



Mayor and Cabinet

Public Accounts Select Committee: Commercialisation and culture change review - response

Date: 14 September 2021

Key decision: No

Class: Part 1

Wards affected: All

Contributor: Executive Director for Corporate Resources

Outline and recommendations

The final report and recommendations from the Public Accounts Select Committee's (PASC) in-depth review into commercialisation and culture change was presented to PASC on 24 September 2020 and to Mayor & Cabinet on 7 October 2020. The recommendations are attached as appendix A.

This paper sets out the Executive Director for Corporate Resources response to the recommendations.

1 Summary

- 1.1. This report responds to the five recommendations made in the in-depth review into [“Commercialisation and Culture Change”](#) (“Review”) made by PASC and presented to PASC on 24 September 2020 and to Mayor & Cabinet on 7 October 2020.

2. Recommendation

- 2.1. Mayor and Cabinet are recommended to agree the responses to the five recommendations made by PASC review as set out in section 5 of this report.

3. Policy Context

- 3.1. The Council's [Corporate Strategy for 2018-2022](#) is:
[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.

3.2. The Corporate Strategy aligns with the [Councils Core Values](#), namely

- 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. As the Council seeks to support the borough and its businesses and residents through the pandemic and beyond, this recovery is based on the four key themes of [Future Lewisham](#), these are:

- A greener Lewisham
- A healthy and well future
- An economically sound future
- A future we have all part in

3.4. The in depth review undertaken by PASC on Commercialisation and Culture change supports all seven of the corporate strategies by seeking to make the Council more financially stable and robust. An increased commercial culture within the Council aligns to our core values and further supports the Future Lewisham themes, particularly that of an economically sound future.

4. Background

4.1. Local government has endured more than a decade of unrelenting financial austerity. Cuts to council services across the country brought about by the Government's reduction in councils' core funding have been unprecedented. The pandemic has further strained the Councils financial position and introduced uncertainty as to how much funding Local Government will receive in future years as Government seeks to fund the cost of the pandemic which is £400bn to date.

4.2. Discretionary and traded services offer opportunities for unlocking further value, as well as the wider, but potentially riskier area, of new forms and models for commercial income generation. The Public Accounts Select Committee (PASC), therefore, continue to have a keen and focused interest in this area and have published their recommendations following a review of "Commercialisation and culture Change".

4.3. The committee note that '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. The recommendations therefore build on this to seek to further embed and instil a more commercial culture.

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5. Response of officers to the five recommendations made by PASC in the in-depth “Review of Commercialisation and Culture Change”

- 5.1. *Recommendation 1: The Council’s senior leadership should champion a commercial approach to managing contracts, developing new ideas and building on areas of success.*
- 5.2. *Response:* The Procurement and Commercial Services team have been developing a single framework for contract management that will be administered (on a tiered basis to be proportionate to the contract complexity and scale) and supported by the service. This Framework has been built into the procurement lifecycle and is a natural evolutionary step for the Procurement service and Council staff to focus upon. This work began in the summer of 2020 and an overview of the Contract Management Framework was presented to PASC on 7 July 2021 (see link in section 10 – Background Papers). The report addressed the training and support which will be delivered, the culture change that may be required and the expected benefits. This framework has now been rolled out across the Council and is being adopted by all services, with the intention that the contract management dashboard reporting is available later this year.
- 5.3. The OD strategy, being led and owned collectively by the Council’s Executive Management Team, has two core areas that will support leadership to champion a commercial approach: Leadership, which will ensure our leadership is value-driven and committed to helping staff & resident succeed; and Systems & Processes, which will ensure our internal systems are easy, accessible and fit for purpose and our processes are effective and add-value.
- 5.4. *Recommendation 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.*
- 5.5. *Response:* A pilot one day training course co-designed with CIPFA was delivered on 4 March 2020 and introduced by the Chief Executive. The training was one strand of a wider and ambitious work programme to improve value-for-money, create a commercial culture and identify new opportunities for generating income within the Council. Targeted at service managers and finance business partners, the objective of the pilot programme was to: encourage collaboration between finance and services; clearly set out the parameters for fees and charges and expectations for how these will be set; and spark commercial thinking, create awareness of what good looks like and challenge services to seek new forms of income generation and more efficient service delivery. Roll-out of the programme was paused because of the pandemic and we will launch a follow-up event before the end of the current financial year.
- 5.6. The Council recognises the value of data to deliver more efficient outcomes. A new team has been established under the Assistant Chief Executive to unlock value through improved insight. To provide momentum to this initiative, the Income Generation team organised two workshops on “Data, insight and analytics to improve efficiency, effectiveness and fairness” on 9 and 12 April 2021. The content covered case studies and consideration of the “art-of-the-possible” alongside a focus on GDPR compliant use of personal data. Attendees included interested Executive Directors, Service and Finance managers and data specialists. The learning is being taken forward, initially, through the work being done with the Revenues Service as part of the delivery of agreed cuts for 2021/22 to improve our collection of debt, including Council

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Tax and sundry debt. It is anticipated that the learning from this and that the use of data and insight will pass across to the data and insight team under the Assistant Chief Executive.

- 5.7. As our ability to derive and gather meaningful insight matures, combining this with Service Design capabilities also part of this new team will support services to best understand and design delivery models which are based on evidence and data. This in turn will unlock the possibilities of a more commercial approach for service delivery based on resident's needs.
- 5.8. The Council provides both statutory and discretionary services. For discretionary services, the legislation allows for full cost recovery. However, there are circumstances, where there is a charge to manage demand or incentivise behaviours e.g. recycling where the Council may choose not to fully recover costs. The Council has an agreed Charging Policy that provides guidance for budget holders in how to set fees. The Income Generation team have supported services (e.g. Bereavement, Pest Control) to model costs and revenues, benchmark Fees & Charges across other London Councils and understand issues and challenges. The Fees & Charges report for 2021/22 was presented to PASC alongside the Budget on 2 February 2021 and incorporates learning from these two services. The Income Generation team will replicate this approach across other services in 2021/22 and 2022/23 supplemented with training discussed in paragraph 5.4 above.
- 5.9. *Recommendation 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.*
- 5.10. *Response:* Officers welcome the opportunity to meet with Councillors and discuss risk. Risk is best considered within the context and framework of agreeing and setting the annual budget. This allows Councillors to weigh the risks and benefits of changes or cuts to services as part of the allocation of financial resources to achieve the Council's strategic objectives. It is therefore proposed that once the detailed timetable for setting the 2022/23 budget is known in early Autumn, that as part of the scrutiny of any proposed cuts/changes that a workshop be held with Councillors which brings these together.
- 5.11. *Recommendation 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.*
- 5.12. *Response:* Since joining Lewisham the Chief Executive has been invested in staff engagement, and following a Listen to Learn consultation exercise with all staff established a staff-led improvement programme, Together Lewisham, which is driven by the organisation's Change Network, an open forum for all staff interested in and committed to change and improvement within Lewisham. The Change Network, and all staff, have regular opportunities to feed into the way the council works and have been keen to have more of a role in the cuts process where they identified an opportunity for greater outcomes to be achieved through collaboration with staff at all levels within services. As a result, the Director of Finance and the Head of Strategic Finance, Planning and Commercial led a session of the Network on how we set our budget and our cuts, as part of a staff proposed project to take on the budget challenge with ideas submitted by staff, supported to develop them, with viable ones co-produced between idea proposers and the relevant services. This will include ideas for cuts and income generation, as a project on the Together Lewisham programme, due to be up and running in the second half of this financial year. The findings from this project will report as part of the Together Lewisham programme into the Strategic Change Board at EMT.
- 5.13. *Recommendation 5: Further work should be carried out to determine where there are*

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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.

- 5.14. *Response:* [An update of progress on Income Generation and associated work programme was presented at the 18 March 2020 PASC](#). The work plan had three strands complementing organisational priorities- efficiency, new income generation and alternate models and developing commercial capability, The three work strands are not mutually exclusive, and in fact are complementary and designed to collectively amplify the impact of each as a stand-alone. “Efficiency” develops the financial rigour of baselining cost, providing evidence and ensuring transparency for critical challenge, while “Developing commercial capability” creates the behaviours, knowledge and skills to drive a more ambitious “Income generation” strategy. It provides staff with the tools and techniques and confidence to support the Council to be ambitious and bring forward new ideas. This is consistent with the organic, and reasonably low-risk commercial journey followed by Councils such as Waltham Forest.
- 5.15. The work was paused because of the pandemic as staff were re-deployed. The Income Generation team will pick up unfinished elements of this work to deliver in 2021-22, although it is expected that the continuation of the Commercialisation training, the work on annually setting fees and charges, and the outcomes from the Together Lewisham work will assist in the identification of areas within the Council with acknowledged capability which can be leveraged to increase our commercial offering.

6. Financial implications

- 6.1. There are no direct financial implications arising from the implementation of the responses to the five PASC recommendations in this report. Where any financial implications arise from the detailed work to action all elements of the response then these will need to be raised with the relevant budget holder and decision maker when known.

7. Legal implications

- 7.1. There are no direct legal implications arising from this report. Where any legal implications arise from the detailed work to action all elements of the response then these will be considered in accordance with the Council’s powers and duties, and in accordance with the Constitution.

8. Equalities implications

- 8.1. The 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.
- 8.2. 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.
- 8.3. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. 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 the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.
- 8.4. 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.
- 8.5. 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.
- 8.6. There are no equalities implications directly arising from this report.

9. Further implications

- 9.1. There are no direct climate change, environmental, crime and disorder or health and wellbeing implications arising from the implementation of the implementation of the responses to the five PASC recommendations in this report. Where any implications arise from the detailed work to action all elements of the response then these will need to be raised with the relevant budget holder and decision maker when known.

10. Background papers

- 10.1. [Agenda, reports and decisions of Public Accounts Select Committee 24 September 2020](#)
- 10.2. [Overview of Draft Contract Management Framework presented to PASC on 7 July 2021](#)
- 10.3. [Agenda, reports and decisions of Mayor & Cabinet 7 October 2020](#)
- 10.4. A full list of background documents and sources is included in the Committee's report.

11. Report author and contact

- 11.1. Katharine Nidd, Head of Financial Strategy, Planning and Commercial
- 11.2. Comments for and on behalf of the Executive Director for Corporate Resources, Peter

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- 11.3. Comments for and on behalf of the Director of Law, Governance and HR: Stephanie Fleck, Principal Lawyer stephanie.fleck@lewisham.gov.uk 0208 314 9968

ANNEX A: Recommendations

Successful culture change requires leadership

- 1.1. 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.
- 1.2. 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.
- 1.3. 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

- 1.4. 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.
- 1.5. 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.

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