

Minutes of the Public Accounts Select Committee

Tuesday, 9 July 2024 at 7.00 pm

In attendance: Councillors James Rathbone, Mark Ingleby, Eva Kestner and Joan Millbank

Also joining the meeting virtually: Councillor Aisha Malik-Smith

Apologies: Councillors John Paschoud and Susan Wise

Also present: Councillor Amanda De Ryk (Cabinet Member for Finance, Resources and Performance), Timothy Andrew (Scrutiny Manager), David Austin (Executive Director of Corporate Resources) and Nick Penny (Head of Service Finance)

Also present virtually: 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. **Resolved:** that Councillor James Rathbone be Chair and that Councillor John Paschoud be Vice-Chair of the Committee.

2. Minutes of previous meeting

2.1. **Resolved:** that the minutes of the meeting held on 14 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 monitoring 2023-24 (outturn)

5.1. Nick Penny (Head of Service Finance) introduced the report noting the ongoing pressures facing the Council and the significant overspends at the end of the 2023-24 financial year in the general fund, dedicated schools grant and housing revenue account.

5.2. Nick Penny (Head of Service Finance) and David Austin (Executive Director for Corporate Resources) responded to questions from the Committee – the following key points were noted:

- Historic council tax was being collected – but collection for previous years was proving increasingly difficult.

- Housing delivery schemes were moving forward – some were coming closer to opening – which should bring significant cost reductions.

5.3. Resolved: that the report be noted.

6. Financial monitoring 2024-25 (period 2)

6.1. Nick Penny (Head of Service Finance) introduced the report noting the £22m overspend facing the Council due to pressures in social care, temporary accommodation, and home to school transport. This followed from the additional £36m 'pressures funding' provided to balance budgets at the end of the 2023-24 financial year. It was also noted that there were sustained pressures in the housing revenue account (HRA) for a combination of reasons – including increasing costs, damp and mould works and delays in receiving income. It was reported that measures were being put in place by the executive management team to control overspending.

6.2. Nick Penny (Head of Service Finance) and David Austin (Executive Director for Corporate Resources) responded to questions from the Committee – the following key points were noted:

- The Newton programme (the adult social care improvement programme) had changed the culture and working practices the adult social care division. The key challenge was to maintain the high standards and cost effectiveness processes put in place during the programme.
- Consideration was being given to work being carried out by the Local Government Association on Council cost pressures – which included reviewing the benchmarking used to inform decision making in adult social care.
- It was anticipated that costs would move from children's social care to adult social care – as the provision of services for children with complex care needs moved from one service to the next.
- Historically, there had been high costs from external legal expenditure in housing. Work was taking place to manage these costs in-house.
- The budget for legal services was increased by £1m in the 2024-25 budget to support the recruitment of in-house legal expertise.
- Work was taking place to improve the performance of the repairs and maintenance service in housing.
- The recognised issues (nationally) driving housing costs - as well as - restraints on income were creating a "perfect storm" of pressures in housing.
- Last year was the first year of Lewisham Homes being brought in-house – so there were still some uncertainties around the transition – particularly in relation to the housing management IT system.
- Some efficiencies and savings were being realised from the re-integration of Lewisham Homes into the Council.
- The referral to the housing ombudsman had resulted in a significant effect on the delivery of repairs and maintenance in housing.
- It was important to maintain spending through the HRA capital fund in order to improve the condition of the stock – but also to mitigate the costs of future repairs and claims for disrepair.

- The pressures on the HRA were being carefully managed to ensure that there was sound governance in place to manage risks and pressures.
- The HRA was subject to the same measures as the general fund in terms of viability. This meant that if the budget could not be balanced then a section 114 notice would have to be issued.
- The reported level of HRA reserves was a self-imposed minimum. Further discussions may also need to be held with the Government regarding capitalisation of revenue costs. However, this was a difficult and complicated process with wide-ranging implications.
- Work was taking place in the housing directorate and within finance to stabilise the situation with HRA.
- The Council had a debt collection project – that utilised a range of measures to maximise collection of outstanding council tax – this included the simplification of processes and improvements to payment systems as well as open and transparent communication with those facing difficulties paying.

6.3. Councillor Amanda de Ryk was invited to address the Committee – she highlighted the work that was taking place to manage the pressures caused by legal costs – specifically in relation to housing. It was also noted that many local authorities were also facing significant pressures. There had been external validation of the funding available in the HRA to meet normal repair costs. Recovery and stabilisation of the HRA should be possible – but there was work to do to provide assurance in the short to medium term.

6.4. Resolved: that the report be noted. Members endorsed the proposed course of action – specifically - that early discussions be held with the Department for Community and Local Government regarding the pressures facing the Housing Revenue Account. There was also recognition of the collective response from councils (led by LB Southwark) on the serious pressures facing council finances nationally.

7. Medium term financial strategy

7.1. David Austin (Executive Director for Corporate Resources) introduced the report. David noted the assumptions being made to inform the strategy – he highlighted the ongoing uncertainty across the whole of the local government sector. David also noted the gap in the savings required to balance the Council's budget, in the context of increasing demand and inflationary pressures.

7.2. David Austin and Katharine Nidd (Director of Finance) responded to questions from the Committee – the following key points were noted:

- The Council was not at the point of significantly withdrawing from non-statutory services.
- Work was taking place to ensure that all statutory services were as cost effective as possible. This work would be difficult and would increase risk to the Council - but it was necessary.
- Work was taking place with the highest cost services (social care, environmental services, temporary accommodation, and environmental services) to benchmark them against other authorities and ensure that they were as cost effective as possible.

- Examples from authorities facing financial difficulties were a cause for concern. Some councils had been forced to sell assets – and to close discretionary services that provided preventative work - the result of which might be “cost shunting” into other areas.
- The Council would prepare for a range of scenarios, but the initial focus would be on controlling the most significant areas of overspending and focusing on the delivery of identified savings.
- Income generation and debt collection were always part of the Council’s consideration of future financial planning. In the previous year’s savings round there had been proposals to increase income -but income from proposals was difficult to predict as opposed to reductions in spending, which were more certain and within the Council’s control.

7.3. Councillor de Ryk was invited to address the Committee. She noted that the areas that were overspending represented approximately 80% of the Council’s budget so ensuring that they were functioning effectively was of vital importance. She also noted the importance of data and performance monitoring in understanding the detail of the costs and pressures facing services.

7.4. In Committee discussions the following key points were also noted:

- The Committee would welcome the opportunity to consider the ‘deep dives’ into areas that were overspending.
- That the Council’s approach to achieving social value should be welcomed. Members noted that the Council’s long-term commitment to work with community groups had been an important part of the Council’s response to the covid-19 pandemic.

7.5. Resolved: that the report be noted. Members also noted their concerns about the sustained level of risk and ongoing pressures facing the Council. It was agreed that the Committee would engage closely with officers and the Cabinet Member in the coming months regarding the ‘deep dive’ project and associated financial challenges.

8. Select Committee work programme

8.1. The Committee considered the work programme report. Members noted the importance of social value in Council contracts (including the benefits of paying the London Living Wage)

8.2. Resolved: that the Committee’s work programme for 2024-25 be submitted for consideration by the Overview and Scrutiny Committee.

The meeting ended at: 20:45

Chair:

Date:
