice and support service | CR&SP | 300 | On track |
| COM10 | Crime, Enforcement & Regulation reorganisation | CR&SP | 255 | On track |
| COM12 | Cut to Main Grants budget | C&CD | 600 | On track for full year; part year effect (£400k savings) in 2019/20 |
| COM13 | Reduction in Arts, Development and Events Funding | C&CD | 85 | On track |
| COM14 | Reduce Local Assemblies funds | C&CD | 225 | On track |
| COM16 | Cultural and Community Development Service Staffing | C&CD | 75 | On track |
| COM17 | Ending the Small & Faith Fund | C&CD | 50 | On track |
| | Total | | 3,681 | |

7.3.4 Consultation on a new staffing structure that is designed to increase the levels and skills mix of staff at the front door has now concluded and the new structure is being implemented, recruitment is now underway to fill vacant posts and thus further reduce agency spend. This along with more effective use of short term interventions, such as enablement are expected to contribute to some delay or reductions in the need for longer term care. Work to improve systems with projected costs of £400k has been delayed. Once this is in place, further revenue savings on package and placement budgets will be possible through better demand management. These have been assumed in the 2020/21 budget.

7.3.5 Officers from within the services of Joint Commissioning and Adult Social Care are working proactively to identify appropriate and cost effective solutions that will reduce some of the costs associated with long term care and support. These reductions are work in progress and have not been factored into the projections.

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- 7.3.6 The service is dealing with more complex levels of need from cases that are referred from the acute hospitals due to a reduced length of stay. In addition, the young people with special educational needs and/or disabilities that transition from children's services to adults' social care, tend to be more complex. On average there are 20 new transition cases each year costing £700k p.a.
- 7.3.7 Additionally, there has been an unexpected increase in the number of residential and nursing placements for service users aged 18 to 65. Transition was expected to increase learning disabilities numbers, but there has been an increase of 20 placements (28%) on other client groups also. Officers are investigating the reasons for this and will consider whether they could be avoided.
- 7.3.8 There are also emerging pressures on care home fees linked to concern about market sustainability. This was highlighted as a national concern by the Association for the Directors of Adult Social Services (ADASS) in a recent survey.

7.4 Cultural and Community Development

- 7.4.1 The *Cultural and Community Development* service is projecting no material variance. This represents a reduction of £0.2m to the projected overspend position which was reported at October 2019. The main movements are a net reduction of £0.1m on the grants budget primarily due to slippage in the set up cost of the Lewisham Disability Coalition (£36k) and an underspend on the Small Grants Programme (£29k) resulting from changes to allocation and delivery arrangements for the programme. There is also an increase of £0.1m in the projected underspend on the Libraries budget due to slippage in the potential costs arising from the proposed operational changes to the Local History Archive resulting from the development works at Lewisham Library.
- 7.4.2 The community sector grants programme is showing an overspend of £126k. An overspend of £200k was highlighted in the Main Grants Programme 2019-22 report to Mayor & Cabinet on 24th April 2019. A revenue budget saving of £600k was taken against the 2019/20 grants budget. However, the new 3-year programme came into effect on 1st August 2019 meaning that the existing programme was extended for four months resulting in the £200k budget pressure for 2019/20 with the full saving being achieved in a full year from 2020/21 onwards. This budget pressure has now been mitigated by slippage in the set up cost of the Lewisham Disability Coalition (£36k) and an underspend on the Small Grants Programme (£29k) resulting from changes to allocation and delivery arrangements for the programme. Other small variances make up the balance of the changes.
- 7.4.3 The Culture and Community Development core staffing team has been restructured in order to deliver a full year saving of £150k per annum. The new structure has now been put in place with an effective date of January 2020. There are redundancy costs arising from the restructure and it has been agreed that the statutory element of these costs will need to be covered from the service budget up to a maximum of £10k per employee. This additional cost will result in a net budget pressure of £14k on the service for 2019/20. There will be additional costs in 2020/21 (and 2021/22) arising

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from Lewisham being the 2021 Borough of Culture. These will be funded by a combination of external funding, growth and match funding from base budgets.

- 7.4.4 There is no material variance expected on that part of Community Centres budget held by Community Services Directorate. A number of outstanding commercial rent agreements on community hub buildings have now been finalised resulting in the receipt of outstanding lease and rental amounts which in some cases have been backdated to reflect prior occupation. There are still a small number of negotiations that are awaiting finalisation – it is anticipated these negotiations will be completed and that the organisations involved will be invoiced by the end of the financial year.
- 7.4.5 There is a projected overspend on the Broadway Theatre budget of £76k. The service has to strike a delicate balance between costs and income generation and additional staffing costs incurred on marketing and some event management costs are not expected to be covered from additional income generation. The pantomime agreement for 2019/20 is on a ‘hire only’ arrangement with the promoter accepting the risk and the hire fee fully covering our costs to prevent the risk of any potential overspend.
- 7.4.6 There is an overall projected net underspend on Events of £17k. The Blackheath Fireworks Events held in November overspent by £18k as a result of an income shortfall - despite every attempt being made to maximise contributions and sponsorship for the event. As part of the 2019/20 budget savings process the Lewisham Peoples Day was moved to a bi-annual event with no event being held in the summer of 2019 – the annual budget of £35k will not therefore be spent in the 2019/20 financial year but an earmarked reserve request will be made to carry the funding forward for the 2020 event.
- 7.4.7 There is projected underspend on the Leisure Management budget of £107k. This is primarily the result of a change in the accounting treatment for the budgeted contribution to the Discretionary Rate Relief Pool. This cost now falls on the Collection Fund rather than on the revenue budget for the service.
- 7.4.8 The Libraries budget is now expected to underspend by £80k. This has resulted from slippage in the potential costs arising from the operational changes to the Local History Archive. The proposed changes are necessary in order to ensure the safeguarding of the local history and archive collection based at Lewisham Library whilst the proposed development works are undertaken.
- 7.4.9 The Adult Learning Lewisham (ALL) service has gross expenditure of £4m which it is anticipated will be fully covered in 19/20 from a combination of grant funding from the Education and Skills Funding Agency and the GLA of £3.4m and student fee/other income of £0.6m. Although staffing budgets are tightly drawn following the need to absorb the impact of the April 19 pay award and some uncertainty around the funding for the Teachers’ Pension increase no variance is currently projected.

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7.5 Public Health

- 7.5.1 The *Public Health* division has a planned revenue budget saving on staffing which has not yet been delivered in full and therefore an overspend of £0.1m is projected. Activity on sexual health budgets has increased over the past six months months and projected spend has now risen above budgeted levels. Overall, the Public Health service is projected to overspend by £0.1m.

7.6 Crime Reduction and Supporting People

- 7.6.1 The *Crime Reduction and Supporting People* service is currently projecting an underspend of £0.8m. This represents an increase of £0.2m in the underspend position reported as at the end of October 2019. There are several areas on change from the October report. An increase of £53k in the underspend on Secure Remand placements in the Youth Offending Service due to a steady fall in remand bed nights over the Nov 19-Jan 20 period. An increase of £90k in the projected underspend on overall staffing budgets resulting from the use of additional MOPAC grant received for Serious Youth Violence (£200k-confirmed Nov 19) – in order to maximise the use of this new grant funding existing projected staffing spend has been moved from core funding in the Prevention & Inclusion, Youth Offending and Crime, Enforcement & Regulation Teams. There has also been an increase of £35k in the staffing underspend in the Environmental Health - Food Safety Team as a result of staff turnover and the inability to recruit suitable agency staff.
- 7.6.2 There is a projected underspend of £240k on the budget for secure remand placements in the Youth Offending Service. This in part is due to better demand management by the service and in part due to an increase in the level of grant received from the Youth Custody Service in 2019/20. Historically this budget has been quite volatile in nature as the remand placements are at the discretion of the court and are based on the age/vulnerability of the young person and the nature of the offence that has been committed. The projected underspend has increased in recent months due to a steady fall in bed night numbers over the November 19 to January 20 period.
- 7.6.3 There is a projected underspend on the Environmental Health budget of £158k. This primarily relates to staffing in the Food Safety Team. There has been a significant increase in staff turnover in the Food Safety Team and a difficulty in recruiting suitable replacement agency staff to carry out food inspection activity.
- 7.6.4 The Youth Offending core budget is projected to underspend by £97k, this variance has resulted primarily from underspends on staffing budgets as a result of staff turnover and recruitment lag in filling vacant posts within the service. The Crime, Enforcement and Regulation budget is projected to underspend by £103k which again is primarily due to staff turnover and recruitment drag coupled with some additional income generated from licensing activity. The Prevention & Inclusion staffing budget is also expected to underspend by £82k mainly due to the part year impact of a staff secondments. The staffing underspends figures in all three services areas have been exacerbated by the need to maximise the use of the MOPAC grant for Serious Youth

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Violence (£200k) resulting in £90k of core staffing costs now being met from grant funding for 19/20.

7.6.5 There are also expected underspends of £83k on the Supporting People service resulting from contract savings and on the Drug and Alcohol Service of £52k due to a reduction in spend on activity based rehabilitation and detoxification services.

7.7 **Strategy and Performance**

7.7.1 The *Strategy and Performance* division is projected to underspend by £0.1m.

7.8 **Reserves**

7.8.1 There is no projected variance shown against Community Services Reserves. An income budget has now been put in place to cover the drawdown of £157k from earmarked Reserves in respect of Sports Development & Leisure Management. This covers specific works to be undertaken in conjunction with the Leisure Management contractor Fusion Lifestyles across several of the leisure centre sites including The Bridge and Wavelengths - this income budget is matched against expenditure budgets in the relevant service area.

7.9 **Trends in activity**

7.9.1 The following paragraphs show trends in activity in adult social care.

Table 7 – Number of 18+ Clients in service:

| Adults 18+ in each type of care (numbers) | | | | |
|--|--------|--------|--------|--------|
| | Oct-19 | Nov-19 | Dec-19 | Jan 20 |
| Residential | 453 | 446 | 449 | 449 |
| Nursing | 283 | 288 | 287 | 292 |
| Non-Residential | 2,161 | 2,169 | 2,178 | 2,183 |
| Total | 2,897 | 2,903 | 2,914 | 2,924 |

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Table 8 – Average Weekly Cost of 18+ Clients in service:

| Adults 18+ in each type of care (average cost) | | | | |
|--|---------|---------|---------|---------|
| | Oct-19 | Nov-19 | Dec-19 | Jan 20 |
| Residential | £ 1,098 | £ 1,102 | £ 1,104 | £ 1,095 |
| Nursing | £ 806 | £ 828 | £ 836 | £ 810 |
| Non-Residential | £ 390 | £ 392 | £ 391 | £ 390 |
| Average Gross v. Numbers | £ 541 | £ 544 | £ 545 | £ 540 |

Table 9 – Weekly Gross Cost of 18+ Clients in service:

| Adults 18+ in each type of care (gross cost) | | | | |
|--|-----------|-----------|-----------|-----------|
| | Oct-19 | Nov-19 | Dec-19 | Jan 20 |
| Residential | £ 497,601 | £ 491,551 | £ 495,636 | £ 491,476 |
| Nursing | £ 228,064 | £ 238,591 | £ 240,010 | £ 236,604 |
| Non-Residential | £ 842,184 | £ 850,091 | £ 852,497 | £ 851,121 |

8. HOUSING, REGENERATION & ENVIRONMENT

- 8.1 As at the end of January 2020, the Housing, Regeneration & Environment directorate is forecasting an overspend of £2.7m, an adverse movement of £0.1m on the reported position to the end of October. At the same time last year, the year-end forecast was an overspend of £1.1m, with the actual year-end outturn being an overspend of £1.7m.

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Table 10 – Housing, Regeneration & Environment Directorate

| Service Area | Gross budgeted spend | Gross budgeted income | Net budget | Forecast Outturn 2019/20 | Forecast over/ (under) spend January 2020 | Forecast over/ (under) spend October 2019 |
|-----------------------|----------------------|-----------------------|-------------|--------------------------|---|---|
| | £m | £m | £m | £m | £m | £m |
| Strategic Housing | 32.6 | (26.8) | 5.8 | 5.8 | 0.0 | 0.0 |
| Environment | 38.0 | (17.5) | 20.5 | 23.1 | 2.6 | 2.4 |
| Regeneration | 49.9 | (42.1) | 7.8 | 8.2 | 0.4 | 0.3 |
| Planning | 2.7 | (2.0) | 0.7 | 0.4 | (0.4) | (0.2) |
| Reserves / Provisions | 0.2 | (0.5) | (0.3) | (0.3) | 0.0 | 0.1 |
| Total | 123.4 | (88.9) | 34.5 | 37.2 | 2.7 | 2.6 |

8.2 The most significant cost pressures for the directorate fall within the *Environment* division. The following sections provide a summary of the revenue forecast by division. It provides an explanation of the cause of the variance and any movements from the previous period. It also makes clear what the impact of any management action or other intervention will have on the forecast projected to the year-end. Where any variance is impacted upon by demand driven activity, then these are set out and made clear in this section also. This section also provides a directorate summary of the progress being made on delivering agreed savings for 2019/20 and what impact if any, slippage on those savings is having on the overall directorate position.

8.3 **Strategic Housing**

8.3.1 The net budget for *Strategic Housing* in 2019/20 is £5.8m. The forecast position for January 2020 is for spend to budget, no change from the reported position in October 2019. However, pressures are being monitored within the group regarding incentive payments for which there is no budget, as well as bad debt for nightly paid accommodation and numbers of units acquired for Privately Managed Accommodation (PMA), with no subsequent reduction in numbers in nightly paid accommodation.

8.3.2 It is expected that management action currently being taken to control costs and bad debt pressures, together with the use of DHP and other grants will result in a balanced position at year end.

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- 8.3.3 The Private Sector Leasing (PSL) service is forecast to overspend by £110k compared to a reported overspend of £60k in October. However, as more units are taken on under the leasing agreement, this over-spend may increase as rents are increasing. In addition, there has been activity in incentive payments, for which there is no specific budget, which are used to retain existing properties. There is limited cover for this in the current financial year and if spend is at the same level as 2018/19 (£550k) the service will need to call upon reserves to recover the position. R&M costs are forecast to exceed allocated budgets and are adding to the pressure within this area. Total number of PSL stock at the start of the financial year is 462 units.
- 8.3.4 Bed and Breakfast (B&B) is forecast to overspend by £161k after the use of grants given specifically for this purpose (covering the HB limitation recharge), compared to the breakeven position reported in October. The potential over-spend is related to the increased need to provide cover for bad debt impairment (as narrated below). Throughout the year, new units will continue to come on line in our own stock and be complemented by the Hyde Acquisition properties, and the use of Privately Managed Accommodation (PMA). These should contribute to reducing the requirement for additional B&B spend.
- 8.3.5 Actual numbers in B&B are at 761 tenancies at the end of January 2020 compared to 765 tenancies at the end of October 2019. This number has been kept relatively stable over the last few months due to the continuation of incentive payments to landlords and clients (finding their own accommodation to rent). In 2018/19, a total of 593 preventions were made using this resource. If this resource was not available and these clients had to be housed in nightly paid accommodation, this would have cost an additional £3.6m to the service.
- 8.3.6 The B&B arrears have increased by £613k since the beginning of the year. Some of these arrears relates to Children's placements and NRPF client groups. After removing this from the B&B arrears, the projection is in the region of £600k. The current budget is £300k. Management action needs to be taken to address this issue to keep spend in line with current budget levels.
- 8.3.7 The PMA as a product is a cost to the Council and will contribute to the pressure in the Housing division, but to a lesser extent than if B&B accommodation was used. PMA is currently forecast to underspend by under-spend by £260k compared to £76k underspend in October. Again, this is after the use of specific grant given for this purpose (covering HB limitation recharge). The total number of PMA stock at the start of the financial year is 359 units. Stock at the start of January has risen to 450 units, up from 408 units in October, increasing the pressure in this area. This resulted in moving the forecast in this area up by some £753k to an over-spend in the region of £800k. However, additional flexible homelessness support grant funding (FHSG) has been used to reduce this back to similar levels to previous months.
- 8.3.8 The forecast overspend in the Housing Needs Group is mainly due to salaries cost overruns. This is being discussed with the service group managers to identify potential posts which should be funded via specific new burdens and flexible homelessness support grant funding.
- 8.3.9 The Housing, Partnership and Development division is forecast to overspend by £308k compared to a £302k forecast overspend in October. The overspend comes as a result of additional repairs costs on the PLACE Ladywell scheme as well as additional costs being incurred by the Strategic Housing and Development teams. This area is currently being updated to separately show the costs associated with the strategic housing management service and the new build and development service; the latter will be located under the Regeneration division. This is now shown as separate units in the monitoring statement.

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8.4 ***Environment***

- 8.4.1 The *Environment* division is forecasting a net overspend of £2.6m, which represents an increased overspend of £0.2m to that reported in October. This is set against an overspend of £1.9m in 2018/19 and £0.8m agreed revenue budget savings for 2019/20.
- 8.4.2 The refuse collection services is forecast to be £1.7m overspent, accounting for almost two thirds of the total overspend in Environment. With the introduction of the fortnightly refuse collection and weekly garden and food waste services in recent years, unforeseen operational issues emerged that have added to the underlying budgetary pressures and were explored further at a meeting of this Committee on 24th September 2019.
- 8.4.3 Staff costs are anticipated to exceed the budget by £611k, an increase of £86k from October, and a slight improvement of £31k on the 2018/19 overspend. Some £44k of this staffing overspend relates to the trade waste service and of the remaining £567k staffing overspend, between £250k - £300k can be attributed to the two additional dry recycling collection rounds as each refuse vehicle has a driver and a crew of three staff. The additional bulk collection rounds adds another £130k staffing pressures.
- 8.4.4 As seen in previous years, the overspends on vehicle costs for refuse services are reducing following the purchase of a number of new vehicles in 2018/19. However, there are still ten hired in vehicles in use, which is expected to create an overspend position for this year of £620k, down from £669k last year and no change from position reported in October. Mayor & Cabinet recently approved a report for the acquisition of a fleet of new Euro Low Emission Zone compliant vehicles. Once these vehicles have arrived, it will avoid the need to hire refuse vehicles, although pressures still remain due to the hired vans used to deliver and collect bins to/from households and trade waste customers. The new vehicles will not be delivered in full before October 2020 so will have minimal impact on this year's overspend.
- 8.4.5 There is also a shortfall of income projected for *trade refuse* of £476k. This is £138k worse than the shortfall in 2018/19 and an £8k improvement on October's reported position based on current amounts invoiced. The income budget for 2019/20 included an additional £150k savings agreed through the Star Chamber process, but it has not been possible to achieve this target as numbers of trade customers have reduced as shown in the Table 11. Work is being undertaken to analyse the customer base and develop more streamlined marketing, contract and debt collection processes to increase the income stream from trade waste and in line with the recommendations of the APSE review. An additional 400 – 450 customers would be required in order to achieve this year's income targets. An additional £300k income target was agreed for 2020/21 and this would require another 300 – 350 customers next year (700-800 customers over the next two years) based on analysis of average income per customer.

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Table 11 – Trade Refuse

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------------------------|-----------|-----------|-----------|-----------|
| Income Budgets | 1,951,000 | 2,048,000 | 2,048,000 | 2,198,000 |
| Income Actuals / Forecast | 1,775,986 | 1,746,770 | 1,714,415 | 1,722,000 |
| | | | | |
| Number of Trade customers | 2,195 | 2,097 | 2,084 | 1,874 |

- 8.4.6 For strategic waste management services the forecast overspend of £138k is being reported, a £49k improvement on October's forecast. The pressures are due to SELWDG related costs for the disposal of refuse for the London Borough of Greenwich, unachievable income recharge budget, and overspends on staffing and supplies and services in civic amenities. A one year contract for the disposal of dry recyclables commenced on 1st July 2019 as an interim position. The existing contract expired as the current contractor does not wish to extend, so this will allow sufficient time for a thorough procurement process. The cost is estimated at £1.3m, an increase of £0.4m on 2018/19. There will be a request for this to be funded from corporate reserves as in previous years.
- 8.4.7 Whilst total waste collection volumes have decreased by 8% over the last five years, the contractual costs of disposal have increased at a greater rate. This has been magnified by the change in the mix, where volumes of incineration waste has declined by 14,000 tonnes (14%) whilst composting volumes have increased by 10,400 tonnes (576%) over the same period. The former is currently charged at £63.52 per tonne for disposal whilst the latter costs up to £79 per tonne. Recycled tonnages has actually decreased by almost 2,000 tonnes (10%) over the same period but the cost is forecast to increase by £0.4m this year as the unit cost has increased by £6.17 (8.4%) pursuant to a new dry recycling contract. These rising costs described above, faced with an 8% fall in volumes over five years require further analysis. The service will work on getting a better understanding of waste disposal volumes and increasing numbers of households and how this drives costs both in terms of collection and disposal rounds needed. Table 12 sets out waste disposal volumes for the last five years.

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Table 12 – Waste Disposal Volumes

| Waste Type | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | April - Dec 2019/20 | 2019/20 Forecast |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------------------|-------------------------|
| Total waste sent for incineration | 99,829 | 99,573 | 99,835 | 94,930 | 85,558 | 64,140 | 86,931 |
| Total waste sent to landfill | 372 | 856 | 958 | 499 | 362 | 46 | 46 |
| Total waste sent for recycling | 18,863 | 19,231 | 17,329 | 16,091 | 15,801 | 12,585 | 16,449 |
| Total waste for composting | 1,804 | 1,372 | 2,626 | 7,597 | 12,138 | 9,145 | 12,026 |
| Total waste sent for re-use | 725 | 992 | 1,303 | 1,050 | 811 | 504 | 605 |
| Total waste sent for RDF | 7,668 | 8,030 | 2,003 | 2,284 | 2,982 | 1,845 | 2,336 |
| Total waste collected (tonnes) | 129,260 | 130,055 | 124,055 | 122,451 | 117,653 | 88,266 | 118,392 |

8.4.8 Further work is being done to refine, develop and link both the service operating and budgetary models so that pressures are clearly identified, costed and highlighted at an early stage of the annual business and financial planning cycle. This will enable the Council and service to take appropriate remedial actions. This could include a review of the current model of service delivery in terms of number of rounds, staffing mix between permanent and temporary staff, and other key inputs in order to secure greater efficiencies and optimal service delivery.

8.4.9 The street management service is forecasting a £150k overspend, £40k worse than the £110k overspend reported in October and a significant improvement on the £327k overspend in 2018/19. This improvement is largely due to the transfer of £200k budget from Directorate inflation reserves to fund this pay pressure. Most of this overspend is due to staffing, with a small element of residual spend (£31k) for public conveniences which should be centrally funded. Management are undertaking a detailed analysis of this staffing pressure to have a better understanding of the cost drivers. An area which may require greater attention is the levels of long term sickness.

8.4.10 The Green Scene service is forecasting an overspend of £103k, which represents a £54k improvement on October's position; this improvement is largely due to additional forecast income for activities and events held at Beckenham Place Park. A balanced view has been taken on the likely Parks & Open Spaces contract cost for the year as there can be a significant degree of price volatility each month. There are shortfalls on the increased Green Scene income budget of £50k, £53k overspend on the Parks & Open Spaces contract. Grounds maintenance costs in the arborists' service add

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£156k pressures, partially offset by £40k additional income in pest control and £90k unbudgeted HRA income recharges in the arborist service.

- 8.4.11 The passenger services budget is forecast to break even for 2019/20. The cost of passenger services for 2019/20 is expected to reach £4.1m and it is anticipated that this cost will be recharged to the Directorates using the service, predominately CYP (for SEN transport) and Community Services (Adults). The overall cost of the service is expected to be £0.2m higher than the 2018/19 cost of £3.9m. This overall cost increase is due to a combination of the staff pay awards and an increase in transport costs resulting from the need to hire in replacement vehicles pending the purchase of new buses under the Fleet Replacement Programme.
- 8.4.12 The fleet service is expected to show a balanced budget position for 2019/20 compared to the small net underspend of £8k shown in the October monitoring. The Fleet hire rates are set at the beginning of the year to recover the costs of routine maintenance on the core fleet vehicles – the charges are expected to cover the cost of fleet staffing, external maintenance services and replacement parts. The costs of non-routine maintenance, fuel and hired in vehicles are all charged out to users at cost. The increasing age of the fleet has meant that the costs of routine maintenance have been increasing over the last few years resulting in deficits of over £100k in each of the last two years. Hire rates have been increased for 2019/20 to compensate and this coupled with an increase in income from Lewisham Homes is expected to ensure a balanced position for fleet with any surplus generated from new hire rates being refunded to service users.
- 8.4.13 Bereavement services is forecasting a net overspend of £654k, a deterioration of £185k on October's reported position. This overspend is due to a combination of shortfalls in cemeteries and crematoria income (£395k), overspend on cemeteries supplies and services equipment (£186k), increased charges for the *coroners court service* (£66k) with the London Borough of Southwark, staffing overspends (£43k) and underspends on premises related expenditure (£36k). Most of this adverse movement is due to a £185k increase in forecast spend on cemeteries supplies and services equipment.
- 8.4.14 Lewisham's contribution to the Coroners Consortium this year is forecast to be £476k, an increase of £65k on last year and £66k more than budgeted mainly due to a £57k under-recovery of 2018/19 costs by the London Borough of Southwark, and outside the control of the service.
- 8.4.15 With the 7.5% increase in cost of burials from 1st April 2019, there was an expectation that income would rise, reflected in a £67k savings proposal, £44k of which was applied to the cemeteries income budget. The current numbers of deaths and resultant burials and cremations are significantly less than last year, leading to a sizeable shortfall against the income budget.
- 8.4.16 The service will incur additional expenditure in the year resulting from work to create four new burial plots at Hither Green and Grove Park Cemeteries; the cost of creating the plots is in the region of £27k and work is in the latter stages of completion.
- 8.4.17 Cremation charges were reduced by 7.5% from 1st April 2019 with the aim of making the services more affordable, but current figures do not suggest a commensurate increase in market share. Due to the nature of the service, it is difficult to predict the numbers of burials and cremations for the year, as volatile factors such as the weather and possible influenza epidemic, amongst others, all play a role.

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8.5. **Regeneration**

- 8.5.1 The Regeneration division is forecasting a £399k overspend, which represents a deterioration of £110k on the position previously reported in October. This movement is primarily due to increased overspends of £62k and £37k for the Property Strategy and Highways & Transportation divisions respectively.

Table 13 – Regeneration

| Division | January Variance | October variance |
|------------------------------------|-----------------------------|-----------------------------|
| | £k | £k |
| Property Strategy | 287 | 225 |
| Highways and Transport | 108 | 71 |
| Estate Compliance | 58 | 55 |
| Capital Programme Delivery | 0 | 0 |
| Commercial and Investment Delivery | (54) | (62) |
| Total | 399 | 289 |

- 8.5.2 The main pressures are in the Property Strategy division where income from commercial rents is projected to underachieve the budget by £123k, partly due to void rent loss and limited rent review opportunities this year. The 2018/19 outturn was a £99k overspend. Utility costs are forecast to exceed the budget by £316k, mainly due to rising prices. The Building Control service is forecasting a £184k overspend due to re-absorption of two Customer Services staff and the recruitment of a third in order to maintain service delivery. There is also an under recovery of income arising from staff vacancies, including a Building Control Manager, who would have been responsible for leading on income generation. The rents underspend of £193k is due to rent now being paid by the NHS for the use of Laurence House and the surrender of a previously rented building. Further re-alignment of salary budgets within the Property Strategy service is reflected in a forecast underspend of £78k. Some posts have only just been filled part way through the year and other posts are being held vacant in order to support agency costs.
- 8.5.3 The overspend in the Highways and Transport division is due to a combination of pressures, primarily staffing/agency costs to provide temporary cover for delivery of schemes (£47k) and a 2.5% uplift on Lewisham's contribution towards the Street Lighting PFI contract (£48k) which still has seventeen years to run.

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Underachievement of capital fees is forecast at £33k due to the challenges of generating sufficient fees through the capital programme to meet the income target whilst additional section 278 and section 106 income is projected to bring in an extra £37k.

- 8.5.4 Within the Estate Compliance division the projected overspend position is due to realignment of staffing budgets so that members of staff now sit under the correct service (£72k), pressures on the security (£25k) and building cleaning services (£25k) across the corporate estate, both due to the increase in the 2019/20 London Living Wage. These cost pressures are partially offset by forecast underspends in the health & safety service (£50k) as a result of delays in the risk tender process and the schools estates (£14k) where an existing member of the team has completed the compliance training so now the service can deliver the annual review from within the service area instead of using a consultant.
- 8.5.5 There is a staffing underspend of £54k in the Commercial and Investment Delivery division due to a vacancy and reduced employee expenses. All staffing costs for the Capital Programme Delivery team will be recharged to the relevant projects and external grants.

8.6. **Planning**

- 8.6.1 The Planning Service is forecasting a £364k underspend, an improvement of £191k on the previous position reported in October.
- 8.6.2 Development Management are forecast to be underspent by £351k compared to a £154k underspend in October, the change primarily due to increased development control fees and photocopy income. There was concern in the first few months of the year that fee income may not be as high as in previous years; however current forecasts show we should achieve similar or higher levels to last year. Resourcing within the enforcement team is ongoing and may impact on the budget position.
- 8.6.3 Land Charges are forecasting a £7k overspend due to reduced staffing and supplies and services costs, an improvement on the £11k forecast overspend reported in October.
- 8.6.4 Strategic Planning are currently forecasting to underspend by £19k compared to an £8k underspend reported in October, mainly due to increased forecast Design Review Panel (DRP income). Corporate funding has been awarded to cover costs incurred in preparing the affordable housing supplementary planning document.
- 8.6.5 It should, however, be noted that the Council is in the process of preparing a new Local Plan, a statutory planning document setting out the council strategy and policies for future growth and change in the borough over a 15 year plan period; this has the potential to increase expenditure as a number of studies will need to be commissioned to contribute to the evidence base of the plan. This expenditure is likely to be incurred over 2019/20 and 2020/21. The Service are also managing greater demands for planning guidance where costs are unrecoverable. The implications of additional work streams on budgets and resources are being kept under review.

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8.7 **Reserves and Provisions**

8.7.1 Reserves and Provisions constitutes the costs of the Executive Director, Housing Revenue Account recharge income for bin collection and deliveries to Lewisham Homes and Brockley PFI and provisions for pay and non-pay inflation. £475k has been allocated to services with underlying pressures within the Environment division, leaving £107k remaining unallocated. There is also a shortfall of £126k against the income recharge budget to Lewisham Homes for the provision of refuse collection and disposal services, resulting in an overall balanced budget for this division.

8.8 **Progress on Savings for 2019/20**

Table 14 - Housing, Regeneration & Environment Progress on Savings

| Ref | Description | Division | £k | Comment |
|-------|---|-------------|-----|--|
| CUS02 | Income Generation – increase of Garden Waste Subscription | Environment | 278 | On-track. Based on current subscription of 10,000 customers @ 80 per annum. Subscribers increasing (70 per week), likely to average 50 per week until autumn. Likely to achieve income target |
| CUS03 | Income Generation – Events in Parks | Environment | 200 | £50k shortfall based on current events planned |
| CUS04 | Income Generation – increase in Commercial Waste Charges | Environment | 150 | Nil savings likely to be achieved. Ongoing review of potential and existing trade customers and improved operational processes |
| CUS05 | Increase charge for the collection of Domestic Lumbar from households | Environment | 30 | Most of the savings (£26k) likely to be achieved. Agreed proposal is more difficult to achieve as final proposal based on four items per visit which differs from original proposal based on 3 items per visit |
| CUS06 | Bereavement Services – increase income targets | Environment | 67 | Nil savings likely to be achieved. Income difficult to forecast dependant on death rate and uptake of services. Based on lower numbers of deaths, cremations and burials to date than last year, target not likely to be achieved – ongoing analysis to inform reporting |

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| | | | | |
|--------------|---|-------------------|--------------|---|
| CUS08 | Close the four remaining Automated Public Toilets | Environment | 92 | Will be achieved as likely small overspend to be met by corporate as per proposal. Full closure in July 2019. |
| CUS09 | Cost reductions in homelessness provision – income generation and net | Strategic Housing | 405 | On-track but risk remains that the numbers in bed & breakfast will not reduce as planned |
| RES11 | Increase in pre-application fees | Planning | 100 | On-track |
| RES14 | Corporate Estate Facilities Management Contract Insourcing | Regeneration | 100 | On-track. FM advised 20/21 savings not achievable, should only be £100k in total across both years. |
| RES17 | Beckenham Place Park – income generation | Regeneration | 28 | Nil savings due to delay in agreeing lease |
| RES18 | Electric Vehicle charging points | Regeneration | 50 | £30k savings likely to be achieved due to delays in contract sign off |
| Total | | | 1,500 | |

9. CORPORATE SERVICES

9.1 As at the end of January 2020, the Corporate Services directorate is forecasting an overspend of £0.7m. The overall position has been set out in Table 15.

Table 15 – Corporate Services Directorate

| Service Area | Gross budgeted spend | Gross budgeted income | Net budget | Forecast Outturn for 2019/20 | Forecast over/ (under) spend January 2020 | Forecast over/ (under) spend October 2019 |
|-------------------------------|----------------------|-----------------------|------------|------------------------------|---|---|
| | £m | £m | £m | £m | £m | £m |
| Corporate Resources | 5.9 | (3.2) | 2.7 | 2.6 | (0.1) | (0.1) |
| Corporate Policy & Governance | 4.7 | 0.0 | 4.7 | 4.4 | (0.3) | (0.4) |

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| | | | | | | |
|-----------------------|-------------|---------------|-------------|-------------|------------|------------|
| Financial Services | 5.4 | (1.5) | 3.9 | 4.0 | 0.1 | 0.4 |
| OD & Human Resources | 3.0 | (0.3) | 2.8 | 2.7 | (0.1) | 0.0 |
| Legal Services | 3.4 | (0.5) | 2.9 | 2.9 | 0.0 | 0.0 |
| Strategy | 5.4 | (2.8) | 2.6 | 2.4 | (0.2) | 0.0 |
| IT & Digital Services | 5.9 | 0.0 | 5.9 | 7.1 | 1.2 | 1.2 |
| Public Services | 28.8 | (18.5) | 10.3 | 10.4 | 0.1 | 0.3 |
| Reserves | 0.0 | (1.4) | (1.4) | (1.4) | 0.0 | 0.0 |
| Total | 62.5 | (28.2) | 34.3 | 35.0 | 0.7 | 1.4 |

9.2 The *Corporate Resources* division is forecasting an underspend of £0.1m, mainly due to vacant posts. The *Corporate Policy and Governance* division is forecasting an underspend of £0.3m. This is mainly on staffing budgets, including the Chief Executive and Executive Director for Corporate Services posts, which have been vacant for periods of this financial year.

9.3 The *Financial Services* division is forecasting a £0.1m overspend primarily on the staffing budget. This partly relates to a delayed budget saving as per the savings tracker below this section. The overspend has reduced since October due to application of the Directorate contingency budget.

9.4 The *Organisational Development and HR* division is forecasting an underspend of £0.1m at year-end, primarily on staffing budgets.

9.5 The *Legal Services* division is currently forecasting a balanced budget position at year-end.

9.6 The *Strategy* division is forecasting an underspend of £0.2m at year-end. This is mainly against the Apprenticeship budget due to slippage in recruitment.

9.7 The *IT & Digital Services* division is currently forecast to end the year with an overspend of £1.2m due to anticipated additional costs of the Shared ICT Service (£1.0m). This is due to extended use of interim consultants whilst a new management team is recruited, as well as a number of “investment costs” to improve service levels, and some residual costs from the legacy print contract. The remaining £0.2m is due to previously unbudgeted software commitments being identified, and an extended use of contractor resource whilst the IT and Digital Services restructure is finalised. This is a worst case scenario, and the shared service are reviewing all purchases to identify any items currently classified as investments that have been procured against other cost centres.

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Public Services

- 9.8 The *Public Services* division is forecasting an overall overspend position of £0.1m at the year-end, an improvement on the £0.3m overspend forecast in October. The major changes in projection are an improved position in *Revenues Services*, mainly due to delays in recruiting to invest to save posts which has meant only part year costs are reflected in the 2019/20 budget. Also the *Parking Services* forecast underspend has improved, as a cautious approach was taken to forecasting income earlier in the financial year, but now an increased underspend is forecast.

Table 16 – Public Services

| Service Area | Net budget | Forecast over/ (under) spend Jan 2020 | Forecast over/ (under) spend Oct 2019 |
|-----------------------------|-------------|---------------------------------------|---------------------------------------|
| | £m | £m | £m |
| Revenue Services | 2.0 | 0.0 | (0.2) |
| Housing Benefits | 11.1 | 0.3 | 0.2 |
| Emergency Planning & Admin | 0.9 | 0.1 | 0.2 |
| Service Point | 2.0 | 0.2 | 0.3 |
| Parking Services | (5.8) | (0.5) | (0.2) |
| Director of Public Services | 0.1 | 0.0 | 0.0 |
| Total | 10.3 | 0.1 | 0.3 |

- 9.9 For the *Revenue services* area, a balanced budget position is now being forecast. There is a pressure against the income budget for the Enforcement team, but this is offset due to recruitment to a number of invest to save posts part way through the financial year.
- 9.10 The *Housing Benefits* Service is projecting to overspend by £0.3m following budget realignment. The overall variance is net of a £0.1m forecast staffing underspend in the Housing benefit admin team and a £0.3m forecast underspend in concessionary fares; the latter is due to lower settlement figures from TfL based on the number of Freedom Pass holders. The local support scheme provides small loans and grants to at risk

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individuals in the case of a crisis or emergency. The service is funded from one off grant income received in previous years from the DWP. This funding is due to run out this year and officers are working to conclude the scheme. There is a risk that the funding will run out before the service has been concluded. This is offset by a forecast overspend on Housing Benefits Subsidy of £1.43m. The reductions in overpayment income and bad debt requirement are the main drivers for the ongoing budget pressure within Housing Benefit Subsidy. This budget pressure has been reduced by once-off corporate funding of £0.675m towards a structural shortfall in the budget. A full review of the budget related to housing benefits and universal credit will be undertaken once the announcement around funding arrangements are known.

- 9.11 An overspend of £0.1m is forecast for the *Emergency Planning & Administration* service, this is in the Complaints, Casework and Information Governance team. An overspend on agency staff of £0.2m is partially offset by schools buy back income £0.1m more than budgeted and small underspends on supplies and services.
- 9.12 *Service Point* is projecting a £0.2m overspend, mostly due to £0.3m staffing pressures in the Customer Service Centre team (partially offset by £0.2m overachievement on license and permit income) and £0.1m underachievement of recharge income in the in-house printing service.
- 9.13 The gross costs of the *Parking* service are forecast at £0.2m above budget, due to the increase in bank charges arising from the rise in cashless parking charge payments. Legal costs and business rates are also overspent by £0.1m, partially offset by a small staffing underspend in the team. This is expected to be offset by a favourable variance of £0.8m from fixed penalty notices and pay and display charges, creating a £0.5m surplus for the service.
- 9.14 The table below summarises the progress on delivering budget savings agreed for 2019/20:

Table 17 – Corporate Services Savings Tracker for 2019/20

| Ref | Description | Division | £k | Comment |
|-------|--|-----------------|-----|--|
| CUS01 | Printing reduction | IT & Digital | 100 | Delayed - not being achieved in 19/20, expected to be delivered in 20/21 |
| CUS10 | Invest to save – create revenues protection team | Public Services | 806 | Work in progress |
| CUS12 | Invest to save – Housing Benefit overpayment recovery improved | Public Services | 480 | Work in progress |
| CUS14 | Parking Service revenue review | Public Services | 500 | On-track |

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| | | | | |
|--------------|--|----------------------|--------------|---|
| RES01 | Benefits Realisation of Oracle Cloud | Finance | 90 | Delayed – nil savings |
| RES02 | Legal fees increase | Legal | 50 | On-track |
| RES05 | Withdrawal of Councillor Car Run Delivery Service | Policy & Governance | 10 | Car run ended – saving delivered. Alternative arrangements for those not signed up to electronic copies |
| RES06 | Increase income supporting the Funding Officer post and review the Economy and Partnerships Function | Strategy | 30 | On-track |
| RES08 | Insurance costs – premium reduction | Corporate Resources | 30 | On-track |
| RES09 | Insurance costs – self-insurance reserves | Corporate Resources | 200 | On-track |
| RES10 | Cease graduate programme | OD & HR | 78 | On-track |
| RES16 | Commercial Property Investment Acquisitions | Corporate Provisions | 140 | On-track |
| Total | | | 2,514 | |

10. DEDICATED SCHOOLS' GRANT

- 10.1 The Dedicated Schools Grant (DSG) for 2019/20 is £291.1m, and spend is expected to be within this level. A net change of £110k has occurred in September and this is due to a small decrease in the High Need Block of £108k and an increase of £322k in the Early Years amount. Of the early years figure £186k relates to last year's underpayment. It should be noted that the Early Years funding remains provisional until January 2020 pupil count.
- 10.2 Pupil Premium allocations show a net reduction of £700k comprising £900k reduction offset by £200k increase (£12.9m in 2018/19 to £12.2m for 2019/20). This will have implications for some schools who have factored in higher levels. During the autumn term Finance will be working closely with schools to revise this data for pupil premium, pupil number and any other changes. Further grants are given to schools and routed through the local authority. Post 16 funding (£5.7m) and the universal free school meals grant (£3.8m) making total funds of £312.3m. These figures are based on last year's allocation and have yet to be formally approved.

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Schools

- 10.3 Based on the Schools Budget plan November submissions, the general financial landscape remains challenging but now showing a more realistic position and schools balances have increased from £12.5m in June to £15.5m. It should be noted that, despite the increase in surpluses, 20 schools are reporting a deficit and many schools are only able to set a balanced budget by using reserves. The finance service is currently working with schools, providing support and training to enable the production of a 3 year budget strategy although this work is still in a transformation phase.
- 10.4 The Department for Education recently published a consultation document which proposed various changes aligning reporting requirements for maintained schools to academy schools. This could potentially change the light touch approach of LA with maintained schools to a more hands on support process. This was supported and evidenced in the DfE visits to Lewisham over the summer. Finance is currently developing reporting tools to assist schools in reviewing metric based information. Whilst the outcome of the consultation is awaited, the DfE has already progressed the implementation of some aspects of the new requirements.
- 10.5 The DfE has provided Lewisham with the partial settlement for 2020/21. This confirms an increase of £84 per primary age pupil to £5,125.27, an increase of £136 per secondary age pupil to £6,859.10. Whilst the increase in funding is welcomed, it has not been sufficient to fund the pay award requirements over the past two years and will continue to produce a downward pressure on schools.
- 10.6 With regards to funding to support pupils aged 0-5 (Early Years Block), the provisional figure for Lewisham has increased from £5.62 per hour to £5.70. It should be noted that Lewisham is one of the lowest funded Inner London Boroughs, for example Southwark are to receive £6.86 per hour and Greenwich are to receive £6.25 per hour.

High Needs Support

- 10.7 To date Lewisham has successfully managed to provide its High Needs Support within the allocated DSG high needs budget. This has been as a result of partnership working with Schools (and schools forum) and where possible Lewisham's approach to place pupils in our own provision.
- 10.8 The funding for High Needs is based on a baseline that was determined in 2012/13, which was prior to the changes established as part of the SEND reforms. For example the local authority's liability now covers the 0 to 25 age range. The baseline was determined when the scope was from age 5 to 19 years old. This is just an example. Overall the number of Education Health Care plans is continuing to increase coupled with increases in severity of cases and price. A paper was presented to the Schools Forum in January noting the potential pressures on the High Needs Block. Schools Forum has agreed to support the High Needs Block with funds of circa £1m for 2019/20.
- 10.9 It should also be noted that the increase in support staff costs, up to circa 8% and the biggest impact on cost of special provisions, has not been supported by additional funding, whereas teachers' pay has been funded at 2% by a direct grant leaving a pressure of circa 0.75% to be met from schools. The impact will vary school by school depending on their staff structure and pupil numbers.

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- 10.10 The partial settlement advised for the High Needs Block represents a £4.7m increase (offset by £0.7m reduction in the Central Block which also supports High Needs). The DfE has also confirmed that there will be a review of the High Needs national formula during 2020/21 therefore this increase is not guaranteed in future years.

11. HOUSING REVENUE ACCOUNT

- 11.1 The forecast position for January 2020, is an additional surplus of £110k. The HRA is budgeting for a surplus of £3.2m, which is contained within the current budget allocations. This would therefore result in a total HRA surplus for the year of £3.3m. The table below sets out the current budget for the Housing Revenue Account (HRA) in 2019/20, summarised at divisional level and major variances are shown and discussed below. A balanced position was reported in October 2019. There has been a major change to the income related to leasehold Major Works, which has been revised down from £7.0m to £4.0m – a change of £3.0m. The forecast surplus of £3.3m will be transferred to reserves at year end to fund the future HRA Programme as a part of the 30 year HRA business plan.
- 11.2 Repairs & Maintenance (R&M) is forecasting spend to budget. Current spend on repairs and maintenance to date appears low in comparison to budget allocations. Lewisham Homes are not reporting any current pressures in this area, and there may be a small under-spend by year end. Costs will be assessed as the year progresses and forecasts updated accordingly. There is the potential that energy costs and council tax charges on void properties may underspend against current budget allocations. An update will be provided next month. There was an overspend in this area in 2018/19 and will be closely monitored in 2019/20 to ensure that this does not re-occur and costs contained within overall allocations.
- 11.3 The monitoring currently assumes that the contingency budget (£250k) will not be allocated during the financial year as there are no calls against it. However, this could be held to cover any unforeseen over spends which may arise during the financial year. The monitoring currently shows a large under-spend against bad debt impairments (£1.4m) as a result of the phased implementation of universal credit in Lewisham and additional income from service charges (£1.0m) following on from completion of the service charge audit.
- 11.4 The current 30 year HRA financial model has been recently refreshed, with the final outturn for 2018/19 as well as the latest updates for the new build programme and general capital programme incorporated into the plans. Budgets will be updated to reflect starting stock numbers from 1st April 2019 to reflect the latest position.

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Table 18 – Housing Revenue Account

| Service Area | Expenditure Budget | Income Budget | 2019/20 budget | Forecast over/ (under) spend January 2020 | Forecast over/ (under) spend October 2019 |
|-----------------------------|--------------------|---------------|----------------|--|--|
| | £m | £m | £m | £m | £m |
| Customer Services – Housing | 17.2 | (3.5) | 13.7 | (0.2) | 0 |
| Lewisham Homes & R&M | 37.9 | 0 | 37.9 | 0 | 0 |
| Resources | 1.5 | 0 | 1.5 | 0 | 0 |
| Centrally Managed Budgets | 43.3 | (96.5) | (53.1) | 0.1 | 0 |
| Total | 99.9 | (99.9) | 0 | (0.1) | 0 |

12. COLLECTION FUND

- 12.1 As at 31st January 2020, some £121,101,238 of council tax had been collected. This represents 82.7% of the total amount due for the year. This is below the profiled collection rate of 84.2% if the overall target for the year of 96% is to be met. At the same time last year, the collection rate to date was 82.4%.
- 12.2 Business rates collection is at 90.7%, a decrease of 2.7% compared to the same period last year, and 6.2% lower than the profiled collection rate if the overall target rate for the year of 99% is to be achieved.
- 12.3 The tables below shows the council tax and business rates collection rates and values for 2019/20:

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Table 19 Council Tax Collection 2019-20 (Actual against profiled)

| | Cash Collected (cumulative) | Cash needed to meet 96% Profile | difference between collected and 96% profile | Current Year Collection Rate% | Previous Year Collection Rate (2018-2019) | difference | Required Collection Rate to reach 96% | difference |
|---------------|-----------------------------|---------------------------------|--|-------------------------------|---|------------|---------------------------------------|------------|
| Apr-19 | 15,924,057.93 | 16,060,270.54 | -136,212.61 | 10.94% | 10.79% | 0.14% | 10.96% | -0.03% |
| May-19 | 27,849,341.80 | 28,272,760.36 | -423,418.56 | 19.15% | 19.10% | 0.05% | 19.30% | -0.15% |
| Jun-19 | 39,235,018.21 | 39,991,366.11 | -756,347.90 | 26.91% | 26.90% | 0.01% | 27.30% | -0.38% |
| Jul-19 | 51,343,745.90 | 52,057,865.16 | -714,119.26 | 35.15% | 35.05% | 0.10% | 35.53% | -0.39% |
| Aug-19 | 62,690,277.50 | 63,737,553.16 | -1,047,275.66 | 42.89% | 42.83% | 0.06% | 43.51% | -0.61% |
| Sep-19 | 74,271,040.71 | 75,545,345.53 | -1,274,304.82 | 50.72% | 50.54% | 0.18% | 51.57% | -0.84% |
| Oct-19 | 86,105,622.86 | 87,842,721.27 | -1,737,098.41 | 58.83% | 58.84% | -0.01% | 59.96% | -1.12% |
| Nov-19 | 97,551,961.61 | 99,592,369.41 | -2,040,407.80 | 66.59% | 66.75% | -0.16% | 67.98% | -1.39% |
| Dec-19 | 109,381,775.29 | 111,185,126.53 | -1,803,351.24 | 74.66% | 74.46% | 0.20% | 75.89% | -1.23% |
| Jan-20 | 121,101,237.60 | 123,180,664.77 | -2,079,427.17 | 82.74% | 82.41% | 0.33% | 84.16% | -1.42% |

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Table 20 Business Rates Collection 2019-20

| | Previous year (%) | | Current year (%) | | | Difference from previous year (%) | |
|------------------|-------------------|-------------------|-------------------|-------------------|---------|-----------------------------------|-------------------|
| | Excluding Credits | Including Credits | Excluding Credits | Including Credits | Profile | Excluding Credits | Including Credits |
| April | 18.85 | 18.91 | 22.35 | 22.39 | 11.87% | 3.5 | 3.48 |
| May | 31.49 | 31.61 | 31 | 31.09 | 26.28% | -0.49 | -0.52 |
| June | 40.31 | 40.47 | 37.82 | 37.96 | 36.54% | -2.49 | -2.51 |
| July | 47.44 | 47.58 | 45.55 | 45.74 | 45.61% | -1.89 | -1.84 |
| August | 55.69 | 55.96 | 53.97 | 54.39 | 53.97% | -1.72 | -1.57 |
| September | 63.01 | 63.35 | 61.93 | 62.4 | 64.66% | -1.08 | -0.95 |
| October | 71.06 | 71.59 | 68.66 | 69.18 | 73.18% | -2.4 | -2.41 |
| November | 79.41 | 79.97 | 75.83 | 76.77 | 81.46% | -3.58 | -3.2 |
| December | 86.82 | 87.71 | 83.87 | 84.96 | 89.89% | -2.95 | -2.75 |
| January | 91.87 | 93.43 | 88.93 | 90.70 | 96.89% | -2.94 | -2.73 |

13. CAPITAL EXPENDITURE

13.1 The overall spend this financial year to the end of January is £89.1m, which is 52% of the revised budget. The capital expenditure at this point in the last financial year was £53.5m, which was 61% of the revised budget of £87.3m. The final outturn for the 2018/19 capital programme was £71.1m expenditure, which was 82% of the revised budget of £87.0m.

13.2 The table below shows the current position on the major projects in the 2019/20 Capital Programme (i.e. those over £1m in 2019/20).

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Table 21 – Capital Programme

| 2019/20 Capital Programme | Budget Report (February 2019) | Revised Budget | Spend to 31 Oct 2019 | Spent to Date (Revised Budget) |
|--|-------------------------------|----------------|----------------------|--------------------------------|
| | £m | £m | £m | % |
| GENERAL FUND | | | | |
| Schools - School Places Programme | 11.0 | 7.0 | 5.5 | 79% |
| Schools - Other (inc. Minor) Capital Works | 1.4 | 5.9 | 4.1 | 69% |
| Highways & Bridges - LBL | 3.5 | 3.5 | 2.8 | 78% |
| Highways & Bridges - TfL | 0.0 | 3.2 | 0.9 | 28% |
| Highways & Bridges - Others | 0.0 | 1.4 | 0.9 | 64% |
| Catford town centre | 5.5 | 2.3 | 1.6 | 70% |
| Asset Management Programme | 2.5 | 2.4 | 2.0 | 83% |
| Smart Working Programme | 0.9 | 2.7 | 2.4 | 89% |
| Beckenham Place Park | 2.5 | 3.0 | 2.9 | 97% |
| Heathside & Lethbridge Regeneration | 0.0 | 0.5 | 0.0 | 0% |
| Excalibur Regeneration | 0.0 | 0.6 | 0.3 | 50% |
| Lewisham Homes – Property Acquisition | 6.0 | 0.0 | 0.0 | 0% |
| Private Sector Grants and Loans (inc. DFG) | 1.3 | 3.8 | 1.1 | 29% |
| Achilles St. Development | 0.0 | 7.3 | 1.2 | 16% |
| Ladywell Leisure Centre Development Site | 0.0 | 0.5 | 0.0 | 0% |
| Edward St. Development | 9.1 | 0.1 | 0.1 | 100% |
| Residential Portfolio Acquisition – Hyde Housing Association | 0.0 | 45.7 | 42.2 | 92% |

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| | | | | |
|--------------------------------------|--------------|--------------|-------------|------------|
| Travellers Site Relocation | 1.1 | 0.0 | 0.0 | 0% |
| Fleet Replacement Programme | 0.0 | 0.5 | 0.0 | 0% |
| Other General Fund schemes | 2.2 | 4.1 | 1.1 | 27% |
| TOTAL GENERAL FUND | 47.0 | 94.5 | 69.0 | 73% |
| | | | | |
| HOUSING REVENUE ACCOUNT | | | | |
| Building for Lewisham Programme | 37.3 | 22.0 | 1.4 | 6% |
| HRA Capital Programme | 57.1 | 52.0 | 18.4 | 35% |
| Other HRA schemes | 0.8 | 1.6 | 0.3 | 19% |
| TOTAL HOUSING REVENUE ACCOUNT | 95.2 | 75.6 | 20.1 | 27% |
| | | | | |
| TOTAL CAPITAL PROGRAMME | 142.2 | 170.1 | 89.1 | 52% |

13.3 The main sources of financing the programme are Grants and contributions, and capital receipts from the sale of property assets. £40.1m has been received so far this year, £29.9m (net) from Housing Right to buy sales and Capital Receipts and £10.2m of Grants and Contributions.

13.4 The paragraphs below set out further detail regarding the major capital programmes:

13.5 **Schools – School Places Programme**

Primary place demand has levelled off recently across London and the priority for school place delivery has shifted mainly to Special Educational Need and Disability provision. Four schemes are currently in development and delivery over the next 3 years to 2021. They include:

- Works to Ashmead Primary in Brockley to expand from one to two forms of entry. Works commenced in April last year and are due to be completed by summer this year. The project will deliver a new standalone block adjacent to Lewisham Way, improved landscaping within the site and a new entrance and enhanced public realm area to the South of the site.

- Greenvale School, in Whitefoot ward, is Lewisham’s community special school for children and young people between the ages of 11 and 19 years who have significant learning difficulties. A new satellite facility to accommodate an additional 93 students will be constructed on the site of the former Brent Knoll building in Perry Vale. The

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design stage is currently underway, and works are expected to commence onsite later this year.

- New Woodlands, in Downham Ward, is a special school which supports children from 5 to 16 who have Social, Emotional and Mental Health (SEMH) special educational needs. The school recently began admitting Key Stage 4 students, and works to expand the facility took place over the summer holidays last year, ensuring that the school can provide a full curriculum. The works included minor remodelling and refurbishment of the existing building, provision of a new food technology practical room, and improvements to existing landscaping and external play areas. The final works to the boundary treatment will be carried out over the Easter holidays this year.

- Watergate is Lewisham's primary special school for children between the ages of three and eleven years who have severe learning difficulties, located in Bellingham Ward. Approval has been granted to expand the school by 59 places through the construction of a new teaching block on the existing site. A feasibility has been conducted and is currently being reviewed with a view to commencing design work this year.

13.6 **Schools – Minor Works Capital Programme**

The School Minor Works Programme (SMWP) is an ongoing programme of minor capital works to existing community school buildings, primarily relating to mechanical/electrical infrastructure and building fabric needs. The programme is grant funded by central government and has been consistently delivered on budget.

13.7 **Highways & Bridges**

The Council continues to invest resources in maintaining its 397km of highway borough roads, most notably through its annual programme of carriageway and footway resurfacing works. The budget for carriageways has allowed 70 roads (or part of a road) to be resurfaced each year. Until 2017, the majority of these roads were those in the worst condition and categorised as “Red” – lengths of road in poor overall condition and in need of immediate further engineering assessment with a planned maintenance soon. In 2019/20 we carried out resurfacing to 72 roads (or part of road) to around 22km of roads funded from the Council's Capital programme and other external sources. As a result of this carriageway resurfacing programme, the focus has moved to works to roads classified with the Condition Index of “Amber” – lengths of road which, without a planned early intervention could result in further severe defects and move the Condition Index to “Red”. From a coarse visual inspection survey in April 2019 there are around 54km of roads where the condition of part of these roads are either classified as “Red” or “Amber” and therefore will require resurfacing works. There is also, however, an ongoing resurfacing maintenance commitment because the condition of the carriageway deteriorates through wear, age, excavations and failures.

The Council's long-term investment strategy is taking effect, as since 2013 the number of annual insurance claims against the Council for carriageway defects has reduced by approximately 50%.

13.8 **Catford Town Centre**

Architect's Studio Egret West is working with officers to develop a master plan to guide the regeneration of the Town Centre. The plan will be completed in spring 2020 and will form the basis of any future plan for the Town Centre along with input from Viability Assessors, Construction Programme Advisors and an independent Planning

Consultant. The Masterplan will be used as an evidence base for the emerging Local Plan.

Work is also continuing with TfL on the agreed proposal to realign the South Circular A205 through the Town Centre. GLA Housing Infrastructure Funding (HIF) in the sum of £10m has been secured on condition that the road is delivered by TfL. Subject to an approved design, early work is expected to start by the last quarter of 2020/21.

Meanwhile, the engagement activity of Team Catford has continued to build on the programme of social engagement started in 2016. The Team's work is expected to continue through the development of the master plan and beyond.

It is expected that the draft Masterplan will be presented to M & C in early summer. Subject to this being endorsed the next step would involve public consultation with a return to M & C thereafter to seek approval to endorse the final version.

13.9 ***Asset Management Programme***

Funding from the Asset Management Programme (AMP) has continued to support reactive and much needed capital works across the operational corporate estate. This has included fabric works such as roof replacement and mechanical works including boiler replacements and lift repairs across the estate of approximately 90 buildings and sites. More recently, the programme has funded some works to the Civic Suite, Registry Office and some essential works as part of the main Laurence House refurbishment programme. A full condition survey of the corporate estate has recently been completed. The results will help define the future investment need of the estate and also underpin the use of the AMP capital programme funding for future years.

13.10 ***Smart Working Programme***

The Smarter Working programme seeks to consolidate offices and release sites for future redevelopment in Catford town centre, whilst refurbishing the council's main office site, Laurence House, to ensure it is fit for purpose until new council offices can be built. The ground floor was refurbished last year to provide a modern, welcoming and better functioning reception for the council. Refurbishment work on floors 1 to 5 was completed in October. The works includes an improved welfare provision, delivering new meeting rooms and kitchens, improving the heating and ventilation system, new energy efficient LED lighting, decoration and a layout and furniture which supports and encourages agile working. Further work is now being scoped out to deliver similar improvements to the library, customer services centre and the civic suite. The proposed works will be delivered next year.

13.11 ***Beckenham Place Park***

The restoration of Beckenham Place Park (to the western side of the railway) has now been completed. The listed stable block is now home to the new park café and environmental education centre, and the long anticipated restored landscape, with its reinstated lake, is being enjoyed by thousands of local people.

The stable yard itself will become an arrival and visitor's hub, as new tenants take up occupation of the cottages over the next year.

The new play facilities are much loved, as part of the restored pleasure grounds, and the previously derelict Gardener's cottage is now fully restored and re-purposed as a hub for volunteer activity in the park, in the midst of the new community garden.

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Open water swimming now takes place on the lake, and visitors will be encouraged to explore the breadth and nature of Lewisham's largest park on new paths and trails.

13.12 **Lewisham Homes – Property Acquisition**

This funding supports the delivery of the Lewisham Homes acquisitions programme that secures properties for temporary accommodation for homeless households, making a saving on the Council's spend on bed & breakfast accommodation.

13.13 **Achilles Street**

Residents on the Achilles Street Estate have now voted for the redevelopment of the estate to go ahead. Work is underway to carry out due diligence ahead of appointing an architect with estate residents. The scheme will deliver new homes for all existing residents as well as a significant number of new council owned homes for social rent.

13.14 **Edward Street**

Edward St will provide 34 new high-quality temporary accommodation homes for local families in housing need. Start on site planned early 2020 following tender and contractor appointment.

13.15 **Residential Portfolio Acquisition – Hyde Housing Association**

The acquisition of a portfolio currently comprising 120 residential properties from Hyde Housing Association, as per a report to Mayor & Cabinet on 13 March 2019.

13.16 **Fleet vehicle replacement**

This budget will finance the replacement of 75 vehicles in the Council's fleet in order to meet the approaching Low Emissions Zone (LEZ) changes in October 2020.

13.17 **Building for Lewisham Programme**

The Building for Lewisham (BfL) supersedes the Housing Matters Programme. In January 2020, the Mayor and Cabinet approved recommendations to advance and expand the Council's housebuilding programme to meet the corporate objectives set for the period between 2018 and 2022. The M&C paper sets much of the context for the budget identified in this paper.

This Programme will deliver a significant proportion of new council housing for the borough. Funding has currently been agreed for the continuation of the former New Homes Better Places programme and for a series of additional infill sites. In addition, funding for feasibility and preparation of planning and tender information for major strategic projects at Ladywell, Achilles Street Estate and Catford has been allocated as well as funding for wider feasibility studies for sites across the borough.

The Council, via its development agent, Lewisham Homes, will also be investigating acquisition opportunities on land and sites from the market. These schemes offer an opportunity to deliver more homes on an expedited timescale and potentially can provide cross-subsidy for the directly delivered sites within the Building for Lewisham programme.

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The current consolidation of the BfL programme notes funding for 1,422 new homes across a mix of tenures. This has been modelled over a 40 year period and has been inflation-adjusted accordingly. However, the assumptions used in this report represent an over-programming of developments and not all developments modelled will necessarily come forward. Therefore, this represents the most budget-intensive scenario. The financial and programme risk associated the BfL will be monitored closely and mitigations implemented accordingly. However, should any significant changes to this budget be required, approval via Mayor and Cabinet will be duly sought.

The programme is supported by grant funding from the GLA via the Building Council Homes for London Programme. This provides £37.7m at a rate of around £100,000 per social unit. In addition to this, the Council will continue to subsidise the programme with the use of Right to Buy 1-4-1 receipts.

The majority of spend for the remainder of 2019/20 will relate to feasibility and planning application preparation for the new homes programme and delivery of a number of schemes by Lewisham Homes on site. Around 340 new social homes are forecast to achieve planning permission or start on site in 2020

13.18 ***HRA Capital Programme***

Lewisham Homes are responsible for ensuring council owned stock under their management is brought up to and maintained to a decent homes level, covering both internal and external enveloping works. Lewisham Homes are leading on the delivery of the decent homes programme (under delegated powers) in consultation / agreement with the Council.

14. Financial implications

- 14.1 This report concerns the financial forecasts for the 2019/20 financial year. However, there are no direct financial implications in noting these.

15. Legal implications

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

16. Equalities implications

- 16.1 There are no equalities implications directly arising from this report.

17. Climate change and environmental implications

- 17.1 There are no environmental implications directly arising from this report.

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18. Crime and disorder implications

18.1 There are no crime and disorder implications directly arising from this report.

19. Health and wellbeing implications

19.1 There are no health and wellbeing implications directly arising from this report.

20. Conclusion

18.1 The council will continue to apply sound financial controls throughout the duration of the financial year. However, the short and medium term outlook remains difficult and challenging. Strong management and fiscal discipline will be required to enable the council to meet its financial targets for 2019/20 and beyond.

20. Background papers

| Short Title of Report | Date | Location | Contact |
|---------------------------------|--|--------------------------------------|-----------------|
| Financial Forecasts for 2019/20 | 10 th July 2019 (M&C) | 1 st Floor Laurence House | Selwyn Thompson |
| Financial Outturn for 2018/19 | 26 th June 2019 (M&C) | 1 st Floor Laurence House | Selwyn Thompson |
| 2019/20 Budget | 27 th February 2019 (Council) | 1 st Floor Laurence House | David Austin |

Report author and contact

For further information on this report, please contact:

Selwyn Thompson, Director of Financial Services on 020 8314 6932

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PROPOSED 19/20 CAPITAL PROGRAMME - APPROVED TO LATEST BUDGET

| | Total | Total |
|--|---------|----------------|
| | £'000 | £'000 |
| APPROVED CAPITAL PROGRAMME BUDGET | | |
| Full Council – 10th July 2019 | | 197,299 |
| New Schemes | | |
| 9 -19 Rushey Green Project | 250 | |
| Acquisition of homes in inner LHA Area | 225 | |
| Freehold purchase of 8,Newquay Road | 275 | 750 |
| Approved variations on existing schemes (including re-profiling to later years) | | |
| 2019 School Minor Works Programme | (63) | |
| Catford Regeneration Programme | (2,817) | |
| Excalibur | (1,129) | |
| Heathside & Lethbridge | (55) | |
| Highways Schemes (Non TfL) | (777) | |
| Highways – TfL | 1,009 | |
| Watson Street Streetscape Improvements | (130) | |
| Pupil Places Programme | (4,125) | |
| Fleet Programme | (7,298) | |
| Edward St. Development | (9,033) | |
| Asset Management Programme | 434 | |
| Lewisham Homes Property Acquisition | (3,000) | |
| Traveller's site Relocation | (1,065) | |
| CCTV Modernisation Plan | (835) | |
| Pepys Environmental | (616) | |
| Ladywell Leisure Centre Development site | (505) | |
| Beckenham Place Park | 600 | |
| Other schemes | 10 | (29,395) |
| Re- Phasing Budgets (Housing Revenue Account) | | |
| Housing Matters Programme – Unallocated Funds | 920 | |
| Decent Homes Programme – Unallocated Funds | 578 | |
| | | 1,498 |
| Revised Capital Programme Budget 2019/20 | | 170,152 |

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APPENDIX 2

| Major Projects over £2m | 2019/20 | 2020/21 | 2021/22 | Total |
|--|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m |
| GENERAL FUND | | | | |
| Schools - School Places Programme | 7.0 | 10.5 | 2.8 | 20.3 |
| Schools – Minor Works Capital Programme | 3.8 | 0.1 | | 3.9 |
| Schools - Other Capital Works | 2.0 | | | 2.0 |
| Highways & Bridges - TfL | 3.2 | | | 3.2 |
| Highways & Bridges - LBL | 3.5 | 3.5 | 3.5 | 10.5 |
| Highways – Others | 1.4 | 1.4 | | 2.8 |
| Catford town centre | 2.3 | 3.6 | 1.1 | 7.0 |
| Asset Management Programme | 2.4 | 2.0 | 2.5 | 6.9 |
| Smart Working Programme | 2.7 | | | 2.7 |
| Beckenham Place Park | 3.0 | 0.4 | | 3.4 |
| Lewisham Homes – Property Acquisition | 0.0 | 3.0 | | 3.0 |
| Residential Portfolio Acquisition – Hyde Housing Association | 45.7 | | | 45.7 |
| Disabled Facilities Grant | 2.1 | 0.7 | | 2.8 |
| Private Sector Grants and Loans | 1.7 | 0.6 | 0.6 | 2.9 |
| Edward St. Development | 0.1 | 9.0 | | 9.1 |
| Achilles St. Development | 7.3 | | | 7.3 |
| Ladywell Leisure Centre Development Site | 0.5 | 1.2 | 0.8 | 2.5 |
| Fleet Replacement Programme | 0.5 | 8.1 | 0.8 | 9.4 |
| Other Schemes | 5.4 | 5.5 | 0.9 | 11.8 |
| | 94.6 | 49.6 | 13.0 | 157.2 |
| HOUSING REVENUE ACCOUNT | | | | |
| Housing Matters Programme | 22.0 | 46.0 | 86.1 | 154.1 |
| Decent Homes Programme | 52.0 | 37.2 | 30.6 | 119.8 |
| Other Schemes | 1.6 | 0.9 | 0.9 | 3.4 |
| | 75.6 | 84.1 | 117.6 | 277.3 |
| TOTAL PROGRAMME | 170.2 | 133.7 | 130.6 | 434.5 |

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Public Accounts Select Committee

Income Generation / Fees & Charges Update

Date: 18 March 2020

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Strategic Procurement and Commercial Services Manager

Outline and recommendations

To note the progress to date and the work programme proposed for 2020/21 (Section 6) to deliver the Income Generation strategy.

Timeline of engagement and decision-making

The Income Generation Strategy 2019-22 was approved by M&C on 6 February 2019.

At its meeting on 13 June 2019, PASC agreed that it would continue to investigate the issues of income generation and commercialisation throughout the 2019-20 municipal year.

1. Summary

- 1.1. This paper summarises all the measures currently in place and sets out the ambition for the next year. The proposed work programme for 2020/21 builds upon the progress to date to both (a) deliver the Income Generation strategy and (b) support the creation of a more commercially minded Council and exploring opportunities for new commercial delivery models.

2. Recommendations

- 2.1. To note the progress to date and the work programme proposed for 2020/21 (Section 6) to deliver the Income Generation strategy.

3. Policy Context

- 3.1. This work has been undertaken in line with the Corporate Strategy 2019-2022
- Directly supporting the objective to build an economy for the many: and
 - Indirectly supporting the remaining six objectives through supporting a sustainable financial position which will fund activity in these areas.
- 3.2 Furthermore it aligns with the Organisational Priorities for 2020 as set out by the Council's Chief Executive:
- Financial Management: spend our money in the most efficient and effective way for greatest impact
 - Organisational Culture: develop and embed a culture that encourages collaboration, creativity and leadership at all levels.
 - Evidence Based Decision Making: ensure that our decisions are evidence based.

4. Background

- 4.1. Local government has endured a decade of unrelenting financial austerity. Cuts to council services across the country brought about by the Government's reduction in councils' core funding have been unprecedented.
- 4.2. Over the last ten years, Lewisham Council has undertaken a major budget reduction programme to manage the difficult financial challenge it has been faced with. In the period 2010/11 to 2019/20 the Council has implemented savings of £173m and are making an additional £16.6m in 2020/21.
- 4.3. Discretionary and traded services offer opportunities for unlocking further value, as well as the wider, but potentially riskier area, of new forms and models for commercial income generation. The Public Accounts Select Committee (PASC), therefore, continue to have a keen and focused interest in this area.
- 4.4. It was through PASC recommendations that the interim post of Strategic Procurement and Commercial Services Manager was created and then filled in January 2018 (Katharine Nidd), and that further budget growth was agreed in late 2018. This role brought forward the Income Generation Strategy 2019-2022 in February 2019, and using the increase in base budget has created and filled the role of Income and Commercial Services Manager (Sunil Shahaney) in July 2019.
- 4.5. The two current post holders have a blend of professional experience, Katharine Nidd leads on the Council's complex procurements (PFIs) and alternative structures such as the Besson Street JV and has extensive experience in procurement, contract management and commercial investment. She also developed the options appraisal mechanism for the consideration of in-sourcing.
- 4.6. Sunil was previously head of central government commercialisation at PUK (now HM Treasury) and a Deputy Director at Cabinet Office for cross-Whitehall debt management policy and efficiency.
- 4.7. These two roles do not operate in isolation, and continue to provide regular updates to both the Executive Management Team (EMT) and PASC about the Council's progress. It is intended that the proposed governance arrangements will ensure that the commercial expertise that already exists across services is harnessed.

5. Income generation strategy 2019-22

- 5.1. There are five strategic objectives which collectively guide the Income Generation Strategy, approved by the Mayor and Council in February 2019. These are:

- A single understanding and a consistent approach to income generation across the Council.
 - A commercial culture with the necessary skillset fostered and supported organisationally.
 - Clear financial accountability with true oversight of the income generation landscape and effective governance and decision making.
 - Financial resilience through increased revenue streams, increased returns, reduced operating costs and full cost recovery as appropriate for the Council.
 - Generation of social value, through work within an established framework of values and principles, to balance commercial ambitions with positive outcomes for the community.
- 5.2. Whilst we are now one year into the three year period of the strategy it has been reviewed and remains very much fit for purpose and so the proposed work programme will continue to deliver against this.

6. Progress to date since November 2019

- 6.1. Commercial culture: We committed at the 6 November 2019 PASC meeting to deliver a commercial training programme before the end of the financial year. A pilot one day training course was co-designed with CIPFA between December 2019 and February 2020. This drew on their significant understanding of, and close relationships with, Local Authorities and was supported by the input from the Council to ensure that it properly reflected the aims and ambitions of our i) corporate strategy, ii) income generation strategy, and iii) corporate priorities. It also drew on learning from our “pathfinders” and others such as the London Borough of Waltham Forest.
- 6.2. The first pilot programme was delivered by CIPFA on 4 March 2020 and introduced by the Chief Executive. The training was one strand of a wider and ambitious work programme to improve value-for-money, create a commercial culture and identify new opportunities for generating income within the Council.
- 6.3. Targeted at service managers and finance business partners, the objective of the pilot programme was to:
- encourage collaboration between finance and services;
 - clearly set out the parameters for fees and charges and expectations for how these will be set; and
 - spark commercial thinking, create awareness of what good looks like and challenge services to seek new forms of income generation and more efficient service delivery.

The Agenda for the day can be found at ANNEX 1, and further discussion of how this will be taken forward is set out in section 7.3 below.

- 6.4. Fees and charges report: We committed to publishing the annual fees and charges report for inclusion in the budget report by January 2020. This exercise has been done and was presented to PASC on the 4 February 2020.
- 6.5. The exercise of undertaking a Council wide review of fees and charges greatly increased the transparency of these, and has enabled critical challenge and therefore incremental revenue increases. For instance, the private housing agency have agreed to levy new fees for several services, planning and green scene have increased fees for discretionary services above inflation and licensing have agreed to review fees and charges for the next budget year. The work programme for 2020/21 is as set out in section 7 below.
- 6.6. Piloting cost / revenue pathfinders to establish full costs: This is on-track and we have

reviewed several services to better understand issues and challenges. We discussed three “pathfinder” models in our 6 November 2019 progress report and signposted the potential risks of misinformed decisions arising out of either limited visibility of full costs or costs of statutory services combined with traded services. The 2020/21 work programme has established the potential order in which services will be reviewed and cost modelling undertaken and this is set out in section 7 below.

7. 2020/21 work programme

- 7.1. Fees and charges and innovative commercial services and models offer scope for the Council to improve its financial position and build resilience. The Council can also use charging structures, where discretionary, to both control service demand (e.g. differential pricing for cremation vs burial) and to best deliver policy objectives (e.g. emission-based parking charges). We therefore propose to commit to an ambitious work plan for 2020/21 which expands significantly on 2019/20.
- 7.2. Our proposed work plan has three strands and these complement the organisational priorities. There is ongoing discussion and thinking about the various mechanisms that can be employed to ensure that the initiatives fully bed in to Council custom and practice and therefore commercial thinking and action become ‘business as usual’ for all staff. Below for each strand there is consideration of how this will be bedded in and delivered.
- 7.3. Efficiency:
 - Broaden service level cost / revenue models to establish full costs: This will include “deeper dives” of services prioritised by income generation potential and lessons learned from the pathfinders. (see section 6 above). The work plan has identified the services which will initially be focused on but it is intended that once all income generating services have been cost modelled (to ensure appropriate charging) that all services within the Council will eventually undertake a form of cost or activity modelling, this will allow better informed decision making by both service managers and Members.
 - Establish overhead costs: Corporate overheads are an important consideration in determining full costs and therefore the setting of Fees and Charges, and we are working closely with the Finance team to work up a representative cost and a shadow apportionment model. We intend completing this exercise by March 2020. There is no intention that the Council move to overhead apportionment within the accounts, but rather that there is a clear understanding amongst budget holders of how to calculate and understand full service costs and therefore to consider these when setting fees and charges or designing service delivery models. It is important to note that any approach agreed for the overhead apportionment will only ever provide a proxy and that when cost modelling services the central overheads will need to be considered alongside possible further indirect service costs which may be specific to that service itself, for example, capital costs.
 - Benchmark fees and charges across neighbouring boroughs: We propose to use a mixture of publicly available information and sources such as websites, LGA, CIPFA, APSE etc. as well as informal networks. There is a strong dependency on service leads engaging actively in this process. Brent Council and Lincolnshire County Council have evinced interest in working with us and we hope to expand on this network over the coming months. As it has been suggested previously, benchmarking can only ever be used as a proxy and must be read with caution due to the differing way that Councils both deliver and cost/charge for services.
 - Cost model traded services: For those services trading commercially it is vital that full cost modelling be as robust as possible and therefore shadow trading

accounts for Trade Waste will be implemented within 2020/21.

7.4. For the activities identified under the banner of 'efficiency' it is considered that the most effective way of embedding this into services is to ensure that this forms part of the annual service planning process. If services are aware of and understand what the full cost of each service line or activity is, then they can make the most informed decisions as to how to efficiently allocate resources within the annual service plan to deliver the service and corporate objectives and strategy. Furthermore, this will support and link into the annual savings and cuts process and ensure that when cuts are put forward they have been considered on the basis of an understanding of the full cost of service delivery.

7.5. New income generation and alternate models

- Develop mechanisms for generating / sourcing ideas e.g. Dragon's Den etc. An outcome from the pilot Commercialisation training day was to ask staff how they would like to see new ideas elicited and then supported and taken forward. It is vital that staff are clear that; i) we recognise that they will have excellent and fresh ideas, ii) and that they are confident in putting these forward in an accessible way, and that iii) a practical framework exists that will be used to develop, test and then accept or reject these.
- Explore new commercial operating models: We propose to identify a discretionary service (e.g. pest control) and newly/planned insourced services (e.g. management of parks and open spaces) to pilot options for income generation. The commercial training programme covers a module focused on Business Case development using HM Treasury 5 case model. At the same time that a mechanism and process is developed to draw out and test ideas from staff, there will be the targeted identification of services/projects so as to ensure that we are balancing the natural generation of ideas with focused exploration within services.

7.6. Developing commercial capability

- Develop cross-fertilisation opportunities for knowledge sharing. We have started developing a dedicated web page on the intranet to share guidance and as a networking platform. Other Councils (e.g. Brent) have evinced interest in service level networks. These will be pursued in addition to the regular attendance at national and regional income generation networks such as APSE, CIPFA and LGA network events.
- Launch follow-up training programmes. The pilot session on the 4 March 2020 was well attended and generally enthusiastically received by staff. There is a lot of learning and actions arising which will be fed back to CIPFA and form the basis of the revision to the training content and delivery. This learning will also be fed back to EMT in the March Income Generation session so as to ensure the continued support corporately. The introduction of the session by the Chief Executive has ensured that staff are aware of the importance of this and there is an excellent opportunity to ensure that this is refined and rolled out with maximum impact across the year. The current intention is that the session may be split into modules delivered in half day sessions with a single session made mandatory for all service and budget holders and other sessions targeted more specifically to a smaller cohort. We will consult HR to ensure we are aligned with broader corporate training and development priorities. More detail on this will be brought forward once this work is complete.

7.7. The three work strands are not mutually exclusive, and in fact are complementary and designed to collectively amplify the impact of each as a stand-alone. "Efficiency" develops the financial rigour of baselining cost, providing evidence and ensuring transparency for critical challenge, while "Developing commercial capability" creates the behaviours, knowledge and skills to drive a more ambitious "Income generation"

strategy. It provides staff with the tools and techniques and confidence to support the Council to be ambitious and bring forward new ideas. This is consistent with the organic, and reasonably low-risk commercial journey followed by Councils such as Waltham Forest. ANNEX 2 disaggregates the separate tasks under the work programme.

8. Governance

- 8.1. As the proposed 2020/21 work programme significantly expands on its ambition, we propose to seek a steer from EMT to align with the broader Council approach to project management. It is clear that for income generation and commercialisation in its broadest sense to be truly embedded into the Council and form part of staffs approach to service delivery, that it must be at the core of the Council's ethos. Therefore it is vital that the management and governance of the workstrands must be carefully thought through so as to ensure that this does not become a 'silo' workstrand.

9. Financial implications

- 9.1. None except as set out in the body of the report. A dedicated resource sits in the Procurement and Commercial Services team who will oversee the delivery of this work programme. Finance have committed their support, both in collaboration of issues such as overhead apportionment, but also crucially in service cost modelling.

10. Legal implications

- 10.1. Any decisions by services on how and whether they undertake and deliver commercially traded services would have to be made in line with relevant legal obligations. The proposals in this report would provide support for any such decisions. Otherwise there are no legal implications except as set out in the body of the report.

11. Equalities implications

- 11.1. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 11.2. In summary, 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.
- 11.3. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not.
- 11.4. It is a duty to have due regard to the need to achieve the goals listed in the paragraph above.
- 11.5. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

- 11.6. The Equality and Human Rights Commission has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the Statutory Code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

- 11.7. Any future changes proposed to the setting of fees and charges by services will necessitate full consideration of the possible equalities implications at that point. Similarly the design and delivery of any communications or training materials this will be undertaken in accordance with our obligations under the public sector equalities duty.

12. Climate change and environmental implications

- 12.1. There are no specific environmental implications arising from this report.

13. Crime and disorder implications

- 13.1. There are no specific crime and disorder implications arising from this report.

14. Health and wellbeing implications

- 14.1. There are no specific health and wellbeing implications arising from this report.

15. Social Value implications

- 15.1. There are no specific social value implications arising from this report as no contract has been awarded

16. Background papers

- 16.1. ANNEX 1: COMMERCIALISATION TRAINING PROGRAMME
16.2. ANNEX 2: PROPOSE 2020/21 INCOME GENERATION WORK STRANDS

17. Report author and contact

Katharine Nidd, Strategic Procurement and Commercial Services Manager

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ANNEX 1: COMMERCIALISATION TRAINING PROGRAMME

1. CEO Introduction and scene setting
2. Where does the money come from i.e. put in context the “big picture” challenges the council faces – funding squeeze, population growth and demographic challenges.
3. Introduce the concept of mandatory and discretionary services and powers to charge.
4. Discuss why we need to get a grip on costs and introduce the concept of value.
5. Discuss the role of the finance function i.e not bean counters but business partners
6. Introduce alternative models of delivery with illustrative examples.
7. Wrap up and next steps

ANNEX 2: PROPOSED 2020/21 INCOME GENERATION WORK STRANDS

| | <u>RESPONSIBILITY</u> |
|---|-----------------------|
| 1. EFFICIENCY | |
| PUBLISH FEES & CHARGES FOR 20/21 | INCOME GEN. |
| COLLATE FEES AND CHARGES FOR THOSE SERVICES NOT PART OF 20/21 BUDGET DOCUMENT | INCOME GEN. |
| UPDATE FEES & CHARGES POLICY & ALIGN TO CONSTITUTION | INCOME GEN. |
| RAISE AWARENESS OF FEES & CHARGES POLICY ACROSS SERVICES | INCOME GEN. |
| DEVELOP AND AGREE APPORTIONMENT OF OVERHEADS | FINANCE |
| COST MODEL DISCRETIONARY / STATUTORY SERVICES | FINANCE |
| BENCHMARK SERVICES WITH NEIGHBOURING COUNCILS | SERVICE TEAM |
| MAP LEGISLATION GIVING POWERS TO CHARGE | LEGAL |
| PUBLISH DRAFT FEES & CHARGES FOR 21/22 AND ESTIMATE BUDGETARY IMPACT | SERVICE TEAM |
| SEEK APPROVALS ON DRAFT FEES AND CHARGES AS AGREED IN POLICY DOCUMENT | SERVICE TEAM |
| PUBLISH FEES & CHARGES FOR 21/22 ALONGSIDE BUDGET | SERVICE TEAM |
| 2. INCOME GENERATION | |
| COST MODEL TRADED SERVICES | FINANCE |
| PRODUCE TRADED ACCOUNTS FOR TRADE WASTE 19/20 | FINANCE |
| ALIGN WITH BOROUGH OF CULTURE LEAD ON INCOME GENERATION OPPORTUNITIES | INCOME GEN. |
| GENERATE INNOVATIVE IDEAS FOR INCOME GENERATION | |
| PILOT AN IDEA AND PRODUCE OBC | INCOME GEN. |
| RESEARCH MECHANISMS USED BY OTHER COUNCILS | INCOME GEN. |
| SEEK CROSS- COUNCIL INPUT - SURVEY | INCOME GEN. |
| SUMMARISE MECHANISMS / APPROACHES | INCOME GEN. |
| SEEK INCOME BOARD AND EMT APPROVAL FOR PROCESS | INCOME GEN. |
| 3. CULTURE CHANGE | |
| DELIVER COMMERCIAL TRAINING PILOT | INCOME GEN. |
| DEVELOP WEBSITE | INCOME GEN. |

LAUNCH FOLLOW-UP PROGRAMMES TO DEVELOP
COMMERCIAL CAPABILITY AND CROSS- FERTILISE IDEAS INCOME GEN.

GOVERNANCE

EMT PAPER SEEKING STEER FOR 20/21 WORK PROGRAMME INCOME GEN.

PASC UPDATE ON INCOME GENERATION INCOME GEN.

INCOME GENERATION AND COMMERCIAL SERVICES BOARD

CONSULT EMT TO AGREE MEMBERSHIP INCOME GEN.

ARRANGE FIRST MEETING AND AGREE 20/21 WORK
PROGRAMME, MEETING AND REPORTING SCHEDULE INCOME GEN.



Mayor and Cabinet

Update on Community Wealth Building and the Inclusive Growth & Innovation Strategy.

Date: 12 February 2020

Key decision: No.

Class: Part 1.

Ward(s) affected: All

Contributors: Strategic Procurement & Commercial Services Manager – Katharine Nidd, Director of Strategy and Communications – Fiona Colley, Head of Economy and Partnership – Karen Fiagbe

Outline and recommendations

The purpose of this report is two-fold: firstly to set out the work undertaken by Lewisham officers and the Centre for Local Economic Strategies (CLES) in the development of the diagnostic and narrative for community wealth building within Lewisham, and secondly for this to be taken forward and incorporated into the development and delivery of the Inclusive Growth & Innovation Strategy.

Mayor and Cabinet are recommended to:

- i) Note the work undertaken to date to consider alternative forms of community wealth building and the findings presented by CLES; and
- ii) Approve that further consideration and refinement of this form part of the development and delivery of the Council's Inclusive Growth & Innovation Strategy.

Timeline of engagement and decision-making

11 September 2019 – Report to Sustainable Development Committee - including discussion of themes and Member engagement for the new Inclusive Growth & Innovation Strategy

29 October 2019 – Cabinet Member Report and Interview, Overview & Scrutiny Committee – including discussion of themes for the new Inclusive Growth & Innovation Strategy

1. Summary

- 1.1. There is significant ambition within the Council and the wider Lewisham community for the development of alternative models to support financial resilience in Local Government and the retention of wealth within local communities. This is reflected in a number of the Corporate Strategy commitments, as well as numerous policies, strategies and initiatives, all of which can collectively be termed ‘community wealth building’ (CWB).
- 1.2. The Council has worked alongside an independent leader in this field, the Centre for Local Economic Strategies, who have developed a narrative and provided recommendations for the furtherance of community wealth building in Lewisham.
- 1.3. It is now proposed that body of work be taken forward for further consideration within the context of the development of the Council’s Inclusive Growth & Innovation Strategy which is currently in development.

2. Recommendations

- 2.1. Mayor and Cabinet are recommended to:
 - i) Note the work undertaken to date to consider alternative forms of community wealth building and the positive conclusion and findings presented by CLES for further development; and
 - ii) Approve that further consideration and refinement of this form part of the development and delivery of the Council’s Inclusive Growth & Innovation Strategy.

3. Policy Context

- 3.1. The Corporate Strategy has defined as a priority that it will look to build an inclusive local economy, and within this there is a specific commitment that: “We will review public sector procurement to maximise investment in local independent businesses and support local inclusive growth. Recognising that the current economic system produces unequal opportunities, so there is a need for policies to tackle these market failures, and where possible influence reorganisaion of how the local economy works.
- 3.2. The Building an Inclusive Local Economy theme sets out a vision for an economy where everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy. It specifies that success will see the

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borough having more living wage employers, residents supported to access work and to progress, that work will be of high quality and inequalities will be reduced and that Lewisham will have a thriving local economy.

- 3.3. The Corporate Strategy sets out a number of specific commitments including:
 - 3.3.1. We will double the number of Living Wage employers in the borough
 - 3.3.2. We will support an additional 250 people through the Mayors Apprenticeship scheme
 - 3.3.3. We will work with other employers to reduce the gender and ethnicity pay gaps in Lewisham
 - 3.3.4. We will work with local trade unions to tackle exploitation at work, including zero hours contracts
 - 3.3.5. We will create more enterprise hubs
 - 3.3.6. We will expand our business growth programme to reach 300 small businesses by 2020 and support more start-up businesses to grow and become sustainable

4. Background

- 4.1. As set out in the section above, the Council has a clear commitment within the Corporate Strategy to building an inclusive local economy. It further intended that this be explored and developed with reference to the multitude of alternative models to support financial resilience in Local Government and the retention of wealth within local communities. Whilst numerous terms exist for this, a generally accepted and understood umbrella term is 'community wealth building' (CWB).
- 4.2. In order to ensure that these models were fully considered a paper was presented as a briefing to Mayor and Cabinet in November 2018 which considered and compared the various models of wider community wealth building, including the 'Preston model'. The paper described how these models could support the Council's ability to be financially and economically resilient, enabling it to continue to deliver key front line services to an excellent standard. Community wealth building contributes to the resilience of the borough as a whole and all of its residents, and at its most successful can reduce reliance on Council services, thus creating a virtuous circle.
- 4.3. However, the Council by its very existence and definition is an organisation with community and resident wellbeing at the core of its strategy and therefore there are numerous policies, strategies and initiatives already in existence which also seek to increase community resilience. It was therefore deemed prudent to secure some external support to collectively and holistically analyse these strands and to look to bring these together into a single community wealth building narrative.

5. Community Wealth Building and the Inclusive Growth and Innovation Strategy

- 5.1. The Council sought support and advice from the Centre for Local Economic Strategy (CLES) for this work. This organisation has extensive experience and expertise in this area and is 'first in class' to assist Council's in both assessing their current levels of CWB success, but also in helping to define actions which can be taken to further improve this.
- 5.2. CLES began their engagement in the Summer of 2019 by reviewing the Council's CWB approach using their 'five strategic pillars' diagnostic review. CLES define the five strategic pillars as being: progressive procurement of goods and services; fair employment and labour practices; socially productive use of land and property; financing the economy; and plural ownership of the economy.

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- 5.3. During the same period the Council continued rapid progress on various corporate commitments, including the publication of its current Procurement Social Value Policy, signed the Lewisham Deal and published the first Social Value Report. Further progressive procurement practice included the signing of the Ethical Care Charter and the publication of the first annual Modern Slavery and Human Trafficking Statement by the Council.
- 5.4. The CLES review ran from June 2019 to December 2019. They conducted reviews of key strategic documents and interviewed officers and councillors from key service areas and portfolios to understand what has already been done, and which areas could be developed as well as meeting representatives from the other anchor institutions. The final report from CLES which contains its findings of this work along with a series of CLES recommendations for progressing the agenda is included in Appendix 1.
- 5.5. The key findings and conclusion is incredibly positive. CLES's view is that the Council has "already developed a sophisticated agenda around community wealth building that is achieving genuine outcomes for local residents. In both the partnership work through the Lewisham Deal, and with regards to the development of the Council's internal approach to social value, it is clear that Lewisham has a number of elements that are concomitant to developing their own bespoke blend- the 'Lewisham Model.'"
- 5.6. The report sets out 15 specific recommendations across the five pillars.
- 5.7. Whilst the CLES view is that Lewisham has already developed a very strong ethos and agenda to support CWB, it has still provided recommendations that the Council can consider to further develop and deepen the impact of CWB in the borough.
- 5.8. However, these recommendations cannot be considered in isolation and must be considered alongside our wider Corporate Strategy. It therefore is appropriate that the CLES recommendations form part of the analysis and considerations in developing and adopting the Council's Inclusive Growth and Innovation Strategy.
- 5.9. Officers from Procurement and the Economy and Partnerships services have met with the Cabinet leads for finance and resources, and culture, jobs and skills, and agree that the most appropriate forum for the further consideration and development of the CLES recommendations is to be within the context of the development of the Inclusive Growth & Innovation Strategy.
- 5.10. The Council has recently begun work to develop an Inclusive Growth and Innovation Strategy that will be used to support the development of the Council's Social Value, Skills & Employment and Business Support initiatives.
- 5.11. The development of this will be undertaken on two phases.
- 5.12. **Phrase 1** – A gap analysis of current policies and strategies and how they align locally, regionally and nationally (an evidence based study).
- 5.13. **Phrase 2** – Strategy development and action plan. To be developed iteratively in consultation with Council Officers, Members, and wider public.
- 5.14. The strategy will include a number of key priority areas for the Council to focus its agenda, these themes are not mutually exclusive:
 - Fair pay and good jobs
 - Narrowing the gaps
 - Upskilling residents
 - Enterprise and business environment
 - Connectivity
 - Transport Infrastructure

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- Digital and broadband
 - Community wealth building
- 5.15. Community Wealth Building recommendations will receive further consideration through the consultation stage and we anticipate that the adopted CWB recommendations will be embedded within the relevant key priority area(s) of the Inclusive Growth and Innovation Strategy.
 - 5.16. We would also like the Strategy to focus on the employment growth areas and appropriate business base mix (small, medium, large businesses) across the borough as projected in the Local Economic Assessment to build resilience in the local economy.
 - 5.17. We intend to have an action plan with indicative costs subject to review and phasing dependent upon relevant funding opportunities; for delivery of the recommendations made from the Inclusive Growth & Innovation Strategy, as well as, a set of measures to be developed that reflect the multi-dimensional nature of an inclusive economy even though we understand that it will be a number of years before we are able to measure our impact with any certainty.
 - 5.18. **Phase 1** – Commissioned CAG consultancy: Timescales for delivery of gap analysis and SWOT, early February 2020.
 - 5.19. **Phase 2** – Strategy Development and action plan: Successful applicants selected and confirmed through a request to tender exercise.
 - 5.20. **Indicative Timescale**
 - Contract commence – by w.c. 3rd Feb 2020
 - Key officers meeting – by w.c 17th Feb 2020
 - Cabinet Members meeting and public consultation - by w.c. 17th February 2020
 - Initial draft and Strategy workshop – by w.c. 20th April 2020
 - Final draft – by w.c. 25th May
 - M&C and Scrutiny – June 2020

6. Financial implications

- 6.1. The CLES report contains 15 recommendations, some of which would require significant resources to adopt and implement. There is no proposal at this point to adopt or implement these and they are to be considered as part of the development of the Inclusive Growth & Innovation Strategy.
- 6.2. The new Inclusive Growth Strategy will set the priorities for the team's work in the future and underpin decisions on the development and resourcing of the service, including relevant bids to a variety of potential funding sources and grant programmes as appropriate and strategic opportunities arise.

7. Legal implications

- 7.1. There are no direct legal implications of this report. However, decision making on what actions to take arising from this and the future work set out in the report will need to comply with and take account of the Council's legal obligations, both in its corporate role and – insofar as this arises – from its position as administering authority of the Council's LGPS pension fund.

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8. Equalities implications

- 8.1. The Equality Act 2012 (the Act) introduced a new public sector equality duty (the equality duty or the duty). 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. In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- 8.3. eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- 8.4. advance equality of opportunity between people who share a protected characteristic and those who do not.
- 8.5. foster good relations between people who share a protected characteristic and those who do not.
- 8.6. The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 8.7. The development of the strategy will fully consider any potential equalities implications and an impact assessment will be undertaken if it meets the threshold. Community Wealth Building as a model should advance equality of opportunity between people who share a protected characteristic and those who do not, but this will be established in detail in the development of the strategy.

9. Climate change and environmental implications

- 9.1. One of the fifteen CLES recommendations is for the divestment from fossil fuels. Work to lower the level of investment in fossil fuels is already being progressed by the Pension Investment Committee, in line with their fiduciary duty to the fund. All other recommendations are considered to be at least climate change neutral as they seek to reduce carbon footprint through making all activity geographically local to the borough.
- 9.2. As the Inclusive Growth and Innovation Strategy is further developed the climate change and environmental implications will be reviewed and reported back.

10. Crime and disorder implications

- 10.1. There are no known crime and disorder implications at this stage.
- 10.2. As the Inclusive Growth and Innovation Strategy is further developed the crime and disorder implications will be reviewed and reported back.

11. Health and wellbeing implications

- 11.1. There are no known health and wellbeing implications at this stage.
- 11.2. As the Inclusive Growth and Innovation Strategy is further developed the health and wellbeing implications will be reviewed and reported back.

12. Social Value implications

- 12.1. Whilst this is not a contract award report the concept of CWB is at its core designed to deliver social value, as will the Inclusive Growth and Innovation Strategy once developed.
- 12.2. The exact nature of the social value and its interaction with the Council's procurement

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function is as set out in the CLES report attached.

- 12.3. The Council separately reports on the social value derived from its procurement activity through the publication of the annual Social Value Report under the Lewisham Deal.

13. Background papers

- 13.1. 'Community Wealth Building in Lewisham – a CLES Diagnostic Report'
- 13.2. Economy and Partnership Service – Implementing the 2018-2022 Corporate Strategy – report to Sustainable Development Select Committee 11 September 2019
<http://councilmeetings.lewisham.gov.uk/documents/s67341/06%20Economy%20and%20partnerships%20110919.pdf>

14. Glossary

- 14.1. Where terminology and abbreviations have been used these have been explained in both the body of this report and the attached CLES report as appropriate.

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Community wealth building in Lewisham

A CLES diagnostic report



Community wealth building in Lewisham

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Centre for Local Economic Strategies
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Partner
Lewisham London Borough Council

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Executive Summary

This report has been produced by the Centre for Local Economic Strategies (CLES) to inform the development of a community wealth building approach by Lewisham London Borough Council (hereafter Lewisham Council). It lays out the findings of this work along with a series of recommendations for progressing the agenda.

Methodology

To undertake this work CLES used our community wealth building ‘diagnostic’ methodology. The process involves assessing community wealth building in Lewisham across the five strategic pillars of: progressive procurement of goods and services; fair employment and labour practices; socially productive use of land and property; financing the economy; and plural ownership of the economy.

We conducted reviews of key strategic documents and interviewed officers and councillors from key service areas and portfolios to understand what has already been done, and which areas could be developed.¹ Our recommendations are intended to outline achievable, evidence-based steps which Lewisham Council can take to act on the findings of the research.

Findings and recommendations

In each section of this report we outline our key findings and then present our recommendations. In making these recommendations, we make an informed judgment seeking to reflect the ambition of the Council in this area with feasibility of action.

Amplifying, deepening, and growing community wealth building in Lewisham

Key findings:

- Lewisham Council has already developed a sophisticated agenda around community wealth building that is achieving genuine outcomes for local residents. In both the partnership work through the Lewisham Deal, and with regards to the development of the Council’s internal approach to social value, it is clear that Lewisham has a number of elements that are concomitant to developing their own bespoke blend- the ‘Lewisham Model.’
- The purpose of CLES’ work is therefore not to explain what community wealth building is, or how it can be achieved, as our work has been with the numerous localities that are starting from scratch. Lewisham Council is well on its way to forging its own community wealth building story, and we see our role as to offer insightful contributions as to how this can be further advanced. Specifically, CLES hopes to offer the Council three contributions to the development of this agenda:
 - Amplifying, i.e. creating a powerful narrative;

¹ See Appendix 1 for full list of interviewees.

- Deepening, i.e. embedding existing practice
- Growing, i.e. offering new routes to expand Lewisham's CWB mix.

Key recommendations:

- 1) Amplification- a powerful narrative for the Council' s community wealth building journey; the Lewisham Model.**
- 2) Deepening- three key areas of focus for Lewisham' s bespoke approach to community wealth building**
 - CWB as an intentional transformation in the local economy for social, economic, and environmental justice.
 - CWB as a means to build a resilient local economy.
 - CWB as a means to decarbonise Lewisham and respond to climate emergency
- 3) Growing: work with anchors to further embed community wealth building principles into the Lewisham Deal**
 - Expansion of the number of anchor institutions involved in the Lewisham Deal.
 - Expansion of Deal to focus on land and assets; and responding to climate emergency in particular.

Progressive procurement of goods and services

Key findings:

- The progressive procurement of goods and services requires the harnessing of commissioning and procurement processes to drive virtuous social, economic, and environmental outcomes. In recent years, Lewisham Council has established itself as an industry leader in this field, with both a sophisticated Social Value Policy, and the work with anchors through the Lewisham Deal.
- The procurement aspect of the Lewisham Deal should be celebrated as at the heart of Lewisham's CWB narrative. CLES found examples across all anchor institutions interviewed of the process sparking a change in how the anchors understood their role as purchasers of goods and services in the local economy, and an attribution of this culture shift to the leading role that the Council has played in the delivery of this agenda.
- In order to truly empower local SMEs to access the full scope of Council procurement, it is imperative that this Business Support offer is scaled up across all sectors of Lewisham's economy.

Key recommendations:

- 4) Deepening- Continue to develop the corporate culture and status of procurement as a key feature of community wealth building (including Social Value monitoring)**
- 5) Deepening- Impact analysis of social value work as a means of mapping the 'size of the prize.'**
- 6) Growing- Expand progressive procurement practices to anchors (including local authorities) across south east London.**

Fair employment and just labour markets

Key findings:

- Anchor institutions play a crucial role in securing access to well-paid and secure work for local residents in all economies. This is particularly the case in Lewisham, as the borough has one of the lowest job densities in London and attracts fewer large commercial employers than neighbouring areas. In this context, the Council has taken a proactive approach to maximising the role of anchors as socially virtuous employers in the region.
- Overall, it is clear that the Council has focused strongly on developing the employment prospects and skills of local residents through an exemplary programme of anchor-led work. Based on discussions with officers and elected officials, it is the CLES view that the Council needs less support on this pillar of community wealth building, hence the brevity of our recommendations in this section.

Key recommendations:

- 7) Strengthen anchor workforce analysis to understand the granular detail of anchor employment patterns**

Socially productive use of land and property:

Key findings:

- Lewisham Council is a significant landowner in the region, with numerous registered land and asset holdings, including open spaces; car parks; corporate holdings; and residential properties. Many of these assets are in locations of strategic importance in relation to the major economic development currently ongoing in Lewisham.
- Between 2015 and 2017, Lewisham Council sold 5 spaces of public land and property assets, for a combined value of £1,999,480.
- CLES' review found there is now an appetite across the Council to ensure that these assets are harnessed in a socially virtuous way to build community wealth. These are excellent examples of a considered and thoughtful approach to land and assets but to date this has not been incorporated into the Council's community wealth building strategy and thinking.

Key recommendations:

- 8) Deepening- Continue to develop a community wealth building approach to Council-held assets.**
- 9) Deepening- Make community-led housing programmes a vehicle for expanding economic democracy**

Financing the economy

Key findings:

- Like many places with high levels of poverty and deprivation, levels of personal and household debt are high in Lewisham. According to the debt charity Step Change, an estimated 21,000 individuals in Lewisham suffered from issues around personal debt (latest figures in 2017/18).

- Lewisham Plus Credit Union (LPCU) serves over 9,000 adult residents across Lewisham and Bromley, including staff and residents at Lewisham Homes and Phoenix Community Housing Association. CLES' review found that LPCU is understood by these two anchor institutions as essential to their core services, in that access to credit is a key building block of resilience for housing association members.
- There is now a genuine drive to ensure that both Lewisham Council and other anchor institutions do not simply divest from any fossil fuel investments, but that their financial resources are driven towards a just transition.

Key recommendations:

- 10) Growing- Focus credit unions on small business development, with a particular focus on young people**
- 11) Growing- Develop a community wealth building approach to the Council's pension fund, with a focus on green finance and divestment from fossil fuels.**
- 12) Harness the financial power of anchor institutions as part of the local Green New Deal.**

Plural and democratic ownership of the economy

Key findings:

- 'Plural ownership of the economy' refers to the element of community wealth building concerned with the governance, ownership, and management of the businesses and enterprises which make up the everyday economy. It is about ensuring that workers have ownership and voice, and that wealth is retained within the local economy. This means creating an economy where there are more SMEs, municipally owned companies and enterprises owned by workers, which can include co-operatives and mutually owned businesses.
- There is an opportunity for the Council to establish itself here as a 'new municipalist' local authority whereby the Council does not simply seek to provide services for local residents, but seeks to usher in a fundamental transfer in wealth and power to its local residents.
- It is CLES' view that the extent to which the Council can act to pluralise and democratise the ownership of the economy in Lewisham will be the difference between whether community wealth building can merely tinker around the edges, or instead make fundamental and lasting change.

Key recommendations:

- 13) Growing- Make plural and democratic ownership of the economy a corporate priority with dedicated oversight, with a focus on building resilience in the local economy.**
- 14) Growing- Embed the principles of democratic and plural ownership into the next incarnation of the Lewisham Deal**
- 15) Growing- Focus business support on plural ownership and resilience.**

1. Introduction

This report for Lewisham Council seeks to inform the next chapter of its journey to develop a more inclusive economy through a new approach to economic development - community wealth building. The Council has already begun to pursue a number of activities related to community wealth building, and has asked CLES to assess progress to date, assess options for further work, and tie this work together into a cohesive narrative.

About this report

This report was produced by the Centre for Local Economic Strategies (CLES) for Lewisham Council. It was commissioned in February 2019 after discussions between CLES Chief Executive Neil McInroy and Lewisham Council's Strategic Procurement and Commercial Services Manager Katharine Nidd, as well as discussions with senior Cabinet members and the Mayor of Lewisham, Damian Egan.

The project was described in Lewisham Council's Scope of Services as:

"The scope of this project will be to review the current strategies, policies and practices to assess the likely impact of these in driving forward the social value agenda as envisaged by the Council.

*It is intended that the outcome of this review will identify further areas of potential or 'stretch' which the Council can then focus resource and energy to further increase outputs in these areas for increased impact."*²

Community wealth building is already well underway in Lewisham, with the Council having recently introduced the 'Lewisham Deal', a landmark agreement between six anchor institutions in the borough to collaborate on a range of initiatives. This work is now deeply embedded in the Council's work, reflecting buy-in to this agenda at the highest political and officer levers within the organisation. To inform the further development of this approach CLES has conducted a diagnostic study of the Council's progress and plans for action across the five pillars of community wealth building. This report sets out the findings of this work along with a series of recommendations which articulate what needs to happen next to further realise the potential of a community wealth building approach to drive economic transformation in the borough.

The report is split into the following sections:

- Section 1 places the report within the local strategic and wider UK contexts and gives an overview of the methodology employed;
- Sections 2 sets out the overarching community wealth building frame for Lewisham and what needs to happen for it to be amplified;

² Scope of Services for CLES support for Lewisham's Social Value and Community Wealth Building Ambitions (Feb 2019)

- In sections 3-7, organised by the five elements of community wealth building, we outline the key issues in each field, our review of Lewisham's existing strategies, and emerging recommendations in each area.

Why this work is important

It is now increasingly obvious that our current economic growth model is failing many places and communities. Last year, OECD data showed that the UK is the only developed economy in which wages fell while the economy was actually growing, albeit meagrely.³ The UK is an economy where one in eight workers live in poverty,⁴ and where 1.3 million people (including children) rely on food banks.⁵

Fuelling this inequality is the fact that the fruits of growth all too often land in the pockets of the already wealthy few, rather than increasing incomes for the majority. This is the process of 'wealth extraction', whereby new wealth created disproportionately goes to those who started with wealth in the first place.⁶ For many places the problem is not just a lack of wealth but where the wealth that does exist goes, who owns it and who benefits from it. At a local level, the prevailing model of economic development has failed to engage with these questions of wealth distribution, focusing instead on generating contributions to GDP.

Lewisham as a borough is framed by both economic success, diversity, and a resilient local population, but also serious long-term deprivation. The Lewisham Poverty Commission set the frame for analysing the socio-economic situation of the borough, for example noting that:

In the Trust for London's 2017 London Poverty Profile, Lewisham ranked among the bottom 25% of all 32 London boroughs for the average across all indicators. The Trust noted that Lewisham is in the worst four boroughs for numbers of out-of-work benefit claimants, the average size of income loss from Council tax support and proportion of 19 year olds lacking level 3 qualifications. The borough was worst amongst London Boroughs for pupils receiving A-C grades in English and maths.⁷*

According to the 2019 Indices of Multiple Deprivation, Lewisham is the 63rd most deprived local authority in England, out of a total of 317.⁸ This represents an improvement on the borough's score in the 2015 Index of Multiple Deprivation (IMD), where the borough ranked 48th out of 326 local authorities, which in turn was an improvement from 2011 when it was ranked 31st. Therefore, whilst Lewisham remains well within the most deprived quartile of local authorities, it is arguably trending in the right direction when compared to the rest of England.

The visualisation below also suggests that the spread of deprivation is uneven across the borough, with deprivation being clustered in pockets such as Deptford and Bellingham, whilst areas such as Brockley and Blackheath are far more affluent. There are concentrations of deprivation in the far north and the far south of the borough.

³ <https://www.ft.com/content/83e7e87e-fe64-11e6-96f8-3700c5664d30>

⁴ <https://www.jrf.org.uk/press/uk-poverty-2017-country-reaches-turning-point>

⁵ <https://www.independent.co.uk/news/uk/home-news/food-banks-uk-how-many-people-adults-poverty-a8386811.html>

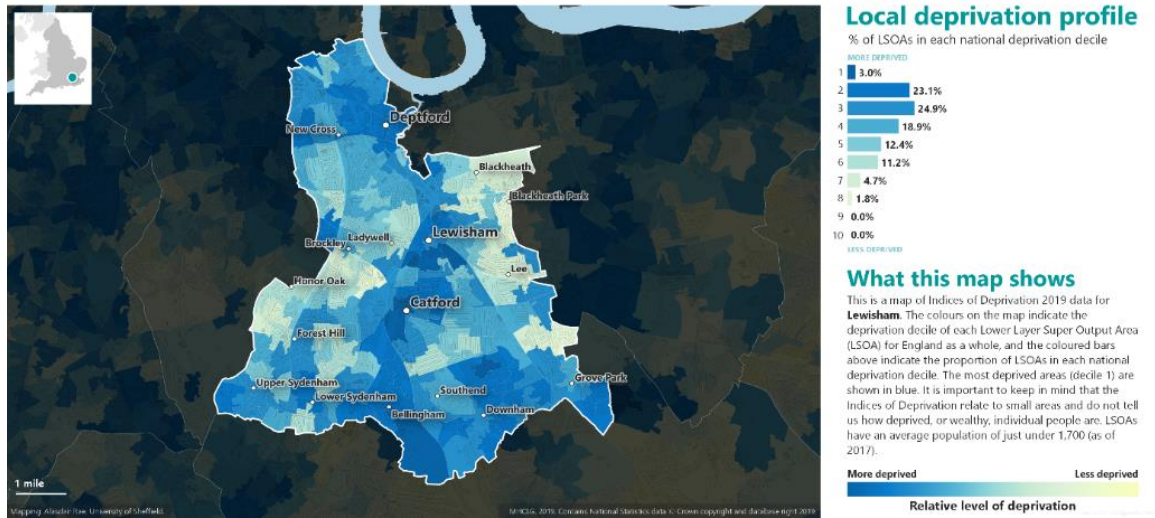
⁶ https://cles.org.uk/wp-content/uploads/2018/11/McInroy-2018-The_Political_Quarterly-1-1-1.pdf

⁷ Lewisham Poverty Commission, pg. 9

⁸ 2019 indices of Multiple Deprivation, available at: <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019> (Accessed September 2019)

English Indices of Deprivation 2019

LEWISHAM



9

From inclusive growth to an inclusive economy

Recently, 'inclusive growth' has been the dominant paradigm through which policymakers have understood how to develop local economies. Inclusive growth refers to the idea that local authorities and the state should act to make sure that the proceeds of growth are redistributed to everyone in a place, so that wealth 'trickles down' from big infrastructure and investment projects.

CLES believes that 'inclusive growth' is now a weak form of economic development, and instead we need to develop an inclusive economy for all. An inclusive economy is an economy which is intrinsically married to social goals, social justice, environmental sustainability and prosperity for all. This is not inclusion after the fact of growth. Instead inclusive economy seeks to develop inclusion with or without growth, addressing the fundamental social flaws of market liberalism. Inclusive economy is not merely about the poor social effects of economic growth outcomes, it is about addressing the causes which are created by the socially damaging approach to growth.

This agenda is aligned to a belief in heterodox economics and new forms of economic democracy and urban development such as new municipalism¹⁰.

What is community wealth building?

As a fundamental driver of an inclusive economy, community wealth building aims to reorganise the local economy so that wealth is not extracted but broadly held and generative, with local roots, so that income is recirculated, communities are put first, and people are provided with opportunity, dignity and well-being. Through community wealth building we are seeing a democratic, social and economic movement, which seeks to provide resilience where there is risk, and local economic security where there is precarity.

⁹ Lewisham Deprivation in Indices of Multiple Deprivation 2019. Prepared by Alasdair Rae at the University of Sheffield, in collaboration with the Ministry of Housing, Communities and Local Government. Available at <https://drive.google.com/drive/folders/1h37V9N2oFapieHZV1u5m8Wlr6KyP3CVd>

¹⁰ <https://cles.org.uk/blog/local-government-the-commons-the-time-has-come/>

Community wealth building has a particular focus on the activities of anchor institutions. Anchor institutions are large established organisations, rooted in local communities, which can improve local economic and social wellbeing through the use of their spend, employment practices, and management of land and assets.

At the heart of the community wealth building approach, then, are five strategies for harnessing existing resources to enable local economies to grow and develop from within.



- **Progressive procurement of goods and services** - Progressive procurement is a means through which greater economic, social and environmental benefits can be achieved for local places and people. CLES have pioneered and been at the forefront of work around progressive procurement in the UK, helping to develop a dense local supply chain of local enterprises, SMEs, employee owned businesses, social enterprises, co-operatives and other forms of community ownership. Increased local spend creates jobs, contributing to a multiplier effect which in turn creates additional jobs via increased demand for local goods and services.
- **Fair employment and just labour markets** – Often the biggest employers in a place, the approach anchors take to employment can have a defining effect on the employment prospects, incomes of local people and local communities. Commitment by anchors to pay the living wage, have inclusive employment practices, recruit from lower income areas, build progression routes for workers and comprehensive union recognition are some of the examples where actions by anchors can take to stimulate the local economy and bring social improvements to local communities.
- **Making financial power work for local places** - Community wealth building seeks to increase flows of investment within local economies by harnessing the wealth that exists locally, rather than by seeking to merely attract national or international capital. For example, local authority pension funds can be encouraged to redirect investment from global markets to local schemes. Mutually owned banks are supported to grow, and regional banking charged with enabling local economic development is established. All of these are ideally placed to channel investment to local communities while still delivering a steady financial return for investors.
- **Socially productive use of land and assets** – Anchors are often major land, property and asset holders. These represent an asset base from which local wealth can be accrued. In community wealth building the function and ownership of these assets is deepened to ensure any financial

gain from these assets is harnessed by citizens. Furthermore, there is a desire to develop local economic uses, and extend local social/community use of those assets. Indeed, much public sector land and facilities are the commons, and should be used to develop greater citizen ownership of the built, open space and natural environment.

- **Plural ownership of the economy** - Community wealth building seeks to develop a more diverse blend of ownership models: returning more economic power to local people and institutions. In this, community wealth building asserts that small enterprises, community organisations, co-operatives and forms of municipal ownership are more economically generative within the local economy, than large companies or public limited companies.

Over the last 12 years CLES has worked with dozens of local authorities across the UK to develop and shape community wealth building approaches, with each locality blending these principles in distinct ways tailored to their unique context. Figure 1 below identifies those areas which have adopted a community wealth building approach, demonstrating the diversity of places where these ideas are being applied.



Figure 1- Map of community wealth building localities in the UK

New municipalism

Community wealth building is a new type of economic development, and in order to achieve it, it will be necessary to develop a new type of politics CLES believes that local authorities must now embrace **'new municipalism'**; a new approach to harnessing local power for citizens and places.

New municipalism hints back to UK Victorian municipalism or municipal socialism. However, it is a global movement and has potential to be even more transformative, going beyond the local state, with a deeper consideration of power, with reformed institutions. There are three key components to this:

1. **Citizen power-** whereby the local state as an institution empowers, coordinates and upscales social innovation from community organisation and social enterprises.
2. **Municipal power-** new municipalism is not a process of hollowing out the local state and outsourcing, rather it is a retained appreciation that the state should ensure that fundamental goods and services (i.e. care and energy) are insourced, fairly priced and accessible to all citizens.
3. **Democratising the economy-** municipalist economic policy breaks with the orthodoxy of corporate-led investments and wealth extraction. Instead, it focuses on creating a generative economy, i.e. new institution forms such as co-operatives and municipal enterprises that lock in wealth, fairer wages, higher worker control and more environmental and social responsibility.

Methodology: community wealth building diagnostic

In undertaking this diagnostic, CLES undertook a desk review of key strategic documents and a series of semi-structured interviews with senior officers and councillors. These activities enabled us to assess the extent to which current and emerging policy and practice of the Council are reflective of an inclusive local economic approach and analyse capacity to further develop this. We used the findings from this process, alongside the desk work, and wider experiences and knowledge gained in other areas undertaking community wealth building, to make recommendations as listed in the following sections. A full list of interviewees is set out in Appendix 1.

2. Amplifying, deepening, and growing community wealth building in Lewisham

Lewisham Council has already developed a sophisticated agenda around community wealth building that is achieving genuine outcomes for local residents. In both the partnership work through the Lewisham Deal, and with regards to the development of the Council's internal approach to social value, it is clear that Lewisham has a number of elements that are concomitant to developing their own bespoke blend- the 'Lewisham Model.'

The purpose of CLES' work is therefore not to explain what community wealth building is, or how it can be achieved, as our work has been with the numerous localities that are starting from scratch. Lewisham Council is well on its way to forging its own community wealth building story, and we see our role as to offer insightful contributions as to how this can be further advanced. Specifically, CLES hopes to offer the Council three contributions to the development of this agenda:

- **Amplifying.** The Council's workstream has developed organically, through a number of contributions from a range of stakeholders. There is now a need to bring these strands together into a powerful and cohesive narrative; i.e. the 'Lewisham Model.' CLES believes that it is now essential that the Council produces a narrative of what community wealth building means in Lewisham in order to strengthen this message to residents, internal stakeholders, and external stakeholders.

The recommendations presented in Section 2 of this report are particularly concerned with the amplification of CWB in Lewisham.

- **Deepening.** In aspects of community wealth building where the Council has already made significant progress, CLES seeks to provide the technical expertise and fresh thinking that could be helpful in deepening existing work so that it achieves even better outcomes. Such is the case for both the procurement pillar and the fair employment pillar of community wealth building, wherein it is clear that the Council has already put in a lot of work and is now seeing real results.

The recommendations presented in Sections 3 and 4 of this report are particularly concerned with the deepening of CWB in Lewisham.

- **Growing.** The success of the Lewisham Deal is no small achievement, and reflects the hard work of elected politicians and officers inside the Council who have delivered outcomes in a challenging wider policy and

resource contexts It is important to acknowledge this before moving on to new work, as consolidation of existing practice is key. Yet, with this caveat in mind, CLES has also presented in this report a number of new areas for the growth of community wealth building in Lewisham. The aspiration here is to build on existing practice and grow the Council's voracious attempts to reorganise the local economy for social, economic, and environmental justice. These mostly pertain to the three pillars of CWB that have not been covered by the Lewisham Deal, which are; fair finance; socially productive use of land and assets; and plural ownership of the economy.

The recommendations presented in Sections 4-7 of this report are particularly concerned with the growing of CWB in Lewisham.

Context- the Lewisham Deal

Lewisham's community wealth building journey began in 2017 with the publication of the Lewisham Poverty Commission, which brought together local civic, political, business and community leaders to reflect on the state and future of Lewisham's economy. The Commission was significant for the advancement of community wealth building in the borough for two reasons; firstly, because the existence of the Commission was itself reflective of a broad sense amongst local people that the economy was not working for them, and secondly because the Commission's final report made explicit reference to the need for anchor institutions to play a more active and interventionist role in the local economy.

The first practical iteration of this work has been the Lewisham Deal, an agreement signed by Damien Egan, Mayor of Lewisham, and leaders from Lewisham's major anchor institutions - Lewisham Homes, Phoenix Community Housing, Goldsmiths, University of London, Lewisham and Greenwich NHS Trust, and Lewisham College. Together these organisations employ thousands of people and spend hundreds of millions of pounds through procurement.

The Council has made clear that the terms of the deal are *"based on the community wealth building approach"*, and that *"the Lewisham Deal will mean seeking to boost investment in local small and medium sized enterprises and helping provide high-quality training and employment opportunities for local residents. The commitments in the Lewisham Deal cover procurement, apprenticeships, information and guidance, and the London Living Wage."*¹¹

In the first two years of the Deal, the focus has been on four key areas of anchor activity: apprenticeships; procurement; London Living Wage; and information and guidance. A good example of how the work has brought anchors together has been on the issue of Apprenticeship Levy underspend. Lewisham Council is using its unspent levy funds to increase the number of people participating in local apprenticeships by funnelling the levy through to local anchor institutions, and then into local businesses. This coordinated approach to the levy, in which anchors are encouraged to share resources and even coproduce programmes for local residents, is illustrative of the convening role the Council has played in developing the Lewisham Deal.

¹¹ <https://lewisham.gov.uk/articles/news/mayor-and-local-partners-sign-the-lewisham-deal-in-ground-breaking-effort-to-tackle-poverty><https://lewisham.gov.uk/articles/news/mayor-and-local-partners-sign-the-lewisham-deal-in-ground-breaking-effort-to-tackle-poverty>

The Lewisham Model

These ideas were formally taken forward within the Council in a paper presented to Cabinet in November 2018 by Cllr Amanda De Ryk and Katharine Nidd entitled 'Income Generation and Community Wealth Building- the Lewisham Model.'¹² The paper set out the Council's aspirations to adopt a community wealth building frame to advancing outcomes for local residents, drawing on ideas from CLES and examples from localities such as Preston, Manchester, and Plymouth.

Significantly, the paper made a number of insights about how community wealth building could be adopted in Lewisham, namely that: *'Local (community) wealth building is not achieved over night but rather through cohesive strategy robustly embedded and sustained over an extended period'*. This is important because community wealth building does not represent a discrete 'project' for the Council to embark upon, but rather refers to a comprehensive suite of activities which, when taken in sum, auger in a fundamental shift in how the Council and other anchor institutions steward the local economy.

The paper is also significant in that it suggests the working title of the **Lewisham Model** for the adoption of this work. Whilst CLES has no preference on the specificities of the title, we endorse the notion that it is necessary to bring this work together into a powerful and cohesive narrative. The recommendations outlined in this section are intended to serve as a benchmark for the development of this narrative.

Recommendations for further action

Lewisham Council already has a clear sense both of what its community wealth building work is seeking to achieve, and how partnership working with anchor institutions can offer a practical route to doing so. Unlike the following sections of the report, in which recommendations are aimed at practical schemes of work for each pillar of community wealth building, the recommendations presented below are intended to serve the high-level narrative and strategic vision for the development of this agenda in Lewisham.

1) Amplification- a powerful narrative for the Council's community wealth building journey; the Lewisham Model.

To realise further its potential to act as a powerful force for realising economic and social justice in the district, we believe that Lewisham Council needs to develop a bespoke narrative for its approach to community wealth building.

In order to achieve this, CLES recommends the following:

- The Council adopts Cllr De Ryk and Katharine Nidd's paper into a formal policy document- a **Community Wealth Building Policy**. This document should set the strategic overview for the Council's corporate commitment to community wealth building. This is essential because it will enshrine the principles of community wealth building in the totality of Council activity, as opposed to merely being one 'scheme of work' that only select individuals within the Council are undertaking.

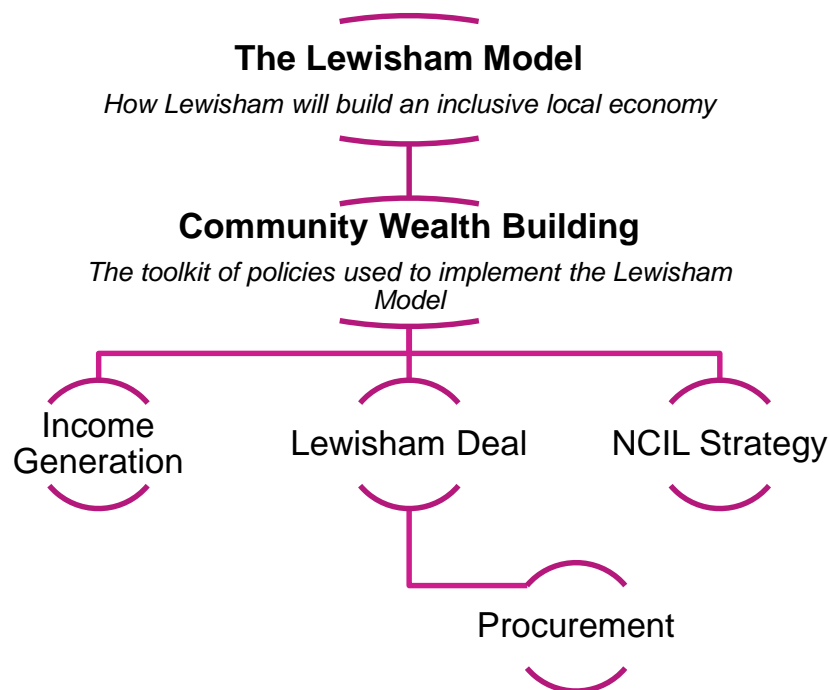
¹² Income Generation and Community Wealth Building- the Lewisham Model. Cllr Amanda De Ryk and Katherine Nidd (2018)

- The Council should engage in the wider community wealth building community in the United Kingdom, for example CLES' CWB Centre of Excellence, and UK Labour's Community Wealth Building Unit.
- Developing a powerful narrative around community wealth building is also essential to ensuring that there is internal buy-in within the Council. In order to achieve this, the Council should ensure that it:
 - Invests resource and capacity into CWB activities, The Council has already made formal commitments since 2018, for example by ensuring adequate resource for the procurement team.
 - Establishes a clear CWB delivery structure, which needs to be reviewed by the new SLT to ensure corporate visibility and buy-in from relevant service areas. This will involve empowering staff who understand the CWB agenda
 - Trains Council staff across all departments on how they can embed CWB principles into their work.

Creating the right narrative- the Lewisham Model

Community Wealth Building has significant overlap with a number of other strategic policy initiatives within Lewisham Council, particularly Income Generation; NCIL Strategy; and the Lewisham Deal. In conversations with officers and Councillors, CLES found that there is a desire to knit these strands together into a more cohesive narrative, in which CWB is recognised as the *means* to achieve corporate priorities, rather than a new ambition in and of itself.

We understand CWB in Lewisham to be a means to developing what has been termed the 'Lewisham Model', which we define in alignment with the 'building an inclusive local economy' priority of the Corporate Strategy. 2018-2022. In the Figure below, we suggest how the Council could visualise this relationship in internal and external communications.



2) Deepening- four key areas of focus for Lewisham’s bespoke approach to community wealth building

CLES believes that there are four fundamental ways in which community wealth building should be understood in Lewisham. These high-level statements of intent should form the basis of the Council’s CWB Policy, which in turn should bleed through both the narrative and the all work undertaken in the future.

- o **CWB as an intentional, anchor-led transformation in the local economy for social, economic, and environmental justice.**

The Council already recognises that it needs to take a more active and interventionist role in the local economy if it wishes to advance the causes of social, economic, and environmental justice. This recognition comes partially in response to a long-standing perception that the Council has perhaps been too passive when it comes to managing the local economy, merely seeking to redistribute the flow of growth around the area, rather than intentionally shaping this growth and ensuring that it is good for all local people. In order to achieve this, the animating principle of Lewisham’s community wealth building must be the intentional transformation of the local economy. Every resource available to the Council-, must be mobilised towards achieving these ends.

- o **CWB as a means to build a resilient local economy**

CWB in Lewisham should be understood as part of the Council’s longstanding scheme of work to build resilience and sustainability into the local economy. Put simply, a resilient local economy is one that is not reliant on cycles of investment (or disinvestment) from central government, regional government, or the third sector. By focusing on the wealth already

within Lewisham, CWB seeks to insulate the Council and local residents from vulnerability to external factors in the future such as austerity, or recession.

- o **CWB as a means to decarbonise Lewisham and respond to climate emergency**

Lewisham Council was the first London borough to declare a climate emergency, and has already taken a number of steps to action this. For example, the Council is exploring tasking an Executive Director with responsibility for reducing the carbon emissions of services. Adopting the principles of community wealth building is a good start, as they can act as a powerful tool in moving away from fossil capitalism towards a low/zero carbon model of economic development.¹³ Shorter supply chains, an emphasis on generating environmental as well as social and economic benefit from the assets of local anchor institutions and an emphasis on supporting the growth of more democratically owned and locally generative green businesses are all practical steps to achieving this.

In CLES' view, community wealth building should serve as a precursor to more fundamental action in this field. Across Europe and the United States, policymakers are increasingly calling for a Green New Deal to tackle the crisis; a major programme of macro-strategic initiatives to deliver a just transition and decarbonise the economy by 2030. Whilst this idea has gained a lot of attention, there has been little focus on what this would mean at the local level. This presents Lewisham with a unique opportunity; with community wealth building as a 'first step', there is scope here for Lewisham to be an innovator in this space. CLES is currently developing a policy framework for a local Green New Deal based on the principles of community wealth building and will invite a participant from Lewisham Council to the UK's first roundtable on the local Green New Deal.

3) Growing- work with anchors to further embed community wealth building principles into the Lewisham Deal

The Lewisham Deal has so far focused on two out of the five pillars of community wealth building, in that it has extensive practice with regards to procurement, and fair employment, but much less work has been done on fair finance, land and assets, or plural and democratic ownership of the economy. That the Deal has been methodical and (in the words of an interviewee) "*learnt to walk before we run*" should be celebrated as a sign of level-headedness and strategic thinking. Clearly, the Deal is now achieving genuine outcomes for local residents in the fields of procurement and fair employment.

These successes should now form the basis for a gradual and considered expansion of the terms of the Lewisham Deal. CLES believes that the Deal could now be expanded in a number of directions, each of which are commensurate with the principles of community wealth building:

- o **Expansion of the number of anchor institutions involved in the Lewisham Deal.**

This could include collaboration with other local authorities in south east London; inviting Lewisham-based businesses to sign onto the programme; and even to finding a role for anchors across London (who might not be based in Lewisham) to play some form of contributing role. We elaborate on this recommendation in Section 3 of this report.

¹³ <https://www.common-wealth.co.uk/cwb-for-justice.html>

- Expansion of Deal with regards to all five pillars of community wealth building

In discussions with representatives from anchor institutions, CLES raised the possibility of expanding the scope of anchor-related activities beyond the existing focus on procurement, employment, and business support.

We found that anchors and the Council are receptive to the idea of exploring new themes, but that this must be balanced with a respect for the effort and resources that have been required to reach this stage. To overload the Deal partners with new work *before* consolidating the gains currently being made would be detrimental to the overall effort, so there is a need to proceed at an appropriate pace here.

That being said, we believe that there is scope for the anchors to explore new collaboration in two key areas. These are:

1. Harnessing a CWB approach to anchor-held land and assets:
2. Anchor collaboration to tackle climate emergency.

Anchors showed more interest in working collaboratively on these two areas than they did on either the financing the economy strand; or that of plural ownership. Anchors could still play a significant role in these pillars, and CLES recommends that the Council explores each of these areas with the Deal Steering Group.

3. Progressive procurement of goods and services

The progressive procurement of goods and services requires the harnessing of commissioning and procurement processes to drive virtuous social, economic, and environmental outcomes. In recent years, Lewisham Council has established itself as an industry leader in this field, with both a sophisticated Social Value Policy, and the work with anchors through the Lewisham Deal. In this section we review progress to date and suggest areas for further improvement.

What Lewisham Council is already doing

Given that Lewisham's economy is dominated by a large number of small businesses and large public sector employers, it is evident that public sector procurement can play a significant factor in developing the local economy. In recent years, the Council has come to recognise the power of procurement, and begun a number of innovations in this space. In 2017 the Lewisham Poverty Commission recommended that local anchors developed a *'shared commitment to generating social value through procurement, for example by negotiating for the provision of apprenticeships and job opportunities for local residents.'*¹⁴

Council procurement

The Council formally adopted a new Social Value policy in February 2019, which set out the legal and strategic and policy context for driving social value through the Council's commissioning and procurement activities. The policy builds on the Council's previous aspirations to maximise social value by introducing a mandatory weighting for all procurements of 5%-10% for social value considerations in all contracts in excess of £50k, with the exact weighting to be identified on a case by case basis by the procurement team.

The policy offers a series of Key Performance Indicators (KPIs) for identifying social value in Lewisham, which presented as a comprehensive 'menu' of options for which can be applied to each contract. These range from standard KPIs (e.g. London Living Wage), to sector-specific requirements. The KPIs are based around four themes; Employment, Skills and Economy; Creating a Greener Lewisham; Healthier Lewisham; and Training Lewisham's Future.

It is also now the case that where relevant every contract worth under £50,000 will need to invite at least one Lewisham-based business, as mandated by the terms of Lewisham's procurement policies.

Lewisham Deal

A focus on maximising the social value returns from anchor procurement is one of four key strands of the Lewisham Deal. A Procurement Sub-group was established to bring together buyers and commissioners within each of the anchor institutions, based around

¹⁴ Lewisham Poverty Commission

implementing three key priorities, which are; making contract opportunities more accessible to SMEs; organising a minimum of one Lewisham Meet the Buyer event a year for our SMEs; and publishing an annual social value report.¹⁵

Significant progress has been made across all three agenda points in the last calendar year. On the supply side, the Council organised a Meet the Buyer event for over 120 local businesses in June 2018 and November 2019, in which the six anchors all outlined to local SMEs how these businesses could gain access to procurement contracts.

Work has also been undertaken with anchors through the Lewisham Deal on the demand side of procurement, namely how organisations package and advertise contracts. Interviewees from a number of anchor institutions noted that their procurement contracts tended to be 'bundled' up into contracts so large that SMEs had less chance of winning them, due to economies of scale available to larger providers. Here, Lewisham Council drew on the lessons of progressive procurement from other local authorities within the wider community wealth building movement; for example, Manchester City Council committed to break up big contracts into a number of smaller ones, with the intention being that SMEs would be more likely to access them.

The procurement sub-group have also begun to collaborate to produce a database of local businesses, in order to track the depth of local markets, and also to spot opportunities for joint procurements between anchor institutions. One interviewee noted that this part of the process has been essential because it has *"enabled conversations to happen that wouldn't have happened had we not actually met"*, for example assessment of the recurring overlap between procurements needed by Phoenix Community Housing and Lewisham Homes.

The Council has also committed to producing an annual social value report, which will include a spend analysis and the resultant social value produced by all six anchors on the Deal.

Discussion- how to deepen this work

Council procurement

It is evident that Lewisham Council has made a firm corporate commitment to unlocking the power of procurement, and that the Social Value policy offers a meaningful policy framework through which to achieve this. Interviewees noted to CLES that the success of the Social Value policy has come from the fact that, whilst the introduction of a mandatory weighting for social value has focused minds and forced commissioners across the Council to take action, the system of offering a wide menu of KPIs means that the introduction of social value into specific sectors has been 'organic', and conducted on a 'case by case basis.'

In terms of areas for improvement, a number of interviewees noted the need to develop more robust mechanisms with regards to monitoring and reporting. There are two issues here. Firstly, there seem to be issues around officers knowing the timeline for the full range of contracts that are coming up for procurement tenders across all departments. One officer noted that they often only see when a procurement decision is going through *"when I walk past the photocopier and see the Mayor and Cabinet meeting agenda paper"*. Whilst this one anecdote might not be illustrative of wider opinion within the Council, it does suggest that the Social Value policy needs to be backed up by a more open and transparent procurement process. This applies to all Council procurements below the value of £200k, because these only come through to

¹⁵ The Lewisham Deal

the central Procurement team at the end of the process, meaning in some cases that social value considerations need to be retrofitted in at the end.

The second issue is around the monitoring and enforcement of social value requirements once contracts have been awarded. This is especially the case in smaller contracts, where monitoring is often done by officers within the Council who (through no fault of their own) need to prioritise the frontline delivery of a service over capturing the impact of the social value applied in that contract. Officers noted that a potential solution here is to introduce a central database for the measurement of social value, as will be necessary for the production of an annual social value report. Moreover, there have been discussions around reshaping the role of the Social Value Officer so that they become a 'single point of capture' for not only the bidding and tendering process, but throughout the procurement cycle.

Both considerations can be partially attributed to issues of resource and capacity, with interviewees noting resource for corporate procurement has shrunk in recent years, and this makes the challenge of accurately ensuring that social value is being applied in every contract even more difficult. However, with resource for growth of the procurement team now agreed for the year 2020, the focus can shift towards how this capacity can be put to best use. In particular, there is a need to focus on development a central contract management framework, as a means to assist the delivery of the new procurement agenda.

Lewisham Deal

The procurement aspect of the Lewisham Deal should be celebrated as at the heart of Lewisham's CWB narrative. CLES found examples across all anchor institutions interviewed of the process sparking a change in how the anchors understood their role as purchasers of goods and services in the local economy, and an attribution of this culture shift to the leading role that the Council has played in the delivery of this agenda. Taken together, it is clear that there has been a real shift on the demand side of the procurement equation in Lewisham, with a number of public sector institutions now actively pursuing social value in their procurements.

As has already been noted by members of the Procurement sub-group, the challenge now is to deepen and extend this work to the supply side. Activities thus far have sought to inform and engage the local SME base, so that local businesses have the necessary knowledge and skills to bid for and win contracts with the anchor institutions. It is vital that this work continues, for example through marrying this work with the Council's Business Support offer. A good example here has been the Lewisham Construction Hub, which has helped a number of small construction firms with accessing Council procurement opportunities. In order to truly empower local SMEs to access the full scope of Council procurement, it is imperative that this Business Support offer- as well as the Council's longstanding innovation with the VCSE sector- is scaled up across all sectors of Lewisham's economy.

Recommendations for further action

Lewisham Council's procurement team has made a strong start to a journey of progressive procurement. In order to improve on the good work that the department has already undertaken, CLES suggests the following:

- 4) Deepening- Continue to develop the corporate culture and status of procurement as a key feature of community wealth building (including Social Value monitoring)**

The Social Value Policy is an excellent marker for both where procurement is now within the Council, and for identifying the potential role of procurement in achieving wider corporate priorities. In order for departments to treat procurement with the status that it requires, an awareness-raising campaign should be developed to try and explain how procurement is a key lever of community wealth building – that it is a strategic place-based economic development function just as much as a regulatory function. Doing so should enable a cultural shift on ‘why we are doing this’ and maximise the ability for the function to build community wealth.

This can be realised in a number of ways:

- a) Training and development for commissioning staff outside the remit of the Procurement team, with a particular focus on adopting social value earlier in the commissioning/procurement process. It is particularly important here to develop clarity on social value priorities and the weighting of these priorities.
- b) Extending the scale of the annual Meet the Buyer event so that large commercial sector businesses in Lewisham attend. These organisations buy goods and services in their own right and, whilst ensuring social value considerations are held to in the private sector comes with significant challenges, doing this would raise the profile of the event in a meaningful way.
- c) One of the ways that this agenda should be realised is through developing links with procurement, thereby creating opportunities for organisations with plural forms of ownership to win Council contracts. In order to achieve this, there should be clear communication between Procurement and those managing the plural and democratic ownership workstream, in order to match up potential opportunities.

As an exploratory step, the procurement team could undertake gap analysis to develop potential areas where co-operatives, mutuals, and social enterprises might be more likely to win contracts. The intention here would be to identify contracts which are coming to an end in the short and medium terms, and work with appropriate SMEs, co-operatives, and other plural organisations to help them bid for future work. This could involve accelerating the process of breaking up contracts into smaller ‘chunks’, although it should be noted that this work would of course be at the discretion of procurement and commissioning externalities, such as value for money, viability, and quality.

Key to this approach will be a close working relationship and alignment of plans between the Procurement and other areas of corporate priority, such as economic development, business support, and working with VCS initiatives and partners. Fostering this relationship will enable a cultural shift on ‘why we are doing this’ and maximise the ability for both functions to build community wealth.

5) Deepening- Impact analysis of social value work as a means of mapping the ‘size of the prize.’

As the Council moves to implement a social value weighting in the commissioning and procurement process, there is a need ensure that impact analysis is carried out in every contract. This is not only because it is essential to ensure that suppliers are actually providing the social value promised in the tender process (i.e. ongoing monitoring and evaluation), but also to ensure that the procurement team can advocate for social value as a tangible means to achieving wider corporate priorities.

CLES can advise the Council on how to undertake an impact analysis of this type. For example, CLES produces an annual Social Value report for Manchester City Council, mapping the jobs, apprenticeships, and wider economic impact of the Council's top 300 supplier spend.

One analytical tool to achieve better clarity around social value could be through developing a supplier of supplier analysis. By looking at where and how each supplier re-spends, (for example in the form of a Questionnaire), the Council can gain a better understanding of the impact a business has on the local economy through re-spend and wider circulation. CLES has developed a methodology for supplier of supplier analysis and would be willing to share this with the procurement team.

6) Expand progressive procurement practices to anchors (including local authorities) across south east London.

The success of the procurement aspect of the Lewisham Deal is a proof-of-concept that anchor institutions can create real benefits for local businesses when they collaborate and focus on driving social value in their supply chains. In particular, the work reflects Lewisham Council's unique role as a leader amongst local anchor institutions; by convening the group and providing the political impetus for this work, the Council has led as a 'first amongst equals' and has inculcated a culture of collaboration and coproduction. That other institutions are now actively volunteering to join this network reflects a genuine appetite to get involved in this work under Lewisham Council's leadership.

CLES believes that the Council should now build on this momentum and continue to expand the network of anchor institutions, notably to neighbouring London local authorities; Southwark, Greenwich, and Bromley. Interviewees noted that the Council has developed collaboration relationships with these local authorities in the past, thus creating a solid basis for future collaboration.

This is particularly important given the economic geography of South London; it is more than likely that sectors and industries under-developed in Lewisham will have greater depth in neighbouring boroughs, thus deepening the likelihood of finding socially virtuous suppliers and creating deeper supply chains. As noted by an interviewee, this is key because maximising social value does not mean forcing anchors to buy goods and services within an arbitrary geographical area "for the sake of it", but instead is about achieving maximum social outcomes through purchasing.

There is also scope to extend this work to local health institutions. Whilst Lewisham and Greenwich NHS Trust has signed up to Lewisham Deal, it is evident that more work is needed to be done in order to deliver social value through health. At NHS Salford CCG, for example, they have signed up to the '10% Better' social value campaign¹⁶. Consequently, even though the market for some of their services includes only providers (typically the local NHS provider trust), the CCG still hold them to account with respect to delivering social value as part of the contract.

The Council should make representations to the relevant organisations discussed here as a means of gauging interest in this work. In terms of organisational capacity and resource, CLES and the Council can work together to secure external sources of funding such as research grants, as this project has a potentially interesting research angle in that it seeks to extend the procurement aspect of community wealth building into a sub-regional dimension.

¹⁶ <https://www.salfordsocialvalue.org.uk/10-better-campaign/>

4. Fair employment and just labour markets

Anchor institutions play a crucial role in securing access to well-paid and secure work for local residents in all economies. This is particularly the case in Lewisham, as the borough has one of the lowest job densities in London and attracts fewer large commercial employers than neighbouring areas. In this context, the Council has taken a proactive approach to maximising the role of anchors as socially virtuous employers in the region.

Context

This strand of community wealth building has already been well developed in Lewisham, with an exploration of the role of anchor institutions as employers forming the basis for part of the original Lewisham Poverty Commission.¹⁷ The commission noted that anchor institutions employed a large amount of local workers, noting that the Council employed 2,038 full time staff in 2016, Goldsmiths 1,156, Lewisham and Greenwich NHS Trust 6,065, and numbers in triple figures for the three other major anchors.

The recommendations of the Commission around how the anchor institutions should work together on their employment and workforce project formed the basis for what would become the Lewisham Deal, including landmark commitments to:

- A coordinated approach to apprenticeships to promote opportunities for residents, including maximising the local spend of the apprenticeship levy for upskilling and in-work progression, building on the strength of the Council's existing apprenticeship programme.
- A shared commitment to London Living Wage accreditation and promotion, flexible working and opportunities for job progression for employees.
- A shared commitment to support good mental health in work by committing to the 'Time to Change' Employer Pledge, by developing an action plan that normalises conversations about mental health in the workplace and ensures that employees who are facing these problems feel supported.

This area has seen significant progress in the last two years, with the main areas of progress being in supporting the development of apprentices by transferring levy funds, and also promoting the London Living Wage accreditation scheme in the borough. CLES' review found that both of these initiatives have achieved real success with anchor institutions, in that this work has focused minds within the anchors about not only who they employ, but about the wider social benefit and context to the employment of local people. There is clarity within the Council about how best to continue advancing this agenda, and it forms the strongest existing plank of Lewisham's community wealth building work.

¹⁷ Lewisham Poverty Commission, pgs. 15- 17

Overall, it is clear that the Council has focused strongly on developing the employment prospects and skills of local residents through an exemplary programme of anchor-led work. Based on discussions with officers and elected officials, it is the CLES view that the Council needs less support on this pillar of community wealth building, hence the brevity of our recommendations in this section. This work is essential to Lewisham's community wealth building narrative, and the Council should take pride in leading innovation in this space. Yet pride in this work should also come with an awareness that focusing on the supply of labour in the Lewisham economy is not enough on its own to address the systemic barriers that are preventing Lewisham residents accessing well paid jobs, both within and out with the borough. In developing its community wealth building approach, the Council needs to recognise that the underlying problems with Lewisham's labour market do not relate solely to the supply of a well-skilled workforce but in large part to demand (i.e.: the availability of decently paid jobs and how accessible these are to local people). Whilst it is true that the anchor institutions play a major part here, a community wealth building approach to fair labour markets must also necessitate further engagement with commercial employers on their recruitment, pay, and terms and conditions for local workers.

Recommendations for further action

7) Deepening- Strengthen anchor workforce analysis to understand the granular detail of anchor employment patterns

The Council has already conducted workforce analysis with the six anchors in order to who each institution employs. CLES has developed a sophisticated analysis for workforce analysis that includes mapping employees by postcodes, and then using this data to make suggestions about how anchor institutions can ensure that they are employing from the most deprived areas within their borough. We would be willing to share this methodology with the Council, with a view to offering this service to all participating anchors on the Deal.

5. Socially productive use of land and assets

How land and property is owned, developed and used will have a defining impact on the success of community wealth building in Lewisham. The Council and anchors are significant landowners in the borough, and in this section, we discuss how the community wealth building approach can ensure that these assets are harnessed to serve the common good.

What Lewisham Council is already doing

Council assets

Lewisham Council is a significant landowner in the region, with numerous registered land and asset holdings, including: open spaces; car parks; corporate holdings; and residential properties. Many of these assets are in locations of strategic importance in relation to the major economic development currently ongoing in Lewisham.

Whilst it has long been recognised that publicly held assets are important for maintaining the wealth, health, and wellbeing of local citizens¹⁸, in recent decades public sector austerity has acted as a powerful incentive for councils to dispose of these assets for financial gain, especially in times of deep austerity. In Lewisham, disposals only occur when the Council no longer needs the asset, it may be beyond its economic life, but in all cases an assessment is made how best to re-use it and how the asset can contribute to the Council's aims and objectives e.g. a number of re-use options are also considered, including turning buildings over to community groups. The costs of maintaining these projects must be offset against the potential financial yield made from sales.

Data from the Bureau of Investigative Journalism reveals that between 2015 and 2017, Lewisham Council sold 5 spaces of public land and property assets, for a combined value of £1,999,480.¹⁹ This is a modest amount when compared to similar local authorities; for example, Tower Hamlets disposed of 15 assets for a combined value of over £72m in the years 2014-2018, and Newham sold 11 assets for £8,959,105.²⁰ A more fitting comparison to Lewisham would be Greenwich, which sold a much higher quantity of properties (42), but for a relatively similar combined amount (£742,000).

¹⁸ See research by Liverpool John Moores University on 'Exploring the Social Value of Community Assets in Wirral', May 2014- <https://www.wirralintelligenceservice.org/media/1269/community-assets-final-report-may-2014.pdf>

¹⁹ <https://council-sell-off.thebureauinvestigates.com/Lewisham>

²⁰ <https://council-sell-off.thebureauinvestigates.com>



Assets sold off by Lewisham Council 2015-17 (Bureau of Investigative Journalism)

Selling unwanted or unneeded assets is understandable, and in this instance may be fully justified and warranted; the generation of capital receipts are essential to finance Council activities. However, in many cases, Councils across the UK have sold assets without due consideration of how these assets could be better utilised if they were kept under public ownership. An approach in which Council land and assets are treated as a fiscal burden, rather than opportunities to drive social wealth, is one which under-utilises our collective public resources. Going forward, it is evident that there is a need to balance the socially productive potential of land and assets with the financial realities that might make selling a necessary option.

The fact that Lewisham has sold far fewer assets than neighbouring local authorities should be understood as a sign of strength, and creates fertile soil for the development of a community wealth building approach to land and assets. Council-held assets can be particularly important if a council wishes to make strategic interventions in areas which are experiencing changing land and property markets.

Housing

Lewisham Council has historically had one of the most expansive social housing programmes of all London boroughs. A strategic commitment to building affordable housing has been framed by the Council's Housing Strategy for 2015-2020²¹, which highlighted high levels of homelessness, rising population levels²², and the lack of affordable housing in the borough as key reasons that the Council would build more. According to Council analysis, the average house prices in Lewisham are now (in 2019) 13 times average annual earnings, locking local residents out of the property market. More recently, the Mayor has sought to push this further by committing to build 1,000 new social dwellings by 2022-23, as part of a broader push to expand local housing stock to 30,000 dwellings in the next decade. The Mayor's headline strategic commitments to solving the housing crisis include:

- Build a new generation of council-owned homes for private with rent controls.
- Building four more innovative housing developments for homeless families like the award-winning pop-up Place/Ladywell scheme.
- Our target will be to achieve 50% genuinely affordable homes²³

The majority of social housing in Lewisham is provided by Lewisham Homes, a not-for-profit established by the Council to manage over 19,000 dwellings across the borough.

²¹ Lewisham Council Housing Strategy for 2015-2020

²² There are currently c.306,000 residents in Lewisham, and this is projected to rise by more than 60,000 by 2041. Source: https://www.newlondonarchitecture.org/docs/freddie_murray_1blewisham.pdf

²³ Source: Damian Egan manifesto, 2018.

Officers described the Council's approach to solving the housing crisis as proactive and mixed, in that the Council has is engaged in a number of different types of schemes to alleviate pressure on the housing market. These range from the Council 'doing it ourselves' (e.g. through Lewisham Homes), to creative partnerships with enterprises in both the commercial and voluntary sector. For example, the Council has established itself as a leader in the field of community-led housing, working with partners such as Rural-Urban Synthesis Society CLT (RUSS) to develop a community-led housing projects for former residents on the Walter Seagall estate.

The Council is also partnering with Rogers Stirk Harbour + Partners' to create a deployable residential development on the site of the former Ladywell Leisure Centre, which was demolished in 2014 and left vacant pending redevelopment. This project is notable because it responds to the high demand for housing in the Borough by offering a short term solution; a temporary housing development has a maximum procurement budget of £4,980,000 and will remain on site for between 1-4 years, providing 24 homes for local people in housing need as well as four ground-floor community/retail units.

Regeneration

The Council's regeneration strategy was agreed in 2008, and will be up for replacement in 2020.²⁴ The strategy set out how the Council would approach regeneration on strategic sites where the Council can leverage its extensive land holdings to influence the local landscape, for example in Catford Town Centre, where the Council owns over six hectares of land. Officers noted that the purchase by the Council of Catford Shopping Centre in 2010 was crucial because it allowed the Council to begin to 'control the spatial destiny of that place', in the words of one interviewee. Whilst the success of this programme has on one level created a powerful incentive for further strategic investment in sites of importance, the realities of budget cuts means that future purchases might make similar such purchases difficult to realise.

Discussion

CLES' review found there is now an appetite across the Council to ensure that these assets are harnessed in a socially virtuous way to build community wealth. These are excellent examples of a considered and thoughtful approach to land and assets but to date this has not been explicitly incorporated into the Council's community wealth building strategy and thinking. Given the defining impact of land and property values on the economy of the district, ensuring that these are factored into community wealth building strategies is crucially important. For example, if more diverse and plurally owned businesses are to flourish in the district they will require a supply of affordable workspace of the type which is currently extremely limited.

A key barrier to realising this potential is a lack of accurate data on assets and land holdings, a key concern for interviewees. Addressing this lack of data is a complex and resource intensive undertaking but should be a key corporate priority. Several interviewees talked about the need to fundamentally revisit the use of Council land and assets in the context of climate emergency. For example, there is clear enthusiasm for mobilising the land and asset portfolio to enable transformational change in the consumption of carbon.

As regards the Council's existing asset stock, we also note that there are ongoing issues around meanwhile use, for example when difficult leaseholders leave the Council with obligatory costs that could be otherwise spend on frontline services. It is clear that any strategy to increase meanwhile use, especially with the community and voluntary

²⁴ people, prosperity, place Lewisham regeneration strategy 2008–2020.

sector, will need to balance this aspiration against the reality on the ground and past experience.

The importance of land and assets to economic development

In line with the dominant model of economic development practice, the focus of regeneration efforts in Lewisham in recent years has been attracting external investment to areas with the greatest potential to generate economic growth. This has led to development of certain clusters of the district being seen as synonymous with economic development of the borough as a whole. While this approach has delivered physical redevelopment, improved connectivity and generated a growth in jobs, the benefits of this approach has often fail to translate into improvements in the material and social conditions of people in the borough. An equitable approach to economic development will differ from this in two important ways: firstly, it will broaden its geographical scope to the whole of the district, (specifically areas to the south of the borough which tend to see less investment) and, secondly, it will focus on developing the economy from within, growing and supporting those economic activities which have a generative rather than an extractive impact on the local economy.

Recommendations for further action

8) Growing- Continue to develop a community wealth building approach to Council-held assets.

Lewisham Council is a significant landowner across the borough, and it is evident that significant work has already been undertaken in order to ensure that these assets are being utilised for effective purposes. Work undertaken by the Neighbourhoods Team has made excellent use of Section 106 regulations, estate balloting, and other techniques to ensure that asset-led regeneration works for local residents. Another key example is the Council's NCIL Strategy, which is discussed further in Section 7 of this report.

The Council already utilises the s123 legal requirement to achieve best consideration as regards the asset stock. As there are often challenges in identifying (and then measuring) what 'best' actually means, we suggest that utilising a CWB framework might be a useful way to do so. For example, the Council could develop CWB Metrics that could guide s123 decisions, with inputs relating back to the Council's Social Value and CWB aspirations.

Given the Mayor's manifesto commitments to not selling off council land to private property developers²⁵, there is a clear political incentive to proceed with this. In order to achieve this, the Council should:

a. Undertake a 'CWB Land and Asset Audit'

The purpose of an audit would be to sort all Council-held assets into one of three categories, asking a series of investigative questions for each:

- Asset that is currently being used; is this asset achieving maximum wealth-building impact? How does the Council ensure that social value is being applied in the management and oversight process?
- Asset that is aligned to economic development and earmarked for future usage; how can the Council ensure community wealth building metrics are embedded into the development of this asset?
- Asset that needs to be disposed of; can we sell this asset to a community group, and if so, how can we ensure it is done in a

²⁵ Damian Egan manifesto, 2018.

democratic way? How can we ensure local communities have the knowledge and start-up capital to take over the asset?

CLES has undertaken CWB Land and Asset Audits with local authorities such as Wirral Council, and can advise Lewisham on how to proceed with this internally, or with assistance from CLES and others. This work involves a process similar to the CWB Diagnostic, with a specific focus on planning, regeneration, and asset management.

b. Encourage anchors on the Lewisham Deal to do the same.

Just as the Council owns a large amount of land in the borough, anchor institutions are also large players in the local land market. Anchor institutions should also be encouraged to review their stock and ensure that they are maximising social value returns on these assets.

It was noted in interviews with anchors that there is appetite for exploring how anchor-held assets can be further utilised to build community wealth, and in particular to tackle the climate emergency. For example, anchor institutions in Lewisham could collectively agree to give a solar panel surveyor from an organisation such as Repowering London²⁶ access to the roofs of every building, with a view to community-led solar insulation.

9) Make community-led housing programmes a vehicle for expanding economic democracy

The flourishing of community-led housing serves as a strong basis through which to provide not only good homes for local residents, but also to drive the democratisation of the local economy. When residents are housed through RUSS or at Ladywell, there is the opportunity for the Council to co-produce new forms of democratic ownership with local residents, for example housing cooperatives where funds are democratically owned and controlled by residents.

Our research found that there is a willingness across Lewisham for new partnerships between the local anchors and community groups to make the most of development in the local economy, for example through innovation in land and property assets. CLES suggests that Lewisham Council explores an approach known as Public-Common Partnerships (PCPs)²⁷, whereby a local municipality enters into the joint management of municipally held assets with local co-operatives and community groups.

²⁶ www.repowering.org.uk

²⁷ For example, BEG Wolfhagen is a Public-Common Partnership in the town of Wolfhagen, Germany where the local state and a local co-operative took on the joint management of the town's energy infrastructure. See Milburn K and Russel B, 'What can an institution do? Towards Public-Common partnerships and a new common sense. (2018) Renewal. Available at: <http://renewal.org.uk/articles/what-can-an-institution-do> (Accessed 17/06/2019)

6. Making financial power work for local places

The UK banking sector is orientated to global markets rather than local investment and economic development. Over recent years, we've seen a stagnation of lending to small business and the closing of many local branches, reducing the connection between lenders and their local communities. Access to credit is the life blood of many small businesses, without which they struggle to operate and compete with larger firms to provide goods and services.

Community wealth building seeks to increase flows of investment within local economies. It does this by harnessing the wealth that exists locally, rather than by seeking to attract national or international capital. For example, local authority pension funds are encouraged to redirect investment from global markets to local schemes. Mutually owned banks are supported to grow, and regional banking charged with enabling local economic development are established. As such, access to finance for both socially virtuous organisations and individuals is fundamentally important to the success of community wealth building.

Many issues around personal debt relate to broader national policy questions, for example the rollout of the Universal Credit welfare system, which has arguably caused a spike in personal debt levels as benefits have become harder to collect and payment delays have increased.²⁸ Yet there are a number of policies local authorities can introduce to alleviate these issues.

Like many places with high levels of poverty and deprivation, levels of personal and household debt are high in Lewisham. According to the debt charity Step Change, an estimated 21,000 individuals in Lewisham suffered from issues around personal debt (latest figures in 2017/18).²⁹ It is estimated that this debt produces over £55 million of external and social costs in Lewisham in the form of the physical and mental health of those in debt, as well as adverse consequences on their social relationships, economic productivity, and wellbeing.

Debt in all forms is an issue for local residents. Step Change found that clients living in Lewisham had the lowest average credit card debt at £4,657 compared with a London average of £7,211. Moreover, they also had high average council tax arrears, with clients living in Lewisham having the eighth highest average level of council tax arrears in London (£1,306 compared with a London average of £1,186). These figures suggest that finance is not flowing through the local community in the right way.

What Lewisham Council is doing

Lewisham Council first produced a financial exclusion review in spring 2012.³⁰ The review identified a number of issues around financial exclusion and access to finance

²⁸<https://www.citizensadvice.org.uk/Global/CitizensAdvice/welfare%20publications/Universal%20Credit%20and%20Debt%20-%20final.pdf>

²⁹<https://www.stepchange.org/Portals/0/documents/Reports/london-in-the-red/lewisham-debt-statistics-2017.pdf>

³⁰<file:///C:/Users/jonty/Downloads/Financialexclusionreview.pdf>

in the borough, ranging from the fact that high-interest private lenders were often targeting vulnerable residents through payday loans, to issues around involuntary redundancies for low-paid workers and the cash shortages such measures could bring to individuals and facilities.

The review also laid out the existing architecture for financial service support for Lewisham residents. Lewisham Plus Credit Union (LPCU) serves over 9,000 adult residents across Lewisham and Bromley, including staff and residents at Lewisham Homes and Phoenix Community Housing Association. CLES' review found that LPCU is understood by these two anchor institutions as essential to their core services, in that access to credit is a key building block of resilience for housing association members.

The Council provides finance and debt advice in tandem with a range of third sector organisations, including CAB, CAB, Evelyn 190 Centre and 170 Centre New Cross. However, it is evident that the demand for these services far outstrips supply, as referenced in the 2012 review. Given that levels of household debt have increased in the seven years since, it is likely that this issue remains (and has perhaps even exacerbated) in the years since the Council's first review.

Council Pensions

Making finance work for local places also refers to the flow of finance through anchor institutions, for example the pension investment schemes of local authorities. Lewisham Council has the Lewisham Pension Fund, which forms part of the Local Government Pension Scheme (LGPS). As of April 2018, the scheme had 24,154 members, including employees of Lewisham Council, Admitted and Scheduled Bodies to the scheme and non-teaching staff in local Schools.³¹

The Lewisham Pension Fund makes investments which can be considered traditional, in that the scheme places high consideration on financial return, and little consideration on the wider social, economic, and environmental impact of these investments. Whilst this is understandable in that public sector pension schemes must make a meaningful return for their members; it could also be argued that more attention must be paid to the wider social impact of these investments.

In a community wealth building approach, anchor institutions could seek to funnel these investments into local organisations that will produce wealth for local residents, as well as tackling entrenched social issues such as the climate emergency. Moving towards more socially virtuous forms of investment might take time given that the Lewisham Pension Fund is part of the wider LGPS, but with the right application of political and officer will, the Council could begin to make moves in this direction. However, it should be noted that this component of CWB generally operates at a longer time frame, as it seeks to recreate new forms of financial architecture in contrary to many years of embedded institutional and legislative convention.

Recommendations for further action

10) Growing-Focus credit unions on small business development, with a particular focus on young people

The LPCU has thus far been a success story in widening access to credit for local residents, and officers are currently exploring further avenues to develop the role of credit unions in helping SMEs secure small business loans.

However, more can be done to harness the full power of credit unions in Lewisham. Interviewees spoke of frustrations with the existing limitations of the local credit union sector, especially in light of recent closures. CLES believes

³¹ <https://www.lewishampensions.org/lewisham-pension-fund/about-us/>

it is worth reviewing why this sector has struggled to gain traction and learning from best practice in other areas in order to develop it further.

One area for particular focus should be on tackling the financial inclusion gap faced by young people in Lewisham. Credit unions should be marketed and targeted towards small businesses which are currently facing financial exclusion, particularly those run by school leavers and those under thirty.

In the medium term, the ambition could be to match the commitments made by London Borough of Haringey³² to offer a credit union account for every child, to tackle long-term financial inclusion.

11) Growing-Develop a community wealth building approach to the Council's pension fund, with a focus on green finance and divestment from fossil fuels.

When considering how to invest their pension funds, anchor institutions must balance the need to secure financial reward with the potential social, economic, and environmental rewards from each investment. In recent years, it could be argued that Councils such as Lewisham Council have tended to focus too much on the former and not enough on the latter, with high levels of investments from local authority pension funds going towards extractive global corporations, many of whom are listed in the Cayman Islands.

Environmental or 'green investments' are seen as a growing asset class, offering a range of subsectors, industrial operations, and localities which could be used to diversify risk and returns across an investment portfolio³³.

In a community wealth building approach, pension funds should be invested in ways that balance the maximising of social return for the district with ensuring a financial return for members. The Council has already committed to a carbon footprint analysis of the pension fund's holdings, and CLES suggests that- when decisions are made about redirecting investments- renewable forms of energy are urgently prioritised.



City deal investment fund

Preston City Council

Preston City Council has already taken steps to ensure that its large public pension investments are utilised for social good, rather than private profit, using this money to fund housing development in the city centre.

The City Council approach is also complemented by a £100m investment from the Lancashire County Pension Fund. This is a new venture under which the pension fund invests in local

³² <https://www.haringey.gov.uk/news/savings-accounts-secondary-school-starters>

³³ For more information see Smith Institute, CLES, Pensions Investment Research Consultants (PIRC) and the Local Authority Pension Fund Forum (LAPFF) (2012) Local Authority Pension Funds: Investing For Growth <https://cles.org.uk/wp-content/uploads/2012/09/Local-authority-pension-funds-investing-for-growth.pdf>

schemes on a commercial basis. The pension fund manages a portfolio of investments across the UK with this new approach ensuring that some of its investment will be concentrated on the Preston and Lancashire area. The deal has already seen investment in locally developed student accommodation in the city and also plans to redevelop the city's Park Hotel later in 2019.

Moving forward, there is scope here for Preston to work with other anchors in the area to further use the sizable capital afforded by pension investments and combine that with other investments and assets to establish a local wealth fund to benefit Lancashire's economy

12) Growing- Harness the financial power of anchor institutions as part of the local Green New Deal.

One area where anchor institutions can play a key role in securing access to finance is in supporting community renewable energy and energy efficiency projects. For example, a major barrier to setting up a solar energy company are the initial start-up costs associated, for both the new company and also prospective local users.³⁴ Lewisham could lead local anchor institutions to act as "anchor tenants"; e.g. first users who pay for these new schemes *up-front*, thereby giving the renewable energy firms the start-up capital needed to get going.

Another area where anchor institutions could provide start-up capital, is the use of 'patient capital' (e.g. money where investors are more willing to wait long-term for profit than traditional investors) to set up a co-operative investment fund which can provide loans to, or buy shares in, new co-operative enterprises.

It should be noted that funding such projects would only be possible if the potential social value were to outweigh the social value provided by existing schemes. Financing community energy schemes might therefore not be seen as a priority in the short term, however CLES notes that developing cheap and clean sources of local energy will increasingly become a priority for the Council in the coming decade. With this in mind, transitioning financial resources towards such schemes should be understood as a necessary long term investment.



³⁴ Skandier, C. and Bozuwa, J. (2018) An Anchor Strategy for Energy Transition, Democracy Collaborative. Available at: <https://thenextsystem.org/learn/stories/anchor-strategy-energy-transition#three-strategies-to-leverage-anchors-role-as-agents-of-system-change>

Solar Holler

Anchors financing a just transition

Solar Holler³⁵ is a non-profit solar energy company that is seeking to develop solar energy resources in West Virginia, USA. In an area that is in the heart of the Appalachian 'coal country', Solar Holler has developed a methodology to help transition local businesses and homes towards solar energy, and has done this through securing investment and resource from local anchor institutions, such as churches and local schools.

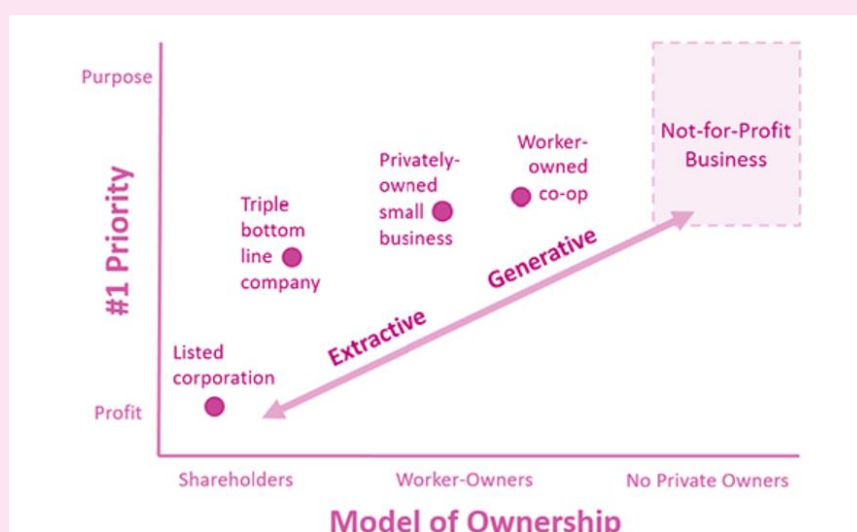
In 2019, Solar Holler completed the largest solar panel project in Huntington at Harmony House, a non-profit which helps the homeless. The company installed 115 solar panels, which Harmony House officials called "a game-changing project" because it estimated the organization would save as much as \$130,000 in electricity costs over 25 years.

³⁵ <https://www.solarholler.com/our-work/>

7. Plural and democratic ownership of the economy

‘Plural ownership of the economy’ refers to the element of community wealth building concerned with the governance, ownership, and management of the businesses and enterprises which make up the everyday economy. This means creating an economy where there are more SMEs, municipally owned companies and enterprises owned by workers, which can include co-operatives and mutually owned businesses.

As demonstrated in the figure below, the idea of moving enterprises towards plural models of ownership is to make the overall economy less ‘extractive’ (e.g. when wealth is taken out of the economy by shareholders) and more ‘generative’ (e.g. when wealth is broadly held by all). The purpose of this work is therefore not to totally eliminate listed corporations and enterprises with profit-seeking motives, but instead to rebalance the economy so that as a whole it becomes more generative of wealth for all.



From extractive to generative models of ownership

Context

It has long been recognised that people in Lewisham thrive when there is a flourishing community sector that can act as a conduit between the local public services and the local residents they serve. The Lewisham Poverty Commission (which itself was a coproduction between such organisations) commented extensively on the need for these types of organisations in the local economy, noting that:

“The challenge for Lewisham Council is to find ways to improve the resilience of local communities. The borough’s third sector need to make the most of different funding opportunities and increase collaboration by building on the good work already under way. Coordination of existing activities and sharing of information is particularly

important in this regard. Beyond this, wider community participation needs to be supported and promoted to ensure that no individual is left behind.”³⁶

Lewisham currently has a thriving community sector, for example in the community-led housing sector, where initiatives such as RUSS act as a conduit between the Council and the local community. RUSS signed a land agreement with the council for a peppercorn rent in 2016, and now retains stake of at least 20 per cent in all the homes as a CLT, which is a non-profit community-based organisation run by volunteers for community benefit, which will allow them to ensure the homes remain affordable to those in need in perpetuity.³⁷

Discussion

The Lewisham Poverty Commission made a number of salient recommendations with regards to supporting community activity, including:

- Lewisham Local should consider developing an anti-poverty fund to fill the current gap in micro-grants to support local community activity. This could be funded by using relevant financial contributions from planning obligations.
- Local Assemblies should be encouraged to function as spaces in which the community sector can develop partnerships, share learning and share information on local activities.
- Lewisham Council should work with Lewisham Clinical Commissioning Group (CCG), Lewisham GPs and the boroughs third sector to enable GPs to take up Social Prescribing across the borough.

CLES endorses these recommendations, and notes that the Lewisham Poverty Commission was itself a democratic exercise which reflected the deep-rooted relationship of trust between the Council and local community organisations. However, we also note that the Council’s suggestions must be to exceed simply funding and enabling the community sector, and instead must include an explicit desire to democratise the local economy itself.

The aim of democratising the local economy is not about transferring services from public bodies to co-operatives or mutual. In their corporate strategy, agreed last year, Lewisham Council has committed to making the Council the preferred provider of services.³⁸ Some services have already been insourced, and work is underway to bring others in-house. Instead, the democratisation agenda is about driving plural ownership in the wider economy, supporting the growth of more purpose driven and generative

Getting the narrative right

In discussions with Councillors, CLES found that there is widespread support for the concept of plural ownership, although there is confusion about terms used. In Lewisham, there is a long-standing focus on the idea of developing resilience in the local economy, e.g. the idea that local small businesses are essential in helping local residents achieve sustainable wealth, as opposed to a reliance on the Council, or central government.

In order to fit within this existing narrative, we recommend that this strand is understood as a form of building resilience into the local economy.

³⁶ Lewisham Poverty Commission, Final Report, pg. 27

³⁷ <https://www.redpepper.org.uk/build-it-yourself-a-growing-housing-alternative/>

³⁸ <https://lewisham.gov.uk/mayorandcouncil/corporate-strategy>

enterprises, rather than profit driven and extractive models. There is an opportunity for the Council to establish itself here as a 'new municipalist' local authority rather than merely a traditional 'municipal socialist' one; the difference being that the Council does not simply seek to provide services for local residents, but seeks to usher in a fundamental transfer in wealth and power to its local residents. **It is CLES' view that the extent to which the Council can act to pluralise and democratise the ownership of the economy in Lewisham will be the difference between whether community wealth building can merely tinker around the edges, or instead make fundamental and lasting change.**

Recommendations for further action

The recommendations below are intended to serve as a basis from which the Council can begin to embrace this agenda and lead anchors and community organisations to develop a bold step change in the underlying ownership of the local economy.

13) Amplifying- Make plural and democratic ownership of the economy a key corporate priority with dedicated oversight, with a focus on building resilience in the local economy.

Changing the underlying composition of how wealth is produced and owned will be at the heart of the community wealth building movement in Lewisham. Local residents need to be imbued with genuine economic power if they are going to be more than recipients of the growth that has been flowing into the borough in recent years, and to do this will require a concerted and intentional shift towards more plural forms of ownership in the local economy.

To achieve this, the Council should seek to develop the plural and democratic ownership of the economy as part of its approach to community wealth building.

This could be achieved in a number of ways:

- Hand oversight of this agenda over to a dedicated officer and politician, e.g. a Cabinet member responsible for **plural and democratic ownership of the economy**. The idea here would be that advancing plural ownership of the economy is understood as a corporate priority, and that it comes within the remit of community wealth building.
- Embed CWB principles into the NCIL Strategy by offering participants (e.g. ward groups) training in how they can utilise CWB through their NCIL work and Neighbourhood Plans.

14) Deepening- Embed the principles of democratic and plural ownership into the next incarnation of the Lewisham Deal

Anchor institutions can also play an important role in developing a generative local economy. Firstly, anchor institutions can undertake their own spend analysis and resolve to award contracts to more local co-operatives and organisations with plural forms of ownership (within the pertaining legislative framework, e.g. not by giving local firms an undue advantage in the tendering process, but through social value requirements which prioritise local employment and recirculation), rather than to private businesses with a more extractive approach. Secondly, anchors can also play a role in securing 'patient capital' for new organisations, especially if investment is not forthcoming. A good example of this approach is the relationship between Phoenix Community Housing and The Fellowship and Star pub in Bellingham.

It is CLES' view that the principles of plural and democratic ownership should form the cornerstone of the next incarnation of the Lewisham Deal, with all anchor institutions working together to build forms of economic democracy for local residents. Whilst it is not explicitly within the remit of many of the anchors to animate local businesses, there are significant opportunities for coproduction in this space, for example engaging in cooperative development with Lewisham College students.

15) Growing- Focus business support on plural ownership and resilience

If the Council is willing to drive towards pluralising ownership of the local economy, the inroads will need to be made with the nature of business support in the borough. CLES recognises the challenges facing this function given budget cuts, and notes that expanding capacity for business support is an immediately available option.

However, a number of options can still be pursued. In the short term, business support functions can begin to take a more intentional approach to plural ownership, for example by engaging the Employee Ownership Association, or Co-ops UK to survey the scope for these business forms in the borough.

If adequate resources become available in the medium term, CLES recommends that the Council could look at establishing a **Lewisham Co-operative Development Initiative (LCDI)**, as a means of stimulating and nurturing co-operatives in the local economy.

This project would require significant investment in time and resource, and therefore is not feasible in the immediate term. However, it is CLES' view that this would form an invaluable part of Lewisham's community wealth building approach if and when it is possible to do so.



Bronx Co-operative Development Initiative (BCDI)

The Bronx Co-operative Development Initiative (BCDI) is a community-led effort to build an equitable, sustainable, and democratic local economy that creates wealth and ownership for low-income people of colour. The organisation started in 2011 when local activists decided that ethnic minority communities in the Bronx needed to self-organise and take matters into their own hands in order to build community wealth.

At the core of the project is **BronXchange**, a unit which connects Bronx institutions and non-profit organizations with high-road, local businesses. It does this by connecting buyers and sellers through relationship brokering; providing shared business support to local start-ups; and encouraging businesses to undertake business impact assessments. By supporting new and existing businesses, and moving them in the direction of more democratic ownership and operations, the **BronXchange leverages the impressive buying power of the Bronx's local anchor community and the**

entrepreneurial talent of the local business community to build local wealth.

Appendix 1

I. List of interviewees consulted

| | |
|--------------------------|---|
| Katharine Nidd | Strategic Procurement and Commercial Services Manager |
| Fenella Beckman | Head of Economy and Partnerships |
| Councillor Amanda De Ryk | Cabinet Member for Finance and Resources |
| Councillor Joe Dromey | Cabinet Member for Culture, Jobs and Skills (job share) |
| Mayor Damien Egan | Mayor of Lewisham |
| Freddie Murray | Director of Regeneration and Place |
| James Lee | Director of Strategy, Partnerships & Improvement Director of Culture and Community Development (job share) |
| Selena Bolingbroke | Lead for External Engagement & Strategic Development, Goldsmiths, University of London |
| Jim Ripley | Chief Executive, phoenix Community Housing |
| Asfa Sohail | Principal, Lewisham College |
| Adam Bowles | Director of Organisational Development and Human Resources |



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Public Accounts Select Committee

Report title: Select Committee work programme report

Date: 18 March 2020

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributors: Timothy Andrew, Scrutiny Manager

Outline and recommendations

This report gives Committee members an opportunity to review the Committee's work programme and make any changes required.

- To note the Committee's terms of reference attached at Appendix A;
- To consider the completed work programme attached at Appendix B.
- Agree the final report and draft recommendations for the 'Commercialisation and culture change' at Appendix C;
- To consider potential items for the Committee's work programme in the next municipal year as well as possible items for future task and finish groups.
- To review the forward plan of key decisions to consider whether there are any items for further scrutiny.

1. Summary

- 1.1. The Committee drew up a draft work programme at the beginning of the municipal year for submission to the Business Panel for consideration.
- 1.2. The Business Panel considered the proposed work programmes of each committee on 7 May 2019 and agreed the overview and scrutiny work programme.
- 1.3. This is the last scheduled meeting of Public Accounts Select Committee for the 2019/20 municipal year. The Committee's completed work programme is attached at Appendix B. The Committee is asked to put forward suggestions for the 2020/21 work programme and for potential task and finish groups.

2. Recommendations

2.1. The Committee is asked to:

- Note the Committee's terms of reference attached at Appendix A;
- consider the completed work programme attached at Appendix B,
- Agree the final report and recommendations for the 'Parks Management in-depth review' at Appendix C;
- consider potential items for the Committee's work programme in the next municipal year as well as possible items for future task and finish groups.
- review the forthcoming key decisions set out in Appendix D, and consider any items for further scrutiny

3. Public Accounts Select Committee 2019-20

3.1. The committee had eight meetings in the 2019-20 municipal year. The completed work programme is attached at appendix B. The committee undertook an in-depth review into 'Commercialisation and culture change.

3.2. The Committee continues to focus on areas of exception and risk. Over the past year it has extended its oversight beyond the pressures in children's and adult social care spending (where there are sustained pressures with multiple causes) to include scrutiny of the Council's environmental services, where significant challenges remain in managing costs. The Committee continues to review regular financial forecasts and the medium term financial strategy - as well as the preparation of the Council's budget and the cuts programme.

3.3. The Committee's ongoing review into corporate culture change and commercialisation has been directed by Councillor Krupski - who has developed a scrutiny specialism on this topic. A fact finding visit to the London Borough of Barking and Dagenham in the autumn demonstrated how that Council had taken a 'big bang' approach to commercialisation through the radical transformation of all of its services. An informative session with officers from the London Borough of Waltham Forest in the spring demonstrated an alternative 'organic' and 'incremental' approach to commercialisation, which used existing strengths in that Council to grow its commercial capabilities. The Committee anticipates that funding will be made available from the transformation budget to take forward this work in the near future.

3.4. At its February meeting, the Committee scrutinised the draft budget for 2020-21. Both the Mayor and the Cabinet Member were in attendance to answer questions. It is clear that the significant pressures facing the Council's finances and its resources are set to continue. Sustained improvement is still required in children's social care – whilst the service also works to contain spending pressures and resolve historic overspending. The receipt of grant funding for adult social care – not least from 'better care' and 'winter pressure' funding - have alleviated some of the pressures in that budget but continued uncertainties and risks remain. The Committee expects that the measures taken in environmental services (specifically in relation to fleet costs) will begin to have a positive impact on its budget pressures but some of the issues it faces will take concerted efforts at every level to resolve. Furthermore, there are uncertainties in the broader economy and it is highly likely that the Government's upcoming spending review will result in major challenges for local government. The recent stay from compound years of cuts will not last - and the Council will be required to make approximately £40m of additional reductions to its budget over the next three years.

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4. **Prioritisation and planning for 2020-21**

4.1. Five meetings of Public Accounts Select Committee are provisionally scheduled for the next municipal year with the proposed dates as follows:

- 11 June 2020
- 1 October 2020
- 3 December 2020
- 2 February 2021
- 17 March 2021

4.2. A work programme report will be put forward at the first meeting of Public Accounts Select Committee for 2020-21 for members to discuss and agree. The report will take account of the Committee's previous work and may incorporate:

- The scrutiny prioritisation process and potential key themes and priorities for 2020-21
- issues arising as a result of previous scrutiny;
- issues that the Committee is required to consider by virtue of its terms of reference;
- items requiring follow up from Committee reviews and recommendations;
- issues suggested by members of the public;
- petitions;
- standard reviews of policy implementation or performance;
- suggestions from officers;
- relevant decisions due to be made by Mayor and Cabinet.

4.3 When deciding on items to include in the work programme, the Committee should have regard to:

- the criteria for selecting and prioritising topics;
- the Committee's terms of reference;
- the capacity for items in terms of the Committee's time and resources;
- the context for setting the work programme and advice from officers;

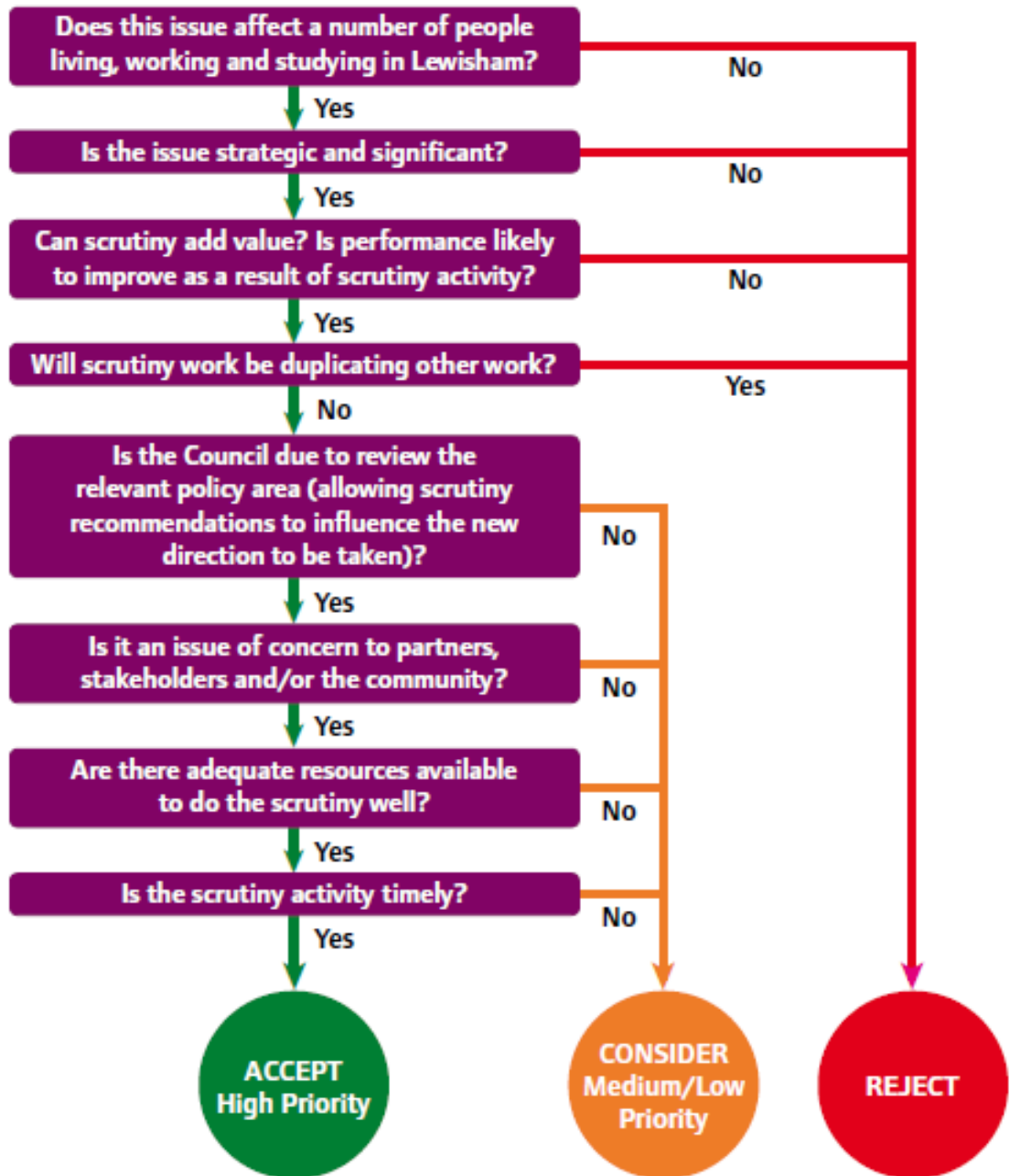
4.7 The flowchart below, based on the model from the Centre for Public Scrutiny (CfPS) is designed to help Members decide which items should be added to the work programme. It is important to focus on areas where there is a clear recommendation and consideration by the Committee will influence decision-making.

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Scrutiny work programme – prioritisation process



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- 4.8 The remit of the Public Accounts Select Committee is broad and for the Committee to ensure its work programme is as tailored and focussed as possible delivering robust scrutiny, it is important to ensure items are prioritised and key outcomes identified. It is likely that due to the volume of work, the Committee will have to make difficult decisions considering where it can most add value and influence and which items are of most importance to the Council and Lewisham residents. Particular care needs to be taken regarding the potential for duplicating work by other committees and boards.
- 4.9 As well as using the prioritisation process above, the Committee may wish to highlight key themes which it believes to be of strategic importance for 2020-21 as well as for possible task and finish groups. These can then be used by the Committee to help determine whether items should be added to the work programme.

Different types of scrutiny

- 4.10 It is important to agree how each work programme item will be scrutinised. It is recommended that items for information only do not come to Committee. Typically, the majority of items take the form of single meeting items, where members:
- (a) agree what information and analysis they wish to receive in order to achieve their desired outcomes;
 - (b) receive a report presenting that information and analysis;
 - (c) ask questions of the presenting officer or guest;
 - (d) agree, following discussion of the report, whether the Committee will make recommendations or receive further information or analysis before summarising its views.

The new structure should free up time to seek different voices when considering topics. This could include independent experts, partner organisations or community representatives.

- 4.11 For each item, the Committee should consider what type of scrutiny is required and whether the item is high or medium/low priority (using the prioritisation process). Allocating priority to work programme items will enable the Committee to decide which low and medium priority items it should remove from its work programme, when it decides to add high priority issues in the course of the year.
- 4.12 Items within the committee's work programme should be linked to the priorities of the Council's Corporate Strategy. The Council's Corporate Strategy for 2018-2022 was approved at full council in February 2019.

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4.13 The strategic priorities of the [Corporate Strategy for 2018-2022](#) are:

[Open Lewisham](#) - Lewisham is a welcoming place of safety for all, where we celebrate the diversity that strengthens us.

[Tackling the housing crisis](#) - Everyone has a decent home that is secure and affordable.

[Giving children and young people the best start in life](#) - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.

[Building an inclusive local economy](#) - Everyone can access high-quality job opportunities, with decent pay and security in our thriving and inclusive local economy.

[Delivering and defending: health, social care and support](#) - Ensuring everyone receives the health, mental health, social care and support services they need.

[Making Lewisham greener](#) - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.

[Building safer communities](#) - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

Task and finish groups

4.14 Subject to agreement at the Council's annual general meeting, it is proposed that in addition to five meetings per year of each Select Committee, there will be up to six thematic 'task and finish groups' in the course of a municipal year. Members will suggest topics through a proforma and the Overview and Scrutiny Committee will agree which topics should be taken forward. Each task and finish group will then carry out in-depth work looking at a particular topic, gathering evidence and research, hearing from expert witnesses and going on visits where required. The task and finish group will produce a final report with recommendations for the Mayor and Cabinet.

5. **Financial implications**

5.1. There are no direct financial implications arising from the implementation of the recommendations in this report. Items on the Committee's work programme will have financial implications and these will need to be considered as part of the reports on those items.

6. **Legal implications**

6.1. 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.

7. **Equalities implications**

7.1. 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.

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- 7.2. 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.
- 7.3. 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.
8. **Climate change and environmental implications**
- 8.1. There are no direct climate change or environmental implications arising from the implementation of the recommendations in this report. Items on the Committee's work programme may have climate change implications and these will need to be considered as part of the reports on those items.
9. **Crime and disorder implications**
- 9.1. There are no direct crime and disorder implications arising from the implementation of the recommendations in this report. Items on the Committee's work programme may have crime and disorder implications and these will need to be considered as part of the reports on those items.
10. **Health and wellbeing implications**
- 10.1. There are no direct health and wellbeing implications arising from the implementation of the recommendations in this report. Items on the Committee's work programme may have health and wellbeing implications and these will need to be considered as part of the reports on those items.
11. **Report author and contact**
- 11.1. If you have any questions about this report please contact: Timothy Andrew, timothy.andrew@lewisham.gov.uk

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Appendix A

Public Accounts Select Committee terms of reference

To exercise all the functions and roles of the overview and scrutiny committee in relation to the following matters:

- To make reports and recommendations to the Council or the Executive which promote the better custodianship of the Council's finances and to make recommendations for best financial practice across the authority.
- To investigate the possibilities for improving the Council's financial management practice and to make reports and recommendations to Executive or Council as appropriate.
- To encourage the highest standards of financial custodianship where necessary overseeing training activity for all members in this area.
- To consult on and to comment on and make recommendations to the Executive in respect of the actual and proposed contents of the Council's budget and without limiting the general remit of the committee, to hold the Executive to account for its performance in respect of all budgetary matters.
- To receive reports as appropriate from the Audit Panel in respect of their overview of contract procedure rules and financial regulations.
- To make recommendations and reports for consideration by the Executive or Council to improve procurement practice.
- To scrutinise the effectiveness of the Audit Panel

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Public Accounts Select Committee Work Programme 2019/20

Programme of work

| Work Item | Type of item | Priority | Corporate priority | Delivery deadline | 09-May-19 | 13-Jun-19 | 10-Jul-19 | 24-Sep-19 | 06-Nov-19 | 16-Dec-19 | 04-Feb-20 | 18-Mar-20 |
|--|----------------------------|----------|--------------------|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Catford regeneration partnership | Standard item | High | All | May | | | | | | | | |
| Income generation and commercialisation | Standard item | Medium | All | June | | | | | | | | |
| Final outturn 2018/19 | Performance monitoring | Medium | All | July | | | | | | | | |
| Children's social care | Performance monitoring | High | CP3 | November | | | | | | | | |
| Adult social care | Performance monitoring | High | All | December | | | | | | | | |
| Financial forecasts 2019/20 | Performance monitoring | High | All | March | | | | | | | | |
| Medium term financial strategy | Performance monitoring | Medium | All | July | | | | | | | | |
| Mid-year treasury management review | Performance monitoring | Medium | All | September | | | | | | | | |
| Budget cuts | Performance monitoring | High | All | November | | | | Cuts | | | | |
| Cost pressures in the environment division | Performance monitoring | Medium | All | September | | | | | | | | |
| Annual budget 2019/20 | Standard item | High | All | February | | | | | | | Budget | |
| Asset management | Standard item | Low | All | March | | | | | | | | |
| Audit Panel update | Constitutional Requirement | Low | All | March | | | | | | | | |
| Income generation and commercialisation | In-depth review | High | All | December | | | Scope | | Evidence | Evidence | | Report |

Corporate Priorities

Priority

| | | |
|----------|--|-------------|
| 1 | Open Lewisham | CP 1 |
| 2 | Tackling the Housing Crisis | CP 2 |
| 3 | Giving Children and young people the best start in life. | CP 3 |
| 4 | Building an inclusive local economy | CP 4 |
| 5 | Delivering and defending: health, social care and support | CP 5 |
| 6 | Making Lewisham greener | CP 6 |
| 7 | Building Safer Communities | CP 7 |

Overview and Scrutiny

Commercialisation and culture change review

Public Accounts Select Committee

Spring 2020



Membership of the Public Accounts Select Committee in 2019-20:

[Councillor Jim Mallory](#) (Chair)

[Councillor Louise Krupski](#) (Vice-Chair)

[Councillor Tauseef Anwar](#)

[Councillor Juliet Campbell](#)

[Councillor Patrick Codd](#)

[Councillor Alan Hall](#)

[Councillor Mark Ingleby](#)

[Councillor Paul Maslin](#)

[Councillor Joan Millbank](#)

[Councillor James Rathbone](#)

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Chair's introduction

To be added

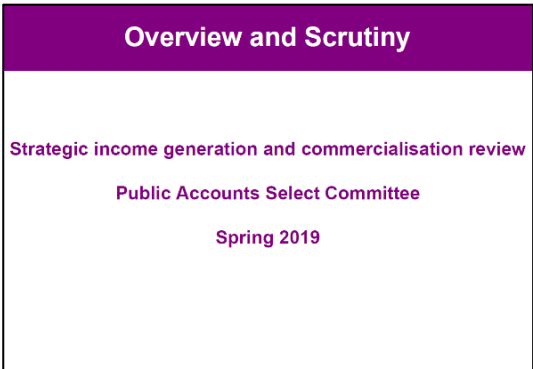
Councillor Jim Mallory
Chair of the Public Accounts Select Committee



1. Purpose and structure of the review

1.1. Commercialisation has been a long standing interest of the Public Accounts Select Committee. At the Committee’s meeting in June 2019, Members discussed their work programme for 2019-20 and reflected on ideas for the year ahead. The meeting provided the opportunity for the Committee to agree on which issues were of high priority for scrutiny.

1.2. During the meeting the Committee considered an update from officers on income generation and commercialisation as well as the final report¹ of its work in 2018-19 on income generation, including the in-depth research and analysis carried out by Vice-Chair of the Committee (Cllr Krupski).



1.3. The 2018-19 review traced the Committee’s involvement in the issue of income generation and commercialisation over a number of years and reported on the scrutiny of the Council’s new income generation strategy. For reference – a timeline has been included below:



¹ Public Accounts Select Committee (2019) strategic income generation and commercialisation review report: [link](#)

- 1.4. As a result of the work carried out in previous years – the Committee recognised the need for additional emphasis on cultural changes across the Council. At its meeting in July 2019, the Committee considered a scoping report for a review of commercialisation and culture change. Key lines of enquiry for the review were put forward by Councillor Krupski based on a set of questions arising from her research as rapporteur for the 2018-19 review.

Meeting the criteria for a review

- 1.5. The issue of commercialisation and culture change was identified by the Committee as a topic for review, because it is:
- it is a strategic and significant issue for the Council and its finances;
 - It has the potential to affect a large number of people living, working or studying in Lewisham (as well as the potential to have a disproportionate impact on small groups of people);
 - The Council is developing this area of work through the implementation of the income generation strategy and the development of the new 'Lewisham Way'.

Key lines of enquiry

- 1.6. The Committee discussed and agreed the following key lines of enquiry for the review (incorporating key questions raised by Councillor Krupski):

Key line of enquiry 1: creating a workable, vibrant and positive commercial culture

Key questions:

- How can we instil a more commercial mind-set throughout the council not just in one department?
- How will the council encourage and provide the structures necessary for officers at any level to instigate new ideas?
- How will the council take more of a collective responsibility and lessen any blame culture so that officers have the freedom to act?
- Are there any corporate structures in place that could be hindering this kind of work? If so how should they be changed?
- How do we create a culture where risk is talked about openly and candidly for courageous ideas to be brought forward?
- How do we use the generation of income itself to motivate officers? Do we allow departments to keep back generated income for further innovative projects or does all the income come back centrally?
- How does the council breed a culture of understanding among officers and members that this is positive change and done for the very best possible reasons and outcomes? Are the structures in place to do good constructive performance management of projects?

Key line of enquiry 2: training and development - officers and members

Key questions:

- Does the council have officers with the right skills and training to do this work? If not, how can a training programme be put in place and what are the resource implications of this?
- Do officers have enough time? How will projects be organised so that the every-day work of the council is not adversely affected.
- How should income generation priorities be organised, taking account of: political priorities; the ambition to create social value as well as the requirements for sustainability and minimisation of risk.

Timetable for the review

- 1.7. In order to answer the questions posed under tis key lines of enquiry – the Committee agreed on a timetable for the collection and analysis of evidence. Amendments to the timetable were made due to the availability of officers and the urgency of other issues arising on the Committee’s work programme²:

September 2019

- Visit to the London Borough of Barking and Dagenham to discuss culture change with the cabinet member and officers (in order to answer the questions posed under key line of enquiry one)

November 2019

- Report back from Committee members on visit to Barking and Dagenham and a report from the Strategic Procurement and Commercial Services Manager on the implementation of the income generation strategy and the work being carried out to review the Council’s fees and charges (in order to answer the questions posed under key line of enquiry one)

December 2019

- Scrutiny of the development of the new ‘Lewisham Way’ developed by the Director of Human Resources and Organisational Development (in order to answer the questions posed under key line of enquiry two)

January 2020

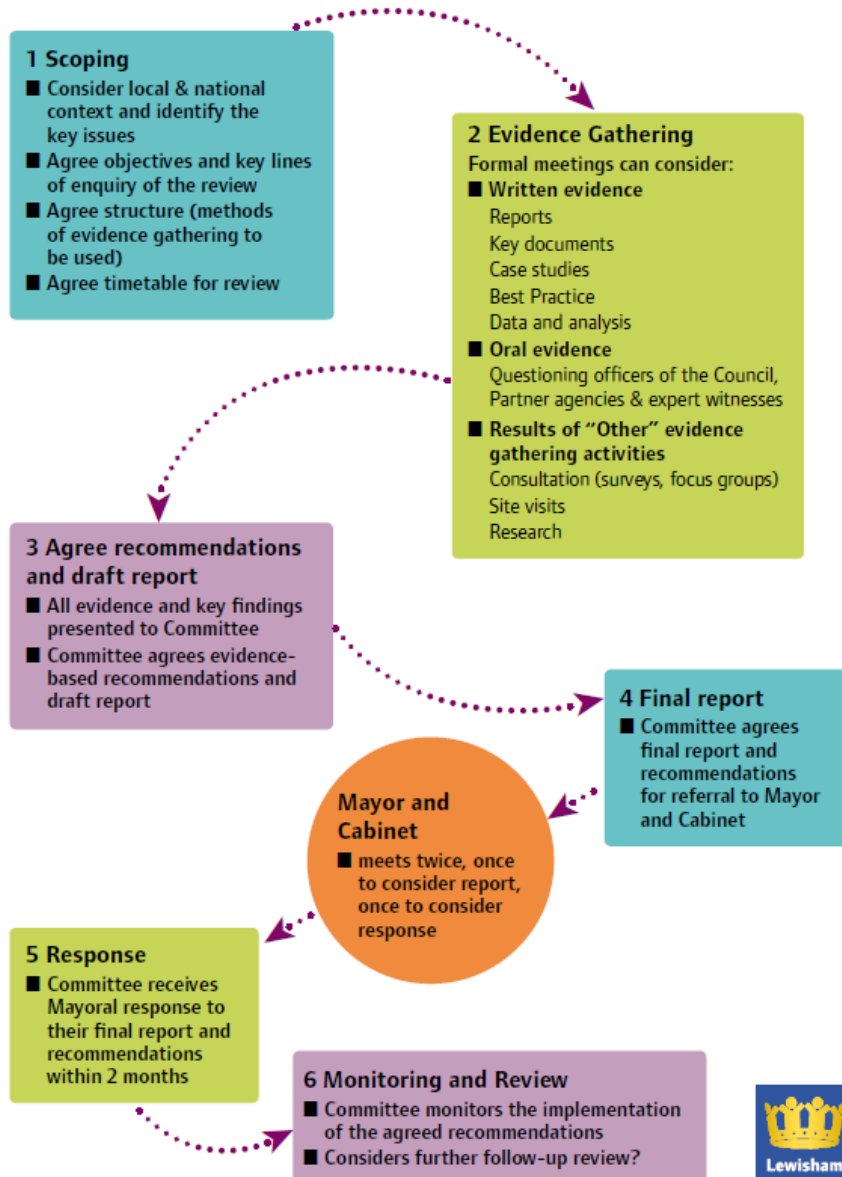
- Meeting with officers from the London Borough of Waltham Forest regarding that council’s approach to commercialisation and culture change (to answer the questions posed under key line of enquiry one)

March 2020

- Final report and recommendations for submission to Mayor and Cabinet

² It should be noted that the Committee has responsibility for scrutinising the cuts programme each autumn and the draft budget in the spring.

How to carry out an in-depth review



2. Context

- 2.1. Austerity and its impact on local government has been well documented. Reports from the Local Government Association and London Councils³ about financial restraint and extent of cuts to local services are mirrored in the reports from Lewisham's officers in recent medium term financial strategy and annual cuts reports.
- 2.2. In the autumn, Councillors Krupski and Codd attended a session on 're-thinking local government Service provision: improving delivery in times of fiscal constraint'. At the briefing, representatives from the National Audit Office⁴ gave a presentation about 'how local government finances are changing'. Key messages included:
- The 28.6% real terms reduction in spending power from 2010-11 to 2017-18 (London Councils reports that in London this reduction is 37% in real terms per person⁵).
 - Growing demand for key services, including: adult social care; children's social care and homelessness.
 - Social care as a share of service spend growing from 55% to 65% from 2010-11 to 2017-18.
 - Increased commercial investment – including a significant increase in the acquisition of land and buildings.
 - Challenges to governance and accountability.
- 2.3. Faced with pressures on demand and decreasing resources, councils across the country have sought to innovate by: rationalising services; cutting provision; and working with partners in the private and community sectors. In addition, councils have been forced to consider how to make best use of their assets.

Lewisham's Corporate Strategy

'Continued public sector austerity is certain, and this means more cuts. The expected impact over the next four years is an additional £55 million of cuts⁶.

Lewisham's Corporate Strategy 2018-2022

- 2.4. The Council's Corporate Strategy for 2018-2022 was approved at full council in February 2019. The strategic priorities of the [Corporate Strategy for 2018-2022](#) are:
- [Open Lewisham](#) - Lewisham is a welcoming place of safety for all, where we celebrate the diversity that strengthens us.

³ London Councils 'London's local services: investing in the future': [link](#)

⁴ Westminster Briefing 'rethinking local government service provision' slides': [link](#)

⁵ London Councils: 'a decade of austerity': [link](#)

⁶ Lewisham Corporate Strategy (2018-22), p35

[Tackling the housing crisis](#) - Everyone has a decent home that is secure and affordable.

[Giving children and young people the best start in life](#) - Every child has access to an outstanding and inspiring education, and is given the support they need to keep them safe, well and able to achieve their full potential.

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[Making Lewisham greener](#) - Everyone enjoys our green spaces, and benefits from a healthy environment as we work to protect and improve our local environment.

[Building safer communities](#) - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

- 2.5. The strategy guides the actions taken by all employees of the Council and it provides a framework for the policies and plans that the Council develops. The Strategy also sets out four values which are designed to guide behaviours across the organisation:
- We put service to the public first
 - We respect all people and all communities
 - We invest in employees
 - We are open, honest and fair in all we do.
- 2.6. Regular financial forecasts and performance reports to the Committee over the past year have detailed the Council's ongoing challenge to balance its budgets. The Medium Term Financial Strategy⁷ considered by the Committee in June 2019 reported that: 'In the period 2010-11 to 2019-20 the Council has implemented savings of £174m'.
- 2.7. Agreeing the budget⁸ for 2020-21 in February 2020, Lewisham's full council noted that £16m of cuts had so far been approved for the year ahead – and that it was anticipated in the years 2021-22 and 2023-24 further cuts of £40m would need to be found.

Income generation and commercialisation

- 2.8. Generating income is an ambition for many councils. It is seen as one way to lessen the impact of the reduction in resources from Government whilst maintaining services that communities have come to rely on. More than this, there is an ambition on the

⁷ Medium Term Financial Strategy report on the Public Accounts Select Committee agenda, June 2019: [link](#)

⁸ Council budget 2020-21, agreed at the meeting on 26 February 2020: [link](#)

part of Councils to use commercial enterprise and entrepreneurial activities to enhance the fundamental delivery of services:

‘Commercial approaches can enable councils to facilitate the delivery of services that the market does not supply or provide services at risk of not being otherwise feasible. They can also allow councils to provide an affordable alternative for people if a lack of competition has inflated local prices or left gaps in the market. New discretionary income generating services can provide residents with more choice.’

Profit with a purpose, LGA 2019, p5

- 2.9. Legislative changes have enabled councils to consider new options for income generation and commercialisation. The Local Government Act (2003) and Localism Act (2011) gave councils powers to charge for discretionary services as well as a general power of competence, under which they have the power to do anything that individuals generally may do (which is not expressly prohibited by other legislation).
- 2.10. The Association for Public Service Excellence provides many examples of ways in which councils have innovated in this area, including in a recent report with the Centre for Public Scrutiny⁹:
- Nottingham Council’s development of an independent energy supplier.
 - Harrow Council’s creation of an in-house commercial services supplier for chargeable services.
 - Richmondshire Council’s approach to development of new housing.
- 2.11. Councillor Krupski’s work for the 2018-19 committee review also highlighted a number of ideas for best practice and innovation – including work being done by Birmingham Council to make best use of its property assets and gain advertising income.
- 2.12. As noted above - the Committee’s 2018-19 review report includes a full summary of the work that scrutiny (and Councillor Krupski acting as committee rapporteur) has carried out in this area. The Council’s activities in this area have been followed closely by councillors and in particular, the Committee has closely monitored the development the Council’s income generation strategy (2019-22)¹⁰.

The income generation strategy

- 2.13. The Committee previously heard that an important ambition of the new strategy was to establish a series of **principles** from which the Council could develop its future approach to income generation, as follows:

⁹ Association for Public Service Excellence with the Centre for Public Scrutiny (2019) Risk and Commercialisation: a guide for local scrutiny councillors: [link](#)

¹⁰ Income Generation Strategy 2019-22: [link](#)

1. A **single understanding** and a consistent approach to income generation across the Council.

This objective is about ensuring that we are all working to the same definition of income generation and using consistent frameworks. This will make it easier for officers moving across teams and new to the Council to contribute to income generating activity and will help with central analysis of our income generation portfolio.

2. A **commercial culture** with the necessary skillset fostered and supported organisationally.

This objective is about achieving a commercial culture where barriers to income generating activity are reduced and removed. By being more entrepreneurial, we expose ourselves to new and different risks which need to be understood and managed, we need to improve the way we talk about and understand costs and will have to develop skills to support work of this type across services.

3. **Clear financial accountability** with true oversight of the income generation landscape and effective governance and decision making.

This objective captures the enduring need for robust governance when dealing with public money. It is especially important when moving towards a more commercial organisation that the increased risk appetite be matched with improved grip to manage those risks.

4. **Financial resilience** through increased revenue streams, increased returns, reduced operating costs and full cost recovery as appropriate for the Council.

This objective is about effectively producing the outputs of commercial work –the financial returns based on either increased fees, reduced costs or some combination of both. It is the primary aim of this strategy to achieve financial resilience and the objectives ahead of this one are about achieving this in the right way.

5. Generation of **social value**, through work within an established framework of values and principles, to balance commercial ambitions with positive outcomes for the community.

This objective is about social returns –the outcomes of the income generating work. As a public sector organisation working primarily with public funds it is essential that this is at the forefront of all work, and that commercial activity supports this rather than detracting from it.

2.14. The Committee continues to receive regular updates on the implementation of the strategy from officers. However, for this review the focus has been on the second principle in the strategy – that of developing a commercial culture. In line with the Committee’s 2018-19 review, this report also makes use of the relevant terms developed for the income generation strategy (which are reproduced here and are used with these meanings throughout this report):

- **Income** is all money received by the Council and includes grant funding as well as money raised by fees and charges etc.

- **Income generation** refers to specific activity to produce money for the Council, where we actively seek to produce income by applying a charge or designing a commercial service.
- **Surplus** is the difference between the amount of money received and the total amount spent in delivering the service or activity (the opposite of overspending).
- **Cost** refers to the amount that has to be paid or spent to deliver a service or obtain necessary resources.
- **Overheads** are all ongoing business costs not including or related to the direct labour and/or resources used to deliver a service e.g. HR costs, costs of office space etc.
- **Full cost** includes hidden costs like overheads.
- **Commercial** refers to making or intending to make a profit or surplus.
- **Commercial mind-set** or **commercial awareness** refers to having an understanding of income and costs, how they fit into your work and how to drive up income and drive down costs as appropriate in your area of work.
- **Cost recovery** refers to ensuring that any fees or charges for a service account for and cover the cost of delivering said service.
- **Full cost recovery** is the aim at the Council, and refers to cost recovery which includes all hidden and indirect costs e.g. overheads.
- **Fees and charges** are a tool for income generation. They are the price levied for a service or product, and a range of legislation governs when we can charge and at what level.
- **Statutory fees** are those where the maximum charge is set by central government.
- **Discretionary charges** allow discretion to set the level provided it doesn't exceed the full costs of delivering the service taking one year with the next.
- **Traded services** are a step further towards more commercial activity. These are where we are able to charge a market rate for a service or product, usually aiming to achieve a surplus rather than just recover cost.
- **Demand** is the quantity of your product or service that people are able and willing to purchase.
- **Supply** is the total amount of the product or service available to customers. It is important to understand supply and demand when proposing fees, charges or other commercial activity.

2.15. Accordingly, the term 'commercialisation' refers to the process of making services and ways of working increasingly commercial:

'Commercialisation must involve cultural changes – a shift in attitudes towards more innovation, more responsiveness to local people, and an attuned sense of how a more entrepreneurial council can continue to meet its residents' needs.'

Risk and commercialisation: a guide for local scrutiny councillors¹¹ p15

¹¹ Association for Public Service Excellence with the Centre for Public Scrutiny (2019) Risk and Commercialisation: a guide for local scrutiny councillors: [link](#)

Key questions

2.16. Following from the Committee's 2018-19 review – and with guidance from Cllr Krupski as rapporteur – the issue of culture change was identified as a key area for future in-depth scrutiny. In its ongoing discussions about the priorities for scrutiny the Committee agreed that it would give further consideration to examining income generation and commercialisation, under the following headings:

- Shaping internal governance – developing the structure and accountability needed, including the role of scrutiny;
- Determining 'red lines' and ethical dimensions;
- Dealing with risks and conflicts of interest;
- Shaping external governance (e.g. of Teckal¹² businesses or other arms-length organisations);
- Developing training and staff development – both of officers and members;
- Creating a workable, vibrant and positive commercial culture

2.17. The questions posed by the Committee encompassed a broad range of interrelated issues which included, but were not limited to:

- The purpose of the constitution and the structures in place for decision making;
- The formulation and adoption of Council policy and the role of corporate leadership;
- Processes for assessing and managing risk;
- The strategy for people management.

2.18. They also related to broader issues about the ethos of local government and the relationship between the Council and Lewisham's community. Accordingly, the following section provides context for the consideration of these issues in this review under these key headings:

- The structure of governance in Lewisham
- How the Council makes key decisions
- The role of the income board
- The context for culture change

The structure of governance in Lewisham

2.19. This section seeks to provide a basis from which to answer the following questions posed by the Committee in its discussions on the purpose of this review. In particular, Members sought to better understand Lewisham's governance structures – and decision making processes.

¹² Teckal exemption refers to an arrangement for trading between a local authority and legally separate local authority trading company.

2.20. Decision making at Lewisham Council is determined by the constitution, the aims and purposes of which is to:

- Lead to effective and efficient Council decision making
- Make it clear to local people who is making decisions on their behalf
- Give Councillors and local people greater opportunity to engage directly
- Set out clearly the arrangement for local political governance
- Separate decision making from scrutiny of those decisions to create greater accountability

2.21. The agreement, amendment and oversight of the constitution is a matter reserved to the full council. Any person (including members of the executive and senior officers) making a decision on behalf of the authority is bound by the following principles¹³:

- (a) The decision will be made following an evaluation of options as appropriate;
- (b) The decision maker will take professional advice (including financial and legal advice where the decision may have legal and/or financial consequences);
- (c) The decision will be taken following a consideration of all relevant matters and disregarding irrelevancies;
- (d) Reasons for the decision will be recorded as will details of options considered with reasons for their rejection;
- (e) Action taken will be proportionate to the result to be achieved;
- (f) Respect for human rights will be balanced with the Council's duty to the wider community;
- (g) A presumption in favour of openness, unless there are compelling lawful reasons preventing the consideration of matters in public;
- (h) Consultation appropriate to the matter under consideration;
- (i) Clarity of aims and desired outcomes;
- (j) The highest standards of ethical conduct, avoiding actual, potential and perceived conflicts of interest.

2.22. All decisions relating to commercialisation, income generation and investment activity are required to adhere to these principles. The member and officer codes of conduct for elected officials and Council employees (respectively) are in place to manage adherence to these principles.

How the Council makes key decisions

2.23. Decisions which meet certain thresholds are termed 'key decisions' and are usually reserved to the Executive, full Council or senior officers. The process for making these decisions is set out in the scheme of delegation, which is approved in public at the Council's annual general meeting at the beginning of each municipal year. Financial decisions resulting in expenditure above £500k; those with an impact on more than

¹³ See Lewisham Council Constitution (2019), Article 16 (p72 onwards)

one ward; the setting of fees and charges and proposals for significant changes to the delivery of a Council service are all ‘key decisions’.

2.24. Major decisions in relation to income generation projects are likely to meet the threshold for key decisions – and would be required to meet the principles for decision making – as set out above. Projects that require novel approaches to governance are subject to the constitutional principles for transparent decision making, a recent notable example was the creation of the shared IT service – initially with Brent Council – with a later amendment to include Southwark Council. Examples of the flexibility of the Council’s governance and key decision making processes include:

Brent/Lewisham/Southwark shared IT services are overseen by a joint committee, through a statutory governance framework¹⁴. The process of decision making through the joint committee – as well as procedures for delegation to its constituent councils and its arrangements for delegation of decision making to officers are set out in the framework agreed by the three councils (in line with their own constitutions and principles for decision making)¹⁵.

Mutualisation of the Council’s youth services – required the development of a new model for operation – as well as legal and contractual arrangements to be put in place with the newly formed service. At all stages of development, the proposals were subject to scrutiny – including by a dedicated time-limited scrutiny sub-committee¹⁶.

Joint delivery of replacement street lighting with Croydon Council through with a private contractor using PFI arrangements also demonstrated Lewisham’s ability to successfully establish purpose driven governance arrangements for new projects.

Catford Regeneration Partnership Limited (CRPL) is a wholly owned company of Lewisham Council. The company was originally created in January 2010 to purchase the leasehold interests in and around the Catford Centre in order to manage and regenerate the assets and to improve the economic, social and environmental wellbeing of the people of Lewisham. It provides a further example of the Council’s capacity to innovate – and to incorporate different approaches within existing governance arrangements on a case by case basis.

Besson Street joint purpose vehicle was set up to deliver housing in New Cross Gate. The Council has established a partnership with the private sector in order to meet the ambition in the corporate strategy to deliver new affordable homes for the people of Lewisham. The development of proposals for the creation of the vehicle have been

¹⁴ Pursuant to the Local Government Act 1972, the Local Government Act 2000, the Localism Act 2011 and the Local Authorities (Arrangements for the discharge of functions) England Regulations 2012.

¹⁵ See Report from the Head of Digital Services (October 2017) to the Joint Committee of the London Boroughs of Lewisham and Brent: [link](#)

¹⁶ See the final report of the youth service working group (2015) for more information: [link](#)

subject to scrutiny by Lewisham's Housing Select Committee – including in the Committee's 'Models of delivering new housing' in-depth review (2018)¹⁷

2.25. The Council has adopted a code of practice¹⁸ for suppliers and service providers – in order to direct contractual with external providers. The Code specifies core principles for sustainability:

- **Social considerations** – ensuring that products and services are sources and produced responsibly, under a set of internationally acceptable social and ethical guidelines and standards.
- **Environmental considerations** – maximising resource and energy efficiency in the manufacturing and supply process in order to minimise environmental impacts.
- **Economic considerations** – delivering outstanding value for money over the lifetime of the contract.

2.26. The Council expects that all suppliers wishing to enter into contracting arrangements with it will adhere to the code. Any commercial activity set up by the Council would also need to give consideration to the Code. Nonetheless, the Council has a policy framework – and decision making principles – in place to oversee the development and delivery of projects on a case by case basis. This process enables each case to be examined on its merits – and weighed against the Council's existing policies, strategies and existing operations.

The role of the income board

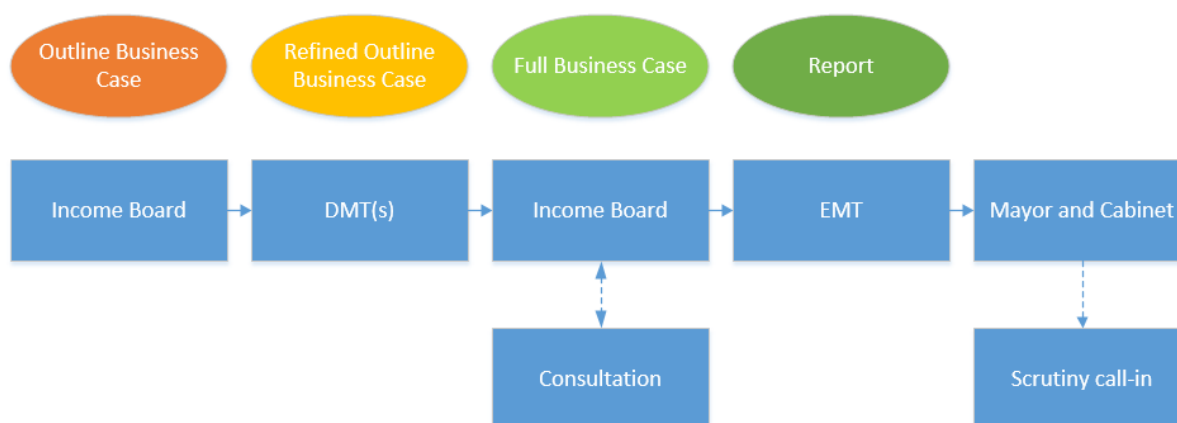
2.27. The Committee was interested understanding how the Council might:

- manage risk well so as not to unnecessary stifle projects but instead create a system that mitigates and tackles possible risks;
- establish structures to assess all risks - political, financial, single project and compound;
- monitor commercial activity on an ongoing basis (decide when scrutiny should intervene and how).

2.28. The Council's *Income Board* is comprised of the income leads for each directorate as well as the Director of HR and Organisational Development, Director of Law and Head of Finance. Additional members are required on an ad hoc basis from specific services. The Board meets on an eight-weekly basis. There is a standing item on the agenda for the Council's executive management team to receive updates from the income board.

¹⁷ Housing Select Committee (2018) 'Models of delivering new housing' in-depth review: [link](#)

¹⁸ Sustainable Procurement Code of Practice for all organisations who wish to contract with the Council: [link](#)



2.29. The flowchart above (reproduced from the Council’s income generation strategy) sets out the process for consideration of business cases by the income board. The titles in ovals represent the production of a report – those in the rectangles represent consideration by the named group/body¹⁹.

2.30. It appears that the role for scrutiny in this process is only at the stage of ‘call-in’. This process is used to challenge decisions that have been taken by Mayor and Cabinet but that have not yet been agreed. In practice, scrutiny committees pick up significant proposals for changes or new initiatives for pre-decision scrutiny before Mayor and Cabinet.

2.31. Key decisions are published on a forward plan of key decisions on a monthly basis – and historically – this plan has been included in the agenda for every meeting of every scrutiny committee. Therefore, the flowchart could (or should) include an additional blue box for (pre-decision scrutiny) between the ‘EMT’ and ‘Mayor and Cabinet’ boxes.

The context for culture change

‘Establishing a commercially focused culture is imperative for the successful commercialisation of services, however the challenge this represents should not be underestimated.’ Enterprising Councils (LGA 2017), p17

2.32. Council officers are not *typically* thought of as business minded or entrepreneurial in character. Research²⁰ with council employees for the local government association found that the most common motivation to work in local government was ‘public service ethos’:

‘A public service ethos can be characterised by accountability, community responsibility, customer services and integrity’. (p10)

¹⁹ DMT – directorate management team of senior managers in each of the Council’s four directorates; EMT – executive management team – of the Chief Executive and the Council’s most senior officers.

²⁰ New Local Government Network/Local Government Association, Outside the Box: the Council workforce of tomorrow (2016): [link](#)

- 2.33. There is not a necessary conflict between public service ethos and the development of a commercial mind-set. However, the research indicates that officers' primary motivation is to maintain the delivery of services, rather than to pursue commercial projects. The challenge for councils therefore - it may be surmised - may be to utilise officers' motivation to provide quality in order to develop commercial projects and to improve financial management.
- 2.34. As previously reported – Councillor Krupski (Committee Rapporteur on commercialisation) has made the case at Committee that the messaging and the vision around income generation and commercialisation is a key foundation to the development of successful projects.
- 2.35. The same research quoted above found that ‘...once people started to work for councils they found the hierarchical culture and poor management stifled their ability to innovate’ (p13) And – that the development of an innovative and forward thinking culture in local government had to be built on trust and mutual support between council employees and managers. It recognises that once people are given the opportunity to innovate they respond with enthusiasm and good will (see appendix 3 for a note on a previous pilot project in Lewisham for gathering ideas from employees).
- 2.36. The need for the development of officer skills is addressed in the income generation strategy - *Strategic objective (2)* – of the strategy prioritises the development of ‘a commercial culture with the necessary skillset fostered and supported organisationally.’ The strategy commits to ensuring that:
- Training will be offered corporately to develop appropriate commercial awareness and the skills needed to evaluate options as part of the business case appraisal process.
 - Templates and guidance will be provided to support the business case appraisal process and any associated tasks.
 - Signposting to external bodies of information and best-practice resources will be provided to all staff, as well as strategic use of external sources of commercial acumen as needed.
 - Commercial awareness and understanding will be built into performance appraisal processes where appropriate.
- 2.37. Positively for Lewisham, it has been reported that 71% of employees responding to the staff survey (2018-19) agreed that their line manager is open to new ideas and fresh ways of doing things²¹ (16% neither agreed nor disagreed and 12% disagreed).

²¹ Staff survey results reported to the Safer Stronger Communities Select Committee, 16 July 2019 (exempt report available on request): [link](#)

3. Findings

'Scrutiny has to be underpinned by an understanding of the cultural transformation necessary in councils seeking to adopt more commercial approaches to their work' (p14, APSE report)

3.1. Evidence gathered for previous Committee reviews provided a range of ideas for commercialisation for the Council to consider. Nonetheless, as set out above, there has not been an immediate move to increasing the commercialisation of Council services. This led to the Committee's development of key line of enquiry one – in order to explore options for: creating a workable, vibrant and positive commercial culture. The key line of enquiry was comprised of these key questions:

- How can we instil a more commercial mind-set throughout the council not just in one department?
- How will the council encourage and provide the structures necessary for officers at any level to instigate new ideas?
- How will the council take more of a collective responsibility and lessen any blame culture so that officers have the freedom to act?
- Are there any corporate structures in place that could be hindering this kind of work? If so how should they be changed?
- How do we create a culture where risk is talked about openly and candidly for courageous ideas to be brought forward?
- How do we use the generation of income itself to motivate officers? Do we allow departments to keep back generated income for further innovative projects or does all the income come back centrally?
- How does the council breed a culture of understanding among officers and members that this is positive change and done for the very best possible reasons and outcomes? Are the structures in place to do good constructive performance management of projects?

3.2. Evidence gathered by the Committee for this review has been more narrowly drawn than in previous reviews. It should be noted that the review's focus is on commercialisation and culture change, rather than on ideas for new business or innovation. With this in mind – the Committee sought to understand work being carried out by two other London Boroughs – in comparison to the work being carried out in Lewisham. Evidence gathering included:

- A visit to the London Borough of Barking and Dagenham – to meet with the Cabinet Member and senior officers regarding the Council's ambitious (and award winning) transformation programme.

- A session with senior officers from the London Borough of Waltham Forest, regarding the programme of commercialisation and culture change undertaken by that Council.
- A pilot commercial training session with Councillors, led by officers in strategic procurement and commercial services and supported by external trainers.

3.3. Lessons learned from these sessions – as well as from briefings and reports to the Committee are set out in the following sections:

Transformation on an organisational scale: the case of Barking and Dagenham

3.4. As with many other councils – the London Borough of Barking and Dagenham (LBBD) has been subject to significant and sustained pressures on its budget. In 2015/16 it carried out a consultation with the community about the challenges facing the delivery of Council services to 2020²². As a result, the Council embarked on a comprehensive reorganisation of its services – into a commissioning and delivery model.

‘...it was decided that the Council will no longer have separate functional departments or directorates, rather that the organisation would be shaped around the needs of people, the place, and our goals. As a result, the delivery of services will be undertaken by a range of ‘Service Delivery Blocks’.’²³

Key finding: LB Barking and Dagenham embarked on a wholesale transformation programme of all of its functions and services in order to bring about the changes it identified as necessary to its organisational culture.

3.5. This reorganisation resulted in the creation of several commercial enterprises (in 2017 and 2018) – which were designed to operate autonomously on behalf of the Council.

- **BeFirst** – was established to deliver the real estate development of social housing and regeneration schemes more quickly than the capacity of the Council;
- **Barking and Dagenham Trading Partnership** – took on management of the workforce for facilities management and catering and it offers maintenance and catering services to business and government bodies within the area;
- **Barking and Dagenham Schools Improvement Partnership** – was set up as a partnership between the Council and a number of schools, with the aim of providing services to schools to improve outcomes for pupils;
- **Reside** – was established to buy, build, let and manage affordable/shared ownership housing with and aim to improve housing for local residents.

²² ‘Agiliysis enables the London Borough of Barking and Dagenham’s bold vision for community focused transformation’: [link](#)

²³ LBBD report to Cabinet (2017) Home Services and Traded Services Full Business Cases [link](#)

Key finding: Commercial entities/companies have been created in Barking and Dagenham to maximise business opportunities. This has helped to shift the focus of the whole Council towards commercialisation.

- 3.6. The transformation programme has enabled the Council to manage its budgets in a new way. There is no longer a requirement for finance officers to send out cuts proformas to 'salami slice' budgets. Savings were made through the complete reorganisation of the authority. Funding for the transformation programme has been largely drawn from the flexible use of capital receipts.
- 3.7. Developing commercial focus and establishing income generating activity were founding ambitions for the new companies. Additionally, the scope and scale of the transformation programme made it clear to employees at all levels of the Council that the organisation was serious about making wholesale changes to the way it operated.
- 3.8. The commercial arm of the Council has an independent board – which is chaired by a senior independent person. The Council monitors the activities of its commercial enterprises as a shareholder. It also manages an investment board – which oversees allocation of funding for major schemes and assesses risks.
- 3.9. There are no Councillors on the board of the Council's commercial arm and the political leadership does not have daily intervention in company activities. However, there is political oversight of company aims and objectives and the Council has observers (who do not have voting rights) on the independent board.

Key finding: At LB Barking and Dagenham political leaders are not involved in the management of the external companies - which have been given the freedom to act at will (in line with their share holder agreements).

Key finding: With positive leadership, officers can be provided with the confidence to look at their work differently, start to explore, and ultimately trust, other models of working, rather than repeating the same patterns.

- 3.10. The Council commissions services from its arm's-length companies to provide outcomes based on the Council's corporate plan. Nonetheless, there is a fundamental separation between the Council's role as a commissioner and the Council's role as a shareholder.
- 3.11. The Companies were set up and are structured to prevent future issues. One of the ways of doing this is through an overarching holding company which incorporates mechanisms which free it from procurement rules through Teckal exemption. Importantly, no private sector company makes a profit out of the arrangements.

3.12. Shareholder agreements and business plans for the new companies were tightly drawn up and carefully thought-through before implementation. There are ongoing arrangements for managing risks (these are summarised below).

Risk management

“We trust our ability to come up with new ideas to deal with risks in times of adversity.”

3.13. Members on the visit to Barking and Dagenham heard that the Council clearly and extensively communicated the risks of not doing anything to change services. The transformation programme helped managers to understand that their services had to change in order to continue to exist.

3.14. The Council’s commercial focus has been recognised in the wider community – and a number of proposals and ideas have been submitted from external organisations, businesses and public sector partners. This includes commercial investors who recognise the stability of working with the Council.

3.15. Senior leaders accept that in order to maintain the pace of change and to achieve the benefits of the transformation there’s nothing that shouldn’t be looked at for transformation or investment and they consider each proposal on the balance of risks and priorities.

Key finding: Senior political leaders and managers at LB Barking and Dagenham are wholeheartedly invested in the transformation programme. There is also an understanding of risk – which enables a culture of innovation.

3.16. Conversations about the appetite for risk were an important part of the development of the shareholder agreements between the Council and its commercial entities. Mechanisms were in place to guide the risk strategies of the Council’s commercial bodies without officers always needing to return to the Council for shareholder approval.

3.17. There remain some risks to the transformation. This includes the risk of officers returning to inefficient ways of delivering services. It is recognised that embedding good practice at all levels of the organisation will take time.

3.18. The Council’s commercial entities are in a position (backed by the Council as a landowner, local service provider and organisation backed by long term financial stability) to access opportunities that private entities do not.

3.19. The provision of housing by Council companies also enables the Council to meet its policies for tackling the housing crisis. At present there are no properties for rent or sale at full market rates, though it is recognised that this may need to change if the economic circumstances change.

Key finding: Measures are in place to manage and mitigate risks – but there are significant risks involved in commercial activity – including unforeseen changes in the economic environment at local, regional and national level.

Governance and rigour

3.20. The Council maintains a tight focus on the development, planning and delivery of the specifications for new commercial enterprises. Officers engaged with the Council's commercial enterprises recognise that processes have to be robust.

3.21. Decisions about mayor investments are considered by the Council's 'investment panel' before approval. The Panel is guided by a 'gateway appraisal process' which officers use to manage the process of making new investments across a number of stages: from outline viability, on to further assessments of feasibility up to detailed costing and assessment of new proposals.

3.22. Each company operated by the Council is developing its own style of operations and points of view. There is a degree of competitive tension between senior officers on the investment panel which this ensures quality of outcomes. The Council also maintains communication with the ends users of Council services and, where possible, they are included in the competitive process.

3.23. Scrutiny was consulted on the transformation programme. As with the rest of the transformation programme - governance had been streamlined so that there are fewer committees and meetings but the structure ensures that there are opportunities for pre-decision scrutiny.

3.24. The Council also has a 'Shareholder Panel' to act as an advisory body to the Cabinet. Its role is to ensure that the Council's legal responsibilities as a shareholder are fulfilled and that the activities of the commercial entities are aligned with the Council's strategic objectives. The following terms of reference are from a Council report:

'The terms of reference for the Shareholder Panel outline its main purposes as being to:

- Review and monitor long term strategic objectives via Company Business Plans prior to consideration and approval by Cabinet as the Shareholder. Oversee and ensure compliance with all TECKAL related obligations.
- Monitor Company compliance with approved and adopted Business Plans.

- Monitor the exercise of any Reserved Powers according to the Articles of Association by Cabinet or as delegated by Cabinet.
- Monitor compliance with any legal duties required of a Shareholder.
- Review Company financial performance on a quarterly basis and report to Cabinet any concerns.²⁴

3.25. In September 2019, scrutiny at Barking and Dagenham considered a report outlining the findings of an internal review²⁵ that had been carried out on behalf of the Shareholder Panel. The review identified a number of areas of good practice, including: the clarity of the legal agreements in place between the Council and its companies; the strength of formal business planning process – including the submission of plans to the Council annually for review and approval; the structuring of the relationship between the Council and the companies, including the separation of the Council as a shareholder and commissioning customer.

3.26. However, the review also outlined a number of risks, including: the lack of alignment between company business plans and the development of business cases in the first year of operation; the lack of a clear methodology by which the Council should review quarterly reports produced by the companies; and – the lack of a risk register to evaluate the risks faced by the whole Council from the operation of the companies.

Key finding: Political oversight by overview and scrutiny is welcomed – but - the principal mechanism for challenge appears to be via the interoperation of Council officers as commissioners and shareholders.

3.27. The Council is still in the process of delivering the transformation programme so in terms of definitive measures of success, it is still too early to say. However, reports²⁶ to the Council's Cabinet in early 2019 indicate that the Barking and Dagenham Trading Partnership forecast to double its financial return to the Council from £744k to £1.4m (for the 2017-18 financial year). In addition, it was reported that the schools partnership was due to produce a surplus as opposed to the deficit it had forecast.

3.28. The report also indicates that the Partnership is due to significantly increase its returns to the Council over its business plan period (2018-2022) – following a strong first year of trading which has exceeded expectations. It was recognised that there were some issues in the development and delivery of the transformation programme. But – broadly, the programme is processing as planned and that the scale of ambition of the programme meant that it was likely to encounter some 'bumps in the road'.

²⁴LBBB Shareholder Panel – internal governance review report (2019): [link](#)

²⁵ LBBB Final internal audit report, May 2019: [link](#)

²⁶ LBBB Commercial company business plans, report to cabinet March 2019: [link](#)

3.29. Officers and Members at Barking and Dagenham believe that planning for the future is sufficiently good to avoid serious risks. However, it is recognised that the Council is not in the same position as other investors. In a difficult financial climate, it cannot not pause investment decisions or curtail its commercial activity until the situation has improved – it has to continue delivering on its business plans and to ensure that it is generating income year on year.

Key finding: There are unique commercial opportunities for councils but there are also unique risks.

3.30. Members and officers are motivated by the vision for the transformation – to ensure that every investment made by the Council should be driven by the intention to support the most vulnerable.

3.31. One of the key benefits of the transformation programme is that managers are conscious of the costs of the delivery of their services. It is recognised that in order to make comprehensive changes to the organisation officers need to know what they are spending money on and the price of the delivery of those services.

3.32. In local government generally, demand and the costs for delivery of services continues to rise. The Council is focusing future efforts on preventative work and demand management. It is recognised that the costs of delivering services can be contained if there is early intervention as opposed to working with people once they have reached a point of crisis.

3.33. In future, the Council intends to increase focus on the “end to end” processes of service delivery. In particular, the Council’s service delivery providers for children’s and adult services are putting increasing efforts on analysis, data and service user insight to determine whether there are opportunities for improvements.

Progressively growing a commercial culture: the case of Waltham Forest

3.34. Members of Public Accounts Select Committee were interested in the case of the London Borough of Waltham Forest because the Council has taken a distinctly different approach to commercialising its culture – in comparison to LB Barking and Dagenham. The findings that follow are based on discussions held at a meeting between officers from Waltham Forest²⁷ and members of the Public Accounts Select Committee (and include additional information from documents referred to at that meeting).

²⁷ See appendix 2 for details.

Determining the opportunities

'What do we do well..? That's where we are going to enter the market.'

Officers from LB Waltham Forest

3.35. Waltham Forest is:

- A borough of high population growth;
- A predominantly residential borough with one of the smallest economies in London;
- Seeing strong business growth in recent years – focused in small businesses (which has had a lesser impact on jobs growth);
- A young borough – with more children and working age residents than the UK average. However, the population is increasingly ageing;
- Increasingly diverse, without a single majority group;
- Experiencing a high level of population churn from people moving into and out of the borough;
- Facing ongoing uncertainty from regional and national changes in policy;
- Ranked as the 35th most deprived local authority in England (of 326) in 2015.

Key finding: The borough of Waltham Forest has some similar opportunities to Lewisham and it faces some of the same challenges.

3.36. As with all local authorities, the London Borough of Waltham Forest has experienced years of sustained financial pressures. In order to mitigate the combined impact of: government cuts to its core funding and increases in demand (due to growth, demographic changes and pressures on social care) as well as the requirement for cost savings, the Council identified a number of areas of strength in which it sought to commercialise services.

3.37. The Council's approach to commercialisation was supported by a change programme – with a dedicated website and roadshows for officers to contribute ideas. The transformation programme included a number of problem solving workshops as well as projects for exploring opportunities for innovation. Officers recognised that there were skills within the Council and that these could be utilised if people were given space to innovate.

3.38. The importance of leadership for the change programme was acknowledged – as were the efforts of key individuals - but the importance of practical support for people in services was emphasised as an important factor for driving innovation.

3.39. Focusing on a recognised area of demand and existing strengths, the Council's journey into commercialisation began with the setup of a commercially focused handyman service - in coordination with adult social care services. The early success

of commercial activities provided proof of concept for the Council’s commercial approach and early failures were used as opportunities to learn. One of the key things officers had to learn – was the importance of determining when to stop doing things that were not working well.

Key finding: LB Waltham Forest has taken an approach to commercialisation that focuses on the strengths of its existing services.

3.40. It was recognised early on that the Council’s services could not be the cheapest provider of services – however – the Council has a persistent presence in the borough and relationships with key partners which it recognises as a strength. Commercial activities are supported by robust business cases – however there is a recognition that some projects will save time rather than money in the first instance.

Key finding: A culture of innovation at the Council has been encouraged by building on successes and learning from failures.

3.41. Internal funding was made available in 2016 to set up a separate trading company to develop and expand the Council’s commercial activities.

Buil



3.42. The external company (Waltham Forest Services Ltd) is wholly owned by the Council and incorporates a commercial trading arm in compliance with the TECKAL regulations.

3.43. The company utilises independent accountants who use an external accounting platform (QuickBooks) to manage the company's accounts (it was noted that the company's accounts are audited with the Council's and are compliant with all of the relevant regulations).

3.44. The company buys some legal services and payroll functions from the Council (its structure means that some services have to be purchased from the Council) but the company has a clear plan to move away from Council platforms – including the Council's website and systems for invoicing. It uses an external human resources provider.

Key finding: The Council's commercial vehicle draws on expertise from the Council but it has its own processes and structures. It is free to innovate and adapt to the market.

3.45. All parties in Waltham Forest recognise the importance of getting the governance for the company right. The board of the company is currently comprised of council employees and it reports to a subcommittee of the Executive. There are no councillors on the company board.

3.46. The company develops its annual business plan in consultation with senior Council officers. The plan is presented to the shareholder committee (a subcommittee of the Executive) for agreement. The Council is the sole company shareholder and any profits generated from external companies return the Council's general fund.

3.47. The company has a social value approach that focuses on hiring locally and buying in favour of local communities. Specifically, it works with a local organisation that finds employment for people who are long term unemployed. Nonetheless, the company is able to achieve efficiencies by employing people directly (as opposed to relying on Council employment).

Key finding: The Council is ambitious and outward facing in its approach to commercialisation.

'People like doing business with the Council because we aren't going anywhere.'
Officers from LB Waltham Forest

Enterprising Council: Bringing it together Council wide



Innovation Programme

Developing innovative ideas to meet challenges linked to Creating Future themes.



Enterprising Culture

A work force empowered and enabled to innovate.



Enterprising Communities

Forging new relationships with local business and resident communities. Council as an innovator and facilitator.



Enterprising Enablers

Building an infrastructure, which is flexible and responsive and enables an enterprising culture.



Commercial Programme

Building on commercial success with Operations Centre, Commercial Waste, Grimebusters, Land Charges Advisory Service, Young People, Digital Wetlands.

27



Embracing innovation

3.48. Innovation by the Council’s commercial arm is being bolstered by a progressive approach to the use of digital systems.

3.49. The ‘Service Store’ branding and marketing builds on the reliability of the Council with a separate user friendly digital interface. It also enables the development of future projects for commercialisation of Council services with a tried and tested approach.

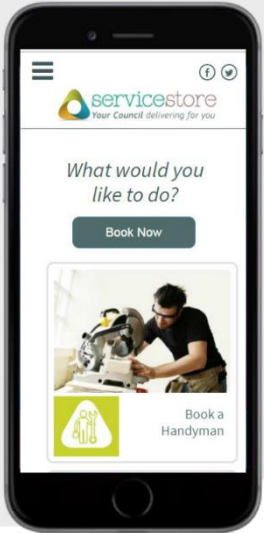
Key finding: The ‘Service Store’ brand builds on the backing of the Council but it is distinct enough to enable innovation.

Service Store

Our digital presence for finding & booking traded services

Innovative and ground-breaking approach to marketing

- 12 services all traded through ServiceStore
- Digital marketing, AdWords and SEO
- Location-targeted digital ads on mobile devices (geo-fencing)
- Prototyped new payment systems, e.g. WorldPay



3.50. The Council’s approach to commercialisation and innovation has also provided opportunities for the development of new projects.

3.51. One pertinent example is the collaboration brokered by the Council between a group of local students and Amazon web services. Through a process of trials, pilots and some missteps the Council has developed a cost effective ‘ChatBot’ for its website,

with the added benefit of providing opportunities for local students to develop their skills.

3.52. The close working relationship between the Council and its company continues to provide new opportunities for both organisations. The company provides cheaper and better service provision than that available from private providers. It also enables the Council to focus on the delivery of its core services.

Key finding: The early successes of the Council's commercial activities have given officers the impetus to change processes and to explore opportunities for digital advances.

Training and development

3.53. Lewisham's Director of Human Resources and Organisational Development was invited to the Committee in order to provide an update on the Council's work on developing organisational culture and enabling officers to be more commercially minded.

3.54. Key questions:

- Does the council have officers with the right skills and training to do this work? If not, how can a training programme be put in place and what are the resource implications of this?
- Do officers have enough time? How will projects be organised so that the every-day work of the council is not adversely affected.
- How should income generation priorities be organised, taking account of: political priorities; the ambition to create social value as well as the requirements for sustainability and minimisation of risk?

3.55. The Committee heard from the Director that the 'Lewisham Way' behaviour framework and values have long been the foundation of the Council's approach to working with residents and delivering services '...defining what makes Lewisham different and special'. The behaviours are designed to provide the understanding and clarity from which officers can both lead and learn.

Key finding: Lewisham Council is in the process of reviewing its vision for people management and organisational development.

3.56. As part of the nine behaviour elements that form the refreshed Lewisham Way culture, there are three that directly support the culture of a commercial mind-set. These are:

- Create and Innovate

- Measure and Evaluate
- Think broadly and find solutions

3.57. Lewisham’s officers have developed the new Lewisham Way from a range of activities, including (but not limited to): assessment of the relevant research; sessions with cabinet members; workshops with staff; the findings of the democracy review and feedback from the staff survey. Work on the new Lewisham Way has been taking place for a number of months, nonetheless, in the intervening time the Council has appointed a new Chief Executive – who wanted to spend more time consulting with staff before finalising the new approach.

3.58. It is intended that the new behaviours described in the Lewisham Way will be embedded in the Council’s performance management and human resources processes and policies (from induction, to hiring processes and performance management) and a number of new imperatives relating to commercialisation have been included in the new behavioural framework, including: ‘create and innovate’ – ‘measure and evaluate’ – ‘think broadly and find solutions’ (which had previously only included the impetus to ‘think broadly’) and – ‘maximise value’.

3.59. The intention is to create new training processes relating to each of the new behaviours. In some cases, however, the training will relate to a number of the behaviours. The Committee heard that courses will be developed for senior managers and for group managers. The ‘leaders’ course will be based on case studies and would focus on strategic approach to commercialisation. The course for group managers will be longer and more in depth. It will be delivered in partnership between training providers and Council officers in the strategic procurement and commercialisation team.

Key finding: Two types of training will be developed for officers. One will be for strategic leaders and the other will be for service managers.

3.60. The Committee has ascertained that officers recognise that leadership is important to embedding a commercial mind-set in the Council. Nonetheless, the Director of Human Resources and Organisational Development notes that it is also important that people at all levels recognise their own capacity to develop new ideas and effect change. It is also recognised by officers that culture change in organisations takes many years and is difficult to do successfully.

Key finding: The Council’s approach to commercialisation has to be led ‘from the top’.

3.61. The Barking and Dagenham experience of officer skills and adaptability also provides some useful insights into the importance of training and developing staff:

3.62. As the Council embarked on its transformation programme it realised that some staff had commercial skills - but not all. And - whilst there were a number of transfers of existing employees - the new commercial bodies were enabled to recruit staff on the terms and they wanted - with performance related pay. Built into this system, however, were policy considerations - in line with the Council's social aims. This means that the highest paid staff in its commercial enterprises can only be paid in proportion to the lowest paid employees.

Key finding: Officers with the appropriate skills have been encouraged to join the newly established companies – which have the freedom to remunerate employees with performance related pay.

3.63. The radical nature of the transformation programme brought out an aptitude for creativity in a number of Council officers - who welcomed the change as an opportunity to improve and reform. The scale and ambition of the programme spurred on new ways of thinking and allowed those who did support the transformation to exit the organisation.

3.64. Engaging with staff through 'creative workshops' was an important part of the programme and this enabled staff at all levels the opportunity to think about how their services could be structured. The programme also gave people the opportunity to think differently. Senior officers recognised that people were worn out by 'salami-slicing' of budgets and willing to think creatively of new ways of doing things.

3.65. The scope and scale of the transformation programme (as well as the requirement to continue 'business as usual) necessitated upfront investment in consultancy support – which was provided via the Council's relationship with Agiliysis.

3.66. As a result of the transformation programme - everyone in the organisation moved to a new job role – over the medium term it also resulted in a two thirds reduction in agency and consultancy staff. However, the change was achieved without any forced redundancies.

Key finding: Recruitment, training and retention must be embedded to support the development of a commercial culture. The performance appraisal framework also needs to support this. A commercial mind-set needs to be systematically fed into Council culture.

3.67. In terms of training for staff - there was a focused programme for the top 200 managers in the organisation – who received support to enable them to lead the

change in their service areas. However, there was not a broad ranging “sheep dip” offer of training to all officers.

3.68. The vision for the change was clear from the beginning – and leadership of the organisation were upfront about the move to an increasingly commercial mind-set. There remains a rigorous focus on what managers are spending their money on and why. The transformation enabled an increased emphasis on managers being accountable for their budgets and any pressures or unanticipated costs arising in their in their areas.

Key finding: An important additional benefit from the development of a commercial culture is the increased focus on rigorous budgeting and control of spending pressures.

4. Monitoring and ongoing scrutiny

Key question from Committee discussions:

- What is the role of scrutiny going forward with this process?

- 4.1. The Committee has a long-term interest in the issues of commercialisation and income generation. It has reviewed a number of interesting case studies and drawn on best practice from a range of local authorities.
- 4.2. Members' ongoing determination has resulted in incremental changes in the Council's work in this area – most notable has been: the appointment of a strategic procurement and commercial services manager; a budget to support the delivery of this agenda across the Council; the development of a coordinated approach to reviewing fees and charges; the formalisation of the income board and the development of an income generation strategy alongside enhanced policies on social value and improved procurement and contract management processes.
- 4.3. During the scoping of this review – the Committee set out a wide-reaching set of ambitious questions to answer. Due to the nature of the review process and the other demands on Committee time, it has not been possible to find answers to all of these questions. It should be noted that the following issues that have not been covered in-depth. Members should consider whether these issues require further scrutiny.
 - Resourcing and capacity for officers to carry out this work;
 - The Council's risk appetite;
 - The role of senior leaders.
- 4.4. In addition – it has been proposed that the Committee attends a pilot of the training sessions that will be offered to officers.
- 4.5. As a result of the democracy review – it is proposed that the structure of overview and scrutiny in Lewisham will be altered. Time limited 'task and finish' groups will be established in the 2020-21 municipal year to take forward in-depth scrutiny of key issues identified by members of the overview and scrutiny committee. This provides an opportunity of members to propose a further review of issues that have not been considered as part of previous commercialisation and income generation reviews – in addition to the regular cycle of updates from officers at the Public Accounts Select Committee.

5. Draft Recommendations

- 5.1. The Committee believes that the time has come for investment to be made in new commercial ventures. It recommends that in the course of the 2020-21 financial year funding from the transformation fund be utilised to deliver a pilot commercialisation schemes. Evidence from the London Borough of Waltham Forest indicates that this should be in an area in which the Council has already developed capacity for the delivery of services. This should be supported by a practical commercial plan and robust business planning.
- 5.2. The Committee anticipates additional feedback from the commercial awareness training sessions being held for staff members. In March 2021 – an update on the outcomes of the first year of the training programme should be provided to the committee – with details of the numbers of employees engaged and the initial feedback received.
- 5.3. The Committee believes that there should be a full and open discussion about risk tolerance. It recommends that a workshop for all Councillors be held – at which the issues of commercialisation, governance and risk are discussed. This should follow from the offer made to councillors to attend a pilot of the commercialisation training for officers.
- 5.4. The Committee recognises that the Council's officers are its greatest resource of ideas and creativity. Whilst it is clear that the Council does not intend to embark on a wholesale reorganisation of its services – it believes that the momentum that has been generated by the development of the new Lewisham Way – and the appointment of the new Chief Executive should be harnessed. The Committee recommends that the by the end of the 2020-21 municipal year – the Council should develop a process for gathering new ideas for service improvements and commercial projects from Council employees.

Background papers and sources

Reports to (and minutes of) the meetings of Public Accounts Select Committee on these dates:

- 10 March 2015: [link to meeting papers](#)
- 14 April 2015: [link to meeting papers](#)
- 14 July 2015: [link to meeting papers](#)
- 29 September 2015: [link to meeting papers](#)
- 28 October 2015: [link to meeting papers](#)
- 16 March 2016: [link to meeting papers](#)
- 5 July 2016: [link to meeting papers](#)
- 30 November 2016: [link to meeting papers](#)
- 27 September 2017: [link to meeting papers](#)
- 21 March 2018: [link to meeting papers](#)
- 25 September 2018: [link to meeting papers](#)
- 20 December 2018: [link to meeting papers](#)
- 20 March 2019: [link to meeting papers](#)
- 13 June 2019: [link to meeting papers](#)
- 10 July 2019: [link to meeting papers](#)
- 6 November 2019: [link to meeting papers](#)
- 16 December 2019: [link to meeting papers](#)

Local Government Association (2019) Profit with a purpose – delivering social value through commercial activity - online at the: [link to report](#)

Local Government Association (2017) Enterprising councils: supporting councils' income generation activity, online at the: [link to report](#)

Lisa Bibby consulting (2016) - *Lewisham Income Generation Opportunities review* – online at the: [link to report](#)

Lewisham Council Budget 2018-19: [link to report](#)

Lewisham's income generation guidance (2015): [link to report](#)

Lewisham risk management strategy 2017-2020: [link to report](#)

New Local Government Network/Local Government Association, Outside the Box: the Council workforce of tomorrow (2016): [link to report](#)

House of Commons Library Briefing (alternative models of service delivery): [link to report](#)

Wazoku/WeCreate: [link to website](#)

Love Lewisham research paper: [link to report](#)

For further information about the WeCreate ideas management software see: [link to website](#)

NewsShopper article on the use of WeCreate: [link to article](#)

Barry Quirk's article in the Municipal Journal: [link to article](#)

Councillor Louise Krupski's Notes from LGA Commercial Skills Masterclass for Councillors – Wednesday 9 October 2019 presented to the meeting of Public Accounts Select Committee on 6 November 2019 available online at: [link to briefing note](#)

Agenda for the Safer Stronger Communities Select Committee (16 July 2019), Council's employment profile and staff survey results: [link to agenda](#)

John Hubbard's presentation to the 'Rethinking local government service provision: improving delivery in times of fiscal constraint' Westminster Briefing (from p20 onwards) [link to presentation](#)

Appendix

Appendix 1 – key decisions (as defined by the Council's constitution)

- (a) Decisions which will be likely to result in Council expenditure or savings of £500,000 or more (save treasury management transactions taken in accordance with the Council's Treasury Management Strategy as approved by the Council)
- (b) Any decision likely to be significant in terms of its effect on communities living or working in an area comprising two or more wards, whether the impact is direct (e.g. where the decision relates to a road which crosses a ward boundary) or indirect (e.g. where the decision relates to the provision or withdrawal of a service which is or would be used by people from two or more wards)

Decisions will still be deemed to affect more than one ward even if one or more of the wards affected is outside the borough.

- (c) The Council will also define all executive decisions which relate to matters within the categories listed below as key decisions whatever their financial impact, and irrespective of the number of wards affected by them:-

- (i) Consideration of any report prepared by an external organisation (e.g. OFSTED) into the performance of the Council whether in general or in relation to a particular case, including the Council's response to it.
- (ii) the closure or significant change in the character of a school or other educational facility.
- (iii) consideration of any report relating to the possibility of the withdrawal of delegation of budget from a school
- (iv) the giving of any statutory notice to a school or other educational establishment
- (v) directions relating to the use and occupation of school premises
- (vi) decisions relating to schools admission policy and standard numbers for schools
- (vii) the making of instruments of government for schools
- (viii) policies relating to special needs, attendance and exclusion, awards, charging and remission
- (ix) the Council's scheme for the financing of maintained schools
- (x) closure of, or significant reduction in provision of, any Council service
- (xi) where the decision is one which will involve a significant change in the manner of Council service provision,
- (xii) the fixing of fees and charges for Council services
- (xiii) granting or withdrawing financial support to any voluntary sector organisation in excess of £10,000 (excluding financial support to any organisation which is funded by government initiatives e.g. European Funding)
- (xiv) writing off any bad debt in excess of £50,000, unless the Council has within the last 3 years already written off debts for the person/organisation concerned totalling that amount in which case any further write off would be a key decision
- (xv) the disposal of any Council property for less than best consideration
- (xvi) the disposal of any interest in Council property with a value of £500,000 or more
- (xvii) the taking by the Council of an interest in land worth £500,000 or more

- (xviii) the granting of any interest in land where the interest is valued at £500,000 or more
 - (xix) the exercise of the Council's compulsory purchase powers
 - (xx) applications for funding from any external body which if successful would also require Council match funding of £500,000 or more, or entail a revenue commitment of at least £500,000 in total by the Council
 - (xxi) consideration of any matter which is to be the subject of a recommendation to full Council
 - (xxii) consideration of any matter in which, to the decision-maker's knowledge, the decision-maker (or any member of a committee or sub committee making the decision) has an interest which ought to be declared.
 - (xxiii) the award of a contract with a total value of £200,000 or more
 - (xxiv) where at least 5 members of the Council request that it be treated as a key decision, provided that in the opinion of the Monitoring Officer, they do so at least 6 weeks before a decision is likely to be taken
 - (xxv) where there is evidence of significant local opposition to proposals made by the Council
 - (xxvi) where the Chair of Council on advice from the Head of Paid Service and/or Monitoring Officer and/or Chief Finance Officer is of the view that the matter is one which ought properly to be treated as a key decision, and informs the proper officer to that effect at least 6 weeks before the decision is in the opinion of the Monitoring Officer likely to be taken
- (d) A decision maker may only make a key decision in accordance with the requirements of the Executive Procedure Rules set out in Part IV of this Constitution.

Appendix 2 – attendees at evidence gathering sessions

Attendees at the meeting with LB Barking and Dagenham 2 September 2019

LB Lewisham

Councillor Jim Mallory, Chair of the Public Accounts Committee

Councillor Louise Krupski, Vice-Chair of the Public Accounts Committee

Councillor Patrick Codd

Councillor James Rathbone

Councillor Mark Ingleby

Timothy Andrew (Scrutiny Manager)

Sunil Shahaney (Income Generation and Commercial Services Manager)

LB Barking and Dagenham

Councillor Dominic Twomey (Cabinet Member for Finance, Performance and Core Services)

Claire Symonds (Chief Operating Officer)

Hilary Morris (Commercial Director)

Attendees at the meeting with LB Waltham Forest 13 January 2020

London Borough of Lewisham

Councillor Jim Mallory, Chair of the Public Accounts Committee

Councillor Louise Krupski, Vice-Chair of the Public Accounts Committee

Councillor Patrick Codd

Councillor Joan Millbank

Councillor James Rathbone

Timothy Andrew (Scrutiny Manager)

Sunil Shahaney (Income Generation and Commercial Services Manager)

London Borough of Waltham Forest

John Hubbard (Director of Commercial and Innovation)

Richard Holland (Assistant Director of Technology Innovation)

Appendix 3

Gathering ideas from employees: we.create briefing

As part of the evidence gathering for the review – the Committee considered a briefing on a project previously carried out by the Council to gather innovative ideas from staff. This is reproduced below:

We.Create: using a social media platform to generate ideas

In 2013, responding to Government austerity, Barry Quirk (Lewisham’s previous Chief Executive (1993-2017)) oversaw the development of a project to ‘crowdsource’²⁸ new ideas from Lewisham’s employees. The project was part of the wider engagement carried out through the corporate cuts programme.

Officers in the Council’s transformation team²⁹ led on this project and managed the administration of the system. In essence, it was an online messaging board with closed access for Council staff to post ideas, like and comment on the ideas of others. The project was carried out over a period of two years and it was structured as a series of ‘challenges’ posed by senior managers.

At the time, this work was highlighted as an example of good practice and Barry Quirk wrote about it in the Municipal Journal:

‘Thousands of staff can contribute to how we address our savings targets and reshape our services. Using social media democratises ideas - everyone can contribute; and everyone can comment on other people’s ideas. Those ideas that receive the greatest support ‘rise to the top’ of our rank list. This reduces the bureaucracy that comes with traditional suggestion schemes and opens up dialogue to a wider range of staff.’

Barry Quirk (2014)³⁰

Ideas generation for income generation and commercialisation was one of the early challenges posed on the system. Each of the ideas generated by officers was reviewed by the transformation team and discussions were held with senior managers about the viability of those ideas.

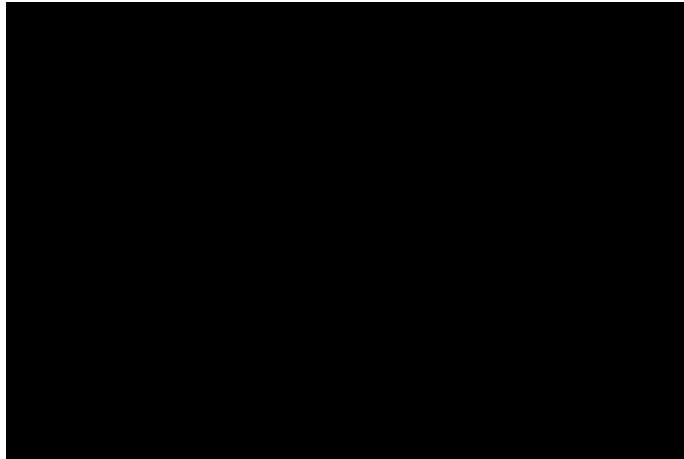
Initial successes and ‘quick wins’ were reported back to employees as well as councillors and officers in the transformation team proposed a second stage for the project – which would have involved opening up the platform to members and to public sector partners³¹:

²⁸ Google dictionary: ‘obtain (information or input into a particular task or project) by enlisting the services of a large number of people... typically via the internet’ [link](#)

²⁹ The team and its functions were incorporated into the Policy, Service Design and Analysis Hub in 2015.

³⁰ Barry Quirk writing in the Municipal Journal (2014), creative solutions require lots of perspectives, available online at: [link](#)

³¹ Joe Badman (Transformation Development Officer) on the Wazoku website: [link](#)



However, by mid-2015 the dedicated support for the project ended and it declined in significance. Anecdotally, it suffered from interrelated issues of overzealous branding during a period of financial restraint and staffing reorganisations as well as: lack of support from some senior managers and the conduct of some officers on the message boards. Nonetheless, by the time it concluded, over 860 members of staff had used the platform, 11 challenges had been posted and 100 ideas had been raised.

Lessons learnt

The need for dedicated support

Managing the contract with the external provider, posting challenges, managing contributions and (most importantly) developing proposals required the efforts of at least one full time officer in the transformation team in the early stages of the project.

Willingness and ability

The project demonstrated that there was aptitude amongst Council employees to innovate and to develop new ideas.

Timing, tone and branding

The project coincided with a period of significant financial restraint, reorganisations and job losses. Any novel approaches to engagement with employees in the future would need to give consideration to this.

Issues for further consideration/next steps

The new Lewisham Way

The Director of Organisational Development and Human Resources is revising the values and behaviours expected of Council employees as part of Lewisham's approach to people management. This has been titled the new 'Lewisham Way'. An essential element of this work entails the improvement of communication between teams and from all levels of the Council to senior management. The Committee's focus on generating ideas and encouraging commercialisation needs to be viewed in the context of this work. The Director is due to attend the Committee's meeting in November.

Questions for LB Barking and Dagenham

Several members of the Committee are due to meet with officers and a Cabinet Member from LB Barking and Dagenham to hear more about the award-winning commercialisation and income generation work being carried out at that Council. Members on the visit should ask about the processes used by LBBD to gather and progress ideas from employees.

Piloting a new scheme

The Committee should consider whether it would be possible to propose a pilot for a new scheme for gathering and progressing ideas. The newly agreed income generation strategy has a process for taking ideas from proposal to development of a business case. A new process for gathering ideas could involve the newly evolving approach to communications from the new 'Lewisham way' with the governance structures developed through the new strategy.

Further reading

For further information about the We.Create ideas management software see: [link to website](#)

NewShopper article on the use of We.Create: [link to article](#)

Barry Quirk's article in the Municipal Journal: [link to article](#)

FORWARD PLAN OF KEY DECISIONS

Forward Plan March 2020 - June 2020

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 0208 3149327, 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 |
|-------------------------------|---|---------------------------------|---|----------------------|-------------------------------|
| October 2019 | Renewal of Social Care software systems | 12/02/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| October 2019 | Renewal of revenue and benefits software systems | 12/02/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| October 2019 | NHS Commissioning Arrangements in Lewisham | 12/02/20 Mayor and Cabinet | Aileen Buckton, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |
| October 2019 | Budget Update | 12/02/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| October 2019 | Highway Contract Tendering strategy for 2021 award | 12/02/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & | | |

| 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 |
| | | | Environment and Councillor Brenda Dacres, Cabinet Member for Safer Communities | | |
| October 2019 | State of the Highways Infrastructure and Update on Asset Management Strategy | 12/02/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Brenda Dacres, Cabinet Member for Safer Communities | | |
| December 2019 | Community Wealth Building and Inclusive Growth Strategy Update | 12/02/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Councillor Joe Dromey, Cabinet Member for Culture, Jobs and Skills (job share) | | |
| December 2019 | Community Energy Fund grant awards | 12/02/20 Mayor and Cabinet | Tom Brown, Executive Director for Community Services and Councillor Jonathan Slater, Cabinet Member for Community Sector | | |
| January 2020 | Lewisham's Admission Arrangements 2021/22 | 12/02/20 Mayor and Cabinet | Sara Williams, Executive Director, Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance and Children's Services | | |

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 |
|-------------------------------|---|---------------------------------|--|----------------------|-------------------------------|
| October 2019 | Budget 2020-21 | 26/02/20 Council | David Austin, Acting Chief Finance Officer and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| January 2020 | Priorities for 2020 | 26/02/20 Council | Kim Wright, Chief Executive and Mayor Damien Egan, Mayor | | |
| February 2020 | Local Government Boundary Review 2nd Stage Submission | 26/02/20 Council | Kath Nicholson, Director of Law and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| November 2019 | Approach to Boroughwide pot of Neighbourhood Community Infrastructure Levy | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Brenda Dacres, Cabinet Member for Safer Communities | | |
| December 2019 | Future Provision of Home Care | 11/03/20 Mayor and Cabinet | Tom Brown, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |
| June 2019 | Call-in Disposal of former Wide Horizon Sites in Wales & Kent' | 11/03/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Mayor Damien Egan, | | |

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 | | |
| October 2019 | Precision Manufactured Housing (PMH) Procurement Process Outcome and Decision | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| October 2019 | Preferred Tender for Travel and Transport Programme | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Brenda Dacres, Cabinet Member for Safer Communities | | |
| October 2019 | Old Town Hall works - permission to tender | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor | | |
| October 2019 | Lewisham Climate Emergency Action Plan | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport | | |
| October 2019 | Private Sector Housing Borough-wide Licensing | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & | | |

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 |
|-------------------------------|---|--|---|----------------------|-------------------------------|
| | | | Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| January 2020 | Oracle Cloud contract extension and hyper-care support | 11/03/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| October 2019 | Renewal of Oracle Licensing arrangements | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| January 2020 | Archive solution for HR and Payroll system | 17/03/20 Overview and Scrutiny Business Panel | David Austin, Acting Chief Finance Officer and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| December 2019 | Corporate Energy Contract Strategy | 11/03/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport | | |
| December 2019 | Post consultation | 11/03/20 | 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 |
| | recommendation of additions of new buildings to Local List | Mayor and Cabinet | Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor | | |
| December 2019 | Approval of the draft Lewisham Local Plan for public consultation | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor | | |
| May 2019 | Performance Monitoring | 11/03/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| February 2020 | Building for Lewisham Former St Philip Neri School Acquisition | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| February 2020 | Appropriation of the former Mayow Road Warehouse | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| February 2020 | Permission to Tender Broadway Theatre Works | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for | | |

FORWARD PLAN – KEY DECISIONS

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| | | | Housing, Regeneration & Environment and Councillor Andre Bourne, Cabinet member for Culture, Jobs and Skills (job share) | | |
| February 2020 | GLA Small Sites Small Builders Grant | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| February 2020 | TenEmBee Sports Club lease | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Andre Bourne, Cabinet member for Culture, Jobs and Skills (job share) | | |
| February 2020 | Acquisition of Morton House | 11/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| February 2020 | Making of Instrument of Government Aspire London Federation and Local Authority Governor Nomination | 11/03/20 Mayor and Cabinet | Pauline Maddison, Interim Executive Director Children and Young People and Councillor Chris Barnham, Cabinet | | |

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| | | | Member for School Performance and Children's Services | | |
| February 2020 | School Meals Contract Extension | 11/03/20 Mayor and Cabinet | Pauline Maddison, Interim Executive Director Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance and Children's Services | | |
| February 2020 | Supported Housing Contract Extensions 2020 | 17/03/20 Executive Director for Community Services | Tom Brown, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |
| February 2020 | Contract Award Interpreting, Translation and Transcription Services | 17/03/20 Overview and Scrutiny Business Panel | David Austin, Acting Chief Finance Officer and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| February 2020 | Adoption of Deptford High Street Conservation Area Appraisal, boundary changes and introduction of an Article 4 Direction errata | 25/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor | | |
| January 2020 | Settlement on outstanding litigation case regarding non-payment of an affordable | 25/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & | | |

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| | housing contribution at 99 Plough Way Parts 1 & 2 | | Environment and Mayor Damien Egan, Mayor | | |
| February 2020 | SELCHP Extension parts 1 & 2 | 25/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport | | |
| October 2019 | Contract Award for Stage 2 of Greenvale School Expansion Project | 25/03/20 Mayor and Cabinet | Sara Williams, Executive Director, Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance and Children's Services | | |
| January 2020 | Parks and Open Spaces Strategy 2020-2025 | 25/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport | | |
| February 2020 | Public Health Neighbourhood Grants - Neighbourhood Community Development Partnerships | 25/03/20 Mayor and Cabinet | Tom Brown, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |

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| January 2020 | Annual Lettings Plan | 25/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| October 2019 | PLACE/Ladywell parts 1 & 2 | 25/03/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| February 2020 | Contract extension of current day services for older adults | 25/03/20 Mayor and Cabinet | Tom Brown, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |
| February 2020 | Education Strategy | 25/03/20 Mayor and Cabinet | Pauline Maddison, Interim Executive Director Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance and Children's Services | | |
| February 2020 | SEND Strategy 2020-2023 | 25/03/20 Mayor and Cabinet | Pauline Maddison, Interim Executive Director | | |

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| | | | Children and Young People and Councillor Chris Barnham, Cabinet Member for School Performance and Children's Services | | |
| February 2020 | Smarter Technology Phase 2 Project Equipment Rollout | 25/03/20 Mayor and Cabinet | Richard Hawkes and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| February 2020 | Renewal of Pension Administration IT System | 25/03/20 Mayor and Cabinet | Ian Andrews, IT Procurement and Supplier Manager and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| February 2020 | Single Equality framework 2020-24 | 25/03/20 Mayor and Cabinet | Paul Aladenika, Service Group Manager, Policy Development and Analytical Insight and Councillor Jonathan Slater, Cabinet Member for Community Sector | | |
| February 2020 | Award of M&E Contract | 25/03/20 Mayor and Cabinet | Chris Damri, SGM Asset Strategy and Technical Support and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |

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| February 2020 | Award of Building Fabric Contract | 25/03/20 Mayor and Cabinet | Chris Damri, SGM Asset Strategy and Technical Support and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| February 2020 | Award of London Borough of Culture Programme Delivery Partner | 25/03/20 Mayor and Cabinet | Liz Dart, Head of Culture and Community Development and Councillor Andre Bourne, Cabinet member for Culture, Jobs and Skills (job share) | | |
| February 2020 | Rough Sleeping Initiative STA | 25/03/20 Mayor and Cabinet | Sarah Miran, Commissioning Manager and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |
| February 2020 | Future of Targeted Provision' | 25/03/20 Mayor and Cabinet | David McCollum, Joint Commissioner – Early Intervention and Councillor Chris Barnham, Cabinet Member for School Performance and Children's Services | | |
| December 2019 | Friendship Agreement Pokhara | 01/04/20 Council | David Austin, Acting Chief Finance Officer and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & | | |

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| | | | Accountability | | |
| December 2019 | Approval of the draft Lewisham Local Plan for public consultation | 01/04/20 Council | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor | | |
| February 2020 | Annual Pay Statement | 01/04/20 Council | David Austin, Acting Chief Finance Officer and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources | | |
| November 2019 | Approval to appoint operator for concessions contract at the lake, Beckenham Place Park | 29/04/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport | | |
| November 2019 | Corporate Equalities Scheme | 29/04/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Councillor Jonathan Slater, Cabinet Member for Community Sector | | |
| February 2020 | Occupational Health Procurement | 06/05/20 Mayor and Cabinet | Tom Brown, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |

| FORWARD PLAN – KEY DECISIONS | | | | | |
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| December 2019 | Local Plan New Cross Gate SPD and Surrey Canal SPD | 06/05/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor | | |
| October 2019 | Mayow Road Supported Living Service Parts 1 & 2 | 06/05/20 Mayor and Cabinet | Tom Brown, Executive Director for Community Services and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care | | |
| February 2020 | Approval to proceed with Procurement - Digitisation of Records - Council Wide | 06/05/20 Mayor and Cabinet | David Austin, Acting Chief Finance Officer and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability | | |
| February 2020 | Dry recycling award report | 06/05/20 Mayor and Cabinet | Wendy Nicholas, Strategic Waste and Environment Manager and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport | | |
| February 2020 | SELCHP Extension parts 1 & 2 | 06/05/20 Mayor and Cabinet | Wendy Nicholas, Strategic Waste and Environment Manager and Councillor Sophie McGeevor, Cabinet Member for Environment | | |

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| | | | and Transport | | |
| December 2019 | Achilles Street Estate Land Assembly Parts 1 & 2 | 03/06/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Councillor Paul Bell, Cabinet Member for Housing | | |
| October 2019 | Adoption of the Catford Regeneration Masterplan Framework | 03/06/20 Mayor and Cabinet | Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor | | |
| February 2020 | Revised Statement of Licensing Policy | 15/07/20 Council | Tom Brown, Executive Director for Community Services and Councillor Eva Stamirowski | | |

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