

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Wednesday, 6 November 2019 at 7.00 pm

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

APOLOGIES: Councillors Juliet Campbell, Mark Ingleby and Joan Millbank

ALSO PRESENT: 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), Fiona Colley, Petra Der Man (Principal Lawyer), Robert Mellors (Finance Manager, Community Services and Adult Social Care), Katharine Nidd (Strategic Procurement and Commercial Services Manager) (LBL), Sunil Shahaney (Income Generation and Commercial Services Manager) and Selwyn Thompson (Head of Financial Services)

1. Minutes of the meeting held on 24 September 2019

- 1.1 The Committee discussed the minutes of the meeting held on 24 September 2019. It was noted that the Director of Environmental Services had said that the refuse service had not spent within budget in “living memory” - contrary to the indication in the minutes that the service had mostly stayed within budget until 2016.
- 1.2 It was reported that officers had made different remarks relating to the overspend in the refuse service budget.
- 1.3 Members discussed the constitutional changes being implemented to clarify the reporting structure for the Audit Panel.
- 1.4 Members noted the previous assurances that had been given regarding the resourcing of the Council’s internal audit function.
- 1.5 **Resolved:** that a clarification would be added to the minutes of the meeting on 24 September 2019 regarding the factual position of the budget of the refuse service in previous years. It was also agreed that information would be provided regarding the resourcing of the Council’s internal audit and finance functions.

2. Declarations of interest

- 2.1 There were none.

3. Responses from Mayor and Cabinet

- 3.1 The responses were considered as part of item five (income generation and commercialisation).

4. Budget cuts update

- 4.1 The Chair agreed that the item would be deferred to the following meeting in order to allow for additional direction to be given regarding the expected content of the report.
- 4.2 Members requested that the report for the next meeting should include information regarding the outcome of the previous trial of shared services with the London Borough of Lambeth (specifically relating to the costs involved).
- 4.2 **Resolved:** that the report be noted, pending a further update to the Committee at the meeting on 16 December 2019. It was also agreed that in advance of the next meeting the Chair of the Committee would provide further direction to officers regarding the content of the report.

5. Income generation and commercialisation

- 5.1 Katherine Nidd (Strategic Procurement and Commercial Services Manager) introduced the response from Mayor and Cabinet regarding 'trading accounts', the following key points were noted:
- Previous versions of Oracle (the Council's financial management IT system) did not allow for the creation of trading accounts. However, the latest version of Oracle would do so.
 - Options were being considered for the implementation of traded accounts alongside the work officers were doing on fees and charges.
- 5.2 David Austin (Director of Corporate Resources) addressed the Committee, the following key points were noted:
- It was not the intention to carry out full accounting through Oracle.
 - There were no plans to re-impose full cost allocations through the system. It would be used with key services to assist in the process of allocating and identifying costs through the budget monitoring process.
- 5.3 Katherine Nidd responded to questions from the Committee, the following key points were noted:
- The implementation of traded accounts fitted well with the work on cost modelling and on fees and charges.
 - The process provided transparency and the opportunity for critical challenge.
- 5.4 Katherine Nidd introduced the response to the Committee's commercialisation and income generation (2018-19) in-depth review:
- Detail had been provided on the budget monitoring process in response to the Committee's recommendation on income generation and the cuts process.
 - The income generation strategy set out a multi-stage business development process, which could be used for the assessment and development of new ideas. Responses had been provided regarding the two new ideas recommended by the Committee in its review.

- The Committee's recommendation about commercialisation training had been considered and was addressed in the update to the Committee that was also on the agenda.
- Corporate support had been made available for the strategic procurement and commercial services function. This included once off funding and an ongoing budget for this work.
- Consideration had been given to the options to enable a 'call for ideas' from all staff. There might be options to do this through the work that was being carried out to roll out the new 'Lewisham Way'.

5.5 Katherine Nidd and David Austin responded to a question from the Committee about the reliability of income streams and grants from central government. (Members were informed (by Petra der Man, Principal Lawyer) that the pre-election period commenced at midnight on 6 November). The following key point was noted:

- Once funding from central government was agreed – it was very likely it would be received (in contrast to income from commercial services, which might have to be chased).

5.6 In the Committee's discussion, the following key point was also noted:

- Members welcomed the consideration that had been given to developing a commercial approach to managing agency services.

5.7 Katherine Nidd introduced the update on the delivery of the income generation strategy – the following key points were noted:

- Two key areas of focus in the past quarter had been on fees and charges/income generation activity and the other had been on culture change (although Adam Bowles (Director of Human Resources and Organisational Development), who had written the report on commercialisation and culture change was unable to attend the meeting).
- The annual fees and charges report would be produced by the end of the financial year – and would be incorporated into the budget setting process.
- An example of the work that was being done had been appended to the report – this illustrated the level of detail that services would be producing – so there was clarity about the fees for services and comparisons could be made across different councils.
- This work also illustrated the statutory frameworks that the Council relied upon to levy fees and charges.
- Some benchmarking work was also being carried out using a number of sources (including the Local Government Association; Association for Public Service Excellence and the Chartered Institute for Public Finance). It was recognised that the process of benchmarking was of limited benefit unless the information gained was used effectively.
- Detailed cost modelling was being carried out in a number of services that had been named 'pathfinders'.
- The overall message from this work was that there could not be a 'one size fits all approach' to modelling.
- The services that the Council provided were diverse – as were: the ways in which services were set up; the ways in which they operated and their legislative underpinnings.

- The activity to date had been quite slow – because a considerable amount of learning had to take place. It had also become clear that each service would need bespoke support to carry out modelling. However- there were some services that were broadly similar and the work between them could be replicated.
- It was becoming clear (as full cost modelling was carried out) that services were not always aware of all of their costs.
- Work was being carried out to determine how costs that had been reported centrally (such as utility costs) could be stated in service models.
- Some services delivered a blend of traded and statutory services. Cost modelling for these services required an unpicking of the various elements of the service.
- A balance had to be found between the extraction of very minor details and the use of assumptions about the operation and delivery of services.
- Work also had to take place to determine how best to attribute corporate overhead costs to individual activities.
- One of the pathfinders was a small service that had an income of £50k per year. Some of the individual activities of this service were measured in very small amounts (such as a few pence) in these cases it had to be considered whether it was useful to carry out full cost modelling or to decide that - if the costs of the service were being recovered - further detailed modelling was not required.
- Work was being developed to communicate with staff.
- It was proposed that training be provided for senior officers, service and finance managers to make the council more commercially-minded.
- There would be detailed training for budget holders that would be based on relevant examples and case studies. It would also cover activity based cost modelling. At the end of the session – budget holders would understand what was being asked of them – and the benefits of the approach.
- This work would also link with the delivery of the refreshed ‘Lewisham Way’.

5.8 Katherine Nidd and David Austin responded to questions from the Committee – the following key points were noted:

- Whilst officers were familiar with the delivery of their services – this kind of modelling had not been carried out previously so managers needed support.
- Services had responded well to the review process and lessons were being learnt from the delivery of this work.
- Trade waste services were one of the Council’s largest commercial services – however- the service provided a blend of statutory and discretionary services. It was therefore important to understand the cost / revenue model and the broader operating environment.
- The cost modelling process should lead to greater transparency and better ‘grip’ on delivery of services.
- It would also help services to identify how much income they needed to achieve in order to cover their costs.
- The level of detail provided by the modelling process would enable services to develop better knowledge of their market place and unit costs in relation to growth potential.

- Services already had control over their budgets – the modelling process would allow them to consider how best to manage the elements within their control to best effect.
- Services would not acquire control over the corporate costs that were allocated to their budgets (such as energy costs for facilities) – however – the acknowledgment that there was a cost from the provision of these services would facilitate discussion and debate. Moreover – the awareness of costs would enable accurate pricing.
- Work with services had been positively received – and it was also sparking interesting debates and novel thinking.
- In terms of the timeline for the rollout of the new approach - there were plans to carry out pilot training sessions in March 2020.

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

- If services did not know their true costs – then it would be difficult for them to make market based decisions. This was particularly important where the Council was delivering services in a commercial market place – because they needed to know whether they were operating at an advantage or disadvantage compared to other providers.
- Understanding the true costs of delivering services also enabled rigorous decision making – regarding the balance of value and benefits of delivering that service commercially.
- There might be reasons to continue delivering a loss making service (as an intervention in the market, for example) but - if it was being claimed that something was good to do – it was important to understand the true costs of delivering that service.
- It was important to make decisions from a standpoint of knowledge.
- The manifesto commitment to insource services had to be delivered in line with practical and legal considerations.
- Some work had been carried out with CLES (Centre for Local Economic Strategies) on Lewisham’s approach to social value.
- CLES was impressed with the work being done by the Council in a number of areas. Once the report from CLES was available it would be shared with the Committee.
- Lewisham lacked branding and a narrative for its approach – but this did not mean that the Council was not carrying out a meaningful programme of work.

5.9 In Committee discussions – the following key point was also noted:

- Members were concerned that the provision of corporate contracts (for energy, for example) might result in ‘one size fits none’ delivery.

5.10 Councillor Louise Krupski introduced the update on the visit (by several members of the Committee) to the London Borough of Barking and Dagenham. In the Committee discussion that followed the following key points were noted:

- Barking and Dagenham Council had taken a radical approach to transforming council services.
- There were a number of risks involved in the transformation programme.

- There was concern that the scrutiny process had been diminished by the transformation programme.
- A number of questions remained about: the governance model (particularly the separation between customer and shareholder roles); alignment between business cases and performance; as well as the link between financial and social benefits.
- There were a number of valuable lessons that could be learnt from the approach being taken by Barking and Dagenham – such as: the crucial role of senior leaders in the change programme; the use of live examples to encourage change; the focus on demand management; the change to the funding gap challenge – which had become focused on income generation rather than incremental cuts to services.
- The Council had significant assets in terms of land that Lewisham did not have.
- The vision of the transformation was clear to everyone involved.
- The scope and scale of the programme was impressive.
- It was too early to make a judgements about the success of the LBBD approach.
- Once a decision had been taken to run a service commercially at LBBD – it was given the freedom to operate independently, rather than keeping some decision making and considerations ‘in-house’.
- There was also a separation between the delivery of services – which enabled a demarcation of commercial and non-commercial services.
- The Council recognised that it had to change in order to meet the challenge facing its budget.

- 5.11 Councillor Krupski provided an overview of two recent sessions on income generation and commercialisation (Commercial skills masterclass for Councillors and Westminster Briefing) – the following key points were noted:
- The main message of the first session was that change had to be led from the top – and there had to be a clear message about the impetus for change.
 - The approach to commercialisation had to be led by the Mayor, Cabinet and senior officers. It was also important to incorporate commercialisation into the corporate strategy.
 - In the second session – there was a presentation by officers from Waltham Forest. The approach was quite different from Barking and Dagenham. It was recommended that the Committee should invite representatives from Waltham Forest to attend a future Committee meeting.

- 5.12 **Resolved:** a) that the responses from Mayor and Cabinet should be noted; b) that (due to the Director of Human Resources and Organisational Development being unavailable) the update on commercialisation and training would be deferred to the meeting on 16 December; c) the report from CLES on the Council’s approach to social value would be brought the Committee before the end of the financial year.

6. Adult social care

6.1 Tom Brown (Executive Director for Community Services) introduced the report – the following key points were noted:

- The budget for adult social care was currently projected to underspend by £1.9m.
- Some of the underspend was predicated on the allocation of non-recurring grants. There was no indication what decisions would be taken by government regarding those grants next year.
- There were a number of risks facing the service – these included demographic pressures of an older population and associated pressures on hospital admissions and discharge.
- This week Lewisham Hospital had been in a “particularly bad state”. The standard grading for pressure on services was based on a green, amber red rating. Beyond the standard rating system there was also a ‘black’ rating, which is where the hospital had been this week.
- There was more demand in the emergency department than there were beds available. Inevitably, this meant that there was more demand for discharge of patients to adult services – combined with higher levels of dependency. This resulted in increased financial pressures on the Council.
- There were also increasing numbers of complex cases reaching adult social care from children’s social care.
- The caseload was around 30 young people a year – not all of whom had high support costs – but a significant number that did (of typically £1500-£2000 a week each).
- The team in adult social care had a good understanding of the pressures on the service and the costs. The service worked hard to remain within its statutory obligations whilst also delivering services within the resources that were available.

6.2 Tom Brown responded to questions from the Committee – the following key points were noted:

- The service was working to manage the costs associated with complex cases. A joint transitions team had been created to manage the transition from children’s to adult social care.
- Adult services were working with young people from an earlier age to ensure that they were as independent as possible. The support provided was individualised and needs based.
- This work was shifting the focus onto developing independence for young people and encouraging them to maximise their abilities rather than on just providing institutional care.
- More generally, the service moving from a clinical/health based model to a more social care/assets based approach which emphasised enablement and assets.
- More than 60% of service users who went through the social care enablement process no longer required ongoing care.
- Work was also taking place to ensure that residential care and support could be provided locally.
- The large majority of residents were treated at Lewisham Hospital (although about 10% went to Denmark Hill).

- There were a number of complex issues associated with linking the different IT systems being used by the service.
- The consolidation of IT systems would allow for the streamlining of social work processes.
- The charts in the report provided an overview of the costs associated with care packages – however – it should be noted that each April there was an increase in costs due to inflation.
- The cost of care packages for older adults was relatively stable – but there was an increased cost associated with complex care for younger people.
- Officers were confident that the service would underspend its budget this year – but there were challenges in the coming year, including: the requirement to make cuts and unrelenting pressures on existing budgets.
- If grants from government for social care were ended – there would be significant implications for the NHS.
- The local domiciliary care market was good. The Council’s support for the London Living Wage was important.
- The local (and national) residential care market was more fragile. This was for a number of reasons – including facility costs and the lack of nurses.
- Lewisham was also susceptible to residential care pressures from neighbouring boroughs. If one local provider closed – there would be a ripple effect across the market in south east London.

6.3 In Committee discussions the following key point was also noted:

- Members were concerned about the assumptions made in the budget strategy – given that (based on demographics) numbers of service users were likely to increase and that (given the pressure on residential providers) service costs were also likely to increase.

6.4 **Resolved:** that the report be noted; that the service should be commended on its successes to date; the Committee believes that – despite the risks and pressures – the service should continue to work on managing costs and on managing demand.

7. Select Committee work programme

7.1 **Resolved:** that the following items would be on the agenda for the Committee’s next meeting – communications and Mayor’s office update; financial forecasts; commercialisation and culture change (the report from the Director of Human resources and Organisational Development).

The meeting ended at 9.15 pm

Chair: _____

Date: _____