

Overview and Scrutiny



Public Accounts Select Committee Agenda

Thursday, 24 September 2020
7.00 pm, Microsoft Office Teams

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

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Public Accounts Select Committee Members

Members of the committee, listed below, are summoned to attend the meeting to be held on Thursday, 24 September 2020.

Kim Wright, Chief Executive
Wednesday, 16 September 2020

Councillor Patrick Codd (Chair)	
Councillor Alan Hall (Vice-Chair)	
Councillor Tauseef Anwar	
Councillor Jim Mallory	
Councillor Paul Maslin	
Councillor Joan Millbank	
Councillor Bill Brown (ex-Officio)	
Councillor Sophie Davis (ex-Officio)	



Public Accounts Select Committee

Confirmation of the Chair and Vice-Chair of the Public Accounts Select Committee

Date: 15 September 2020

Key decision: No

Class: Part 1

Contributor: Assistant Chief Executive

Outline and recommendations

Further to the Annual General Meeting of Council on 15 July 2020, this report informs the Select Committee of the appointment of a Chair and Vice-Chair of the Public Accounts Select Committee.

- To confirm the election of Councillor Patrick Codd as Chair of the Public Accounts Select Committee
- To confirm the election of Councillor Alan Hall as Vice-Chair of the Public Accounts Select Committee

1 Summary

- 1.1. On 15 July 2020, the Annual General Meeting of the Council considered a report setting out an allocation of seats on committees to political groups on the Council in compliance with the requirements of the Local Government and Housing Act 1989.
- 1.2. The constitutional allocation for both chairs and vice chairs of select committees is:
Labour: 6

2 Recommendation

- 2.1. The Select Committee is recommended to:
 - (i) Confirm To confirm the election of Councillor Patrick Codd as Chair of the Public Accounts Select Committee
 - (ii) Confirm the election of Councillor Alan Hall as Vice-Chair of the Public Accounts Select Committee

3. **Policy context**

3.1. The priorities of the Council's [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.

4. **Financial implications**

4.1. There are no direct financial implications arising from the implementation of the recommendation in this report.

5. **Legal implications**

5.1. Select Committees are obliged to act in accordance with the Council's Constitution.

6. **Equalities implications**

6.1. 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.

6.2. 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. **Climate change and environmental implications**

7.1. There are no direct climate change or environmental implications arising from the implementation of the recommendation in this report.

8. **Crime and disorder implications**

8.1. There are no direct crime and disorder implications arising from the implementation of the recommendation in this report.

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9. **Health and wellbeing implications**

9.1. There are no direct health and wellbeing implications arising from the implementation of the recommendation in this report.

10. **Background papers**

10.1. [Agenda for Lewisham Council AGM – 15 July 2020](#)

11. **Report contact**

11.1. Timothy Andrew (Scrutiny Manager) timothy.andrew@lewisham.gov.uk

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MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Tuesday, 4 February 2020 at 7.00 pm

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

APOLOGIES: Councillors Juliet Campbell and James Rathbone

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

1. Minutes of the meeting held on 16 December 2019

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

2. Declarations of interest

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

3. Responses from Mayor and Cabinet

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

- 3.2 **Resolved:** that the response from Mayor and Cabinet be noted.

4. Council budget 2020-21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Select Committee work programme

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

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

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

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

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

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

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

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

The meeting ended at 9.15 pm

Chair:

Date:



Public Accounts Select Committee

Declarations of Interest

Date: 24 September 2020

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Chief Executive (Director of Law, Governance and HR)

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. Suki Binjal, Director of Law, Governance and HR, suki.binjal@lewisham.gov.uk, 020 8314 7648



Public Accounts Select Committee

Financial stabilisation - budget update and medium term plan

Date: 24 September 2020

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Acting Chief Finance Officer

Outline and recommendations

The purpose of this report is to offer for consideration by Scrutiny the appended report to enable their comments to be taken by Mayor & Cabinet (M&C) when receiving the report on budget stabilisation and medium term financial plan on the 7 October 2020, as part of the preparation of a balanced budget for 2021/22 and future years.

Scrutiny committees are asked to review and comment on these proposals and recommendations and that their feedback is referred on by Public Accounts Committee for Mayor & Cabinet as follows:

On the 7 October 2020 Mayor and Cabinet will then be recommended to:

- Note the current in-year financial challenges of the Covid-19 impact of £60m with a funding gap of up to £20m and service overspending of £17m faced by the Council and the management actions being taken to mitigate these;
- Note the 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) and approach being taken to identify cuts proposals to meet the estimated budget gap of at least £40m; and
- Note the timetable for bringing forward cuts proposals and building the 2021/22 budget to Full Council in February 2021.

Timeline of engagement and decision-making

26 February 2020 – Budget report to Council

10 June 2020 – Council's response to Covid-19 – financial update report to Mayor & Cabinet (M&C)

9 July 2020 – First 2020/21 financial monitoring report to M&C

1. EXECUTIVE SUMMARY

1.1. The purpose of the appended report is twofold:

- To set out the current in-year financial position for 2020/21 and the management actions being taken to mitigate the financial pressures arising; and
- To set out the medium term financial position for the Council over the next four years and the assumptions on which it is based, as well as the likely levels of cuts which will be required.

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- 1.2. Scrutiny committees are asked to review and comment on these proposals and recommendations and that their feedback is referred on by Public Accounts Committee for Mayor & Cabinet on the 7 October 2020.
- 1.3. The timetable to deliver the Budget for 2021/22 is as set out below.

Month	Key Stage
September / October 2020	Medium term financial planning and monitoring. Chancellor's Autumn Budget
November / December 2020	Draft Officer cuts proposals presented for scrutiny and decision Provisional Local Government Finance Settlement
January 2021	Council Tax Base agreed by Council Draft Council Budget for 2021/22 prepared
February 2021	Greater London Authority sets their Precept for 2021/22 Council approves Budget & Council Tax for 2021/22

2. RECOMMENDATIONS

- 2.1. Scrutiny committees are asked to review and comment on these proposals and recommendations and that their feedback is referred on by Public Accounts Committee for Mayor & Cabinet as follows:
- 2.2. On the 7 October 2020 Mayor and Cabinet will then be recommended to:
 - Note the current in-year financial challenges of the Covid-19 impact of £60m with a funding gap of up to £20m and service overspending of £17m faced by the Council and the management actions being taken to mitigate these;
 - Note the 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) and approach being taken to identify cuts proposals to meet the estimated budget gap of at least £40m; and
 - Note the timetable for bringing forward cuts proposals and building the 2021/22 budget to Full Council in February 2021.

3. POLICY CONTEXT

- 3.1. The Council's 2018 to 2022 Corporate Strategy identifies seven corporate priorities and four core values which are the driving force behind what we do as an organisation. It sets out a vision for Lewisham and the priority outcomes that organisations, communities and individuals can work towards to make this vision a reality.
- 3.2. In taking action to minimise the current in-year financial pressures which have arisen, in setting out the Council's Budget Strategy, in engaging our residents, service users and employees, and in deciding on the future shape, scale and quality of services, we will be driven by the Council's four core values:
 - We put service to the public first.
 - We respect all people and all communities.
 - We invest in employees.

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- We are open, honest and fair in all we do.

3.3. These core values align with the Council's seven corporate priorities namely:

1. Open Lewisham - Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.
2. Tackling the housing crisis - Everyone has a decent home that is secure and affordable.
3. 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.
4. Building an inclusive local economy - Everyone can access high quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
5. Delivering & defending: Health, Social Care and Support - Ensuring everyone receives the health, mental health, social care and support services they need.
6. Making Lewisham greener - Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.
7. Building safer communities - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

4. FINANCIAL STABILISATION – BUDGET UPDATE AND MEDIUM TERM FINANCIAL PLAN REPORT

4.1. The appended Financial Stabilisation – Budget Update report will be presented to scrutiny in September before coming before M&C and Council in October. The specific dates are:

9 Sept	Safer Stronger
15 Sept	Housing
	Sustainable Development
21 Sept	CYP
23 Sept	Healthier Communities
24 Sept	PAC
7 Oct	M&C agree in-year financial stabilisation report
28 Oct	Council receive report

4.2. It is this report which Scrutiny are asked to consider and to pass any comments on to Public Accounts Select Committee for referral to Mayor and Cabinet. Following the Financial Stabilisation Report the Cuts report will be developed which will contain the specific proposals to implement the future year changes and will then be presented to Members in November before coming to M&C in December. The specific dates are:

11 Nov	Healthier Communities
12 Nov	Sustainable Development
18 Nov	Housing
26 Nov	CYP
1 Dec	Safer Stronger
3 Dec	PAC
9 Dec	M&C make decision on cuts to take forward to the Budget

4.3. The cuts from above, along with the Comprehensive Spending Review / Autumn Budget from the Chancellor (Oct/Nov) and provisional Local Government Finance Settlement in December, Council Tax base report and London precept plans in

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January will then be used to build the Council's Budget report for reporting to Public Accounts, M&C and onto Council for adoption on the 24 February.

5. FINANCIAL IMPLICATIONS

- 5.1. This report and the appended report are concerned with the Council's medium term financial strategy and as such, the financial implications are contained within the body of the appended report.

6. LEGAL IMPLICATIONS

- 6.1. The purpose of the appended report is to develop a medium term approach in support of better service and financial planning and an update of in-year financial pressures. Members are reminded that the legal requirements are centred on annual budget production, and that indicative decisions made for future years are not binding.
- 6.2. The Local Government Act 2000 and subsequent regulations and guidance says that it is the responsibility of the full Council to set Lewisham's budget, including all of its components and any plan or strategy for the control of the Council's capital expenditure. Regulations provide that it is for the Executive to have overall responsibility for preparing the draft budget for submission to the full Council to consider. Once the budget has been set, it is for the Mayor & Cabinet to make decisions in accordance with the statutory policy framework and the budgetary framework set by the Council.
- 6.3. Where there are proposals for a reduction to a service which the Council is either under a statutory duty to provide, or which it is providing in the exercise of its discretionary powers and there is a legitimate expectation that it will consult, then consultation with all service users will be required before any decision to implement the proposed saving is taken. The outcome of such consultation must be reported to the Mayor. Where the proposed savings will have an impact upon staff, then the Council will have to consult the staff affected and their representatives in compliance with all employment legislative requirements and the Council's own employment policies.

7. EQUALITIES IMPLICATIONS

- 7.1. The Council has a public sector equality duty (the equality duty or the duty - The Equality Act 2010, or the Act). 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. 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.
- 7.2. 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. It is a duty to have due regard to the need to achieve the goals listed above. The weight to be attached to the duty will be dependent on the nature of the decision

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and the circumstances in which it is made. This is a matter for Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Mayor and Cabinet 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.

- 7.3. The Equality and Human Rights Commission (EHRC) has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance. The Council must have regard to the statutory code in so far as it relates to the 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 on the EHRC website.
- 7.4. The EHRC has issued five guides for public authorities in England giving advice on the equality duty. The 'Essential' guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice.

8. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 8.1. There are no environmental implications directly arising from the report.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1. There are no crime and disorder implications directly arising from the report.

10. HEALTH AND WELLBEING IMPLICATIONS

- 10.1. There are no health and wellbeing implications directly arising from the report.

11. BACKGROUND PAPERS

- 11.1. Budget Report 2020/21 – Full Council 26 February 2020
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=138&MId=5649>
- 11.2. Financial Results 2019/20 – Mayor & Cabinet
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=6014>
- 11.3. Financial Forecasts Period 2 – Mayor & Cabinet 9 July 2020
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=6014>

12. GLOSSARY

- 12.1. See appended report for the full glossary of terms used.

13. REPORT AUTHOR AND CONTACT

- 13.1. For more information please contact David Austin, Acting Chief Finance Officer, 1st Floor Laurence House, 020 8314 9114, David.Austin@lewisham.gov.uk.
Katharine Nidd, Interim Director of Corporate Resources, 4th Floor Laurence House, 020 8314 6651, Katharine.Nidd@lewisham.gov.uk.

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Mayor and Cabinet

Financial stabilisation - budget update and medium term plan

Date: 7 October 2020

Key decision: No

Class: Part 1

Ward(s) affected: All

Contributors: Acting Chief Finance Officer

DRAFT

Outline and recommendations

The purpose of this report is twofold:

- To set out the current in-year financial position for 2020/21 and the management actions being taken to mitigate the financial pressures arising; and
- To set out the medium term financial position for the Council over the next four years and the assumptions on which it is based, as well as the likely levels of cuts which will be required.

Mayor and Cabinet are recommended to:

- Note the current in-year financial challenges of the Covid-19 impact of £60m with a funding gap of up to £20m and service overspending of £17m faced by the Council and the management actions being taken to mitigate these;
- Note the 2021/22 to 2024/25 Medium Term Financial Strategy (MTFS) and approach being taken to identify cuts proposals to meet the estimated budget gap of at least £40m; and
- Note the timetable for bringing forward cuts proposals and building the 2021/22 budget to Full Council in February 2021.

Timeline of engagement and decision-making

26 February 2020 – Budget report to Council

10 June 2020 – Council's response to Covid-19 – financial update report to Mayor & Cabinet (M&C)

9 July 2020 – First 2020/21 financial monitoring report to M&C

1. EXECUTIVE SUMMARY

- 1.1. The Council is required to annually set a balanced budget and prepare a sustainable medium term financial plan. However, the current unprecedented levels of

economic and fiscal uncertainty means that this is even more challenging than previous years. This on top of a decade of austerity which the Council successfully navigated.

- 1.2. The onset of the Covid-19 pandemic will drive the country into recession and according to a report by the Organisation for Economic Cooperation and Development (OECD), Britain's economy is likely to suffer the worst damage from the COVID-19 crisis of any country in the developed world, with a slump in the UK's national income of 11.5% during 2020 forecast.
- 1.3. However, whilst the possible scale of the economic downturn can be estimated, there is little clarity on what this will mean for local government funding. In the immediate term the current level of Covid-19 funding from government is insufficient to cover the costs and lost income experienced by local government, and it is unclear whether more funding will be made available to meet these costs.
- 1.4. It remains the Government's intention to implement new funding baselines for all local authorities. The new baselines being based on its review of local needs and resources (the Fair Funding Review) and a review of business rates. The last time the 'needs based assessment' was updated was for the 2013/14 settlement. However, due to the pandemic, the Government has announced that these changes will be further delayed.
- 1.5. In consequence, the Council is setting its medium term financial plan in the midst of a global pandemic and without any clarity or certainty on the funding which it can expect to receive from government in future years.
- 1.6. Further announcements with regards to Covid-19 funding, an autumn Budget by the Chancellor, clarity on the outcomes of the comprehensive spending review and a provisional local government finance settlement will all be key announcements expected later in the year which will hopefully reduce the levels of economic and financial uncertainty facing the Council.
- 1.7. Alongside unprecedented levels of economic and fiscal uncertainty the Council is also facing extraordinary in-year financial pressures due mainly to the need to ensure that throughout the Covid-19 pandemic the Council continues to protect its residents and maintain front line critical services. This has resulted in an estimated Covid-19 impact of £60m with a funding gap of up to £20m and service overspending of £17m.
- 1.8. The current levels of government funding are not sufficient to meet these pressures and there is uncertainty over whether any further funding will come forward. The Council continues to press government to stand behind its pledge to do 'whatever it takes' to support local government.
- 1.9. In the meantime, in accordance with the Council's budget policy framework and financial regulations in the Constitution, measures have been taken to seek to limit the financial pressures within the current financial year. These actions will reduce the in-year overspend by almost £5.5m. Unless the Council can preserve cash within the year these pressures will need to be met from reserves.
- 1.10. In light of the extreme uncertainty surrounding government funding and the extraordinary in-year pressures it is incredibly challenging to set a medium term financial plan. The assumptions which this is based on will need to be tested and reviewed in light of future funding announcements and general economic forecasts. The assumptions that officers have based the Medium Term Financial Strategy (MTFS) on are set out in this report and produce a current base case of an assumed budget gap of £55m over the four year period of 2021/22 to 2024/25, with over £40m required in the first three years.

- 1.11. While the scale of the challenge is no greater than in previous years, it follows on a decade when £190m has already been cut from budgets, there is uncertainty regarding the long term impact of Covid-19 on the community, the economy, and the Council, and there remain significant risks on the horizon from the global economy and the impact of Brexit through to the funding of public services including local government in the UK. Preparing for these further cuts against this backdrop will be a very significant and challenging task for the Council.
- 1.12. For the future budget gap, officers have started work on identifying possible cuts proposals to meet the 2021/22 budget gap forecast in this MTFs of £24m. Sessions of the Senior Leadership Team (SLT) have taken place in the period June to July to work collaboratively and identify cross-cutting proposal that can be implemented in future years. A number of themes have come from these which are being developed.
- 1.13. These themes have been reviewed by the Executive Management Team (EMT) who are scrutinising the budget to capture possible reductions to in-year spending and will lead SLT in the work to develop draft officer proposals for cuts to be put to Members for scrutiny and decision in the autumn. All services are part of this process.
- 1.14. The timetable to deliver the Budget for 2021/22 is as set out below.

Month	Key Stage
September / October 2020	Medium term financial planning and monitoring. Chancellor's Autumn Budget
November / December 2020	Draft Officer cuts proposals presented for scrutiny and decision Provisional Local Government Finance Settlement
January 2021	Council Tax Base agreed by Council Draft Council Budget for 2021/22 prepared
February 2021	Greater London Authority sets their Precept for 2021/22 Council approves Budget & Council Tax for 2021/22

2. RECOMMENDATIONS

- 2.1. Mayor and Cabinet are recommended to:
- 2.2. Note the current in-year financial challenges of the Covid-19 impact of £60m with a funding gap of up to £20m and service overspending of £17m faced by the Council and the management actions being taken to mitigate these;
- 2.3. Note the 2021/22 to 2024/25 Medium Term Financial Strategy and approach being taken to identify cuts proposals to meet the estimated budget gap of at least £40m; and

- 2.4. Note the timetable for bringing forward cuts proposals and building the 2021/22 budget to Full Council in February 2021.

3. POLICY CONTEXT

- 3.1. The Council's 2018 to 2022 Corporate Strategy identifies seven corporate priorities and four core values which are the driving force behind what we do as an organisation. It sets out a vision for Lewisham and the priority outcomes that organisations, communities and individuals can work towards to make this vision a reality.
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4. STRUCTURE OF THE REPORT

- 4.1. The Report is structured as follows:

1. Executive Summary
2. Recommendations
3. Policy Context
4. Structure of the report

Strategic Review

5. Introduction
6. Economic Context
7. Budget Update
8. In-year Financial Pressures Update

Medium Term Financial Strategy

9. Introduction
10. Resource Envelope
11. Revenue Expenditure Assumptions
12. General Fund Budget Gap
13. Addressing the Budget Gap

Summary and Implications

14. Timetable
15. Conclusion
16. Financial Implications
17. Legal Implications
18. Equalities Implications
19. Climate Change and Environmental Implications
20. Crime & Disorder Implications
21. Health and Wellbeing Implications
22. Background Papers
23. Glossary
24. Report Author

STRATEGIC REVIEW

5. INTRODUCTION

- 5.1. The Medium Term Financial Strategy (MTFS) represents the start of the Council's

formal budget process, which concludes with the setting of the overall Budget each year. The Budget Report for 2021/22 will be presented to Mayor and Cabinet and full Council in February 2021.

- 5.2. This report sets out the scope of the Council's financial planning which includes: the General Fund; Housing Revenue Account; the Dedicated Schools Grant, other funding streams, and the Capital Programme.
- 5.3. This report also crucially sets out the impact of the extraordinary measures being undertaken by the Council to address the challenges of the Covid-19 pandemic and overspending in some service areas following a decade of austerity, and the resultant cost pressures arising in-year. It sets out the level of these pressures, the extent of government support towards this, and the actions taken by the Council to seek to mitigate the in-year pressures to ensure that, consistent with the Council's budget policy framework and financial regulations in the Constitution, wherever possible the impact of this is limited to the current financial year.
- 5.4. The key objectives of the 2021/22 to 2024/25 Strategy are to:
 - plan the Council's finances over a four year period to take account of local improvement priorities and national priorities;
 - ensure that the Council's corporate priorities continue to drive its financial strategy and resource allocation;
 - assist the alignment of business and financial planning processes;
 - ensure that the plan takes account of: stakeholder and partner consultation; external drivers; capital investment; budget risk assessments; and expected developments in services;
 - ensure that the MTFs is linked to other internal strategies and plans; and
 - ensure that the final agreed budget reflects all these considerations.
- 5.5. Over the last ten years, the Council has undertaken a major budget reduction programme to manage the difficult financial challenge it has been faced with, implementing £190m of budget cuts in that time.
- 5.6. The financial outlook for the Council and the public sector as a whole remains extremely challenging, severely exacerbated by the Covid-19 pandemic. In the continuing absence of a future spending review or local government finance settlement from government and knowing that the economy is in recession, which will impact disproportionately on areas with higher inequality, it is expected that the Council's finances will remain under continued severe financial strain in the coming years. Faced with higher costs, more demands, and lower anticipated income the Council needs to prepare to make further cuts to services in order to be able to set a balanced budget for 2021/22 in line with its statutory obligation to do so.
- 5.7. The announcement of the new local government funding arrangements were deferred again in the 2020 Budget and the assumption is the current principles of the 2016-2020 approach to local government will continue, at least for one more year. The funding changes were expected to include the main local government grant, the Revenue Support Grant (RSG), being phased out, changes to the business rates regime and associated fair funding assumptions, additional responsibilities transferred to local authorities, the rolling-in of some specific grants, changes to school funding (formula and paid direct to schools), the continuing impact of the move to Universal Credit, and further health and social care integration. All of these therefore remain unresolved and uncertain at the current time.

- 5.8. In 2019/20, the government changed the business rates pooling from a 100% retention to a 75% retention pilot pool, the inflation assumptions to Consumer Price Index (CPI) from Retail Price Index (RPI), and withdrew the no detriment guarantee. London continued the pool for 2020/21 for a further year but with the impact of Covid-19 the Council should expect to receive less benefit from the pool in 2020/21.
- 5.9. The focus of the MTFs is the Council's General Fund budget. Whilst it is very important, particularly at a time of prolonged financial constraint, to identify ways in which all services can be delivered more effectively across traditional organisational and financial boundaries, the nature of the current continuing financial austerity regime is such that most of the budget reductions have to come from Council's General Fund services. Having a sound General Fund MTFs and a strategy for responding to the challenges it presents is an essential pre-requisite to ensuring effective responses from all of the services the Council directs and influences.

6. THE ECONOMIC CONTEXT

National

- 6.1. In his spring 2020 budget, the Chancellor of the Exchequer made a number of announcements in relation to the economic condition, forecasts and the government's policies. For example; the Chancellor gave strong signals that he will loosen the purse strings while retaining the existing fiscal rules, which require him to set a balanced revenue (current) budget whilst giving scope to significantly increase capital investment (up to 3% of GDP).
- 6.2. The increases in revenue spending proposed in the Budget will add a further 0.9% of GDP to the budget deficit on average over the next 5 years, and add £125bn to the public sector net debt by 2024-25. Capital investment will increase by a further £175bn over the next 5 years, taking public sector net investment up to 3% of GDP, the maximum allowed under the government's fiscal rules. Low interest rates have given the government scope to increase its borrowing for investment.
- 6.3. Further spring budget announcements included:
- £2.5 billion to be spent on fixing potholes;
 - Increasing the National Insurance Contribution thresholds from £8,632 to £9,500, saving a typical employee around £104 a year from April;
 - £300m additional funding to improve air quality;
 - £400 million to tackle rough sleeping;
 - Funding to build 200,000 new affordable homes with a 12.2 billion investment.
- 6.4. However, Covid-19 then happened and the Chancellor issued a summer statement released in July which was accompanied by the Office of Budget Responsibility (OBR) releasing an updated fiscal responsibility report. This presented an updated account of the enormous changes that have taken place since then, and the severe global economic impact of the Covid-19 pandemic. Some of the key announcements from these were as follows.
- The Office for National Statistics (ONS) estimates that Gross Domestic Product (GDP) in April was around 25% below the level recorded in February with a likely in-year borrowing requirement of now over £300bn.

- Economies across the world are experiencing the economic effects of COVID-19. The International Monetary Fund (IMF) estimates that the global economy will contract by 4.9% in 2020, having previously expected growth of 3.3% in its January forecast.
 - World Bank analysis suggests this will be the deepest global recession since the Second World War and the broadest collapse in per capita incomes since at least 1870.
 - The OBR is forecasting that unemployment will peak in Q1 2021 and then persist into the following year, albeit at lower and reducing rates. For local government, the implication of increased, and sustained unemployment, is that it will lead to much higher levels of claims for Council Tax Support (CTS).
 - The Consumer Price Index (CPI) is now reducing in the near term, partly because of a reduction in energy and utility bills. It has fallen from 1.8% in 2019 down to 0.8% in 2020 and only returns to 2% in 2023.
 - In March 2020, the OBR was forecasting that the budget deficit would be 2.2% of GDP by 2024-25. In July both the “central” and “downside” scenarios, the budget deficit is forecast to still be as high as 4.6% or 6.8% respectively in 2024-25. A deficit of 2% or under is sustainable – but the higher levels forecast by the OBR are not.
- 6.5. All of the above Office of Budget Responsibility (OBR) forecasts were made against the backdrop of the initial economic shock of the Covid-19 pandemic, but with continued uncertainty as to what the duration of the pandemic and any further spike in infection rates and consequent restrictions imposed both in the UK and globally, it is incredibly difficult to forecast the full impact and extent of the recession, and therefore local government finance.
- 6.6. Critically, the UK's debt is now worth more than its economy after the government borrowed a record amount in May. The £55.2bn figure was nine times higher than in May last year and the highest since records began in 1993 and it sent total government debt surging to £1.95trn. Income from tax, National Insurance and VAT all dived in May amid the coronavirus lockdown as spending on support measures soared. Since then the level of government borrowing has risen above £2trn, albeit on lower interest rates and with inflationary pressures stalled.
- 6.7. Britain's economy is likely to suffer the worst damage from the COVID-19 crisis of any country in the developed world, according to a report by the Organisation for Economic Cooperation and Development (OECD). It stated that a slump in the UK's national income of 11.5% during 2020 will outstrip the falls in France, Italy, Spain, Germany and the US.
- 6.8. Also according to the OECD, Britain, which is forecast to post an increase in unemployment to around 9%, could make its situation more difficult if it failed to secure a lasting agreement with the EU on trade and access to the single market;. “The failure to conclude a trade deal with the European Union by the end of 2020 or put in place alternative arrangements would have a strongly negative effect on trade and jobs”.

Local Government

Local Government funding reform

- 6.9. It remains the Government's intention to implement new funding baselines for all local authorities. The new baselines being based on its review of local needs and

resources (the Fair Funding Review), the introduction of 75% business rates retention and resetting business rate baselines. The last time the 'needs based assessment' was updated was for the 2013-14 settlement.

- 6.10. However, due to the pandemic, the Government has announced that:
- the review of relative needs and resource and the introduction of 75% business rates retention would no longer be implemented in April 2021 as planned;
 - the revaluation of business rates, due to take place in April 2021, will no longer take place;
 - the review of business rates will continue and it is assumed this will report back in autumn 2020.

Spending Review

- 6.11. The main strategic funding decisions of central government as they relate to local government are normally made at each Spending Review; although these have been supplemented at subsequent annual Local Government Finance Settlements.
- 6.12. The 2019 Spending Review was reduced in scope due to uncertainty over Brexit and covered one-year only (2020-21). It is still unclear whether there will be a multi-year CSR in 2020 or indeed an Autumn budget. The absence of any detail about all of the major funding streams creates huge financial uncertainty for the Council. Early visibility of local government funding would help local government plan and make effective decisions.
- 6.13. Alongside local authority spending power cuts of over 25% in real terms since 2010-11, local authorities are facing more demands (Lewisham's population has grown by 30,000 or 10% in the past decade) and cost pressures with no reduction in their statutory obligations to provide services. Local spending is becoming more narrowly focused on social care even with some council tax increases that are restricted to use only for adult social care. At the same time, while seeking to be more commercial income can be uncertain from other revenue sources, such as business rates growth, the New Homes Bonus, and fees and charges (e.g. parking and commercial waste). This income volatility is a significant element of the impact of Covid-19 for the Council with economy effectively paused for four months and no clear timeline for recovery and future growth at this time.
- 6.14. Pending the 2020 financial settlement for local authorities, likely to be as late as December, certainty about future funding disappears. This is compounded by not knowing whether local authorities will receive a number of the one year only grants for 2020/21 again, including those for any continuing impacts of Covid-19, nor whether there will be flexibility to raise council tax by more than 1.99% without triggering a referendum, recognising this is a regressive tax.

7. BUDGET UPDATE

2019/20 Financial Accounts

- 7.1. The Council's draft final accounts for 2019/20 have been prepared and have been submitted to the Council's external auditor, Grant Thornton. The draft accounts will be reviewed by the Audit Panel on 30 September 2020. The Council's final 2019/20 Directorate revenue outturn position was a Directorate overspend of approximately £6m.

- 7.2. The Housing Revenue Account (HRA) spent to budget after transfers to reserves as at 31 March 2020. It continues to hold significant reserves on an annual basis, mainly to ensure that there are sufficient resources available to fund the current 30 year business plan. This aims to continue to invest in decent homes and to significantly increase the supply of housing in the borough over the medium to long term. After transfers to and from reserves the HRA balance at the end of the year, including earmarked reserves, now stands at £107.8m (£113.6m as at 31 March 2019).
- 7.3. The final budget distribution of the Dedicated Schools Grant (DSG) for 2019/20 was £258.8m (net of academy recoupment). The cumulative revenue balances for schools at year-end, including external funds, amounted to £23.5m. However, it should be noted that there were 11 schools with licensed deficit budgets at the year end, totalling £3.8m. There are also eight schools with local authority loans with a total balance of £2.2m, four of which have licensed deficit budgets. Overall the net position for schools has reduced from £21.6m to £19.3m. All schools with deficits have a budget recovery plan and work will continue this year to ensure that plans are delivered and the future position is sustainable.
- 7.4. The Capital Programme spend as at 31 March 2020 was £121.2m. This represents 72% of the revised budget of £169.1m.

2020/21 Budget

- 7.5. The 2020/21 budget was approved by Council on the 26 February 2020. The overall budget position for the Council is a net General Fund Budget Requirement of £248.7m. This included £19m of ongoing budget growth funded to reset service baselines in-line with anticipated spend. It was expected that this would enable services to better live within their budgets and reduce the level of in-year overspending noted in recent years. This remains work in progress.

2020/21 General Fund Revenue Budget Monitoring

- 7.6. Officers continue to undertake regular revenue budget monitoring in 2020/21. The first revenue budget monitoring was presented to Mayor & Cabinet on the 9 July 2020. The impact of Covid-19 pandemic has meant that there is increased monitoring of costs and pressures, as well as monthly returns to Ministry of Housing Communities and Local Government (MHCLG). Section 8 specifically discusses the impact of Covid-19 on the Council's finances, whilst this section considers the wider financial position for 2020/21.

Council-wide Financial Position

- 7.7. The forecasts against the directorates' general fund revenue budgets are shown in Table 1. In summary, a forecast year-end gross overspend of £49.8m is being reported as at the end of June 2020, where £32.6m is considered Covid-19 related and the balance of £17.2m are classified as service directorate pressures. In addition to the directorate Covid-19 pressures of £32.6m, there is approximately £20m of collection fund losses also being reported to government. The pressures are alleviated in part by additional government funding which is being received to provide some financial support to councils to undertake additional activities in recognition of the unplanned costs which have been incurred in responding to Covid-19. The

amount received by Lewisham to date, or due for imminent arrival for such purposes, totals £25.7m. Once applied to the gross spend projections, this has the effect of reducing the overall pressure down to £24.1m. It should be noted that this still leaves unfunded Covid-19 related pressures of £6.9 for these services, as well as loss of collection fund income which will have to be written back over the next three years. This is set out in the following tables.

- 7.8. As the government continues to consider the easing of lockdown restrictions in the United Kingdom, the full impact and economic fallout of the coronavirus pandemic remains unclear. Therefore, officers are only able to estimate the likely impact on the Council's financial position in 2020/21. The current modelling that the council has undertaken reflects a spectrum of potential financial impacts due to this uncertainty.

Table 1 – Overall Directorate Position for 2020/21

Directorate	Gross budgeted spend 2020/21	Gross budgeted income 2020/21	Net budget 2020/21	Forecast Outturn 2020/21 As at end of June 2020	Forecast Variance Over/ (Under) Spend June 2020	Covid-19 Related Variance June 2020	Non Covid-19 Service Variance June 2020
	1	2	3 (1+2)	4	5 (4-3)	6	7 (5-6)
	£m	£m	£m	£m	£m	£m	£m
Children & Young People - CYP (1)	159.7	(102.2)	57.5	79.9	22.4	10.1	12.3
Community Services – COM	179.1	(90.5)	88.6	98.9	10.3	9.5	0.8
Housing, Regeneration and Environment – HPRP (2)	126.2	(90.3)	35.9	47.2	11.3	7.8	3.5
Chief Executive and Corporate Resources – CE/CR	64.3	(26.9)	37.4	43.2	5.8	5.2	0.6
Directorate Totals	529.3	(309.9)	219.4	269.2	49.8	32.6	17.2

(1) – gross figures exclude £180m Dedicated Schools' Grant expenditure and matching grant income

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

- 7.9. The level of support received from government to date has not been sufficient and additional funding is urgently needed. It will be essential that government recognises that local authorities like Lewisham will be at the heart of the pandemic recovery and appropriate financial support is vital to all of those across the borough who rely on Council services at this time.
- 7.10. In the meantime the Council is required to ensure that it manages within the statutory framework of a balanced budget. This will mean drawing on reserves for any overspending in-year, whether from the impact of Covid or other service pressures. The Council's reserves are limited and can only be spent once. Action is therefore required now to reduce the call on reserves and secure the Council on a sustainable financial footing. This is consistent with and reflected in the Council's Constitution in respect of good financial governance. The financial regulations (section K) of the Constitution, in particular section 3.3, set out that Executive Directors and Budget holders are expected to lead on this.
- 7.11. Given the scale of the in-year pressures, action is being taken now with a range of measures identified. The Executive Management Team (EMT) working with Directors as the Senior Leadership Team (SLT) are taking action to ensure that the overspend is reduced to mitigate the likely need to draw down from reserves in 2020/21.
- 7.12. While the Council continues to operate with the priority on the response to Covid and maintaining critical services, some recovery and return of other services to be fully operational is enabling actions to be taken by services to address in-year budget pressures. These actions include but are not limited to:
- holding vacancies where possible and stronger controls on agency recruitment;
 - ensuring costs are fully recharged and income collected;
 - reviewing contractual commitments and pricing for the remainder of the year; and
 - recognising where activity will be less than expected this year so costs are lower.
- 7.13. The table below shows the anticipated impact of these in-year spend reduction measures by directorate. Once delivered these are expected to reduce the non-Covid service variance of £17.2m noted above to £11.8m with management action continuing to reduce this further where possible. These actions and their impact on spending will continue to be reported as part of the quarterly financial monitoring to Mayor & Cabinet (M&C).

Table 2 – Overall Directorate in-year spend reduction for 2020/21

Directorate	Net budget £m	In-year reduction £m
CYP	57.5	1.7
COM	88.6	2.3
HRPR	35.9	1.0
CE / CR	37.4	0.4
TOTAL	219.4	5.4

- 7.14. These items are once off in nature and are not considered to be permanent budget reductions, but simply cost saving measures instigated during the year to manage down the overspend. Sections twelve and thirteen set out the likely general fund budget gap over the medium term, and the process to be undertaken to identify savings to ensure that the Council can set a financially sustainable medium term financial plan.

Housing Revenue Account Monitoring

- 7.15. The Housing Revenue Account (HRA) is a statutory account which sets the Landlord costs and income for the housing stock. The forecast position for the Housing Revenue Account is to spend to budget for 2020/21.
- 7.16. The HRA now operates with a 30 year business plan which allows the housing strategy to be updated and implements long term planning on resources and asset maintenance. The plan contains a long-term assessment of the need for investment in assets, such as Decent Homes and other cyclical maintenance requirements, as well as forecasts on income streams such as rents, in line with rent restructuring, and future developments.
- 7.17. The plan also recognises certain risks. For example; the impact of government policy changes in respect of types of tenancy, rent levels, right to buy, and treatment of voids. Recently the main challenge for the HRA has been to bring forward development of new homes given the pressure on available social housing stock. There may now also be costs for the refurbishment of buildings depending on the lessons learnt from the Grenfell tower fire in June 2017.

Dedicated Schools Grant

- 7.18. The Dedicated Schools Grant (DSG) is currently projected to overspend by £2.6m at the end of the financial year. There are five schools with loans totalling £1.4m.
- 7.19. The Dedicated Schools Grant (DSG) set by the Department for Education (DfE) for 2020/21 is now confirmed at £264.251m. This figure is after the DfE recoupment for Academy Schools and the adjustment for the inter-borough use of high needs places, although this could change during the year to reflect updated pupil numbers (and the finalisation of the Early Years Block).

Redundancy and cost pressures

- 7.20. Under the current Lewisham Schools Scheme of Delegation redundancy costs are met by the school. These costs arise from schools implementing management action to reduce staffing in order to balance their budgets.
- 7.21. Across London, authorities are reporting pressure on their DSG high needs block spending which, if not managed, adds to DSG pressures or, worse, becomes a further pressure for the General Fund for services that it is not intended to meet.

Deficit Recovery Plans

- 7.22. Historically like most Local Authorities Lewisham operated a system to provide schools with a loan to cover budget deficits. Regulations supporting this process have now changed. This means that in addition to potential redundancy costs, the Local Authority could incur liabilities arising from School Deficits.

Capital Programme

- 7.23. The Capital Programme spend as at 31 May 2020 is £4.4m, which is 2% of the 2020/21 of the proposed revised capital budget of £210.9m. At this point last year, 16% of the revised budget had been spent, with the final outturn being 72% (£121.2m) of the revised budget of £169.1m. This reflects the delays arising on schemes paused due to Covid-19.
- 7.24. The estimated resources available and the budgeted expenditure within the 2020/21 to 2022/23 Committed Capital Programme are set out in Table 3 below:

Table 3: Capital Programme Resources and Forecast Expenditure 2020/21 to 2022/23

	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
SCHEMES				
General Fund	58.1	27.6	8.6	94.3
HRA	136.3	196.1	132.8	465.2
	194.4	223.7	141.4	559.5
RESOURCES				
Prudential Borrowing	108.5	139.6	79.9	328
Grants & Contributions	36.4	42.5	29	107.9
General (capital receipt, reserves, revenue)	49.5	41.6	23.5	123.6
	194.4	223.7	141.4	559.5

- 7.25. The 2020/21 to 2022/23 Capital Programme totals £559.5m and brings together all capital projects across the Council. It sets out the key priorities for the Council over the next three years and is the subject of regular review.
- 7.26. The financial uncertainty prevailing for revenue spend as discussed above extends to cover capital spending. This places increased reliance on the Council's capacity to identify programmes that can be funded through grant or can be afforded through long term borrowing. For this reason, any new projects or programmes will need to clearly demonstrate a sound business case for investment.

8. IN-YEAR FINANCIAL PRESSURES UPDATE – COVID-19

- 8.1. The 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, compounded by the Covid-19 pandemic and the Council's response to ensure that critical services continue to be delivered to its residents and those most vulnerable within society.

- 8.2. All local authorities are under significant financial strain following the outbreak of the coronavirus with business rates, council tax and income levels from fees and charges all falling significantly. Without extra funding from government then it may not be possible for local authorities to balance their budgets whilst providing a full emergency response and adequately maintaining essential services. The latest Institute for Fiscal Studies (IFS) report for the Local Government Association (LGA) identifies the current government funding for local authorities to respond to the impact of Covid-19 leaves a gap of £2bn which is not covered from available reserves.
- 8.3. Maintaining Council income was always important to ensure these critical services can continue, but the cost of coronavirus in Lewisham is estimated to be £59.8m this year and rising and the response continues and in anticipation of the risk of a serious second wave over the winter.
- 8.4. The Council has taken measures to support both businesses and residents who are facing financial hardship as a result of the Covid-19 pandemic. The table below provides an overall summary of the additional resources which have been received by the Council to date to help with this support.

Table 4: Government Funding for Covid-19

Funding Description	Lewisham's Allocation £m
Section 31 – Infection Control Grant	1.624
Section 31 – Test, Track and Contain Grant	2.267
Section 31 – Food and Essential Supplies	0.401
Covid-19 LA Support Grant (Tranches 1 and 2)	17.961
Covid-19 LA Support Grant – (Tranche 3)	3.194
Reopening High Street Safely Fund	0.272
Reclaim for costs from the Health Sector	TBC
Claim for lost income to be offset by government grant	TBC
Sub-Total – for service costs	25.719
<i>COVID-19 Hardship Fund</i>	3.241
<i>Nursery Discount – Local Share</i>	0.905
<i>Expanded Retail Discount – Local Share</i>	29.511
<i>Business Support Grant (Small business grant fund and Retail, Leisure and Hospitality Fund)</i>	47.000
<i>Discretionary business grants (up to 5% of business support grant)</i>	TBC
Sub-Total – for businesses and citizens	80.657
Grand Total	105.975

8.5. In March, the government announced a hardship grant would be provided to local authorities in response to Covid-19 to provide council tax relief to vulnerable people and households. Lewisham received £3.2m of hardship funding and has made these funds available to individual Council Tax payers through two routes:

- Grants aligned to the Council Tax Reduction Scheme
- Emergency support for residents.

8.6. The first is an additional grant of £150 per working age claimant of the Council's Council Tax Reduction Scheme (CTRS). On 8 June, 16,300 households' accounts were credited with £150. Any remaining balance of this funding is being used to support additional hardship claims for those in crisis via the local support scheme, where no other assistance is available. As at 29 July 2020, 197 applications have been received, of which 117 payments have been distributed and 78 applications have been unsuccessful.

Businesses

8.7. Central government has turned to local authorities to deliver a number of new schemes aimed at supported local businesses who have been impacted by Covid-19.

8.8. For businesses, support measures include extended business rates relief for 2020/21, grants to small businesses and those in the retail, hospitality, and leisure sectors, and a grant to support Small and Medium Enterprises (SMEs) – those with less than 50 employees – not covered by the initial grant arrangements.

8.9. The Council has received £47m to distribute in grants of £10k or £25k to small business within certain rateable values and/or in the retail, hospitality, and leisure sectors. At 29 July 2020, the Council had assessed all those who have applied and disbursed 3,032 grants of the 3,375 businesses eligible and over £38.4m. There are no cases pending assessment. Work continues to actively reach out to those remaining businesses who may be eligible, but have yet to apply and a discretionary award scheme has been in operation during the June and July.

Council Services

8.10. The Council received £18m from its share of the £3.2bn of government emergency Covid-19 funding. A further (third tranche) of funding was announced on 17 July 2020. Lewisham's share of this £500m of newly announced resources is £3.2m. The Council has also received £1.6m and £2.2m by way of grants for 'infection control' and 'test, track and contain', respectively. Furthermore, an allocation of £300k was received as Lewisham's share of the 're-opening the high street safely' fund, and £0.4m for essential food and supplies, to effectively support the shielding programme. This brings the overall total of known funding for these council services to £25.7m.

8.11. The government has also indicated that local authorities will be given more time (i.e. three rather than one year) to either collect or absorb the impact of some tax pressures (business rates and council tax) arising in 20/21 through the Collection Fund. That some compensation will be available for the loss of certain income up to

75% after allowing for a 5% loss but the specifics have yet to be confirmed. And, that it continues to review the pressures on services, not least as the country faces the winter season and possible second wave(s) of the pandemic.

9. MEDIUM TERM FINANCIAL STRATEGY (MTFS)

INTRODUCTION

- 9.1. The MTFS takes a forward view of the likely financial position of the Council over the next four years. This strategy does not seek to duplicate or replace any of the Council's other policies and strategies.
- 9.2. The financial strategy has produced a model with financial forecasts that aim to deliver the Council's priorities and identifies the constraints of the significant financial challenges it faces.
- 9.3. The MTFS projects:
 - a. the resource envelope the Council's General Fund must operate within in future years;
 - b. service and other spending pressures and the main factors that may affect these; and
 - c. the General Fund Funding gap which is the difference between the resource envelope and the spending projections.
- 9.4. As the level of uncertainty regarding funding is currently very high for the years 2021/22 to 2024/25, the strategy has again modelled three indicative scenarios, the optimistic case, the **main** case, and the pessimistic case. The main case is assumed to be the most likely expected to happen. These scenarios are formulated on a number of local and national assumptions made based on the information available. These are discussed below for the main case and summarised in Appendix 1.

10. RESOURCE ENVELOPE

- 10.1. The resource envelope set out in this section of the report consists of the following elements:
 - The 'Settlement Funding Assessment' (SFA) which is the total of retained business rate income and business rate top-up.
 - Council Tax income.

Settlement Funding Assessment (SFA)

- 10.2. Local authorities receive funding from the government via the Settlement Funding Assessment (SFA). This previously consisted of a share of local Business Rates and a Revenue Support Grant (RSG).
- 10.3. This financial year, Lewisham continues to be part of the London Business Rates

pool, trialling the 75% Business Rates retention for a further year. The 2020/21 SFA is entirely paid from Business Rates, the RSG having been 'rolled in'.

- 10.4. The government offered any Council that wished to take it up a four-year funding settlement to 2019-20 which provided funding certainty and stability.
- 10.5. The government is now carrying out a Fair Funding Review which was intended to be for 2020 onwards, which is basically a review of the way the government distributes financial resources to local authorities. A number of consultations have taken place but there is limited information on the outcome of the review, which means local authorities currently have no indication as to what their 2020/21 funding levels will be. The 2019 Spending Review was reduced in scope due to uncertainty over Brexit and covered one-year only (2020-21). It is still unclear whether there will be a Spending Review in 2020 and, if there is, what period it will cover. The absence of any detail about all of the major funding streams creates huge financial uncertainty. Early visibility of local government funding would help local government plan and make effective decisions.
- 10.6. This makes forecasting future budget requirements wholly dependent on presumptions without any framework or guidance on what the new local authority funding regime and amounts may be. As a result, rather than try and predict a new model, this MTFS extends the assumptions of the previous (2016 to 2020) four year funding approach, which was extended a further year to 2021. The table below shows the forecast SFA over the next four years.

Table 5: Make-up of Lewisham's 2020/21 and Estimated Settlement Funding Assessment, 2020/21 to 2021/22 to 2024/25

Settlement Assessment	Funding	2020/21 Actual	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast
		£m	£m	£m	£m	£m
Retained Business Rates		28.00				
Business Rate Top-up		95.15				
Baseline Funding Level (BFL)			118.39	115.68	109.20	104.72
Total SFA		123.15	118.39	115.68	109.20	104.72

Business rates income

- 10.7. In 2018/19, the government devolved 100% of Business Rates to local authorities via the pilot pool. In 2019/20, the level of devolved Business Rates was changed to 75%. In London, this will be shared between Local Authorities and the GLA. This means LAs will retain 48% of Business Rates and the GLA 27%. The RSG has been

'rolled-in' at this stage thereby phasing it out.

- 10.8. Changes to Business Rates retention were intended to be fiscally neutral by allowing the main local government grant (e.g. Revenue Support Grant) to be phased out and additional responsibilities devolved to local authorities or regions, matching the additional funding from business rates.
- 10.9. The government has confirmed that 75% Business Rates Retention arrangements will not now be implemented from April 2021 as intended. The forecast assumes the reforms and the business rates reset will be implemented from 2022-23. This has not been confirmed. For this reason, any assumptions beyond 2020 at this stage are officer assumptions, pending confirmation from government on funding allocations.

The Fair Funding Review

- 10.10. Central government funding for local authorities is based on an assessment of relative needs and resources. The overarching methodology that determines how much funding each authority receives annually was introduced over ten years ago and has not been updated since funding baselines were set at the start of the 50 per cent business rates retention scheme in 2013/14.
- 10.11. The government is therefore undertaking the Fair Funding Review to update the needs formula and set new funding baselines, intended to be for the start of the new 75% business rates retention scheme, from April 2020, which is now assumed to be the start of 2022/23.
- 10.12. The government is proposing to simplify the funding formula based on a small number of key cost drivers such as population, deprivation, rurality/density, and area costs. The government has so far undertaken two consultation exercises. The consultation identified key areas that require a more detailed assessment of needs such as adult social care, children's services, highways and public transport, waste collection and disposal. Last year, due to the impact of the Brexit negotiations on most of the government's major business decisions, this was deferred and the government issued instead a one year funding settlement and move the Fair Funding Review start to April 2021. It is still unclear whether there will be a Spending Review in 2020 and, if there is, what period it will cover.

Council Tax income

- 10.13. In considering savings proposals and the level of Council Tax, Members make political judgements balancing these with their specific legal responsibilities to set a balanced budget and their general responsibilities to stewardship of the Council's finances over the medium term.
- 10.14. For 2020/21, the government extended the 2.99% referendum trigger for another year. The Social Care Precept is in addition to this. The Social Care precept introduced by the government from 2016/17 to 2019/20 ended last year. The long awaited government proposals for the sustainable long-term funding of adult social care services has still not been published and it is unclear whether the governments

solution to the longer term funding of social care will include additional ASC precepts.

- 10.15. As these measures ended in 2019/20, the assumptions for increase in Council Tax in future years are focused on the local decisions to be made by the Council, limiting any increase to 1.99% (the referendum threshold).
- 10.16. Council Tax income is also affected by growth in the number of properties in the borough, the rate of Council Tax collection, as well as decisions about the level of Council Tax.
- 10.17. In 2020/21, Council Tax was raised by 4.99% in total, i.e. a 2.99% core increase and the 2% social care precept increase as set out above. This generated additional funding of £4.6m.
- 10.18. For 2020/21, the MTFs main case assumes a 1.99% increase in core Council Tax and 1.99% in each year thereafter. This reflects the assumption that the Council will apply the maximum increase allowed without a referendum in 2021/22 and beyond. In addition, the MTFs assumes a 0.75% average increase in the Council Tax base for the four year budget period, based on Planning Service's housing trajectory. In total over the period this will add approximately £14m to the Council Tax income base over the four year period to 2024/25.
- 10.19. Forecast Council Tax income from 2021/22 to 2024/25 is set out in Table 6 using the assumptions in Appendix 1. The amounts collected here are after allowing for the cost of the Council Tax Reduction Scheme and any uncollected debts.

Table 6: Council Tax Income Future Year Projections

	2021/22 projection	2022/23 projection	2023/24 projection	2024/25 projection
	£m	£m	£m	£m
Optimistic	119.54	123.80	128.84	133.38
Main	118.29	122.52	127.53	132.02
Pessimistic	115.80	119.97	124.28	129.37

11. REVENUE EXPENDITURE ASSUMPTIONS

- 11.1. In addition to the reduction in the level of resources available over the next four years, the Council faces a number of budget pressures which will add to the overall revenue expenditure, including ongoing pressures from the Covid-19 pandemic. This section of the report considers the effect such pressures will have on the future years' revenue expenditure.

Pay

- 11.2. A pay award of 2% was agreed by the Greater London Provincial Council for 2019/20, with a better than 2% increase for lower paid staff also agreed. The current offer for 2020/21 is 2.75% but this has yet to be agreed. However, in light of the expected

recession the main model has assumed a 2% pay award for 2021/22 and assumed that pay awards will remain at 2% in future years.

General price inflation assumptions

- 11.3. General price inflation is calculated on non-pay expenditure on General Fund services (excluding internal recharges and housing benefit payments). A proportion of this expenditure is contractual with indices linked to inflation but in many cases the Council is in a position to re-negotiate increases. For the purposes of these projections, it is assumed that all prices go up generally by inflation, which in 2021/20 has been estimated at 1.5%, rising to 2% by 2024/25.

General fees and charges assumptions

- 11.4. The Council's approach in the past has been to expect fees and charges it makes to rise in line with inflation unless there is a specific decision to increase them by more or less. In some cases, this will be outside the control of the Council (for example, where charge rates are set by statute). However, for the purposes of these projections of spending, it is assumed that on average fees and charges in aggregate will increase by inflation.

Further budget pressures and risks

- 11.5. Forecasting the impact of demand changes is the most difficult aspect of the MTFs. But the MTFs needs to make allowance for the potential impact of these through the allocation of an amount for risks and pressures. The key challenges that impact on the demand for Council services are as follows:
- **Population growth** – this particularly affects people-based services such as adult and children's social care. But it also affects general demand for universal services such as leisure and cultural services and school places;
 - **Ageing population** – this affects care for the very elderly but also impacts on care for younger adults and children with disabilities who are living longer as a result of improvements in medical care. It also has a direct impact on the funding the Council needs to provide for the London-wide concessionary fares scheme;
 - **Household growth** – this impacts on General Fund property-based services such as refuse collection and waste disposal; highways, footpaths and street lighting; and more school places and additional health and care needs.
 - **Impact of government policy** – improvements in economic well-being and reduction in crime should potentially mean less demand for Council services. However, the shortage of housing, the impact of welfare changes, and policy toward people with No Recourse to Public Funds are all having a major impact on social needs within the borough. With deep and long lasting implications for the level and impact of poverty as set out in the 2019 United Nations report on the impact of austerity in the UK since 2010.
 - **Impact of reducing preventative services** – reductions in budgets for preventative services such as early years, the youth service and aspects of adult social care provision are likely to affect demand for more acute services including

children at risk, children involved in crime, adults with drug and alcohol problems, adults in residential accommodation and so on; and

- **Regulations and standards** – as the national negotiations progress to withdraw the UK from the European Union institutions, with new responsibilities for local government through anticipated funding changes, and as councils respond to recent community incidents standards and ways of working are expected to change.
- 11.6. The Council is pro-actively trying to address these demand pressures and seeks to ensure, wherever possible, that the changes it has to make to services reduce rather than increase demand
- 11.7. Other pressures, such as the cost of transition of children with disabilities into adult services or when specific grants are reduced or withdrawn, are assumed to be managed within service budgets.
- 11.8. To enable the Council to recognise these pressures and risks in a flexible way as they come to bear, the MTFs includes an annual provision of £6.5m corporately for growth from demand and other unavoidable pressures in the budget. The model assumes this will continue for future years.

Specific grant assumptions

- 11.9. The following assumptions have been made in the projections on specific grants which fund services. The general point is that within the Council's devolved budget management arrangements the funding position is noted and it is for the service to ensure that their spending is managed within the available grant. The main specific grants include:
- **Public Health** – this grant is £24.8m in 2020/21, an increase of £1m from 2019/20. Any future year changes to the public health budgets once announced will need to be the subject of further officer proposals to ensure expenditure on services matches the available grant
 - **Better Care Fund (BCF)** – this funding increased to £23.3 in 2020/21. The Council receives approximately £8.9m of this funding to support Council led services.
 - **Improved Better Care Fund (iBCF)** – In 2020/21, the iBCF increases to £14.5m. This is intended to fund adult social care activity. Plans for its use, which have not yet been finalised, will also require the agreement of the local Clinical Commissioning Group (CCG). The grant is likely to be spent in substantially the same way as in 2019/20 with the increase being used to fund the balance in fee increases plus transition and other demographic pressures.
 - **Other grants** – the Council receives a number of other grants. Pending a full financial settlement for local government these have increased in recent years, in number and scale, and therefore post a greater risk to the Council's budget as they are only annual. These include recent s31 grants which supplement business rates, and social care and special education needs grants as well as some other relatively small or directly related to specific projects. A number of the smaller ones come from the Greater London Authority; for example, funding we receive from the

London Mayor's Office for Policing and Crime (MOPAC) to support crime reduction work. Any changes to these grants will have to be met with an equivalent reduction in service spend to ensure it will have a neutral impact on the Council's overall budget gap.

Other Income and Expenditure Items

- 11.10. There are other income and expenditure items in the Council's budget which are mainly non-service specific. These consist of the following elements:

Capital financing charges

- 11.11. Capital financing costs include all revenue costs relating to the Council's outstanding borrowing which comprises repayment of principal and interest charges. It also includes provision for capital spending which is charged directly to revenue and repayment of historic debt in respect of the former Inner London Education Authority. These costs are offset by principal and interest repayments from the Catford Regeneration Partnership Limited, Lewisham Homes, and interest on the Council's investment balances.
- 11.12. The main factors that affect the forecasting of capital financing costs are the level of borrowing for capital purposes, the level of the Council's cash balances, and interest rates. The MTFS assumes that capital spending will be funded either from grant, capital receipts, capital reserves, be charged direct to revenue or borrowing.
- 11.13. Changes to interest rates should not affect borrowing costs as the Council borrows long term (typically 30 plus years) at fixed rates. It also assumes that cash balances remain at their current level in the immediate future. If interest rates rise the Council receives more interest on balances invested. However, the projections have not built in any assumptions about changes to interest rates as their scale is likely to be limited and the timing remains uncertain.

Levies

- 11.14. These cover the London Pension Fund Authority, the Environment Agency and Lee Valley. It is assumed these will stay at similar levels for future years.

Added years pension costs

- 11.15. In the past, staff who retired early were awarded additional assumed years in the Pension Fund with the additional cost being charged to the General Fund. Although added years stopped being awarded some years ago, the Council has an on-going commitment for those staff who were awarded added years in the past.

Other known future years' budget adjustments

- 11.16. There are further adjustments that are included within the budget projections for future years, funded from the £6.5m provision stated in para 11.8 above:

- **Concessionary fares** – the cost of concessionary fares to the Council changes each year to reflect increases in population entitled to concessionary fares, increases in fares themselves, and changes to the basis for allocation of costs between boroughs. The projections now assume a 2% decrease for 2021/22, a further 1% decrease in 2022/23 and then a 0% change for the remaining two year period.
- **Highways and footways maintenance** – the 2014/15 budget report included a proposal to switch highways and footways maintenance funding from capital to revenue in order to avoid the build-up of prudential borrowing charges. To fund this, it was agreed that £0.35m growth would be provided each year in the revenue budget together with funding that would be released within the capital financing charges budget as a result of prudential borrowing no longer being required.
- **Under 18's travel** – as part of the emergency funding deal for TfL, it is being proposed that free travel for 11-17 year-olds is removed. This is assumed to create a £0.5m pressure in 2020/21.
- **Pension Fund Contributions** – It is anticipated that due to the McCloud judgement (the Court of Appeal's ruling that Government's 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon members' age on the 1 April 2012), it is anticipated that additional contributions will be required into the Council's pension fund in coming years. It is assumed that up to a further £1m per annum will be needed for the next three years.
- **IT infrastructure** – there is the need to ensure that the Council is able to continue to invest at pace in IT infrastructure and digital solutions. Some of this has arisen due to the significant channel shift required to move Council services on line and the increased levels of home and remote working due to Covid-19. It is assumed that £1m will be needed in 2021/22.
- **Service investments** – these range across a number of areas and are being monitored as the Council's recovery and transition planning from Covid 19 develops. They include: cost of market changes in areas such as social care and leisure services, demand for housing and temporary accommodation in particular, need to develop stronger economy and partnership relationships across the Borough, and other changes to government policy and funding.

New Homes Bonus

- 11.17. The New Homes Bonus (NHB) is a grant paid for a fixed period, currently four years, by central government to local councils for increasing the number of homes in use. Growth in the number of properties in Lewisham in line with the London Housing plan has funded the New Homes Bonus.
- 11.18. The Government has announced that the scheme will not continue its current form with legacy payments for previous growth only, which run off in 2022/23. The Government has not consulted on any replacement scheme.
- 11.19. Over the past few years part of the NHB has been used to bridge the budget gap as a temporary measure. This has only moved the gap forward, not eliminated it. The ceasing of this funding stream will mean the Council will need to address the previous

year's unachieved savings in the very near future to avoid a greater draw on reserves.

12. GENERAL FUND BUDGET GAP

- 12.1. Using the medium term resource envelope and revenue expenditure projections stated above the resulting overall forecast position for the authority is shown in Table 7 below:

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Table 7: Summary of Projected Financial Position

	Optimistic Case				Main Case				Pessimistic Case			
	2021/22	2022/23	2023/24	2024/25	2021/22	2022/23	2023/24	2024/25	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Bus Rates Baseline Funding Level	119.535	123.800	128.841	133.376	118.392	115.680	109.203	104.723	118.392	110.080	104.723	101.139
BR S31 Grant and Pool Growth	3.800	0.000	0.000	0.000	3.800	0.000	0.000	0.000	3.800	0.000	0.000	0.000
BR Collection Fund	(1.000)	(1.000)	(1.000)	0.000	(4.000)	(4.000)	(4.000)	(1.000)	(4.000)	(4.000)	(4.000)	(1.000)
Ctax	119.535	123.800	128.841	133.376	118.290	122.524	127.526	132.015	115.800	119.971	124.278	129.367
Ctax Collection Fund	(0.800)	0.200	1.200	1.200	(1.800)	(0.800)	0.200	1.200	(2.800)	(1.800)	(0.800)	0.200
Total Resources	241.830	242.372	242.813	243.868	234.682	233.404	232.929	236.938	231.192	224.251	224.202	229.706
Total Revenue Expenditure	259.122	252.636	253.408	254.219	259.122	245.488	244.439	244.336	259.122	241.997	235.287	235.608
Budget Gap	17.292	10.264	10.595	10.352	24.440	12.084	11.510	7.398	27.930	17.746	11.085	5.902
Approved Savings	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Additional Annual Savings Required	17.292	10.264	10.595	10.352	24.440	12.084	11.510	7.398	27.930	17.746	11.085	5.902
Cumulative Savings Required	17.292	27.556	38.151	48.502	24.440	36.524	48.034	55.432	27.930	45.676	56.762	62.664

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- 12.2. Taking the main case scenario as the expected position, the MTFS shows the annual measures required to bridge the budget gap from 2021/22 to 2024/25 as £24.440m, £12.084m, £11.510m, and £7.398m, respectively in each year. A total of £55m over the four years to 2024/25. This is a substantial budget gap for the Council, especially as savings agreed to date have totalled £190m and the financial monitoring in 2020/21 is identifying difficulty and delay in implementing agreed savings as a contributory cause to the reported overspend position, plus the as yet unknown impact of Covid-19 on future years.
- 12.3. The optimistic case scenario has been modelled to show the effect that positive changes in the assumptions will have on the overall budget gap. Here the cumulative budget gap to 2024/25 reduces by approximately £7m to £48.5m. This is based on lower predicted cuts to baseline funding and higher increase in the Council Tax base.
- 12.4. The pessimistic case scenario is the most unlikely scenario projected. The cumulative budget gap to 2024/25 increases by approximately £7m to £63m. This scenario demonstrates the difficulty the Council could potentially face if the very worst happens and the funding cuts are higher and Council Tax base and collection rates are lower than expected, and the future years impact of Covid-19 collection fund do not have support from government.
- 12.5. The next section of this report looks at how the Council continues to address the gap in order to produce a balance budget.

13. ADDRESSING THE BUDGET GAP

- 13.1. Officers are reviewing and challenging in-year on the existing pressures carried over from 2019/20, the in-year overspend, and Covid-19 impact. These are identified and discussed more fully in the Covid financial report and financial monitoring reported to Mayor & Cabinet in June and July respectively. This report updates on the further actions being undertaken in-year to reduce these pressures further, as discussed in section 7 above.
- 13.2. Through its Covid work the Council has agreed five principles to guide the required transformation and recovery work which will be fundamental to setting the Council's budget of a sustainable base going forward. They are:
- Tackling widening social, economic, and health inequalities;
 - Protecting and empowering our most vulnerable residents;
 - Ensuring the Council's continued resilience, stability, and sustainability;
 - Enabling residents to make the most of Lewisham the place; and
 - Collaborating and working together with our communities and partners across the Borough.
- 13.3. In respect of the future budget gap, officers have started work on identifying possible cuts proposals to meet the 2021/22 budget gap forecast in this MTFS of £24m and for future years where change will take longer to implement but decisions on direction of travel will be needed now to prepare. Sessions of the Senior Leadership Team (SLT), comprising the Chief Executive, Executive Directors and Directors, have taken place in the period June to July, working collaboratively to

identify cross-cutting efficiencies and savings that can be implemented in future years. A number of themes have come from these which continue to be developed further.

- 13.4. These themes have been reviewed by the Executive Management Team (EMT) who are also leading on scrutinising the budget to capture possible reductions to in-year spending. They will lead SLT in the work to develop the detailed draft officer proposals for cuts to be put to Members for scrutiny and decision in the autumn. All services are part of this process.
- 13.5. The objective is to identify cuts in a manner that will support the Council's recovery from Covid and transition to delivering future services within the available financial resources on a secure and sustainable basis.
- 13.6. The approach to making the next round of necessary budget cuts is through cross-service collaboration to present ideas around a set of emerging themes intended to focus on solutions and service configuration challenges that first and foremost support the external needs of the community and partners in line with the Council's corporate priorities. This will help avoid the risk of prioritising silo or internal considerations if done solely through management hierarchies. The other reason for doing this collaboratively is to ensure fairness and challenge against the Council's strategic priorities. Cutting over £40m, given most services (some 70% of services whether insourced or delivered under contract or with partners) are people based, will mean job losses.
- 13.7. The themes are discussed below and continue to be refined to ensure that where there is overlap the risk of duplication can be tracked and worked through to identify the best route for delivery. The next steps are for EMT to lead SLT, with the support of the change networks in the Council, to develop draft officer proposals. These will be presented to Members in November for scrutiny in line with the time table set out below. The table below set out where the main impact and options are expected to come from. The context, budget details and description of service that form part of the Directorates are set out on the Council's website – in particular the budget book at: <https://lewisham.gov.uk/documents?query=budget%20book&sort=score>

Table 8: Overview of themes to target >£40m of budget cuts by 2023/24.

Identify future service spending cuts in line with MTFS >£40m required	COM £m	CYP £m	HRPR £m	CS £m	CE £m
Joint working - partners and internally	✓	✓			✓
Productivity (staffing) from new ways of working	✓	✓	✓	✓	✓
Service reconfiguration	✓	✓	✓	✓	✓
Reduce overspending to relieve pressure on MTFS		✓	✓	✓	
Release of assets to reduce running costs	✓	✓	✓	✓	

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Identify future service spending cuts in line with MTFS >£40m required and risk	COM £m	CYP £m	HRPR £m	CS £m	CE £m
Changes to traded services – to de-risk / accept more risk		✓	✓	✓	
Better demand management	✓	✓	✓		
Reduce scope and scale of service offering	✓	✓	✓	✓	
Income / Commercialisation	✓	✓	✓	✓	✓
Contract management	✓	✓	✓	✓	

Joint working - partners and internally

- 13.8. The Council continues to listen and consult with its partners to understand how the impacts of Covid 19 and the resulting economic and community changes are driving different needs and expectations for Council services. This work is being led by the Chief Executive directorate with one of the main partners being Health services at this time. The intention here is to identify opportunities at less cost with our partners to deliver shared outcomes.

Productivity (staffing) from new ways of working

- 13.9. Over the past three years the Council has been on a significant journey to improve the availability, flexibility and security of its technology infrastructure. This was further given a boost with the rapid and successful move at the start of the Covid 19 response to getting all staff online and able to work remotely and across different services. The investments to make these changes were also about seeking to streamline decision making and automate more transactional work to make processes more efficient and capture a productivity gain. The theme will focus on how these benefits are being tracked and where necessary identify where fewer resources are now needed.

Service reconfiguration

- 13.10. In addition to the productivity point above, there will be opportunities to change how the Council engages with customers and delivers services. For example; our front door services are largely operating online and via the call centre with appointments available where necessary. There are also opportunities, through better collaborative working, to review how different services serving the same customers might better come together to do this. In addition to external customers this theme will also look at the relationships and role of corporate functions supporting frontline delivery.

Reduce overspending to relieve pressure on MTFS

- 13.11. There are currently three recurring areas where services are overspending, even after their base budgets have been corrected for. These are children social care,

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environment services, and technology & digital services. A clear focus to support these budget holders to manage their spend and identify service changes necessary to enable them to do so is the focus of this theme. This theme will cut across the others but given the urgency of doing this work to avoid adding further pressure to the already significant cuts needed it is prioritised separately.

Release of assets to reduce running costs and risk

- 13.12. As well as looking at the revenue budget considerations, it is important that the Council also reviews its assets and capital programmes to maximise efficiencies where possible. With changing ways of working and different service delivery mechanisms the Council may not require the same asset base. From this work there could be running cost savings and there may be some one-off receipts that could be used to support longer term transformation plans which take longer to realise. These changes need to be balanced with the need for the majority of the cuts currently anticipated next year.

Release of trading services or growth of them – to de-risk / accept more risk

- 13.13. The Council currently runs a number of traded services. The most significant being services to schools, the environmental services for commercial and garden waste, and bereavement services. The Council does not have to be in these business areas as fully as it currently is with options to change how much they support or contribute to core service delivery. As well as linking to the commercial discussion (i.e. cost recovery), there will be questions of strategic policy fit and risk that continued delivery of these services can be assessed against.

Better demand management

- 13.14. As much as the Council has a significant number of statutory services to deliver it also has discretion about how it does so. This enables services to ensure the value for money of provision within the overarching responsibility for stewardship of the public pound. Aligned with this, preventative work can lead to better outcomes for less cost in the long run compared to the need for crisis intervention. For the larger services, in particular adult and children social care but also environment services when considering levels of waste, how this translates into demand management around when users are engaged with the support they are offered has a the potential for promoting greater independence and significant budget impacts.

Reduce scope and scale of service offering

- 13.15. As well as seeking to do the same for less, with cuts of over £40m it is inevitable that some services may have to be reduced or stopped. These may be revisited at a future date, funding permitting, but within the anticipated financial resources for the Council in the near term there is not the funding to maintain current levels of service. This work stream will look to services to see if they can be reduced or stopped and assess the impact of doing so, mindful in particular of cost shunts to other services. This will include assessment of any discretionary services, offered over and above statutory requirements.

Income / Commercialisation

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- 13.16. The Council has been championing the development of greater commercial understanding and rigour in its service offering. This has been around achieving greater social value as well as financial return from engaging in such activities. This work will continue through this theme to assess the culture and approach to considering risk and reward in the Council's commercial dealings and collection of debt. It will also review how sales, fees and charges are set relative to benchmarks and assess market potential to ensure rates are set at the optimum level in line with the Council's priorities.

Contract management

- 13.17. The Council has a number of key commercial partners, some significant contracts for key line of service delivery and systems, and uses a large number of smaller local contractors for a variety of work. In total spending over £200m annually with third parties. This theme will review how these contracts are being managed to identify opportunities to improve performance and also to plan further in advance how they may be retendered to ensure the Council has the most opportunity (time and choice) to improve value for money from these service areas.

Risk Management

- 13.18. In planning to address the budget to bring it into balance for next year and maintain a sustainable footing in terms of reserves there are a number of risks. These include, but there will be others:

- Costs (whether spend or lost income) of maintaining or bringing back services under new conditions with social distancing and the flexibility to adapt if there are further local lockdowns or cost of supplier failure;
- Transitioning out of or resetting priorities to recognise where the balance of risks and pressures has shifted; for example cost of social care, Council's role is providing shielding and support, and need to tackle homelessness;
- Addressing the consequences of an economic recession as it impacts the community and in turn the Council; for example fewer businesses trading reduces Business Rates base, households facing unemployment and eviction reduce Council Tax collection, working practices and climate change response reduce parking income.
- Responding to the impacts, potentially requiring additional cuts or taxes to be raised at short notice, from government announcements on future financing for local government both Covid related but also more generally (e.g. CSR, FFR, Business Rates, Precepts, Grants etc.).
- Managing the HRA and DSG with partners to ensure any financial risks they are facing are managed there and do not blow back onto the General Fund; e.g. housing development costs from the HRA or school deficits or high needs costs from the DSG.

- 13.19. As noted at the beginning of this report the Council is facing three immediate pressures on the budget. They are; 1) Covid 19 impacts of up to £20m; 2) service overspending of £17m (reduced to under £12m with in-year actions); and 3) the anticipated future years gap of at least £40m. Where these pressures are not covered by either additional income (from the government or traded services) or reduced costs (from less service spending) in-year or delivery of cuts to balance the

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budget in future years, the impact will have to be borne by corporate provisions and reserves. In addition, these reserves are required to sustain the effective operation of the Council, to meet its long term commitments, and as mitigation against the risks noted above. At the 31 March 2020 the Council held £20m of general reserves and £150m of earmarked reserves.

13.20. The impact of Covid 19 will likely consume much or all of the general reserves, reducing the Council's flexibility to respond to further economic shocks unless or until these are replenished. Any service overspending in-year will be a draw on the Council's earmarked reserves, reducing its capacity to invest in and support future priorities. Finally, any shortfall in identifying the cuts to meet the MTFS will also have to be met from reserves to be able to set a balanced budget.

13.21. While the Council holds sufficient reserves to cover these pressures at this time, their use on maintaining unsustainable levels of service at a time of heightened operating risk, instead of delivering the necessary cuts would significantly reduce the Council's financial resilience and increase the scale and difficulty of making the cuts next year. The Council needs to work on addressing these budget pressures in full now to ensure it continues to deliver on the financial control and prudence it has demonstrated to date.

13.22. Using these themes, Officers will now develop specific draft cut proposals for Members to scrutinise and M&C to decide on as part of building the 2021/22 Budget. These individual proposals, as well as identifying the financial changes, will need to include any necessary public consultations required, timelines for internal changes consistent with the Council's policies for managing change, and detailed consideration of other relevant implications, for example legal and equalities. The covering cuts report will then analyse these implications in the round to support Members assessment of the options and their impact on the Borough as a whole as well as individually.

14. TIMETABLE

14.1. The Financial Stabilisation – Budget Update report will be presented to scrutiny in September before coming before M&C and Council in October. The specific dates are:

9 Sept	Safer Stronger
15 Sept	Housing
	Sustainable Development
21 Sept	CYP
23 Sept	Healthier Communities
24 Sept	PAC
7 Oct	M&C agree in-year financial stabilisation report
28 Oct	Council receive report

14.2. The Cuts report which will contain the specific proposals to implement the future year changes discussed above will then be presented to Members in November before coming to M&C in December. The specific dates are:

11 Nov	Healthier Communities
12 Nov	Sustainable Development
8 Nov	Housing

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26 Nov	CYP
1 Dec	Safer Stronger
3 Dec	PAC
9 Dec	M&C make decision on cuts to take forward to the Budget

- 14.3. The cuts from above, along with the Comprehensive Spending Review / Autumn Budget from the Chancellor (Oct/Nov) and provisional Local Government Finance Settlement in December, Council Tax base report and London precept plans in January will then be used to build the Council's Budget report for reporting to Public Accounts, M&C and onto Council for adoption on the 24 February.

SUMMARY AND IMPLICATIONS

15. CONCLUSION

- 15.1. The Medium Term Financial Strategy sets out initial estimates based on very uncertain assumptions for the funding of local government to prudently anticipate the scale of financial challenge the Council will face over the medium term to 2024/25. It presents the outturn for 2019/20, summarises the current financial position for 2020/21 and the unprecedented pressures due to Covid-19 and the necessary actions taken in year to manage these pressures, and looks forward to 2021/22 and later years.
- 15.2. The next stages in the development of the financial strategy will be further refinement of the Council's longer term forecasting in light of the next Spending Round, Local Government Finance Settlement, and clarity on the government's policy agenda as it impacts local government. This, in turn, will inform the Council's development of the saving proposals required to balance the Council's budget and timing of these.
- 15.3. The MTFS identifies that the Council may have to make up to £55m of cuts over the next four years, including the £24m for 2021/22. Given the high level of uncertainty and risk of making cuts which may then have to be reversed if the assumptions used are wrong, the recommended focus now is to bring forward the £24m of proposals for 2021/22 to support the budget for that year. And keep a watching brief on plans for the future years, returning to Mayor & Cabinet as more detail is known and in good time to make further difficult decisions if necessary.
- 15.4. Local authorities have largely acknowledged that deep changes are required if they are to continue to deliver positive outcomes for their citizens. What is not yet clear is how authorities can continue to make this happen in practice if funding levels are cut further or what services local government may be responsible for in future, and how services may need to transform and change to support the borough and its residents post Covid-19.

16. FINANCIAL IMPLICATIONS

- 16.1. This report is concerned with the Council's medium term financial strategy and as such, the financial implications are contained within the body of the report.

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17. LEGAL IMPLICATIONS

- 17.1. The purpose of this report is to develop a medium term approach in support of better service and financial planning and an update of in-year financial pressures. Members are reminded that the legal requirements are centred on annual budget production, and that indicative decisions made for future years are not binding.
- 17.2. The Local Government Act 2000 and subsequent regulations and guidance says that it is the responsibility of the full Council to set Lewisham's budget, including all of its components and any plan or strategy for the control of the Council's capital expenditure. Regulations provide that it is for the Executive to have overall responsibility for preparing the draft budget for submission to the full Council to consider. Once the budget has been set, it is for the Mayor & Cabinet to make decisions in accordance with the statutory policy framework and the budgetary framework set by the Council.
- 17.3. Where there are proposals for a reduction to a service which the Council is either under a statutory duty to provide, or which it is providing in the exercise of its discretionary powers and there is a legitimate expectation that it will consult, then consultation with all service users will be required before any decision to implement the proposed saving is taken. The outcome of such consultation must be reported to the Mayor. Where the proposed savings will have an impact upon staff, then the Council will have to consult the staff affected and their representatives in compliance with all employment legislative requirements and the Council's own employment policies.

18. EQUALITIES IMPLICATIONS

- 18.1. The Council has a public sector equality duty (the equality duty or the duty - The Equality Act 2010, or the Act). 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. 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.
- 18.2. 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. It is a duty to have due regard to the need to achieve the goals listed above. 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 Mayor and Cabinet, bearing in mind the issues of relevance and proportionality. Mayor and Cabinet 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

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the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

- 18.3. The Equality and Human Rights Commission (EHRC) has issued Technical Guidance on the Public Sector Equality Duty and statutory guidance. The Council must have regard to the statutory code in so far as it relates to the 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 on the EHRC website.
- 18.4. The EHRC has issued five guides for public authorities in England giving advice on the equality duty. The 'Essential' guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice.

19. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 19.1. There are no environmental implications directly arising from the report.

20. CRIME AND DISORDER IMPLICATIONS

- 20.1. There are no crime and disorder implications directly arising from the report.

21. HEALTH AND WELLBEING IMPLICATIONS

- 21.1. There are no health and wellbeing implications directly arising from the report.

22. BACKGROUND PAPERS

- 22.1. Budget Report 2020/21 – Full Council 26 February 2020
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=138&MId=5649>
- 22.2. Financial Results 2019/20 – Mayor & Cabinet
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=6014>
- 22.3. Financial Forecasts Period 2 – Mayor & Cabinet 9 July 2020
<http://councilmeetings.lewisham.gov.uk/ieListDocuments.aspx?CId=139&MId=6014>

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23. GLOSSARY

Term	Definition
Actuarial Valuation	An independent report of the financial position of the Pension Fund carried out by an actuary every three years. The actuary reviews the Pension Fund assets and liabilities as at the date of the valuation and makes recommendations such as, employer's contribution rates and deficit recovery period, to the Council.
Baseline Funding Level	The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the government. It forms the baseline against which tariffs and top-ups are calculated.
Budget Requirement	The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. (Excluding Council Tax, RSG and Business Rates)
Business Rates Baseline	The business rates baseline is equal to the amount of business rates generated locally in a specific year.
Capital Expenditure	Spend on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles. This can also include indirect expenditure in the form of grants or loans to other persons or bodies.
Capital Programme	The Council's plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.
Capital Receipts	These are proceeds from the disposal of land or other assets and can be used to finance new capital expenditure but cannot be used to finance revenue expenditure.
Capping	This is the power under which the government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the government to restrain increases in Council Tax. The Council Tax cap, currently 2%, means that any local authority in England wanting to raise Council Tax by more than 2% in 2015/16 must consult the public in a referendum, Councils losing a referendum would have to revert to a lower increase in their bills.
CIPFA	The Chartered Institute of Public Finance and Accountancy are one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

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Term	Definition
Clinical Commissioning Group (CCG)	Clinical Commissioning Groups (CCGs) were created following the Health and Social Care Act in 2012, and replaced Primary Care Trusts on 1 April 2013. They are clinically-led statutory NHS bodies responsible for the planning and commissioning of health care services for their local area.
Collection fund	A statutory account maintained by the Council recording the amounts collected from Council Tax and Business Rates and from which it pays the precept to the Greater London Authority.
Collection Fund surplus (or deficit)	If the Council collects more or less than it expected at the start of the financial year, the surplus or deficit is shared with the major precepting authority, in Lewisham's case this is the GLA, in proportion to the respective Council Taxes. These surpluses or deficits have to be returned to the Council taxpayer in the following year through lower or higher Council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the Council Tax base, a surplus or deficit will arise. The Council generally achieves a surplus, which is shared with the GLA.
Contingency	This is money set-aside centrally in the Council's base budget to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or new responsibilities.
Council Tax Base	The Council Tax base for a Council is used in the calculation of Council Tax and is equal to the number of Band D equivalent properties. To work this out, the Council counts the number of properties in each band and works out an equivalent number of Band D equivalent properties. The band proportions are expressed in ninths and are specified in the Local Government Finance Act 1992. They are: A 6/9, B 7/9, C 8/9, D 9/9, E 11/9, F 13/9, G 15/9 and H 18/9, so that Band A is six ninths of the 'standard' Band D, and so on.
CPI and RPI	The main inflation rate used in the UK is the CPI (Consumer Price Index), the Chancellor of the Exchequer bases the UK inflation target on the CPI. The CPI inflation target is currently set at 2%. The CPI differs from the RPI (Retail Price Index) in that CPI excludes housing costs. Also used is RPIX, which is a variation on RPI, one that removes mortgage interest payments.
Dedicated schools grant (DSG)	This is the ring-fenced specific grant that provides most of the government's funding for schools. This is distributed to schools by the Council using a formula agreed by the schools forum.
Financial Regulations	These are a written code of procedures set by a local authority, which provide a framework for the proper financial management of the authority. They cover rules

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Term	Definition
	for accounting and audit procedures, and set out administrative controls over the authorisation of payments, etc.
Financial Year	The local authority financial year commences on 1st April and finishes on the following 31 March.
General Fund	This is the main revenue fund of the local authority, day-to-day spending on services is met from the fund. Spending on the provision of housing however, must be charged to the separate Housing Revenue Account (HRA).
Gross Domestic Product (GDP)	GDP is defined as the value of all goods and services produced within the overall economy.
Gross Expenditure	The total cost of providing the Council's services, before deducting income from government grants, or fees and charges for services.
Housing Revenue Account (HRA)	A separate account of expenditure and income on housing that Lewisham must keep. The account is kept ring-fenced from other Council activities. The government introduced a new funding regime for social housing within the HRA from April 2012.
Individual authority business rates baseline	This is derived by apportioning the billing authority business rates baseline between billing and major precepting authorities on the basis of major precepting authority shares.
Levies	A levy is an amount of money a local authority is compelled to collect (and include in its budget) on behalf of another organisation. Lewisham is required to pay levies to a number of bodies such as the London Pensions Fund Authority.
Local share	This is the percentage share of locally collected business rates that will be retained by local government, currently 50%.
Net Expenditure	This is gross expenditure less services income, but before deduction of government grant.
New Homes Bonus	Under this scheme Councils receive a new homes bonus (NHB) per each new property built in the borough for the first six years following completion. Payments are based on match funding the Council Tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ringfenced grant.

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Term	Definition
Prudential Borrowing	Set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure the Council's capital investment plans are affordable, prudent and sustainable.
Revenue Expenditure	The day-to-day running expenses on services provided by Council.
Revenue Support Grant (RSG)	All authorities receive Revenue Support Grant from central government in addition to its baseline funding level under the local government finance system. An authority's Revenue Support Grant amount plus its baseline funding level together comprises its Settlement Funding Assessment.
Section 151 officer	Legally Councils must appoint under section 151 of the Local Government Act 1972 a named chief finance officer to give them financial advice, in Lewisham's case this is the post of the Executive Director for Resources and Regeneration.
Settlement Funding Assessment (SFA)	A Local Authority's share of the local government spending control total which comprises its Revenue Support Grant for the year in question and its baseline funding level.
Specific Grants	As the name suggests funding through a specific grant is provided for a specific purpose and cannot be spent on anything else e.g. The Dedicated Schools Grant (DSG) for schools.

24. REPORT AUTHOR AND CONTACT

- 24.1. For more information please contact David Austin, Acting Chief Finance Officer, 1st Floor Laurence House, 020 8314 9114, David.Austin@lewisham.gov.uk.
- 24.2. Katharine Nidd, Interim Director of Corporate Resources, 4th Floor Laurence House, 020 8314 6651, Katharine.Nidd@lewisham.gov.uk.

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APPENDIX 1 – SUMMARY OF MTFs ASSUMPTIONS

RESOURCE ENVELOPE			
	Main case	Pessimistic case	Optimistic Case
Notional Revenue Support Grant	<ul style="list-style-type: none"> □ 2021/22 and 2022/23 0% change to 2020/21 levels, thereafter 20% reduction assumed each year 	<ul style="list-style-type: none"> □ 2021/22 0% change to 2020/21 levels, thereafter 20% reduction assumed each year 	<ul style="list-style-type: none"> □ 2021/22 and 2022/23 0% change to 2020/21 levels, thereafter 20% reduction assumed each year
Business Rates	<ul style="list-style-type: none"> □ 5% real terms decrease in 2021/22, then 3% decrease in 2022/23, 1% decrease in 2023/24 and then 0% change in 2024/25 on the rateable value base and top-up □ £3.8m S31 grant in 2021/22 only 	<ul style="list-style-type: none"> □ 5% real terms decrease in 2021/22, then 3% decrease in 2022/23, 1% decrease in 2023/24 and then 0% change in 2024/25 on the rateable value base and top-up □ £3.8m S31 grant in 2021/22 only 	<ul style="list-style-type: none"> □ 3% real terms decrease in 2021/22, then 1% decrease in 2022/23, and then 0% change in 2023/24 and 2024/25 on the rateable value base and top-up □ £3.8m S31 grant in 2021/22 only
Council Tax income	<ul style="list-style-type: none"> □ From 2021/22 1.99% change in Council Tax level (No Social Care precept) □ % increase each year in Council Tax base from 2021/22 onwards is: 0%, 0.5%, 1% and 1.5% □ CT collection rate each year from 2021/22 onwards is: 95%, 96%, 97% and 97% □ CTRS changes increase the cost of the scheme by the following each year from 2021/22: £3m, £2m, £1m, £0m 	<ul style="list-style-type: none"> □ From 2021/22 1.99% change in Council Tax level (No Social Care precept) □ % increase each year in Council Tax base from 2021/22 onwards is: 0%, 0.5%, 0.5% and 1% □ CT collection rate each year from 2021/22 onwards is: 93%, 94%, 95% and 96% □ CTRS changes increase the cost of the scheme by the following each year from 2021/22: £4m, £3m, £2m, and £1m 	<ul style="list-style-type: none"> □ From 2021/22 1.99% change in Council Tax level (No Social Care precept) □ % increase each year in Council Tax base from 2021/22 onwards is: 0%, 0.5%, 1% and 1.5% □ CT collection rate each year from 2021/22 onwards is: 96%, 97%, 98% and 98% □ CTRS changes increase the cost of the scheme by the following each year from 2021/22: £2m, £1m, £0m, £0m
Surpluses/deficits on Collection Fund	<ul style="list-style-type: none"> □ The Covid-19 shortfall to be collected over 3 years is assumed to be from 2021/22: 	<ul style="list-style-type: none"> □ The Covid-19 shortfall to be collected over 3 years is assumed to be from 2021/22: 	<ul style="list-style-type: none"> □ The Covid-19 shortfall to be collected over 3 years is assumed to be from 2021/22:

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	£4m, £4m, £4m, and £1m	£4m, £4m, £4m, and £1m	£1m, £1m, £1m, and £0m
EXPENDITURE			
	Main case	Pessimistic case	Optimistic Case
Pay awards	<input type="checkbox"/> 2% in 2021/22 and 2% each year afterwards	<input type="checkbox"/> 2% in 2021/22 and 2% each year afterwards	<input type="checkbox"/> 2% in 2021/22 and 2% each year afterwards
General price inflation (incl. fees and charges)	<input type="checkbox"/> % increase each year in non-pay budgets from 2021/22 is: 1.5%, 1.75%, 1.75% and 2%	<input type="checkbox"/> % increase each year in non-pay budgets from 2021/22 is: 1.5%, 1.75%, 1.75% and 2%	<input type="checkbox"/> % increase each year in non-pay budgets from 2021/22 is: 1.5%, 1.75%, 1.75% and 2%
Pressures and risks	<input type="checkbox"/> £6.5m growth each year	<input type="checkbox"/> £6.5m growth each year	<input type="checkbox"/> £6.5m growth each year
New legislation	<input type="checkbox"/> Nothing allowed	<input type="checkbox"/> Nothing allowed	<input type="checkbox"/> Nothing allowed
NB the MTFS assumes that any overspending is addressed in-year or met from reserves			

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Public Accounts Select Committee

Report title: commercialisation and culture change review

Date: 24 September 2020

Key decision: No.

Class: Part 1

Ward(s) affected: All

Contributor: Assistant Chief Executive

Outline and recommendations

The Committee carried out an in-depth review into 'commercialisation and culture change'. The attached report provides details of the Committee's findings and recommendations.

The Committee is asked to agree the final report and recommendations for submission to Mayor and Cabinet.

1. Summary

- 1.1. This is the draft report for the Committee's review into 'commercialisation and culture change'. The report includes the evidence received from visits and fact finding by the Public Accounts Select Committee over the course of the 2019/20 municipal year.

2. Recommendation

- 2.1. The Committee is asked to agree the final report and recommendations for submission to Mayor and Cabinet.

3. Policy Context

- 3.1. The Council's 2018 to 2022 Corporate Strategy identifies seven corporate priorities and four core values which are the driving force behind what we do as an organisation. It sets out a vision for Lewisham and the priority outcomes that organisations, communities and individuals can work towards to make this vision a reality.
- 3.2. In taking action to minimise the current in-year financial pressures which have arisen, in setting out the Council's Budget Strategy, in engaging our residents, service users and employees, and in deciding on the future shape, scale and quality of services, we will be driven by the Council's four core values:
 - 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.

3.3. These core values align with the Council's seven corporate priorities namely:

1. Open Lewisham - Lewisham is a welcoming place of safety for all where we celebrate the diversity that strengthens us.
2. Tackling the housing crisis - Everyone has a decent home that is secure and affordable.
3. 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.
4. Building an inclusive local economy - Everyone can access high quality job opportunities, with decent pay and security in our thriving and inclusive local economy.
5. Delivering & defending: Health, Social Care and Support - Ensuring everyone receives the health, mental health, social care and support services they need.
6. Making Lewisham greener - Everyone enjoys our green spaces and benefits from a healthy environment as we work to protect and improve our local environment.
7. Building safer communities - Every resident feels safe and secure living here as we work together towards a borough free from the fear of crime.

4. Background

4.1. The Committee carried out an in-depth review and this is the draft final report- it details the evidence received.

5. Financial implications

5.1. There are no direct financial implications arising from the implementation of the recommendations in this report.

6. Legal implications

6.1. There are no direct legal implications arising from the implementation of the recommendations in this report.

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.

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.

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- foster good relations between people who share a protected characteristic and those who do not.

7.3. There may be equalities implications arising from recommendations from the Committee's review and 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.

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.

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.

11. Background papers

11.1. The attached report includes a summary of this information.

12. Report author and contact

12.1. Timothy Andrew (Scrutiny Manager) timothy.andrew@lewisham.gov.uk

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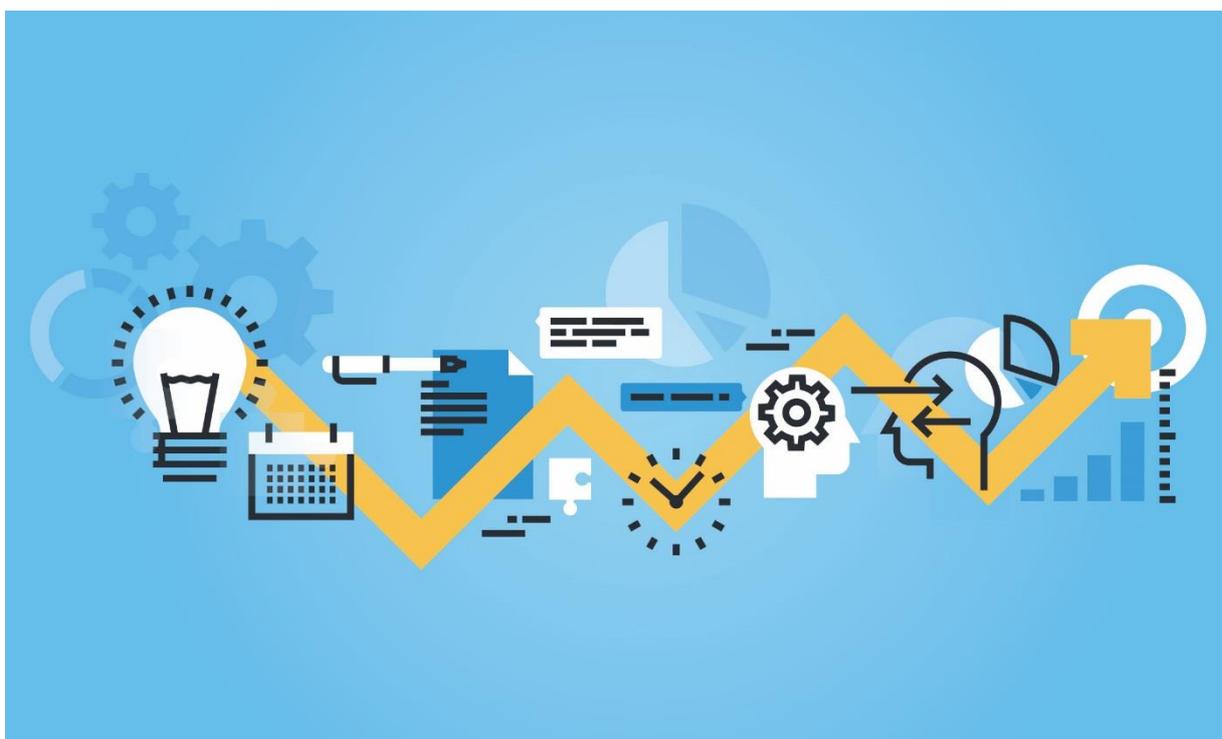
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Overview and Scrutiny

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](#)

Membership of the Public Accounts Select Committee in 2020-21:

[Councillor Patrick Codd](#) (Chair)

[Councillor Alan Hall](#) (Vice-Chair)

[Councillor Tauseef Anwar](#)

[Councillor Jim Mallory](#)

[Councillor Paul Maslin](#)

[Councillor Joan Millbank](#)

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Chair's introduction

We carried out this review into commercialisation and culture change (in 2019) at a time of transition. Our new Mayor and an ambitious new strategy for Lewisham were supported by the appointment of a new chief executive – who in turn reconfigured Lewisham's senior management. As a Committee, we hoped that our investigations would encourage the formulation and delivery of new ideas whilst also engaging councillors in a renewed culture of innovation at the Council.

What we could not know was that the Coronavirus pandemic would bring such a sharp and intense shock to everything we do – both as individuals and as an organisation. The suspension of ordinary Council business to focus on support for Lewisham's communities and to protect the most vulnerable was, of course, a necessity. And, as some semblance of normality returns to Council business, the Public Accounts Select Committee has a duty to consider the costs of the Council's response to the pandemic and play our part in scrutinising recovery plans.

Clearly, the costs to families of lives lost to illness is at the forefront of our minds. We are also painfully aware of many repercussions from the pandemic for people's physical and mental health and the negative impact on jobs and livelihoods arising from the economic downturn. As we have turned to look at the financial costs for the council it is apparent that the decade-long government-austerity stripped finances of the Council are now in an even more challenging position than at the time of the initial production of this report in February 2020.

Members of the Committee know the importance of the fine detail of financial monitoring as well as the necessity of attention to budgets and the rigour required to protect the council's resources. Nonetheless, our investigations over the past few years, many recorded in this report, have demonstrated that as well as traditional methods of looking after the council's finances, councils can and do develop new ideas and innovations to produce income and create value. We believe that services functioning well from a financial perspective are more able to be responsive to the needs of those using their services. With more holistic financial management and rigorous oversight comes clarity of purpose – as well as insight into the broader issues that drive demand and the specifics that determine costs. Commercialisation, then, is about more than just chasing financial returns. At its core, it is about improving services and ensuring that resources are available to protect the most vulnerable. 'Thinking commercially' is a mindset that prioritises the best use of resources – whether financial or otherwise. In an organisation such as the Council, a general mindset becomes an important part of its culture.

Culture change is notoriously difficult to bring about and 'innovation' doesn't tend to be the first word that people think of when it comes to councils. However, Lewisham Council officers have shown great resilience through ten years of government cuts to our budgets

and great ideas can come from within a local authority as from any other organisation. The culture has to adapt to enable innovation to thrive. That said, change takes time, it requires determination and it has to be informed by a clear vision. Leadership is the glue that binds all these elements together.

Whilst the timescales for starting new projects and for rolling out commercialisation training might have shifted as a result of the pandemic, the principles we identified through our evidence gathering and investigations are still relevant. In fact, the call for leadership to build on the Council's strengths and to challenge officers to innovate may be even more vital now than in 2019. The risk of returning to 'business as usual' without thorough appraisal of the effectiveness and value of all parts of that business is, perhaps, greater than the risk of attempting something new. There are conversations - about the cost of Council services, about innovation, about our culture and about our appetite for risk in the face of intensifying challenges – that the Council's leadership has to navigate with councillors, with officers and with our community. We hope that in the (somewhat delayed) submission of this report – our thoughts and our recommendations might support and inform those conversations.

Our thanks should be noted to our previous Chair who led us through this investigation and to previous members of the Committee – particularly Councillor Louise Krupski – whose determination and dedication to this issue have kept it on the Committee's agenda and provided support for officers to devote resources to this area of work. We also thank officers from the London Borough of Waltham Forest and to officers and members from the London Borough of Barking and Dagenham for their time and for their insight into their journeys through change.

Councillor Patrick Codd, Chair of the Public Accounts Select Committee (2020-21)



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 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).

Overview and Scrutiny

Strategic income generation and commercialisation review

Public Accounts Select Committee

Spring 2019

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:
- 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 its 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

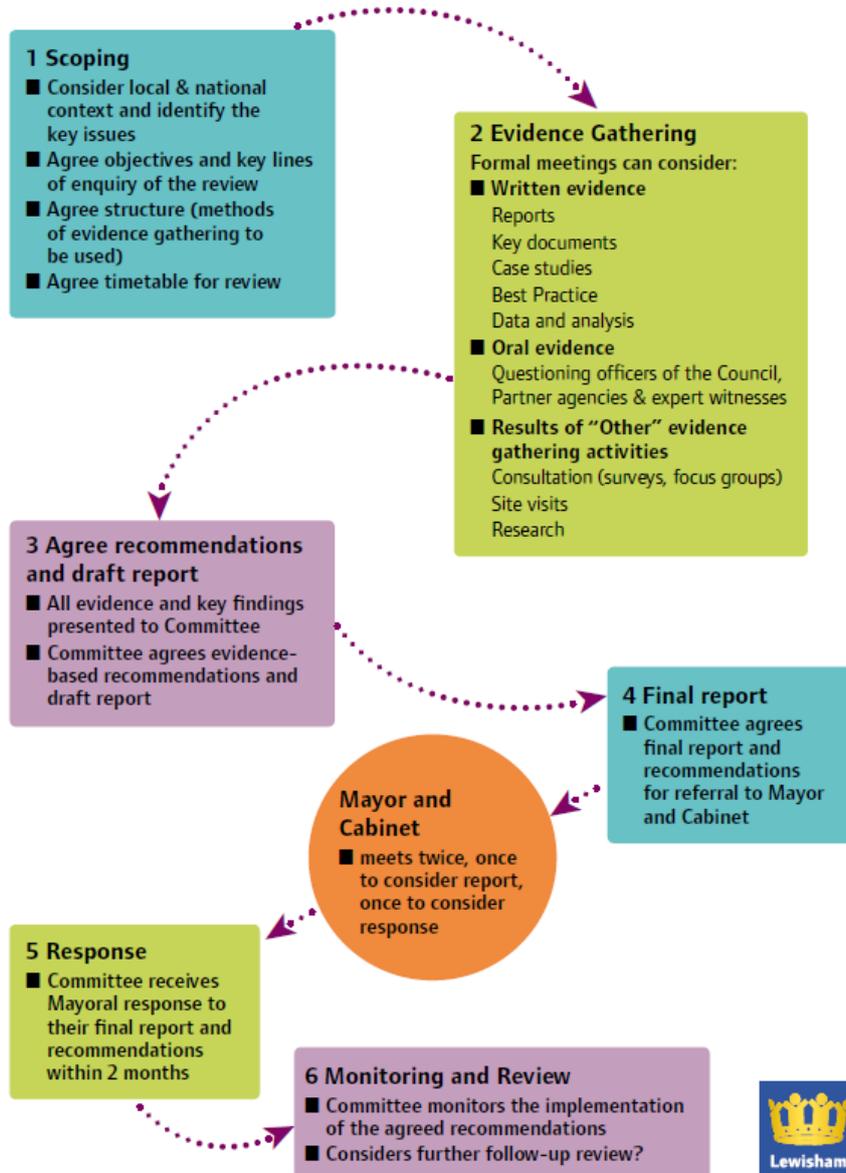
- Meeting with officers from the London Borough of Waltham Forest regarding that council’s approach to commercialisation and culture change (to answer the questions posed under key line of enquiry one)

September 2020 (agreement of the report was delayed due to the cancellation of the March 2020 select committee meeting as a result of the pandemic)

- 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 the 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.

[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.

- 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

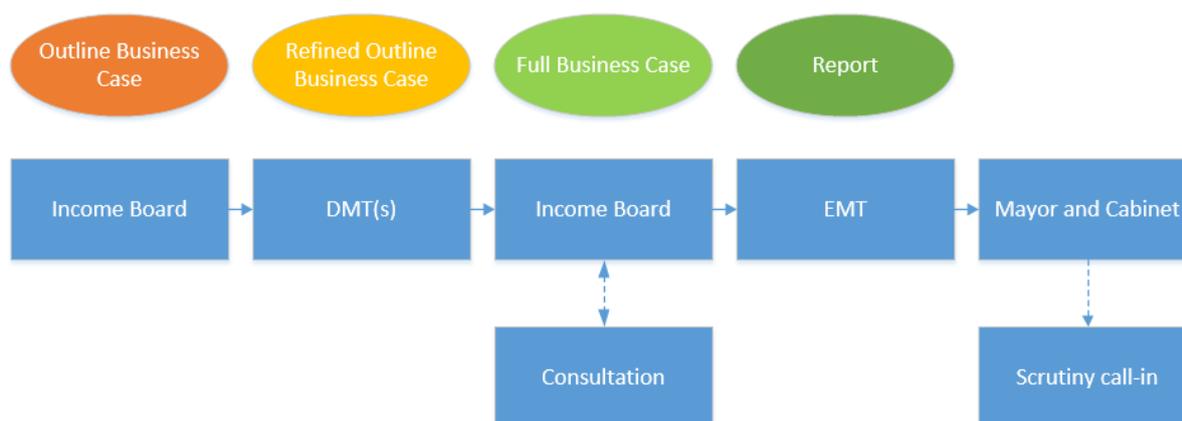
2.27. The Committee was interested understanding how the Council might:

- 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.

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.
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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

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.

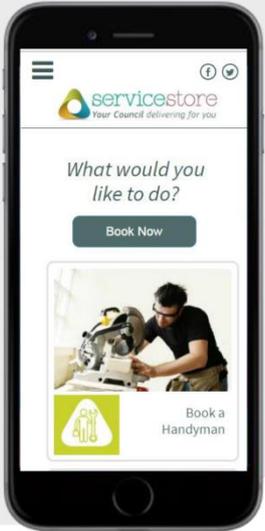
3.50. The Council’s approach to commercialisation and innovation has also provided opportunities for the development of new projects.

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



3.51. 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

Successful culture change requires leadership

- 5.1. The Committee welcomes the proposal to review commercial issues, income, trading and contracts as part of the Council's budgetary response to the impact of Covid-19. The Council's senior leadership should champion a commercial approach to managing contracts, developing new ideas and building on areas of success.
- 5.2. Despite the delays and difficulties posed by the pandemic – the Committee believes that commercialisation and culture change training should be carried out for Council managers. Now more than ever, it is vital that leaders across the organisation have sound knowledge of the costs of their services – as well as the ability to identify opportunities to improve the cost base, increase income and better manage risk. The Committee would welcome a summary of feedback from any commercial awareness training sessions being held for staff members - as part of regular updates on progress.
- 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.

Successful commercialisation is about building on strengths

- 5.4. The Committee recognises that the Council's officers are its greatest resource of ideas and creativity. The Council should develop an easily accessible process for continually encouraging and gathering new ideas for service improvements and commercial projects from Council employees.
- 5.5. Further work should be carried out to determine where there are opportunities to generate commercial income. Recognising one of our key findings from London Borough of Waltham Forest, this should build on those areas in which the Council has acknowledged capability. The restraint on Council finances should not mean that this work is limited by lack of resources.

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.

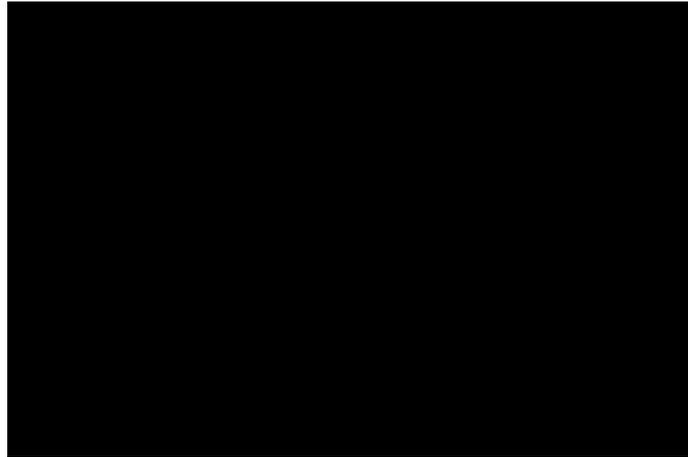
Initial successes and ‘quick wins’ were reported back to employees as well as councillors and officers in the transformation team proposed a second stage for the project – which would have involved opening up the platform to members and to public sector partners³¹:

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](#)

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Public Accounts Select Committee

Report title: Select Committee work programme report

Date: 24 September 2020

Key decision: No

Class: Part 1 (open)

Ward(s) affected: All

Contributor: Timothy Andrew (Scrutiny Manager)

Outline and recommendations

To ask members to discuss the Committee's priorities for the 2020-21 municipal year and to agree an annual work programme.

The Committee is asked to:

- Discuss the Committee's priorities and agree a work programme for 2020-21.
- Consider the themes set out in the draft work programme at **appendix F**.
- Consider opportunities for public engagement throughout the work programme.

Timeline of engagement and decision-making

The meeting dates below were agreed at the Council AGM on 15 July 2020:

- Thursday 24 September 2020
- Thursday 3 December 2020
- Tuesday 2 February 2021
- Wednesday 17 March 2021

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1. Summary

- 1.1. This report asks members to discuss and agree priorities for the Committee's work programme for the year ahead and it describes the process for approval by the business panel as well as ongoing monitoring by the Committee.

2. Recommendations

- 2.1. The Committee is asked to:
- Discuss the Committee's priorities and agree a work programme for 2020-21.
 - Consider the themes set out in the draft work programme at **appendix F**.
 - Consider opportunities for public engagement throughout the work programme.

3. The role of the Select Committee

- 3.1. The Committee's job is to consider how the Council manages and uses its financial resources.
- 3.2. It can:
- Review the way Council managers make decisions about spending money
 - Challenge the Council to use the most effective means of managing money
 - Examine and challenge the development of the Council's budget
 - Recommend ways to improve the Council's processes for buying goods and services (and for managing services to get the best value)
 - Receive reports from - and review the work of - the Council's Audit Panel.
- 3.3. The Committee's full terms of reference are set out in appendix A.

4. Agreeing the committee's work programme

- 4.1. A draft work programme is attached at appendix F. It currently includes:
- issues arising as a result of previous scrutiny
 - suggestions from Council officers
- (Further detail is set out in sections below).
- 4.2. It is for the Committee to set its own work programme and agree any other priority issues it would like to include – the Committee does not have to look into everything officers, the public or other members suggest.
- 4.3. When deciding on issues to include in the work programme, the Committee should consider the key services and programmes within the Committee's remit and the criteria for selecting and prioritising topics (see the flowchart below).
- 4.4. The Committee should also take into account local assembly priorities (appendix D). Bearing in mind that all local assembly meetings have been cancelled until further notice due to Covid-19, the previously agreed priorities for each ward remain relevant and may assist the Committee in prioritising and focusing its work programme. The Committee should also take into account upcoming Mayor and Cabinet decisions (appendix E); and avoid duplicating the work of any agreed task and finish groups (although, at present, no task and finish groups have yet been approved).
- 4.5. Items within the work programme should also be linked to the priorities of the Council's Corporate Strategy for 2018-2022 (appendix B):
- 4.6. The Committee is advised to schedule two substantive items per meeting, leaving space available for Mayor and Cabinet responses and other urgent business as the need arises throughout the year. If further items are added to the work programme,

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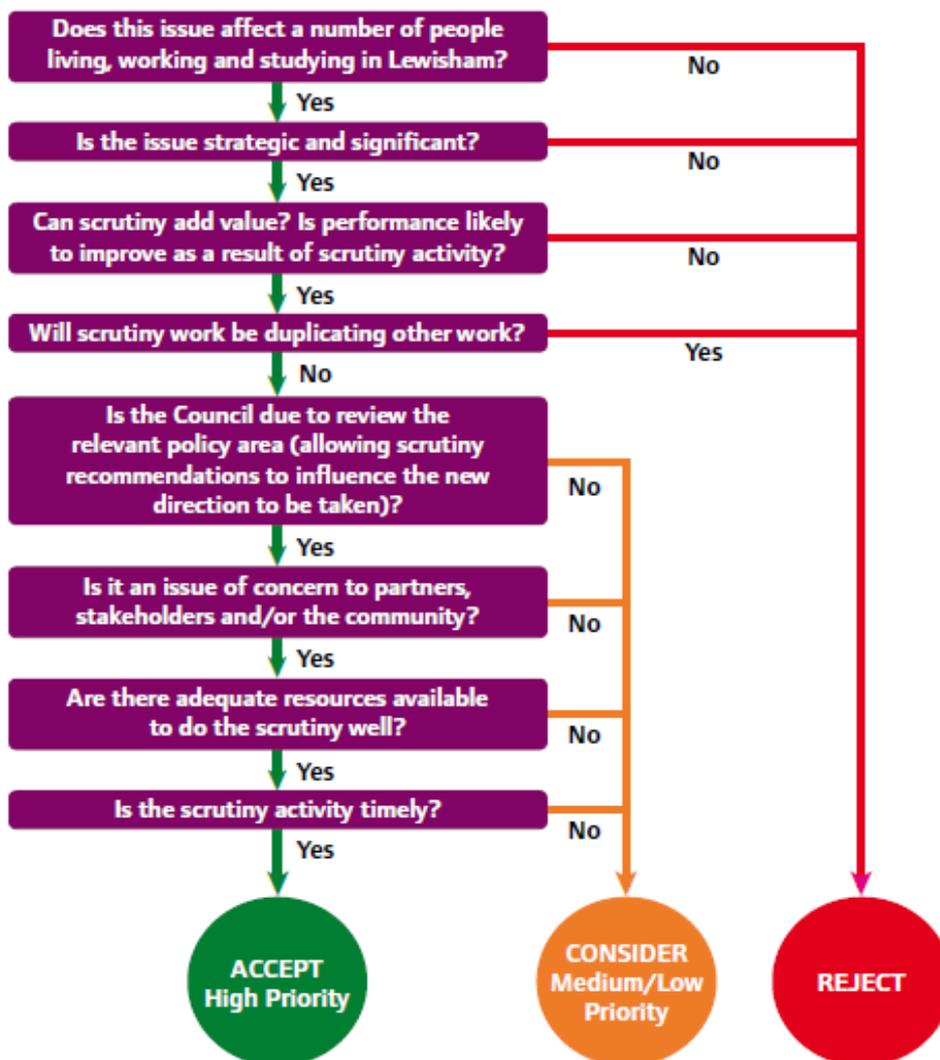
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existing items may need to be removed or become information items, circulated by email.

- 4.7. Provision is made for meetings to last for up to two and a half hours, but the Committee should aim to **manage its business within two hours**. In exceptional cases, the Committee may decide to suspend standing orders and extend the meeting for a further 30 minutes to conclude any urgent business.
- 4.8. The Committee should specify the information it would like for each item to ensure that officer reports and other evidence meets its needs. This should be done during the work programme item at every meeting.

Scrutiny work programme – prioritisation process



- 4.9. There is no provision at Committee for the discussion of information items (reports ‘to note’). If required, they will be circulated to members by email with questions put to the report author for a written response.
- 4.10. Two of the regular reports that falls under the Committee’s remit, which are usually presented as a reports to note and are therefore likely to be circulated by email in the first instance, include:

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- Annual complaints report
 - Audit Panel update
- 4.11. It's the Chair's responsibility to keep abreast of other developments within the Committee's remit and escalate any issues that require action by the committee to the work programme as appropriate.
- 4.12. Previously, the Committee regularly considered the Council's financial forecasts in order to monitor performance against the budget and review emerging pressures. It is proposed that in future, when the financial forecasts are published on the Committee agenda, members should highlight any issues for consideration and notify the Chair, who will consider how best scrutiny of the forecasts should be focused.
- 4.13. Suggestions made by the Committee at the last meeting of 2019-20
- The Committee meeting scheduled for March 2020 did not take place.
- 4.14. Suggestions from officers in view of forthcoming developments
- The stabilisation budget (incorporating the medium term financial strategy)
 - Budget cuts
- 4.15. Issues arising as a result of previous scrutiny
- Income generation and commercialisation
 - Children's social care
 - Cost pressures in the environment division
- 4.16. These items have all been added to the draft work programme – which only leaves space for urgent or high priority items.

5. Different types of scrutiny

- 5.1. It is important to think early on about the most effective way to scrutinise each item on the work programme. Some issues may only require an initial briefing for information, some may require site visits and public engagement, and others may require detailed questioning at a formal Committee meeting and input from stakeholders
- 5.2. The Effective Scrutiny Guidelines at appendix C sets out 5 key principles to take into account when carrying out scrutiny: Prioritise; Be independent; Work Collectively; Engage; make SMART recommendations. This will help the committee decide on the most appropriate approach for the issue at hand.
- 5.3. Members should also note the comments in the [Local Democracy Review](#) about how scrutiny can be even more effective, participative and open. Suggestions included:
- Focusing on fewer issues more closely linked to council priorities
 - More engagement with the public outside of formal meetings
 - Individual scrutiny members leading on defined topic areas
 - Contributing to new policy proposals at an early stage
- 5.4. Some of the most common scrutiny methods are described below, but members are encouraged to try new ways of gathering evidence and engaging the public.
- 5.5. Standard items
- 5.6. The majority of work programme items tend to be 'standard items', where scrutiny is carried out as part of a single meeting with members:
- agreeing in advance the information and analysis needed

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- receiving an officer report presenting the relevant information
- gathering additional evidence from activity outside of meetings
- asking questions of the presenting officers or expert guests
- agreeing recommendations to Mayor and Cabinet and partners.

5.7. Policy development

5.8. When the council is due to renew a policy the Committee may be asked to consider the options available and officer recommendations before a decision by Mayor and Cabinet. Select committees should be engaged at an early enough stage to be able to influence and contribute to the new policy.

5.9. Performance monitoring

5.10. Scrutiny can request a wide range of performance information to examine the effectiveness of Council services. This includes monitoring data on key performance indicators and outcomes and assessing the delivery of particular programme or projects against set targets or timescales.

5.11. Task and finish groups

5.12. For issues that require more extensive evidence gathering, members may put forward a proposal for a task and finish group (TFG). The Overview and Scrutiny Committee will agree which TFGs should be established, their membership, terms of reference and duration. TFGs are independent of select committees and make recommendations directly to Mayor and Cabinet.

5.13. Information items

5.14. Some low-priority items may only require a briefing report to be circulated to Committee members by email, with questions put to the report author for written response. There is no provision for discussion of information items at Committee meetings.

6. Approval and ongoing monitoring of the work programme

6.1. Each select committee is required to submit its work programme to the Overview and Scrutiny Business Panel for approval. This is to ensure a coordinated overview and scrutiny work programme across select committees that avoids duplication of effort and supports effective scrutiny. The Business Panel will meet on 29 September 2020.

6.2. The Committee's work programme can be reviewed at each meeting to allow urgent items to be added and lower priority issues to be removed. Any potential items should be considered against the priority criteria outlined earlier in this report. If a high-priority item is included, a lower-priority item should be removed. The committee's work programme must be achievable in the time available.

7. Financial implications

7.1. 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.

8. Legal implications

8.1. 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.

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9. Equalities implications

- 9.1. Equality Act 2010 brought together all previous equality legislation in England, Scotland and Wales. The Act includes a public sector equality duty, which replaced the separate duties relating to race, disability and gender equality. 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.
- 9.2. 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.
- 9.3. As has been reported to the Overview and Scrutiny Business Panel, that there is emerging evidence that suggests a disproportionate impact of COVID-19 on groups with protected characteristics. National research shows there are significant health inequalities affecting Black African and Caribbean communities, which are perpetuated by inequalities in the wider determinants of health such as housing, employment and education. These have been exacerbated by COVID-19 and may underpin some of the excess deaths in these populations.
- 9.4. Lewisham Council and Birmingham City Council are partnering to conduct a review gather insights on health inequalities within Black African and Caribbean communities in Birmingham and Lewisham asking 'how do we break the cycle of inequality?'. The Council has also submitted evidence to the Women and Equalities Committee about the different and disproportionate impact that the Coronavirus – and measures to tackle it – is having on people with the protected characteristics under the Equality Act.
- 9.5. The Council plans to supplement this work with an extensive impact assessment of COVID-19 on the borough, with a focus on those with protected characteristics.
- 9.6. There are likely to be equalities implications arising from items on the work programme and all activities undertaken by the Select Committee will need to give due consideration to this.
- 9.7. Further reading and analysis of the data is available from Public Health England: [link to Public Health England document](#) (on inequalities across protected groups) and as well as the Independent Scientific Advisory Group: [link to report by the Independent SAGE](#) (on the different outcomes for ethnic groups).

10. Climate change and environmental implications

- 10.1. There are no direct climate change or environmental implications arising from the implementation of the recommendations in this report. However, in February 2019 Lewisham Council declared a Climate Emergency and proposed a target to make the borough carbon neutral by 2030. Items on the Committee's work programme may well have (directly referenced or implicit) climate change implications and these will need to be considered as part of the reports on those items.

11. Crime and disorder implications

- 11.1. 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

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have crime and disorder implications and these will need to be considered as part of the reports on those items.

12. Health and wellbeing implications

- 12.1. 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.

13. Report author and contact

- 13.1. If you have any questions about this report please contact: Timothy Andrew (timothy.andrew@lewisham.gov.uk)

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Appendix A – Committee terms of reference

Appendix B – Council corporate priorities

Appendix C – Effective scrutiny guidelines

Appendix D – Local assembly priorities

Appendix E – Notice of forthcoming executive decisions

Appendix F – draft 2020-21 work programme

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Appendix A: committee terms of reference

The following roles are common to all select committees and Business Panel.

(a) General functions

- To review and scrutinise decisions made and actions taken in relation to executive and non-executive functions
- To make reports and recommendations to the Council or the executive, arising out of such review and scrutiny in relation to any executive or non-executive function
- To make reports or recommendations to the Council and/or Executive in relation to matters affecting the area or its residents
- The right to require the attendance of members and officers to answer questions includes a right to require a member to attend to answer questions on up and coming decisions
- To consider matters referred to it in accordance with the Council's Petition Scheme

(b) Policy development

- To assist the executive in matters of policy development by in depth analysis of strategic policy issues facing the Council for report and/or recommendation to the Executive or Council or committee as appropriate
- To conduct research, community and/or other consultation in the analysis of policy options available to the Council
- To liaise with other public organisations operating in the borough – both national, regional and local, to ensure that the interests of local people are enhanced by collaborative working in policy development wherever possible

(c) Scrutiny

- To scrutinise the decisions made by and the performance of the Executive and other committees and Council officers both in relation to individual decisions made and over time
- To scrutinise previous performance of the Council in relation to its policy objectives/performance targets and/or particular service areas
- To question members of the Executive or appropriate committees and executive directors personally about decisions
- To question members of the Executive or appropriate committees and executive directors in relation to previous performance whether generally in comparison with service plans and targets over time or in relation to particular initiatives which have been implemented
- To scrutinise the performance of other public bodies in the borough and to invite them to make reports to and/or address the select committee/Business Panel and local people about their activities and performance
- To question and gather evidence from any person outside the Council (with their consent where the law does not require them to attend).
- To make recommendations to the Executive or appropriate committee and/or Council arising from the outcome of the scrutiny process

(d) Community representation

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- To promote and put into effect closer links between overview and scrutiny members and the local community
- To encourage and stimulate an enhanced community representative role for overview and scrutiny members including enhanced methods of consultation with local people
- To liaise with the Council's ward assemblies and/or Positive Ageing Council so that the local community might participate in the democratic process and where it considers it appropriate to seek the views of the ward assemblies and/or Positive Ageing Council on matters that affect or are likely to affect the local areas, including accepting items for the agenda of the appropriate select committee from ward assemblies and the Positive Ageing Council.
- To keep the Council's local ward assemblies and Positive Ageing Council under review and to make recommendations to the Executive and/or Council as to how participation in the democratic process by local people can be enhanced.
- To receive petitions, deputations and representations from local people and other stakeholders about areas of concern within their overview and scrutiny remit and to refer them to the Executive, appropriate committee or officer for action, with a recommendation or report if the committee considers that necessary
- To consider any referral within their remit referred to it by a member under the Councillor Call for Action (Part IV E 10), and if they consider it appropriate to scrutinise decisions and/or actions taken in relation to that matter, and/or make recommendations/report to the Executive (for executive matters) or the Council (non-executive matters)

(e) Finance

- To exercise overall responsibility for finances made available to it for use in the performance of its overview and scrutiny function.

(f) Work programme

- As far as possible to draw up a draft annual work programme in each municipal year for consideration by the Overview and Scrutiny Business Panel. Once approved by the Business Panel, the relevant select committee will implement the programme during that municipal year. Nothing in this arrangement inhibits the right of every member of a select committee (or the Business Panel) to place an item on the agenda of that select committee (or Business Panel respectively) for discussion.
- The Council and the Executive will also be able to request that an overview and scrutiny select committee research and/or report on matters of concern and the select committee will consider whether the work can be carried out as requested. If it can be accommodated, the select committee will perform it. If the committee has reservations about performing the requested work, it will refer the matter to the Business Panel for decision.

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Public Accounts Select Committee's specific terms of reference

In addition to the general terms of reference outlined above, the Public Accounts Select Committee has the following specific terms of reference:

- 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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Appendix B: Council corporate priorities

The Committee should also consider how each item on its agenda links to the priorities set out in the [Corporate Strategy for 2018-2022](#):

- [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.

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Appendix C: Effective Scrutiny Guidelines

At Lewisham we:

1. Prioritise

It is more effective to look at a small number of key issues in an in-depth way, than skim the surface of everything falling within scrutiny's remit. We try to focus on issues of concern to the community and/or matters that are linked to our corporate priorities. We only add items to the work programme if we are certain our consideration of the matter will make a real and tangible difference.

2. Are independent

Scrutiny is led by Scrutiny Members. Scrutiny Members are in charge of the work programme and, for every item, we specify what evidence we require and what information we would like to see in any officer reports that are prepared. We are not whipped by our political party or unduly influenced by the Cabinet or senior officers.

3. Work collectively

If we collectively agree in advance what we want to achieve in relation to each item under consideration, including what the key lines of enquiry should be, we can work as a team to question witnesses and ensure that all the required evidence is gathered. Scrutiny is impartial and the scrutiny process should be free from political point scoring and not used to further party political objectives.

4. Engage

Involving residents helps scrutiny access a wider range of ideas and knowledge, listen to a broader range of voices and better understand the opinions of residents and service users. Engagement helps ensure that recommendations result in residents' wants and needs being more effectively met.

5. Make SMART evidence-based recommendations

We make recommendations that are based on solid, triangulated evidence – where a variety of sources of evidence point to a change in practice that will positively alter outcomes. We recognise that recommendations are more powerful if they are:

- Specific (simple, sensible, significant).
- Measurable (meaningful, motivating).
- Achievable (agreed, attainable).
- Relevant (reasonable, realistic and resourced, results-based).
- Time bound (time-based, time limited, time/cost limited, timely, time-sensitive).

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Appendix D: Local assembly priorities

Bellingham

The top priorities for Bellingham Assembly are:

- children and young people
- older people's issues
- community events and festivals.
- the promotion and development of Bellingham as a community.

Blackheath

- Environment and Community.
- Provision for Older people, Young People and Children
- Parking, Streets and Waste.
- Crime and Anti-Social Behaviour

Brockley

- Connecting communities – bringing Brockley residents together, fostering a sense of community spirit, mutual understanding and respect through community projects, events and activities. These could be art, music, drama or sports based. We are also keen to open up the criteria to include ideas around exciting intergenerational projects
- Creating a high-quality living environment – helping improve our local living environment and making Brockley a safer, cleaner and greener place to live, work and learn
- Creating development opportunities for Brockley residents
- Connecting communities – bringing Brockley residents together, fostering a sense of community spirit, mutual understanding and respect through community projects, events and activities. These could be art, music, drama or sports based. We are also keen to open up the

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criteria to include ideas around exciting intergenerational projects.

Catford South

Improving the Catford South Environment Parking, Idling and CPZs

- Improving Cycling Provision
- General traffic issues in Catford South
- Supporting Local Air Quality Campaign

Improving Catford South for Residents

- Fly-tipping, Litter and Bins
- Greening through planting trees and flowers
- Noise nuisance
- Street cleaning

Developing more activities for Children and You People in Catford South

- Activity for Teenagers
- Activity for Young Adults
- Developing activity for under 5s
- Activity for Children aged 6-12 years

Improving the Cultural offer in Catford South

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- Developing Community Events
- Access to Theatre and Music
- Night time offer for adults better
- Access the Visual Arts Film

Increasing opportunities for Older People Catford South Community

- Providing activities and events for older people
- Dementia Friendly Community Work
- Improving the health of Older People
- Maintaining the Independence of older people

General things that matter to Catford South Residents

- Volunteering Opportunities
- Crime and Safety
- Supporting Local Business
- Employment and Training

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Crofton Park

- Activities for older people
- Activities for younger people
- The environment
- Health and wellbeing
- Supporting community cohesion

Downham

- Children and young people
- Older people and intergenerational projects
- Creating a high quality living environment

Evelyn

- Provision for young people and children
- Provision for older people, people with disabilities and intergenerational activities
- Skills development and access to local employment opportunities
- Community support on anti-social behaviour, crime and drug issues
- Housing/development and improving the built environment
- Community capacity building, cohesion and events

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Forest Hill

- Youth engagement and provision
- Making Forest Hill more attractive and healthy
- Community events
- Supporting local traders

Grove Park

- Improving the town centre
- Crime and antisocial behaviour
- Neighbourliness, community activities, events and cohesion
- Community facilities
- Parking, road safety & traffic calming

Ladywell

- improving air quality and pollution
- campaigning for the inclusion of genuinely affordable housing in future development
- better provision for youth – including apprenticeships linked to local businesses
- community safety

Lee Green

- Traffic and pollution: traffic speeds and rat running.
- Parking in areas without restrictions: over parking causing problems for residents.

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- Our environment: parks, green spaces, community gardens, streets, fly tipping, litter, dog fouling, neglected or empty buildings.
- Community services: community centre and community events.
- Antisocial behaviour and crime: misuse of bikes, noise, drug dealing.
- Transport links and accessibility of railway stations in the ward.

Lewisham Central

- Improving health and wellbeing.
- Cleaner, better environment.
- Better access to activities for children and young people.
- Better access to activities and opportunities for the elderly.
- Promoting and improving community cohesion.

New Cross

- Unemployment and skills development
- Activities for older people and tackling social isolation
- Housing developments and the built environment
- Health, wellbeing and community safety

Perry Vale

- Children and Young People
- Unemployment and skills development

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- Older people and intergenerational
- Crime and antisocial behaviour
- Environment and ecology

Rushey Green

- activities and opportunities for children (under 18) and young people (under 25)
- increasing opportunities for older people (55+)
- community cohesion – including events, activities and projects designed to create a sense of community in Rushey Green
- culture and the arts – with particular reference to improving the wellbeing of people in the Rushey Green Area
- improving your local area – including local 'streetscape', environment and ecology.
- The Rushey Green Assembly is also committed to keeping residents informed about the ongoing improvements to Catford town centre.

Sydenham

- bringing our community together
- health and wellbeing
- vibrant high street
- clean and green
- crime and anti-social behaviour.

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Telegraph Hill

- Unemployment and skills development
- Activities for older people
- Neighbourliness and tackling social isolation
- Community safety, wellbeing and tackling anti-social behaviour

Whitefoot

- Healthy living including fitness, wellbeing and mental health.
- Creative arts – using art to bring Whitefoot residents together and foster a sense of community spirit, mutual understanding and respect.
- Improved parks, play areas and green spaces – helping improve our local living environment, making Whitefoot a safer, cleaner and greener place to live, work, and learn

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Appendix E: notice of key decisions (attached) and online at: [link to key decision plans on the council website](#)

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Appendix F: Public Accounts Select Committee draft work programme 2020-21

Item	Type of item	Corporate priority	24-Sep-20	03-Dec-20	02-Feb-21	17-Mar-21
Income generation and commercialisation review 2019-20	In-depth review	All	Final report			
Financial stabilisation - budget update and medium term plan	Performance monitoring	All				
Children's social care	Standard item	All, CP3				
Budget cuts	Performance monitoring	All				
Council budget 2021-22	Policy development	All				
Cost pressures in the Public Realm division	Standard item	All, CP6				
Financial forecasts 2020-21	Performance monitoring	All				

Information items

Annual complaints report	Information	All		October		
Reserves update	Information	All		November		
Asset strategy update	Information	All		November		
Income generation and commercialisation update	Information	All			January	
Audit Panel update	Information	All				March

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FORWARD PLAN OF KEY DECISIONS

Forward Plan September 2020 - December 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
June 2020	Catford Regeneration Programme Approval of Phase 1	16/09/20 Mayor and Cabinet	Sandra Plummer, Senior Project Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
October 2019	Adoption of the Catford Regeneration Masterplan Framework	16/09/20 Mayor and Cabinet	Paul Moore, Interim Director for Regeneration and Place and Councillor Paul Bell, Cabinet Member for Housing & Planning		
June 2020	Options appraisal of the security contract	16/09/20 Mayor and Cabinet	Chris Damri, SGM Asset Strategy and Technical Support and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources		
June 2020	Procurement strategy and possible appointment new purchasing body for one or more corporate utility contracts	16/09/20 Mayor and Cabinet	Martin O'Brien, Climate Resilience Manager and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport		
June 2020	Review of Statement of Community Involvement during Covid-19 Pandemic	16/09/20 Mayor and Cabinet	Christopher Dale, Development Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
June 2020	Declaration of Grove Park Nature Reserve LNR.	16/09/20 Mayor and Cabinet	Nick Pond, Parks and Open Space Contracts and Service Development		

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
			Manager and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport		
August 2020	Health & Care Recovery Plan	16/09/20 Mayor and Cabinet	Dr Catherine Mbema, Director of Public Health and Councillor Chris Best, Deputy Mayor and Cabinet Member for Health and Adult Social Care		
August 2020	Approval of the Lewisham Homes Business Plan	16/09/20 Mayor and Cabinet	Michael Moncrieff, Housing Policy & Partnerships Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
August 2020	Request for s106 monies to support the delivery of affordable homes at Sydenham Hill - Mais House	16/09/20 Mayor and Cabinet	David Syme, Strategic Planning Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
August 2020	Small Sites Small Builders GLA Funding - Second Submission	16/09/20 Mayor and Cabinet	James Ringwood, Housing Delivery Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
August 2020	Approval of the lease arrangements for Abbotshall	16/09/20 Mayor and Cabinet	Andy Thomas, Cultural Development Manager		

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
	Road Playing Fields		and Councillor Andre Bourne, Cabinet member for Culture, Jobs and Skills (job share)		
September 2020	Pan London temporary arrangements for the provision of mortuary facilities and mortality management	16/09/20 Mayor and Cabinet	David Austin, Acting Chief Finance Officer and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources		
June 2020	Sydenham Park Foot Bridge - Single Tender Action	29/09/20 Overview and Scrutiny Business Panel	Gillian Redrup, Senior Engineer and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport		
June 2020	Contract to refurbish premises at 43 and 45 Bromley Road	29/09/20 Overview and Scrutiny Business Panel	Adam Platts, Project Manager and Councillor Chris Barnham, Cabinet Member for Children's Services and School Performance		
February 2020	Award of London Borough of Culture Programme Delivery Partner	29/09/20 Overview and Scrutiny Business Panel	Liz Dart, Head of Culture and Community Development and Councillor Andre Bourne, Cabinet member for Culture, Jobs and Skills (job share)		
June 2020	Conversion of 77 Amersham Road and 114-116 Manor Avenue to temporary housing	07/10/20 Mayor and Cabinet	James Masini, Regeneration and New Supply Manager and		

FORWARD PLAN – KEY DECISIONS					
Date included in forward plan	Description of matter under consideration	Date of Decision Decision maker	Responsible Officers / Portfolios	Consultation Details	Background papers / materials
			Councillor Paul Bell, Cabinet Member for Housing & Planning		
February 2020	Approval to proceed with Procurement - Digitisation of Records - Council Wide	07/10/20 Mayor and Cabinet	David Austin, Acting Chief Finance Officer and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability		
June 2020	Former Ladywell Leisure Centre - Update	07/10/20 Mayor and Cabinet	Karen Barke, Head of Strategic Development and Councillor Paul Bell, Cabinet Member for Housing & Planning		
February 2020	Renewal of Pension Administration IT System	07/10/20 Mayor and Cabinet	Ian Andrews, IT Procurement and Supplier Manager and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability		
October 2019	Contract Award for Stage 2 of Greenvale School Expansion Project	07/10/20 Mayor and Cabinet	Pinaki Ghoshal, Executive Director for Children & Young People and Councillor Chris Barnham, Cabinet Member for Children's Services and School Performance		
June 2020	Amending Lewisham Homes Articles of Association	07/10/20 Mayor and Cabinet	Michael Moncrieff, Housing Policy &		

FORWARD PLAN – KEY DECISIONS

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			Partnerships Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
December 2019	Additions of new buildings to Local List St Lukes Church	07/10/20 Mayor and Cabinet	Joanna Ecclestone, Senior Conservation Officer and Mayor Damien Egan, Mayor		
April 2020	Sanctuary Strategy	07/10/20 Mayor and Cabinet	Paul Aladenika, Service Group Manager, Policy Development and Analytical Insight and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability		
June 2020	School meal provision	07/10/20 Mayor and Cabinet	Fiona Gavin, Senior Contracts Officer and Councillor Chris Barnham, Cabinet Member for Children's Services and School Performance		
June 2020	School kitchen equipment maintenance contract	07/10/20 Mayor and Cabinet	Fiona Gavin, Senior Contracts Officer and Councillor Chris Barnham, Cabinet Member for Children's Services and School Performance		
August 2020	Article 4 Direction in Deptford	07/10/20	Joanna Ecclestone,		

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	High Street Conservation Area	Mayor and Cabinet	Senior Conservation Officer and Councillor Paul Bell, Cabinet Member for Housing & Planning		
August 2020	Besson Street update'	07/10/20 Mayor and Cabinet	Monique Wallace, Planning Manager, Strategic Housing and Councillor Paul Bell, Cabinet Member for Housing & Planning		
September 2020	100 in 100 Apprenticeship Training provision	07/10/20 Mayor and Cabinet	Charlotte Rowley, Apprenticeship Coordinator and Councillor Joe Dromey, Cabinet Member for Culture, Jobs and Skills (job share)		
September 2020	Financial Monitoring	07/10/20 Mayor and Cabinet	David Austin, Acting Chief Finance Officer and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources		
September 2020	Leisure Management Arrangements parts 1 & 2	07/10/20 Mayor and Cabinet	James Lee, Director of Strategy, Partnerships and Improvement, Director of Culture and Community Development (jobshare) and Councillor Andre Bourne, Cabinet member for Culture, Jobs and Skills (job share)		

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December 2019	Approval of the draft Lewisham Local Plan for public consultation	28/10/20 Council	Kevin Sheehan, Executive Director for Housing, Regeneration & Environment and Mayor Damien Egan, Mayor		
April 2020	Approval of the Local Development Scheme (Update)	28/10/20 Council	David Syme, Strategic Planning Manager and Mayor Damien Egan, Mayor		
June 2020	Extension of Resurfacing and Footways Contract	28/10/20 Mayor and Cabinet	Tom Henry, Engineering Manager, Transport Division and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport		
June 2020	Highway term Contract tender award	28/10/20 Mayor and Cabinet	Tom Henry, Engineering Manager, Transport Division and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport		
April 2020	Revised Statement of Licensing Policy	11/11/20 Mayor and Cabinet	Lisa Hooper, Crime, Enforcement & Regulation Manager and Councillor Andre Bourne, Cabinet member for Culture, Jobs and Skills (job share)		
April 2020	Adoption of the Homelessness	11/11/20	Michael Moncrieff,		

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	and Rough Sleeping Strategy	Mayor and Cabinet	Housing Policy & Partnerships Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
April 2020	Adoption of the Housing Strategy 2020-26	11/11/20 Mayor and Cabinet	Michael Moncrieff, Housing Policy & Partnerships Manager and Councillor Paul Bell, Cabinet Member for Housing & Planning		
April 2020	Refugee Resettlement Support Service Contract Award	11/11/20 Mayor and Cabinet	Madeleine Jeffery, Director of Housing and Councillor Kevin Bonavia, Cabinet Member for Democracy, Refugees & Accountability		
September 2020	Catford Regeneration Partnership Ltd Business Plan 2020-21	11/11/20 Mayor and Cabinet	Kplom Lotsu, SGM Capital Programmes and Mayor Damien Egan, Mayor		
September 2020	Building for Lewisham Package A s105 & demolition budget approval	11/11/20 Mayor and Cabinet	Karen Barke, Head of Strategic Development and Councillor Paul Bell, Cabinet Member for Housing & Planning		
September 2020	SELCHP extension report	11/11/20 Mayor and Cabinet	Wendy Nicholas, Strategic Waste and Environment Manager and Councillor Sophie McGeevor, Cabinet		

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			Member for Environment and Transport		
February 2020	Revised Statement of Licensing Policy	25/11/20 Council	Lisa Hooper, Crime, Enforcement & Regulation Manager and Councillor Eva Stamirowski		
October 2019	Mayow Road Supported Living Service Parts 1 & 2	09/12/20 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		
November 2019	Approval to appoint operator for concessions contract at the lake, Beckenham Place Park	13/01/21 Mayor and Cabinet	Gavin Plaskitt, Programme Manager and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport		
June 2020	Climate emergency action plan update	03/02/21 Mayor and Cabinet	Martin O'Brien, Climate Resilience Manager and Councillor Sophie McGeevor, Cabinet Member for Environment and Transport		
August 2020	Occupational Health EAP contract	10/03/21 Mayor and Cabinet	David Austin, Acting Chief Finance Officer and Councillor Amanda De Ryk, Cabinet Member for Finance and Resources		

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