# MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

**Thursday, 13 July 2017 at 7.30 pm**

PRESENT: Councillors Maja Hilton (Chair), Chris Barnham (Vice-Chair), Paul Bell, Amanda De Ryk, Carl Handley, Simon Hooks and Mark Ingleby

APOLOGIES: Councillors Brenda Dacres, Roy Kennedy and Sophie McGeevor

ALSO PRESENT: Councillor Kevin Bonavia (Cabinet Member for Resources), Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Robert Mellors (Finance Manager, Community Services and Adult Social Care), David Minahan (Digital Transformation Manager), Dave Richards (CYP Group Finance Manager), Janet Senior (Executive Director for Resources & Regeneration) and Selwyn Thompson (Head of Financial Services)

## 1. Minutes of the meeting held on 28 June 2017

1.1 The Committee requested additional information about the cost of the Lewisham Homes management agreement and the Brockley PFI.

1.2 A minor amendment was required at 7.3 for an irregular capitalisation and the correction of the title for Lewisham Homes.

1.3 **Resolved**: that subject to a minor typographical amendment, the minutes be agreed as an accurate record of the meeting. It was also agreed that additional information would be provided about the cost of the Lewisham Homes management agreement and the Brockley PFI.

## 2. Declarations of interest

2.1 Councillor Handley declared a non-prejudicial interest in relation to item five as a governor of Watergate school and as a member of the Bent Knoll and Watergate co-operative trust.

2.2 Councillor Hooks declared a non-prejudicial interest in relation to item six as a governor of Conisborough College (a school applying for a licenced deficit).

## 3. Responses from Mayor and Cabinet

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

## 4. IT strategy update

4.1 David Minahan (Digital Transformation Manager) introduced the presentation. The following key points were noted:

- The paper on the changes to the applications support service had been delayed and a decision would not be taken by Mayor and Cabinet until the autumn.
- Work had been taking place through the shared service with the London Borough of Brent to improve Lewisham's IT infrastructure.

- Efficiencies had been achieved across the organisation. Mobile working was taking place in all directorates.
- All social workers could access information from their key databases whilst they were out of the office on visits.
- Services were being moved from face to face and telephone contact to online access. The most recent move to online access was for the benefits service.
- Work was taking place to modernise other aspects of the organisation, including the development of paperless working and the use of the Modern.Gov application for meetings.
- A decision on the expansion of the shared service to include the London Borough of Southwark would be taken by the Mayor next week. Decision makers in LB Southwark and Brent had already agreed to progress with the expansion of the service.
- The expansion of the service would enable authorities to reduce and share fixed costs for infrastructure. It would also improve resilience and offer a better route of progression for staff members.
- There was no risk to Lewisham in terms of costs from the expansion of the service, there was a potential risk of impact on the delivery of support for business as usual. Additional resources would be provided in Brent to mitigate this risk to enable the transition.
- Further work would take place in the coming months (including the roll out of Office 365 and the development of a new SharePoint).

4.2 David Minahan responded to questions from the Committee. The following key points were noted:

- The costs of providing telephone support for people out of hours would be prohibitively expensive. Consideration would need to be given in future about the support provided for Councillors and for people working out of hours, this was particularly the case in social care, where some officers might work in periods of 24 hours.
- Support for some new systems was currently provided by project teams in the Digital Transformation group. Work needed to take place to determine how ongoing support would be provided.
- In future, IT support would be provided by the shared service, with a local presence in Lewisham.
- LB Brent was the provider for IT services to the other Councils in the shared service. Management and accountability of the Service was overseen by through the joint governance arrangement.
- Partners in the shared service could leave with 18 months' notice.
- Information governance rules prevented staff from printing documents at home but Councillors could be added to a list of people who had exception to these rules.

4.3 Councillor Bonavia (Cabinet Member for Resources) responded to a question from the Committee, the following key points were noted:

- He had been attending meetings of the joint governance committee for the shared service. No decisions had yet been taken about overall budgets.
- Decisions on budgets above a certain level had to be made by the executive at each of the councils.
- A new arrangement would need to be reached for the joint governance arrangements to incorporate LB Southwark.

4.4 **Resolved**: that the update be noted. It was also agreed that officers would provide additional information regarding:

- the length of time annotated private documents could be kept in the Modern.Gov application.
- the ability of Councillors to access home printing.
- frequently asked questions relating to the use of the Modern.Gov application.

## 5. Financial forecasts 2017-18

5.1 Selwyn Thompson (Head of Financial Services) introduced the report. The following key points were noted:

- The general fund revenue position was showing an overspend of £12.8m, this was greater than in previous years.
- This time last year (2016-17) the overspend was £7.7m, it was £8.6m the year before that (2015-16) and £11.2m the year before that (2014-15), making the current overspend the worst position for some years.
- The housing revenue account was projected to be at a balanced positon at the end of the year.
- Council tax and business rate collections were being received in line with expectations.
- There were budget pressures at the end of 2016-17 that had continued into 2017-18.
- Greater focus would be placed on areas of budget pressure, including: social care (particularly children's social care), environment, and technology and change.
- A number of schools continued to face financial difficulties. The finance team was providing support where it could and scrutinising budget plans with rigour.

5.2 Selwyn Thompson, Janet Senior (Executive Director for Resources and Regeneration), David Austin (Head of Corporate Resources), Robert Mellors (Group Finance Manager, Community Services) and Dave Richards (Group Finance Manager, Children and Young People) responded to questions from the Committee. The following key points were noted:

- A programme reviewing transport costs had been ongoing for two/three years to deliver savings. Passenger services would still be provided to children with learning difficulties.
- In adult services, the review considered how savings could be delivered by changing the way in which service users travelled.
- In children's services work was taking place to review eligibility thresholds for services as well as to give consideration of the options for more independence for service users.
- The troubled families programme was grant funded scheme from central government to engage with families with complex needs to engage with services and to support them back into work. It worked on a system of payment by results.
- Families might have a range of different needs but the criteria for defining a 'troubled' family were decided on by central government.
- Last year – the Council did not get as many families as it thought it would into work.

- Government had tightened the criteria for achieving results with troubled families.
- The Council had missed the target for working with troubled families. It was anticipated that this gap would be made up – but the timetable for closing the deficit was not yet clear.
- The Council was required to set a balanced budget at the beginning of the year. Some additional funds had been put into services facing pressures, but a number of areas were facing pressures that were greater than had been anticipated.
- Some savings still needed to be delivered from previous years in addition to savings for the next two years that had been identified but not yet implemented.
- There was some uncertainty about some areas of budget, including government rules about spending of the Better Care Fund and the savings that might be achieved from the expansion of the shared service.
- Officers would be using data to more closely examine some of the areas of overspend and pressure, including children's social care and environmental services.
- Officers predicted that £50m of savings needed to be made between now and 2022, this was in addition to pressures and services that required funding.
- In order to 'stand still' in terms of the delivery of Council services funding of at least this amount would need to be made available.
- There was very little certainty about the likely funding position in 2020-21 and 2021-22.
- £32m of savings were required in the next two years in order to balance the budget. This was in addition to the delivery of the savings that had already been identified.
- There was great amount of uncertainty in projections beyond the next two years.
- Further information would be provided regarding the budget for the running of Beckenham Place Park.
- In previous years there had been an overspend of approximately £100k in the running of the park.
- There was an error in the paper relating to the under/overspends for adult social care, which would be clarified following the meeting. There was not a £3.3m underspend at the end of 2016-17.
- There had been a delay in the introduction of the food waste and fortnightly residual waste collection. This would now happen in September.

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

- It recognised the benefits of the troubled families programme – and the wider positive aspects there might be of working with families facing difficulties.
- It was concerned that the budget set at the beginning of the year was unachievable.
- The Council might need a major strategic re-think in order to balance its budgets in the coming years.

5.4 **Resolved**: that the report be noted. It was also agreed that additional information would be provided regarding:

- the numbers of families identified through the troubled families programme and the success in receiving funding for these families.
- the overspend relating to Beckenham Place Park and Green Scene.
- prosecutions for fly-tipping.
- the figures for over/underspend in the adult social care budget.

## 6. Medium term financial strategy

6.1 David Austin (Head of Corporate Resources) introduced the report. The following key points were noted:

- The medium term financial strategy began the budget process for the year, which would culminate in February (2018) at Council.
- The report looked toward the medium term (four years) forecasts and focused back on the budget for the upcoming year.
- The context for the whole report was uncertainty at the international, national, regional and local levels.
- The pace of austerity had slowed but the overall direction remained consistent. National government modelling in the four year settlement expected local government to increase taxes and to reduce spending.
- The budget positon at the end of last year (2016/17) meant that the Council had to use its reserves. This year there was already a forecast overspend.
- In terms of income, there was uncertainty about the future local government financing, in particular the revenue support grant and the devolution of business rates.
- There were demographic pressures and inflation (non-pay and pay) uncertainties and the possibility of some transfer of responsibilities from central government.
- The assumption was that services with defined budgets (public health grant, dedicated schools grant and housing revenue account) would balance their budgets.
- There were also risks that might need to be managed in these defined budgets, such as the potential for additional fire safety expenditure from the housing revenue account – or loans, deficits and redundancies from the dedicated schools grant.
- Pessimistic and optimistic assumptions for future budgets had been included in the report.
- The main case at present was that £32m of savings would be required to 2020 and a further £20m beyond that to 2022 in order to set a balanced budget.
- In terms of the timetable, savings needed to be brought forward to scrutiny in October/November in order to present a balanced budget.
- In November the government would produce its budget and in December there would be the local government finance settlement, which might change the assumptions made in order to produce the budget.

6.2 David Austin, Dave Richards, Janet Senior and Selwyn Thompson responded to questions from the Committee. The following key points were noted:

- Demographic projections were based on data from the previous census, incorporating Greater London Authority and Office of National Statistics projections rather than the numbers of people on the electoral register.

- The government was likely to follow through on its fair funding changes. The fair funding rules had not been updated. A number of dynamics and demographics, including age, deprivation, need, vulnerability, earning potential and economic potential could be factored in to future projections, depending on the indicators chosen by government.
- The government weighting for these various factors would influence how much the Council would receive in terms of business rates top-up. Lewisham was becoming proportionately less disadvantaged but its population was growing quickly, which entailed uncertainty for future fair funding decisions.
- The capital budget could not be used to balance the general fund.
- Some councils were getting close to the limits cuts they could make to discretionary services. It was expected that there would be Councils that needed to fall back to providing only statutory service in order to set a balanced budget.
- The Council was regularly challenged by service users on the delivery of services. There were review processes in a number of areas to manage demands.
- There was a tension being played out at councils between statutory officers responsible for managing budgets and those with statutory responsibilities to provide services.
- The prudential borrowing for the highways programme lasted for 10 years. A combination of prudential borrowing and revenue budgets were being considered to maintain Lewisham's highways and footways.
- Council tax collection rates and exemptions were reviewed every year.
- The collection rate for council tax remained consistent. Work was taking place across the Council to improve debt collection.
- The Government recently consulted on restricting the making of loans by local authorities to schools in favour of allowing schools licenced deficits.
- Schools acquiring academy status were not required to pay back their licenced deficits – whereas they were required to pay back loans.
- Should all schools with outstanding licenced deficits convert to academy status, there would be a £4m budget pressure on the Council's general fund.
- The most common rate of council tax was collected at band D.
- Any increase in properties would increase the council tax base.
- The level of council tax required to cover the costs of services to residents was dependent on the services being used by individual residents. There was no average level of council tax which would provide services for the average citizen.
- The Council was developing a programme to build assets to generate ongoing revenue streams rather than selling assets in order to achieve one off capital receipts.

6.3 Councillor Bonavia addressed the Committee, the following key points were noted:

- National government's broad trajectory since 2010 had been to focus a disproportionate level of cuts on local government whilst increasing regulation and demands for provision of services.
- This was combined with a pressure for councils to provide more of their own resources.
- Government recognised that there was a crisis in the funding of social care but it had provided a patchy response to mounting pressures.

- There was potential that the government would change its approach in the autumn statement, but this should be viewed cautiously.
- At the Council, a number of approaches had been tried to manage the cuts, including incremental cuts to services, increased use of shared services, income generation (which had proved difficult), community resilience and digitisation.
- The Council had to consider what it was for and then determine how to gather the resources to deliver services. Unfortunately much of this was out of the Council's hands.
- Services also needed to be challenged about their requirement for funding and the delivery of savings, cabinet members were leading on this work.
- A review of council tax would take place over the summer.
- There were half the number of Council officers in Lewisham that there were in 2010. In discussions with residents who were concerned about the delivery of services or the speed of responses from officers, it was important to highlight the pressures facing the remaining officers.

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

- Members recognised that financial climate was very difficult and uncertain.
- There was a discussion about the potential to use planning policy to maximise income so that the delivery of services was cost neutral to the borough.
- Members were concerned about the level of communication with residents regarding the financial pressures facing the Council. It was agreed that the Head of Communications and the Cabinet Member would be invited to the Committee's meeting in September to discuss the Council's communication with residents.

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

## 7. Select Committee work programme

7.1 The Chair introduced the work programme item, in the discussion that followed these key points were noted:

- The savings report would not be available for the September meeting. The Committee would need to keep some space at its November meeting to consider the Lewisham Future Programme report.
- An item would be added at the September meeting on the cost pressures in adults and children's social care. It was agreed that the item would also include:
  - information about areas of highest costs (residential placements were discussed);
  - numbers of service users and costs, including projections for future demand;
  - comparisons with activity and costs at other London boroughs, including approaches being taken by other councils to manage cost pressures;
  - suggestions about possible radical changes to services and the potential statutory implications of making these changes.
- It was agreed that the Committee would receive the children's social care road map document that would be considered at children and young people select committee in September.

- Executive Directors for Children and Young People and Community Services (responsible for adult social care) would be invited to the meeting.

7.2 Standing orders were suspended until the completion of business.

- It was also agreed that the Head of Communications and the Cabinet Member would be invited to the meeting in September to talk about the Council's approach to communicating the Council's budget challenge to residents.
- A further discussion about the in-depth review would be held in September. The Committee discussed the changes overtime in the thresholds for the receipt of Council services.

7.3 **Resolved**: that the following items be agreed for the Select Committee's meeting in September:

- Management report;
- Cost pressures in the children's and adult social care budgets;
- Income generation update;
- Communicating the Councils budget challenge.

## 8. Referrals to Mayor and Cabinet

8.1 There were none.

The meeting ended at 10.05 pm

Chair:

---

Date:

---