

# MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Tuesday, 24 September 2019 at 7.00 pm

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

ALSO PRESENT: Councillor John Muldoon, Councillor Amanda De Ryk (Cabinet Member for Finance and Resources), Councillor Sophie McGeevor (Cabinet Member for Environment and Transport (job share)), Timothy Andrew (Scrutiny Manager), David Austin (Acting Chief Finance Officer), Fiona Colley, Robert Mellors (Finance Manager, Community Services and Adult Social Care), Theron Newman (Group Finance Manager, Customer Services), Kevin Sheehan (Executive Director for Housing, Regeneration & Environment), Selwyn Thompson (Head of Financial Services) and Nigel Tyrell (Director of Environment)

## 1. Minutes of the meeting held on 10 July 2019

1.1 **Resolved:** that the minutes of the meeting held on 10 July be agreed as an accurate record.

## 2. Declarations of interest

2.1 There were none.

## 3. Responses from Mayor and Cabinet

3.1 It was agreed that all of the responses to the Committee's referrals on income generation would be considered at the meeting on 6 November.

## 4. Budget pressures in the environment division

The agenda was varied to consider this item before the item on budget cuts.

4.1 Nigel Tyrell (Director of Environment) introduced the report, the following key points were noted:

- The report was provided to address the Committee's concerns about the persistent reporting of overspending in the Environment Division.
- Over the past 10 years the Council had delivered savings of over £173m.
- The division had made cuts of £6m over the past five years. More than £800k of savings was proposed for 2020/21.
- The Environment Division had a workforce of more than 420 people providing a broad range of services.
- The refuse service collected three different types of waste from 134,000 households each week working out at around 54,000 separate collections every day.
- Any increase in the number of households in the borough increased the cost of staffing, vehicles and disposals.
- Since 2013/14 the number of household waste collections had increased by 17%.

- The budget for the service did not increase in line with the increase in collections.
- The refuse service was forecasting an overspend by £1.5m (this represented two thirds of the overspend in the division).
- The causes for the overspend could be traced back to changes to waste disposal in 2015.
- Officers put forward proposals to diversify recycling in anticipation of the end of the incineration contract with SELCHP (South East London Combined Heat and Power plant).
- The proposals put forward by officers were rejected by Mayor and Cabinet to allow for scrutiny by councillors and public consultation.
- Following consideration by the Environmental Sustainability Committee<sup>1</sup> (Thursday, 26 November 2015) the following changes were made to the original proposals:
  - a) The subscription for subscription garden waste be £60 instead of the £80 initially proposed by officers.
  - b) Introduction of a weekly food collection service and reduction of refuse collections to fortnightly
  - c) Retention of a weekly comingled recycling service
- These changes presented a significant increase in dry mixed recycling and food waste collections as well as significantly reducing the cost of garden waste collection.
- These changes were presented and accepted by the Mayor and Cabinet. The original savings proposal was also accepted as part of a list of savings.
- As a result of these two decisions, savings of £500k were taken. Recommendations to increase refuse collection frequencies and a lower level of garden waste subscription charges (from £80 to £60) were adopted.
- There was insufficient co-ordination between the savings report and the scrutiny feedback process meaning that officers did not have the opportunity to reconfigure the savings proposal to reflect the increased service cost of a weekly recycling/food and garden waste service or adjust income expectations from garden waste subscriptions. This created an immediate £500k gap within the refuse collection budget.
- The intention had been to review the changes in light of the substantial level of changes.
- The changes to the service also presented a number of unbudgeted operational challenges.
- Additional crews were required due to problems collecting recycling from some properties. Additional time was also needed for crews to dispose of refuse.
- There were additional unbudgeted costs associated with higher than anticipated requests for replacement bins.
- The hire of additional refuse vehicles to enable flexibility in the service resulted in a budget pressure of £550k. Mayor and Cabinet had approved the purchase of new (and more efficient) fleet vehicles – the first of which were due to come into service in the coming months.

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<sup>1</sup> Sustainable Development Select Committee

- There were also pressures on the budget due to higher disposal costs. Although overall volumes of waste were decreasing – recycling was currently more expensive than incineration. It was estimated that each additional ten thousand tonnes of waste that was recycled rather than incinerated cost an additional £160k in disposal costs.
- There was also a 5% (£300k) overspend in the street cleansing budget.
- Since 2010 – the workforce had been reduced by 23%. However – in line with Council policy – the number of directly employed staff had increased. This had limited the service’s ability to manage staff costs using the flexibility provided by agency staff.
- There were additional costs associated with employing directly staff which had not been budgeted for.
- The Council was moving to a new system for financial forecasting. However, this had taken longer to implement than had been anticipated. Managers in the environment division had not been receiving the figures and monitoring information required to regularly review budgets.

4.2 Nigel Tyrell, Kevin Sheehan and Theron Newman responded to questions from the Committee, the following key points were noted:

- A third of the overspend was due to vehicle hire costs; a third was due to the lower than projected realisation of income from trade waste and a third was due to other unanticipated costs.
- The significant changes in 2016 had created a new set of pressures on the budget (the change in the regularity of residual waste collections; charges for green waste collection; providing food waste collection and moving some responsibilities to Lewisham Homes).
- The refuse service had overspent its budget for at least 20 years (although before 2016 most pressures were managed in-year, as with any large budget).
- The changes were now well established – but the reality of providing the services had created budget pressures.
- Some additional income had been realised from trade waste – but not as much as has been forecast and not enough to match overspending in other areas.
- The financial system that the Council provided to manage trade waste subscriptions and to raise invoices had created a number of problems (including creating incorrect and duplicate invoices). These problems made it more difficult to account correctly for income. It also made it more difficult to sell services commercially.
- Up to date information was necessary to enable the service to ensure all business were up to date with payments.
- The targets for trade waste income remained relevant – in order to maintain a sense of urgency and challenge.
- The Association for Public Service Excellence (APSE) had carried out a review of environmental services and it had made a number of recommendations for improvement.
- In 2015 a number of models for the future of the service had been considered. The Council took external advice – and reviewed operations at other Councils. The model was changed through the budget process.

- It was recognised that the financial model for delivering services (and forecasting future costs) could have been revisited sooner.
- It was anticipated that the delivery of new vehicles would alleviate some (potentially up to half) of the pressure on the refuse service budget (but it was not clear what the exact figure would be).
- As well as the actions to reduce vehicle hire costs and to increase income from trade waste subscriptions - work was still required to tackle overspending in other areas of the service.
- Discussions were happening at a national level about the production and management of waste. In the longer term – the Government intended to make suppliers and retailers deal with waste (and to produce less).
- Discussions were also happening across London about the opportunities to increase recycling.

4.3 In Committee discussions, the following key points were also noted:

- The Environment Division was not the only service in the Council that had been required to make cuts whilst maintaining services.
- A member gave an example of problems and difficulty presented when attempting to sign up to have trade waste collected.
- Members were concerned that the service appeared not to have spent within its budget in recent memory.
- The Committee was concerned that there appeared to be a lack of financial modelling for the delivery of environmental services (specifically in terms of: population growth; the number of flats in the borough and – the changes to incineration costs).
- Members highlighted the lack of political will to fundamentally change the delivery of services.
- The Committee expressed its concern about the lack of joined up thinking between corporate services and the environment division – particularly in relation to the availability of capital expenditure for use on purchasing refuse vehicles.

4.4 Councillor Sophie McGeevor (Cabinet Member for Environment and Transport (job share)) addressed the Committee - the following key points were noted:

- There was a growing realisation that one of the most effective means to manage waste would be a 'pay as you throw' system – in which the cost of refuse collection would be related to the volume that households produced. However, the Government was slow in making changes.
- The Council had to make the best of the situation in which it found itself.

4.5 Councillor Amanda de Ryk (Cabinet Member for Finance and Resources) addressed the Committee – the following key points were noted:

- As a former member of Sustainable Development Select Committee (at the time of the decision regarding changes to waste services in 2015/16) she recognised that the options being presented included assumptions about costs and estimates of expenditure. However, there was no indication in the modelling from officers that the decisions being taken would result in significant overspending and budget pressures.

- Councillors relied on professional advice from officers to make sound financial decisions.
- Cabinet Members were doing their best to balance budgets in difficult financial circumstances.
- Overspending in one service had impacts across the Council.

4.4 **Resolved:** the Committee (a) endorsed the retention of the income target for trade waste and it urged that officers ensure that systems were improved to enable the target to be met; (b) requested information about the recommendations from the APSE review; and (c) agreed that that a further update on budget pressures in the environment division should be brought before the Committee within six months on the progress being made on: future financial modelling and the savings achieved from ending the hire of fleet vehicles.

## 5. Budget cuts

5.1 The Committee considered the street sweeping cuts (CUS07) at the beginning of this item.

5.2 Councillors Patrick Codd and Louise Krupski introduced the referral from the Sustainable Development Select Committee, the following key points were noted:

- Members of the Sustainable Development Select Committee had reiterated their concerns about the impact of this cut and on the public perception of Council services.
- The Committee also believed that additional consideration should be given to the options for mitigating the impact of this cut.
- Members of Sustainable Development also highlighted their concerns about the findings from the street cleaning pilot. It was felt that the results of the pilot were too unspecific to allow any real consideration of the issues.
- The Committee had also highlighted the importance of bolstering civic pride to prevent littering.

5.3 The Committee discussed the proposed street sweeping cut – the following key points were noted:

- Members shared experiences of instances of lack of delivery of street sweeping services in their wards.
- Members also questioned the implementation, the analysis and the presentation of findings from the street cleansing pilot.
- Specific concerns were raised about the lack of a control area with which to compare the results of the trial areas.
- An example was given of residents regularly sweeping their own street in the pilot area – during the trial period. Officers acknowledged that they had not been aware that this was the case.
- Members highlighted concerns about the risks of ‘swapping costs’ between routine sweeping and increased enforcement activity.
- There was concern (as noted in previous years) about the potential disproportionate impact on low-paid workers.

- The Committee also thanked officers for their commitment to the delivery of quality services.
- 5.4 Nigel Tyrell responded to questions from the Committee about the proposed cut and the street cleansing pilot - the following key points were noted:
- The service was stretched to carry out any monitoring of the quality of street cleansing. Officer posts that had been available to monitor the cleanliness of Lewisham's streets had been cut during a previous round of budget reductions.
  - This meant that there was no comparable data with the rest of the borough.
- 5.5 Councillor Sophie McGeevor addressed the Committee – the following key points were noted:
- Members' concerns about the lack of information in the report were valid.
  - Scrutiny committees should receive more information about the proposal before any decision was taken.
  - One of the pieces of information missing from the report was an accurate breakdown of numbers of permanent and agency staff.
- 5.6 **Resolved:** that the Committee would share its views with Mayor and Cabinet as follows - the Public Accounts Select Committee endorses the comments of the Sustainable Development Select Committee and in particular it acknowledges concerns about the limitations of the findings from the cleansing pilot. The Committee also reiterates previous concerns about the impact of this proposal on low-paid workers. It recommends that Mayor and Cabinet does not agree the proposal until further work had been done to address the concerns of both Committees.
- 5.7 A number of members of the Committee commented on the coherence of the cuts report and noted the difficulties they had experienced in navigating the different sections.
- 5.8 David Austin (Acting Chief Finance Officer) provided an overview of the cuts proposals for Community Services. The Committee noted that the Healthier Communities Select Committee had not chosen to make a referral on the cuts to Mayor and Cabinet.
- 5.9 David Austin and Kevin Sheehan provided an overview of the cuts that had been considered by the Housing Select Committee – the following key points were noted:
- There were two budgets which paid for the Council's no recourse to public funds work – one for staffing and the other for the provision of services. There was no proposal to cut the budget for staffing – however – it was believed that money could be taken from the budget for services.
  - The service had been effective at 'regularising' the status of its clients – which meant they could access alternative funding for services.
  - The services budget was based on demand. Should additional funding be required in the future then the Council could decide to re-provide funding.

5.10 The Committee considered the written referral from the Housing Select Committee on savings generated through no recourse to public funds service (CUS15)– the following key points were noted:

- The Committee expressed its concerns about officers' delay in the production of a report which was expected on the no recourse to public funds service.
- The Committee was unable to determine what course of action was recommended by the Housing Select Committee.

5.11 **Resolved:** that the Committee would refer its views to Mayor and Cabinet as follows – further to the concerns expressed by some Members of Housing Select Committee, the Public Accounts Select Committee recommends that Mayor and Cabinet should insist on publication of the report on the no recourse to public funds service before it makes a decision about this cut.

5.12 Councillor Juliet Campbell introduced the referral from the Safer Stronger Communities Select Committee, the following key points were noted:

- The Safer Stronger Communities Select Committee sought more information about the likely equalities impact on service users of the proposal to increase rental charges for nurseries (RES20).
- There was also a discussion at the Committee about other properties in the commercial estate that were receiving subsidised rents.

5.13 Councillor Amanda de Ryk addressed the Committee, the following key points were noted:

- Cabinet members had requested additional information about a number of the cuts proposals which had not been forthcoming from officers.
- It was not clear why some nurseries were being offered reduced rents whilst others were not.
- Once detailed information about charges (and the historic reasons for reductions) were understood – then the Council could make an informed decision about the future of any subsidy.
- Any ongoing rent subsidy might be offered through the grants programme.

5.14 In Committee discussions, the following key points were also noted:

- These nurseries might be in former Sure Start centres that had been handed over from the Council.
- The Committee found it difficult to make any decision based on the information that had been provided in the report.
- Members were concerned about playgroups that were being run in parks. The Council had previously made a commitment to keep these open.

5.15 **Resolved:** the Committee endorsed the comments of the Safer Stronger Communities Select Committee.

5.16 David Austin provided an overview of the proposals that had been allocated to the Public Accounts Select Committee (CUS11a – process automation in revenues and benefits; CUS14a – parking service budget review; RES21 –

savings generated through not allocating inflation uplift to contract costs; and RES22 – savings generated through improved ICT provision).

5.17 **Resolved:** the Committee agreed that these cuts should proceed to Mayor and Cabinet without additional comment. It was also agreed that the briefing on the Mayor's Office and Communications should be deferred to a future meeting.

5.18 There was a discussion about the referral from Safer Stronger Communities Select Committee regarding neighbourhood community infrastructure levy. There were differing opinions about whether there should be top down alignment or some other form of coordination between capital programme priorities and plans for spending the neighbourhood community infrastructure levy. Members noted that the Safer Stronger Communities Select Committee and the Sustainable Development Select Committee were due to consider updates on the neighbourhood community infrastructure levy at future meetings.

5.19 **Resolved:** that referrals from other select committees as well as the Committee's own comments (under sections 5.6/5.11/5.15 and 5.17 of the minutes) be referred to Mayor and Cabinet for consideration alongside the budget cuts proposals.

## **6. Financial forecasts 2019-20**

6.1 Selwyn Thompson (Director of Financial Services) provided an overview of the report. David Austin and Selwyn Thompson responded to questions from the Committee, the following key points were noted:

- The review of transport services for children and young people had been carried out and an external provider was due to be appointed.
- Officers were cautiously optimistic that the approach would make savings from the second year of implementation.
- Incentives were provided for some private landlords to maintain the tenancies of households at risk of homelessness. Further information was awaited from central government about the future of grant funding.
- Officers would continue to provide updates for the Committee on the pressures facing the budget for housing benefit subsidy.

6.2 **Resolved:** that the report be noted.

## **7. Treasury management mid-year review 2019-20**

7.1 David Austin provided an overview of the report.

7.2 **Resolved:** that the report be noted.

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

8.1 The Committee discussed the work programme for the meeting on 6 November and agreed to consider the item (on the agenda for this meeting)



on the Mayor's office and communications as well as updates on adult social care and on income generation and commercialisation.

8.2 **Resolved:** that the work programme for the meeting on 6 November be agreed.

## 9. Referrals to Mayor and Cabinet

9.1 Councillor James Rathbone (Chair of the Council's Audit Panel) introduced an urgent update from the Panel (a note is appended to the minutes) – the following key points were noted:

- The Audit Panel had seen an increasing number of audits that flagged errors or areas of concern in the Council's finance department and its core financial systems.
- In July 2019, issues were also raised in the external audit. The Council was unable to meet the audit deadline and a large part of this was due to the lack of resourcing in the finance department, which was unable to respond to questions and requests within sufficient timescale.
- Subsequent consideration of reports at Audit Panel had reinforced these concerns. Of the 17 core financial audits, four had resulted in a negative financial opinion and one could not be completed. These problems stemmed in large part from the lack of resourcing – but were combined with problems implementing Oracle Cloud.
- The Panel believed that there was such a significant risk that its concerns needed to be referred to Mayor and Cabinet.
- The level of resources available to the finance department should be considered as a matter of urgency because there were serious implications for the delivery of all Council services.
- There were also concerns about the delay in the implementation of Oracle Cloud – which continued to produce errors and inaccuracies.

9.2 Councillor Mallory addressed the Committee – the following key points were noted:

- The Council's constitution did not clearly set out the mechanism for Audit Panel to raise its concerns with Mayor and Cabinet.
- The Panel could report concerns to Council – but it was felt that this would take too long. Therefore, the Committee was being asked to refer on the views of the Audit Panel for consideration.

9.3 **Resolved:** that the Committee would refer its views to Mayor and Cabinet as follows –

- Further to an update from the Chair of the Audit Panel (appended to the referral), the Committee is persuaded that there are urgent issues relating to the resourcing of the financial services division that require immediate and detailed consideration by Mayor and Cabinet.

The meeting ended at 9.55 pm

Chair:

Date:

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