

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Tuesday, 5 July 2016 at 7.00 pm

PRESENT: Councillors Jamie Milne (Chair), Chris Barnham (Vice-Chair), Abdeslam Amrani, Brenda Dacres, Amanda De Ryk, Mark Ingleby, Roy Kennedy and Jim Mallory

ALSO PRESENT: Cllr Alan Hall, Emma Aye-Kumi (Scrutiny Manger), Mark Humphreys (Group Finance Manager, Customer Services), Dave Richards (Group Finance Manager, CYP), Robert Mellors (Group Finance Manager, Community Services), Selwyn Thompson (Head of Financial Services), David Austin (Head of Corporate Resources), Lisa Bibby (Consultant), Janet Senior (Executive Director for Resources and Regeneration), Kplom Lotsu (SGM Capital Programme Delivery), Sandra Plummer (Senior Project Manager), Georgina Nunney (Principal Lawyer), Paul Aladenika (SGM, Policy Development and Amalytical Insight)

APOLOGIES: none

1. Minutes of the meeting held on 1 June 2016

RESOLVED that the minutes of the last meeting held on 1 June 2016 be signed by the Chair as a true and accurate record.

2. Declarations of Interest

None.

3. Income Generation - 6 month update

Lisa Bibby gave a presentation outlining work to date since the Income Generation report was published in October 2015.

A discussion followed and the Committee heard that:

- Through this work, Lisa hoped to map a clear picture of where the council was currently, highlight inconsistencies in culture to be addressed, disseminate learning, expose any data gaps, inform culture change, and offer an external view
- Achieving cultural change would be the hardest part and would take the longest
- Lisa had first taken employment with a local authority in 1998, and during her career had worked as a Strategic Director of a Public Private Partnership as well as a Director of Education with responsibility for commercial and traded services. She had provided similar consultant services to other local authorities

- The majority of the council's income generation work was driven by budget considerations, which meant that any income would be treated as surplus to be offset against costs, rather than as profit
- The Income Generation Board would carry forward this work beyond the end of Lisa's contract. The Board was well resourced and supported by Heads of Service
- Initially officers, with member support, had tried to recruit a permanent commercial specialist to lead this work but the picture of practice across the council was considered too unclear at that point. Recruiting Lisa was considered to be phase 1 to complete a mapping exercise, then Phase 2 could see the appointment of a permanent officer to lead this work, depending on the outcome of Phase 1. A report would be brought back to the Committee in October/ November 2016
- Similar work was being done on schools traded services and this was being fed into the wider income generation work
- Areas in which the council was performing well and where there may be the possibility of selling to other local authorities were being explored. The example given was the enforcement service (debt recovery)
- Every officer that Lisa had interviewed had been open to working differently and the early picture that was forming suggested that more guidance and support was needed for officers involved in income generating activities
- Several examples of good practice were cited
- Officers needed guidance and reassurance that no conflict of interest existed between service delivery and income generation
- Culture change would be supported by the production of relevant core competencies which would be built into managers' evaluation assessments
- Members warned that being too risk averse could lead to low productivity. There were calls for a lighter, quicker, less bureaucratic approach to this work, and a recognition that to achieve this the council would need to move away from blame culture
- In addition to needing the right IT and systems support, officers would need political support, including a willingness to increase risk tolerance
- Members expressed concern at the pace of the work, reiterating the desire to drive entrepreneurial spirit while preserving service delivery. Officers reassured the Committee that by engaging with senior officers and questioning what was being done, Lisa's work was starting to effect cultural change.

→ **Action: Scrutiny Manager** to update to work programme to include a report back in October/ November 2016

RESOLVED that the report be noted.

4. **Medium Term Financial Strategy**

Under the Local Government Act 1972, Section 100(b)(4), the Chair of the Committee can take the matter as a matter of urgency if he is satisfied that there are special circumstances requiring it to be treated as urgent.

The Medium Term Financial Strategy was not available for the original despatch to enable an assessment of the implications of the results of the EU referendum of 23 June 2016 to be included in the assumptions and risks considered in the Medium Term Financial Strategy.

The report was urgent and could not wait until the next meeting of the Public Accounts Select Committee on 22 September 2016 as this was too far into the financial year for this Committee to consider the Council's predicted forecast position to inform plans for making savings.

An addendum was tabled at the meeting and is published here <http://tinyurl.com/jmzmsoe>

David Austin presented the report, highlighting the expectation of needing to identify and agree a further £45m of savings to 2019/20 and explaining that the implications of the Referendum were too complex and uncertain to meaningfully look beyond the end of the administration and therefore the report took a 3 year forward look, rather than 4 years as would normally be the case.

A discussion followed and the following was noted:

- New Homes Bonus funding was subject to change following a recent consultation. It is likely to be reduced by at least a third and therefore would not be relied on for the base budget but held in reserves
 - New Homes Bonus funding was dependent on the number of properties built, was not ring fenced and was therefore used to support general service budgets to meet the needs of the growing population and number of households
 - The MTFFS presented best and worst case views to demonstrate the impact of the difference assumptions used to assess the council's available resources
 - Eight schools (in addition to those with existing licensed deficits) were expected to be in deficit by the end of 2016/17, and it was possible that this number may grow
 - The deficits varied in size, and the larger ones would need the approval of the Mayor
 - Secondary schools received funding per pupil, and pupil numbers were at an all-time low. It was expected that numbers would start to rise as the primary bulge moved up to secondary school
 - The shortfall in schools pensions was an issue that affected many London boroughs and was not unique to Lewisham
 - The Committee was adamant that deficits should not be licensed without first having sought to manage any anticipated deficit
 - The Committee asked that the addendum headed "Housing Revenue Account" should be circulated to the Housing Select Committee
- **Action: Scrutiny Manager** to circulate Housing Revenue Account addendum to Housing Select Committee

RESOLVED that the report be noted.

5. Financial Forecasts 2016/17

Selwyn Thompson, Head of Financial Services, presented the report. In response to questions from Members, the Committee heard that:

- Officers were hopeful that the projected £7.7m overspend would come down through the effect of ongoing management action during the year
- It was possible that projections could get worse as there were so many uncertainties for local government finance
- Some savings would not deliver in time and other income generating activities had a lead in time such that the benefits would not be seen in time to have a full year impact. The enforcement service was cited as an example
- The projected £1m overspend by the environment division was due to a drop in the price of commodities and increased cost of recycling when retendering the contract
- There was still time for a decision to be taken regarding the funding gap for 2017/18

RESOLVED that the report be noted.

6. Report Back on Public Realm Contract Monitoring

Kplom Lotsu, SGM Capital Programme Delivery, presented the report. He and Sandra Plummer, Senior Project Manager, responded to questions from the Committee. The following was noted in discussion:

- Officers continued to make every effort to coordinate works to minimise the incidences of roads being dug up twice in a short space of time
- Utilities companies could apply for permission to carry out urgent works within 24 hours and this was outside of the council's control
- When it came to planned works, it was standard practice to notify utilities companies in advance and with as much notice as possible so that planned works could be coordinated to minimise disruption and expense, particularly if high amenity paving had been used
- Reinstatement packs were issued to utilities providers to provide clarity about what needed to be done to reinstate the public realm to how it had been prior to the works
- The Committee requested a report back at a later date about local procurement.

→ **ACTION: Scrutiny Manager** to add local procurement report to work programme

RESOLVED that the report be noted.

7. Management Report

Paul Aladenika, SGM Policy Development and Analytical Insight, was in attendance to respond to questions. The committee heard that the Ofsted

Improvement Plan would go to CYP Select Committee in July and would cover all 60 points raised as a result of the nine recommendations in the Ofsted inspection report. From there the Ofsted Improvement Plan would be reviewed by CYP Select Committee on a quarterly basis. The Committee was assured that work following the recommendations was being taken forward.

RESOLVED that the content of the report be noted

8. Select Committee Work Programme

Members were asked to note the work programme and date of next meeting.

RESOLVED: that the Annual Complaints Report, currently scheduled for September, be deferred until the October meeting.

9. Referrals to Mayor and Cabinet

None.