

# MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Wednesday, 25 January 2017 at 7.00 pm

PRESENT: Councillors Jamie Milne (Chair), Chris Barnham (Vice-Chair), Brenda Dacres, Amanda De Ryk, Mark Ingleby, Roy Kennedy, Jim Mallory and Sophie McGeevor

APOLOGIES: Councillor Sue Hordijkenko

ALSO PRESENT: Councillor Kevin Bonavia (Cabinet Member Resources), Sir Steve Bullock (Mayor), Councillor Simon Hooks, Councillor James-J Walsh, Timothy Andrew (Scrutiny Manager), David Austin (Head of Corporate Resources), Duncan Dewhurst (Head of Service Change and Technology), Helen Glass (Principal Lawyer), Mark Humphreys (Group Finance Manager, Customer Services), Genevieve Macklin (Head of Strategic Housing), Robert Mellors (Finance Manager, Community Services and Adult Social Care), Dave Richards (CYP Group Finance Manager), Janet Senior (Executive Director for Resources & Regeneration) and Kevin Sheehan (Executive Director for Customer Services)

## 1. Minutes of the meeting held on 30 November 2016

Resolved: that the minutes of the meeting held on 30 November 2016 be agreed as an accurate record.

## 2. Declarations of interest

- Mayor Bullock declared a non-prejudicial interest in relation to item 4, as a Director of the Improvement and Development Agency Company of the Local Government Association, which is responsible for the management of the public sector audit appointments panel.
- Councillor Mallory declared a non-prejudicial interest in relation to item 4, as the Chair of Abbey Manor pupil referral unit.
- Councillor Mallory also declared a non-prejudicial interest in relation to item 6, because an immediate family member is under notice of eviction and is in receipt of support from the Council's advisory services in looking for alternative social housing.

## 3. Responses from Mayor and Cabinet

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

## 4. Annual budget 2017-18

The order of the agenda was changed. This was the first substantive item.

4.1 Sir Steve Bullock (Mayor of Lewisham) introduced the report; the following key points were noted:

- In 2010 it was assumed that by 2017 the Council would have finished making cuts. The expectation was that the size of the public sector would have

decreased and spending would have been constrained but that the process would be complete. However, there was not any end to the process in sight.

- Savings were more difficult to make each year and were taking longer to deliver. The process for 18/19 would have to start again early next year.
- There were rising deficits in a number of schools. This rise was concerning, but not surprising because schools were now being impacted by the same spending pressures as other parts of the public sector.
- The new formula for schools funding would be particularly disadvantageous to London. London Boroughs were working together to try to manage the changes and there had been some movement from government, but London would still suffer more than anywhere else as a result of the changes.
- The pressure on adult social care was sustained and significant. The crisis in the NHS was well reported and it was having an impact on councils across the country. Funding for social care was not sufficient.
- The maximum rise for council tax (4.99%) was proposed, including the 2.99% increase to fund social care. Any increase larger than this would require a referendum.
- In 217/18 the Council would receive some net advantage from the changes to the allocation of the new homes bonus to social care.

4.2 Kevin Bonavia (Cabinet Member for Resources) addressed the Committee, the following key points were noted:

- The budget proposed that Council Tax be increased by the largest amount possible without triggering a referendum. Residents would notice this more than in previous years.
- Most other London authorities were planning to increase council tax; Lewisham would not be an outlier.
- There was an £11.9m overspend forecast for this 16/17 – which would be covered in several ways, with some of the shortfall met from reserves.
- Savings would need to be made early in the cycle next year in order that they could be successfully delivered.

4.3 David Austin (Head of Corporate Resources) provided an overview of the report, the following key points were noted:

- The draft budget was based on the provisional financial settlement. The final settlement would not be available until February.
- Confirmation was awaited from the Greater London Authority on its precept and on the consultation on business rates.
- There would be £232m in the general fund for 2017/18. Which incorporated the proposed increase in council tax and the welcome increase in the council tax base.
- In terms of savings – 2017/18 would be another significant year. £23m of savings had already been agreed.
- There were pressures in a number of areas (detailed in the financial forecasts).
- Implementation of the new valuations in business rates posed a risk, because of the likelihood of appeals.
- The Council would need to find funds to meet the requirements of the apprenticeship levy.

- The capital budget for 2017/18 would be £123.5m, with £78m in the Housing Revenue Account (HRA) and the majority of the balance used to provide school places.
- The HRA had a revenue turnover of £90m. However, 2017/18 would be the second year of the 1% compulsory rent reduction by the government.
- New funding arrangements for schools would be implemented over two years. It was expected that Lewisham schools would lose money under the new formula.
- Budgets for Public Health were being reduced annually in line with the reduction in government funding.
- The treasury management strategy included proposals for longer term and property related investments because of low interest rates and the difficulty of achieving good returns on Council investments.
- There would be additional detail on the proposal to invest to save in the Mayor and Cabinet report to be funded from the Council's reserves on a once off basis.
- Full Council would be asked to approve the Council's admission to the Public Sector Audit Appointments Panel (run by the Local Government Association), to provide selection and engagement of external audit, following the abolition of the Audit Commission.

4.4 Janet Senior (Executive Director for Resources and Regeneration); David Austin (Head of Corporate Resources); and Kevin Bonavia (Cabinet Member for Resources and Regeneration) and David Richards (Group Finance Manager, Children and Young People) responded to questions from the Committee; the following key points were noted:

#### Schools Budgets

- There was currently a budget pressure of £1.7m in the schools high needs spending block. This was as a result of the increased number of pupils with high needs.
- Next year, it was anticipated that there would be an extra 110 pupils who would need educating in special schools or who would need additional support in their existing schools.
- In the funding settlement for the dedicated schools grant, the Department for Education had built in growth of £500k. This would be used to support high needs block spending.
- There was a continued pressure on spending in schools. The schools forum recognised that all schools would have some reduction in their funding.
- There was an increase in schools operating deficits. Officers were putting in place a process with the schools forum to help schools manage their pressures. The pressure was most acutely felt in the secondary sector because of the relatively low number of secondary school pupils.
- As the bulge in pupil numbers worked its way through from primary to secondary schools, the budget pressures in secondary schools should ease.

#### No Recourse to Public Funds

- An operational budget would be provided to fund the Council's work with people who have no recourse to public funds. Previously, this had been provided on an annual basis for the successful pilot.

#### Budget Overspend

- It was unusual for the budget to be overspent by £11.6m at this time of the year. There were some areas where savings that were identified had not been made. There were others where income generating activities were not producing as much revenue as had been anticipated.
- Officers were attempting to achieve a balance between management action to control spending and accurate budget setting.
- There were significant pressures in children's and adult's social care.

#### Invest to Save

- The Children and Young People's directorate had been allowed to spend in order to save. The Committee might wish to review the implementation of this spending. There were few other areas which had once of funds available to them in order to enable improvement.
- There were some measures that could be implemented corporately to reduce budget pressures, but a decision had to be made about how stringent these should be. The departmental, corporate and recruitment expenditure panels were still in place.
- A proportion of the Council's reserves (approximately £10m) would be used on a one off invest to save basis.
- Officers were attempting to get the balance right between reducing budgets and ensuring that the Council retained capacity and resources in the right areas.

#### Adult Social Care precept

- The three year increase in Council tax would be implemented as 3% in the first year (2017/18) 1% in the second year (2018/19) and 2% in the third year (2019/20). The 3% increase could only be implemented in the first or second year of the three year period.
- Members agreed to discuss the rationale and the timing of the three year increase further outside of the meeting.

#### Treasury Management

- It was highly unlikely that the £25million of LOBO loans that could be called in in 2017/18 would be recalled by lenders.

Resolved: that the report be noted.

## **5. ICT strategy update**

- 5.1 Duncan Dewhurst (Head of Technology and Change) introduced the report, the following key points were noted:

- The major outage that occurred on Monday 23 January was the result of a hardware failure at the Council's data centre.
- Officers would ensure that there was a full 'lessons learnt' exercise was carried out to prevent any similar issues in the future.
- The shared service arrangement with Brent Council would bolster future 'disaster recovery arrangements' so that in future, the system would be much more resilient.
- New recovery arrangements should be in place by the end of the financial year.
- Before the agreement with Brent, the Council didn't have any disaster recovery arrangements.
- The new technology being used by the shared service was much more resilient than the Council's old equipment.
- An opportunity had arisen to expand the shared service to include the London Borough of Southwark.
- Officers were confident that the shared service would work well across three authorities, but further work need to take place to review governance arrangements.

5.2 Kevin Sheehan (Executive Director of Customer Services) and Duncan Dewhurst (Head of Technology and Change) answered questions from the Committee, the following key points were noted:

- Further detailed work needed to take place with the London Borough of Southwark to assess its requirements.
- The intention was to make a decision in the summer. It was likely that the savings from the inclusion of Southwark in the shared service would be substantial.
- If the decision was taken in June to add Southwark to the service, then it might be ready to join in October.
- The joint arrangements between Lewisham and Brent were working at present. Some of the current arrangement would need to be reworked to include a third borough.
- Officers did not believe that the move from a partnership to a grouping of authorities would present a problem. There was no expectation that there would be any issue with majority decision making.
- Officers were confident that a shared IT service could work effectively as a partnership between three authorities because it relied mostly on business decisions rather than policy considerations.
- The failure of the Council's IT systems on Monday 23 January was as the result of hardware failure rather than hacking.
- The new IT system was more secure than it had ever been. The use of the three boroughs' data centres would make the IT infrastructure more resilient.
- Business processes were changing to accommodate new ways of working.

Resolved: that the update be noted.

## **6. Temporary accommodation pressures**

6.1 Genevieve Macklin (Head of Strategic Housing and Regulatory Services) introduced the report and the following key points were noted:

- Pressures around homeless in Lewisham and across London had not reduced.
- Since 2011, the demand (numbers of households in temporary accommodation) had increased by 89%. At the same time supply (the number of homes available for homeless households and other households in need) had reduced by 40%.
- The greatest increase in demand was for nightly paid accommodation, because London boroughs were finding it increasingly difficult to find suitable private sector accommodation.
- Supply of affordable rented accommodation had also reduced.
- The Council was working to: manage demand; prevent homelessness; increase supply and; develop options for stable and less costly temporary accommodation.
- The proportion of housing available for homeless households had been increased. The majority of two and three bed homes were given to homeless households.
- The inter-borough accommodation deal was one of the ways the Council was looking to reduce the cost of temporary accommodation.
- If the Council had continued to pay for nightly paid accommodation at the same rate as September 2015, there would have been an additional £900k cost pressure.
- The number of households in temporary accommodation had fallen below 500 (it was currently 496) for the first time in many years.
- There were emerging pressures, including the homeless reduction bill, reduced access to the private sector leasing scheme and the ongoing impact of welfare reform.

6.2 Genevieve Macklin (Head of Strategic Housing and Regulatory Services) and Kevin Sheehan (Executive Director for Customer Services) responded to questions from the Committee, the following key points were noted:

- An estimate of the costs of the new homelessness prevention responsibilities for the Council would present a budget pressure of £2.4m.
- Most inner London authorities had estimated similar potential costs.
- Government funding for the new responsibilities was £48m nationally.
- London had 73% of homelessness. It was clear that the funding for pressures being provided by the government would not be sufficient.
- London authorities and the new London Mayor were putting in place plans to increase the supply of housing across all tenures but less than half of what was required was being built annually.
- Void properties were those which were empty and being prepared for letting.
- The number of voids increased as households were moved from temporary accommodation to permanent homes. The increase in voids also led to a reduction in rental income in private sector leasing.
- There were approximately 400 households placed outside of the borough across other parts of London and the South East.

Resolved: that the report be noted.

## **7. Financial forecasts 2016-17**

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

- There were £11.6m in revenue budget pressures forecast to the end of the year. The pressures this year were of a different order compared with other years.
- There were substantial pressures in children and adults' social care and in the provision of temporary accommodation.
- Finance managers met with budget holders on a regular basis to review and manage budget pressures.
- Spending on the capital programme was reviewed on a quarterly basis by the capital programme delivery board.
- Work was taking place in preparing to close the annual accounts.

Resolved: that the report be noted.

**8. Management report**

Resolved: that the report be noted.

**9. Select Committee work programme**

The Committee discussed the work programme for its next meeting. It was agreed that alongside the audit panel and income generation updates – the Committee would consider an item on 'leaving the European Union' from the Head of Corporate Resources.

Resolved: that the work programme for the meeting on 15 March be agreed.

**10. Referrals to Mayor and Cabinet**

There were none.

The meeting ended at 9.15 pm

Chair:

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Date:

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