

# MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Tuesday, 5 February 2019 at 7.00 pm

PRESENT: Councillors Jim Mallory (Chair), Louise Krupski (Vice-Chair), Patrick Codd, Alan Hall, Mark Ingleby, Paul Maslin and Joan Millbank

APOLOGIES: Councillor Abdeslam Amrani

ALSO PRESENT: Damien Egan (Mayor), Councillor Amanda De Ryk (Cabinet Member for Finance, Skills and Jobs (job share)), Councillor Chris Barnham (Cabinet Member for School Performance and Children's Services), Councillor Chris Best (Deputy Mayor of Lewisham and Cabinet Member for Health and Adult Social Care), David Austin (Head of Corporate Resources), Sara Williams (Executive Director for Children and Young People), Mala Dadlani (Group Finance Manager, Children and Young People), Aileen Buckton (Executive Director for Community Services), Robert Mellors (Group Finance Manager, Community Services), Selwyn Thompson (Head of Financial Services) and John Bardens (Scrutiny Manager).

## 1. Minutes of the meeting held on 20 December 2018

1.2 **Resolved:** that the minutes of the meeting held on 20 December 2018 be agreed as an accurate record.

## 2. Declarations of interest

- Cllr Ingleby declared a non-prejudicial interest as a Director of Lewisham Homes in relation to item five.
- Cllr Hall declared a non-prejudicial interest in relation to item five as a Member of the London Cooperative Council.
- Cllr Mallory declared a non-prejudicial interest in relation to item five as the Chair of the Pupil Referral Unit.

## 3. Responses from Mayor and Cabinet

3.1 The Mayor and Cabinet response to the committee's referral on the Children and Young People (CYP) budget was considered alongside the update on CYP finances as part of the council budget item.

3.2 **Resolved:** that the response be noted.

## 4. Referral from the Audit Committee

4.1 The committee did not consider this item as the report presenter was not present.

## 5. Council budget 2019-20

5.1 Damien Egan (Mayor of Lewisham) addressed the Committee. The following key points were noted:

- Lewisham is a borough with growing poverty and growing need.
- Government austerity is leaving frontline services critically underfunded.
- Progress is being made in housing, both in terms of social housing targets and getting more from housing developers.

- There are plans for more pop-up developments like PLACE/Ladywell to provide support for homeless families and reduce the cost to the council of nightly-paid accommodation.
- The property acquisition programme continues to buy homes on the open market to bring into public ownership.
- Lewisham is aiming to be London's lead borough for refugee resettlement.
- The council is insourcing again, having insourced the council's maintenance contract.
- The council is committed to working closely with secondary schools to improve results.
- Lewisham is among London's fastest improving recycling boroughs with new innovations with food recycling supporting improvement in this area.
- The Early Years Review is being launched to take a rounded view of all of the services around young people.
- It is difficult to see how major cuts can continue to be made to services.
- Councils in London are critically underfunded.
- The government is currently consulting on the Fair Funding Review and is considering removing deprivation as one of the indicators. This could see real terms funding reductions of 23% across London. Shire counties could see a 47% increase.
- There is a distribution away from London and this is one of the reasons for the decision to raise council tax by the maximum amount allowed.
- The Mayor thanked officers for their work and members for their engagement.

5.2 Councillor Amanda De Ryk (Cabinet Member for Finance, Skills and Jobs) addressed the Committee. The following key points were noted:

- The budget for 2019/20 is £243.012m. This is slightly more than last year, which is mainly due to being part of the London business rate levy.
- Budget cuts of £7.9m have been approved for 2019/20, with a further £1.3m of cuts to be re-presented to Mayor and Cabinet for approval.
- The 2019/20 budget assumes a 4.99% increase in council tax. A 2.99% core element increase and a 2% increase from the social care precept.
- The full £6.5m of pressures money for 2019/20 will be allocated in advance.
- £5m of the New Homes Bonus will be transferred to the general fund for 2019/20.
- £2.5 reserves will be used to meet the budget gap in 2019/20.
- Reserves continue to be used to smooth the implementation of cuts and pressures.
- Budget cuts of £8.5m have been approved for 2020/21, with a further £440k to be re-presented to Mayor and Cabinet for approval.
- The council needs to find cuts in the region of £28m over 2020/21 and 2021/22.
- School funding is flat which leaves schools to absorb inflation.
- There are 14 schools in deficit, some with reserves, but 9 with loans.
- Pupil premium funding could drop as there has been a drop in pupil numbers.
- Cabinet Members have regular finance improvement meetings as part of the forensic analysis of spending pressures in the Children & Young People directorate.
- The Housing Revenue Account (HRA) is in the last of the government's four-year 1% rent decrease. Balances should improve next year.
- Key pressures in the budget include children's and adults' social care, environmental services, and highways.

- The budget cuts round with officers will start in April 2019. The cabinet star chamber meetings will start considering proposals in June or July.
- The delivery of cuts will be tracked in order to monitor progress and understand any issues before the year ends.

5.3 David Austin (Acting Chief Financial Officer) addressed the Committee, the following key points were noted:

- The policy shift towards local authorities becoming self-funding is increasing the burden on the council tax payer and making it more difficult to balance the budget.
- The proposed capital programme for 2019/20 to 2021/22 is £344.7m. The most significant element of the capital programme will be the new homes programme.

5.4 In the Committee's discussions the following key points were also noted:

#### *Housing Revenue Account*

- The committee noted that the primary purpose of the HRA is to ensure that tenants receive services and that their homes are kept to a good standard.
- The committee queried how the HRA has been balanced between investment in new homes and carrying out day to day repairs and maintenance.
- The HRA is ringfenced and resources cannot be used to fund general fund activity. HRA resources should be used as efficiently as possible.
- Money is always retained in the HRA to keep homes in a good condition and the council has just had delivered an extensive decent homes programmes.
- The HRA is also used to ensure that housing supply is maintained, but this is not at the expense of keeping homes to decent standards.
- Recent rent reductions have created pressures, but this is being carefully managed to keep maintenance and repairs work going.
- One member noted that the council's external auditors had identified risks to the council, including reserves and the CYP overspend, and risks relating to Lewisham Homes.

#### *Schools*

- The council makes detailed population projections for the purposes of school budgeting.
- Growth in primary and secondary school places has not been as high as expected.
- It is important to have accurate projections as schools are dependent on being full to be financially viable.
- The committee noted that a number of schools are likely to have budget deficits by the end of the year and asked how this is being managed.
- Schools have their own independent budgets and some school have reserves.
- The council is working closely with schools to carry out effective three-year budgeting.
- This process is being made more difficult, however, by the Department of Education only providing one-year budgets.
- There are contingency plans for schools if there is a significant drop in pupil numbers, but the direction of travel is to support schools towards a sustainable position.

- Schools with specific problems have budget recovery plans which have to be agreed with the council.
- A third of secondary schools in England have budget deficits.

### *General Fund*

- The committee noted that council tax is a regressive tax but, given the financial pressures facing the council, that the proposed council tax changes were reasonable.
- The Cabinet Member for School Performance and Children's Services, Cllr Chris Barnham, noted that there was a £12.6m overspend in CYP at the end of last year.
- 9 out of 10 local authorities are currently overspending on their children's services.
- The National Audit Office found a £872m overspend on children's social care in England.
- There are a number of rising pressures in children's social care.
- The number of child protection enquiries has risen markedly in the last ten years.
- The number of children on child protection plans has risen nationally.
- The cost of children in care is rising, with demand for residential placements outstripping capacity.
- Demand for social workers is also outstripping capacity, which is why many local authorities are using agency staff.
- There has been intensive scrutiny and restructuring of the children's social care budget.
- There is a long-term plan to get costs under control.
- The pressures on the budget are in two main areas: expensive residential placements and agency foster carers.
- Getting more local foster carers and placing more children with families, rather than expensive residential placements, is going to take time, but will save money in the long term and improve outcomes for children.
- There is also a plan to build a social workforce of 90% permanent staff over the next three years.
- There is a commitment for next year to reduce the placement spend by £2.9m.
- This will be achieved through a combination of reducing unit costs and reducing numbers.
- There is also, however, an underlying increase in demand.
- The number of unaccompanied asylum seekers, for example, has increased by a quarter in the last six months.
- There are mechanisms in place to reduce placement costs without making any reductions to the staffing budget.
- The committee noted that this should be monitored carefully over the coming year.
- The current overspend in children's social care is £6.9m.
- The additional money for the CYP budget this year is being put in in advance.
- This is in recognition of the overspend and will allow the directorate to start with a balanced budget.
- The impact of the CYP budget improvement plan will be tracked.
- The additional money, which is coming from reserves, will be put into the base budget for this year, but taken out at the end of the year.

- The additional money is intended to sustain the current level of the service to afford time to deliver the actions in the CYP improvement plan.
- It also allows the council to monitor the impact of the improvements to see whether the assumptions made were accurate.
- The council is trying to avoid making cuts elsewhere that may not be necessary if the improvement plan delivers.
- The committee noted that the forecast overspend for CYP had decreased by £1m.
- One committee member suggested that given the significant risk the council should be looking at a corporate response to children's social care.
- The council is making arrangements to be prepared for the outcome of the Brexit negotiations.
- There are working groups covering the health and care market, emergency planning, and general considerations such as contracts and workforce.
- The council will be receiving around £200,000 from the Treasury for Brexit preparations.

### *Adult Social Care*

- The adult social care service overall is forecasting an underspend of £200,000.
- There remain significant pressures on the service however.
- These include, an increasing number of adults living longer with complex care needs, managing transitions from children's to adults social care; and costs in the care market.
- One-off winter pressure funding will be used for the increasing number of social care assessments being carried out in people's homes instead of hospital.
- There is a budget pressure of approximately £1m due to increased care needs because of people being discharged from hospital earlier.
- Transitions from children's to adults' social care represents between £800,000 and £1.2m gross demand on the adult social care budget. There will be an increased pressure of £800,000 in 2019/20.
- The increased number of people that are expected to require Deprivation of Liberty (DOLS) assessments will create a pressure of £800,000.
- Increases in costs of care will create a price pressure of £2.1m. This will be funded from the 2% precept for adult social care.
- Budget reductions in adult social care are being delivered primarily through the service's demand management programme.
- This includes ensuring that people are receiving the levels of benefit they are entitled to and making use of the family and community assets and resources.
- The programme is already beginning to have an impact.
- The adult social care service has brought in a programme of challenge from the LGA.
- This will involve going through every part of the budget, making comparisons with other local authorities, and considering which areas could be looked at again.
- This will help the service prepare for the next budget round and start identifying where the next round of budget reductions may come from.
- The LGA will also work with staff to make sure that the demand management programme is at the forefront of their minds.
- The committee expressed support for the focus on demand management.
- The gross budget for adult social care, including additional funding such as the Better Care Fund, is around £100m.

- The committee requested further information on the detail of the 2019/20 budget for adult social care, including any additional funding received by the council
- The committee noted the need to replace the learning disability advocacy service, previously provided by the Lewisham Disability Coalition, as quickly as possible.
- The money for the learning disability advocacy service is still in the budget and is not proposed to be cut.
- The council will be looking for alternative organisations to provide this service.

5.5 **Resolved:** The Committee agreed to note the report; and to receive further information on the detail of the 2019/20 budget for adult social care.

## 6. **Select Committee work programme**

**Resolved:** The committee agreed to consider the referral from the audit panel on the Catford Regeneration Partnership (item 4) at its next meeting as part of the audit panel update.

## 7. **Referrals to Mayor and Cabinet**

There were no referrals.

The meeting ended at 9.50 pm

Chair:

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Date:

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