

Minutes of the Public Accounts Select Committee

Wednesday, 28 June 2023 at 7.00 pm

In attendance: Councillors James Rathbone, Billy Harding, Mark Ingleby, Eva Kestner and Aisha Malik-Smith

Also joining the meeting virtually: Councillors Joan Millbank and Susan Wise

Also present: Timothy Andrew (Scrutiny Manager), David Austin (Director of Corporate Services), Kathy Freeman (Executive Director for Corporate Resources), Nick Penny (Head of Service Finance) and Katharine Nidd (Director of Finance)

NB: Those Councillors listed as joining virtually were not in attendance for the purposes of the meeting being quorate, any decisions taken or to satisfy the requirements of s85 Local Government Act 1972

1. Election of the Chair and Vice-Chair

1.1 Members were invited to agree the Chair and Vice-Chair of the Committee.

1.2 **Resolved:** that Councillor Rathbone should be Chair of the Committee – and that Councillor Harding should be Vice-Chair.

2. Minutes of the meeting held on 16 March 2023

2.1 **Resolved:** that the minutes of the meeting held on 16 March be agreed as an accurate record.

3. Declarations of interest

3.1 There were none.

4. Responses from Mayor and Cabinet

4.1 There were none.

5. Financial outturn report 2022-23

5.1 Nick Penny (Head of Service Finance) introduced the report – setting out key areas of overspending and pressures at the end of the 2022-23 financial year in the general fund, housing revenue account and dedicated schools grant.

5.2 Nick Penny, Kathy Freeman (Executive Director for Corporate Resources) and Katherine Nidd (Director of Finance) responded to questions from the Committee – the following key points were noted:

- Adult social care still needed to deliver some savings in this financial year – which, when delivered, would complete the Newton savings programme. Improvements to ways of working adult social care should also result in further savings in future financial years. The programme had changed the culture within the directorate.

- All of the refunds required from Thames Water had been processed – which had reduced the levels of debt owed.
- There was a challenge in legal services as a result of workloads – which required some work to be commissioned from external providers (and created a cost pressure)
- The Council was actively pursuing Council tax debts – but this had to be balanced with sensitivity regarding individual cases.
- There were changes being made to the arrears process for Council tax in response to the cost of living crisis. This would communicate and highlight the support available earlier in the collections process.
- Further information would be provided on the level of debt that triggered enforcement activity.
- Most of the debt collection work was carried out by the in-house enforcement team – although some difficult to recover debts were contracted out for external enforcement.
- Consideration was given to debtors' ability to pay – which was used to inform the process for enforcing debts.
- More information could be provided on the numbers of people who were unable to pay as opposed to the numbers of people who it was believed were unwilling to pay.
- Work had taken place to align revenues and benefits teams at the Council but the levels of staffing in these teams had remained broadly similar.
- Further information would be provided on the relationship between spending to collect debts through enforcement activity and the value of the funds that could reasonably be recovered from this activity.
- The debtors team were proactive in chasing debts from adult social care. However, this was an area in which debts were increasing.
- The finance team were confident that adult social care was giving consideration to the recovery of debt – but it was a challenging area to enforce.
- A number of funds made up the £39m of 'corporate items' held by the Council (including: corporate risks and pressures, capital financing items to cover interest payments for external borrowing, interest earned on cash balances, capital financing charges, inflation budgets, growth budgets for service pressures held centrally, levies, pension and redundancy costs) these were reasonably static (with the exception of recent changes in income from interest payments)
- Funding moved both in and out of the reserves each financial year.
- The anticipated net movement in the Council's usable reserves in 2022-23 was expected to be £5m. The Council was in the process of closing the accounts – after which a clearer total could be provided.
- More work was required to estimate the level of likely overspending in the dedicated school grant in the coming years.
- Work had been commissioned by the Department for Education with Newton to work with councils to manage dedicated school grant deficits.

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

- Members would welcome a further breakdown of funds held in the 'corporate items' budget in future reports.

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

6. Financial forecasts

6.1 Nick Penny introduced the report – noting the projected £12m of budget pressures (in spite of funding for inflation, staffing costs and energy price rises). Nick also highlighted the three specific areas in which there were significant pressures (children’s social care, adult social care and nightly paid accommodation)

6.2 Nick Penny, Kathy Freeman and Kathy Freeman responded to questions from the Committee – the following key points were noted:

- The housing revenue accounts reserves were just under £10m (which was the minimum requirement)
- A conclusion had not been reached on interest free period for the arrears owed by leaseholders for historic works.
- Some of the bills owed by leaseholders were from previous financial years (and the value of some was still disputed). In future, there was an expectation that bills would be issued in advance and adjusted in retrospect.
- There was consideration being given in the budget setting for 2024-25 to meet the demand from nightly paid accommodation.
- The service was working to become less reliant on private sector landlords. One way was through the housing acquisition programme.
- It was intended that the move of Lewisham Homes in house would help with financial management. This would take longer than the current financial year.
- There was competition for nightly paid accommodation from a number of sources. This was one of the reasons that Capital Letters was established – to control the costs of nightly paid accommodation and reduce competition between local authorities. Officers had not seen competition from the Home Office for properties in the borough.
- Prior year savings in adult social care were tied in with the Newton programme. Some of these had been delayed – but there was confidence that they could be delivered.
- It was expected that there may be some challenges in terms of delivery of savings as the year progressed.

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

7. Medium term financial strategy

7.1 Katherine Nidd introduced the report – noting uncertainties and pressures in the current financial climate as well as the savings required to balance the Council’s budget. It was anticipated that no savings would be required in the coming financial year – which provided the opportunity for the Council to pause - and to stabilise its budgets as well as to consolidate the delivery of existing savings. More information was expected in the Autumn budget and the December local government financial settlement.

7.2 Katherine Nidd responded to questions from the Committee – the following key points were noted:

- Sensitivity testing on the different budget scenarios had shown that the different cases were similar.
- There was no single risk that would have a significant impact – however- it would be challenging if assumptions in multiple areas turned out to be inaccurate.
- Given the numbers of caveats and uncertainties – the optimistic case in the strategy was very prudent.
- There were plans to change the funding settlement for local government through the ‘fair funding reform’ changes – Government had consulted on this but had not put forward any changes.
- Some assumptions had been made about potential drops in the revenue services grant as a result of the reforms.
- There were a number of London-wide forums for councils to discuss financial issues – including one for discussions around medium term financial strategies.
- Lewisham had made similar assumptions to other authorities regarding the general financial climate – but there were differences in assumptions regarding council tax collection rates.
- There was an expectation that funding reforms would move money out of cities.
- Census projections for Lewisham were lower than anticipated – which presented a risk for financial forecasting.
- There was additional time this year (due to the pause in the requirement for cuts proposals) to consider the cuts proposals for future years – there was not a current timetable for the development of future proposals.
- Work had to take place to deliver the proposals that had already been identified – without which the Council would not be on a firm financial footing for future years.
- It was intended to develop a choice of savings options for future on which to consult members.

7.3 In Committee discussions the following key points were also noted:

- That Lewisham was in a comparatively good place in relation to other authorities. It was also noted that the financial climate was very volatile.

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

8. **Select Committee work programme**

8.1 The Committee discussed its work programme.

8.2 The Committee placed on record its thanks to Kathy Freeman (Executive Director for Corporate Resources) who was leaving Lewisham.

8.2 **Resolved:** the Committee agreed its work programme – removing the Audit Panel update and the information item on the Asset Strategy.

The meeting ended at 8:30

Chair:

Date:
