

MINUTES OF THE PUBLIC ACCOUNTS SELECT COMMITTEE

Tuesday, 25 September 2018 at 7.30 pm

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

APOLOGIES: Councillors Abdeslam Amrani and Mark Ingleby

ALSO PRESENT: Councillor Bill Brown (Chair of Overview & Scrutiny), David Austin (Head of Corporate Resources), Selwyn Thompson (Head of Financial Services), Councillor Chris Barnham (Cabinet Member for School Performance), Councillor Paul Bell (Cabinet Member for Housing), Charlotte Dale (Interim Overview and Scrutiny Manager), Councillor Amanda De Ryk (Cabinet Member for Finance, Skills and Jobs (job share)), Councillor Octavia Holland, Councillor Liz Johnston-Franklin, Katharine Nidd (Commercial and Investment Delivery Manager) (LBL), Georgina Nunney (Principal Lawyer), Monsignor N Rothon (Roman Catholic Church), Councillor Luke Sorba, Sara Williams (Executive Director, Children and Young People) (London Borough of Lewisham), Lucie Heyes (Assistant Director of Children's Social Care) and Jean Imray (Interim Director of Children's Social Care)

1. Minutes of the meeting held on 9 July 2018

- 1.1 The Committee discussed the attendance by, and role of, Cabinet Members at scrutiny meetings and some guidance on the matter was circulated. The principal lawyer present at the meeting stated that Select Committee meetings were open to the public and, by law, Cabinet Members could not be excluded from attending. The Chair stated that he had invited the Cabinet Members for School Performance and for Finance, Skills and Jobs to the meeting to provide information and answer questions. The Committee agreed that it was up to Councillor Hall as to whether he wished to pursue this matter further.
- 1.2 It was agreed that future meetings would start at 7pm, rather than 7.30pm.
- 1.3 **RESOLVED:** That the minutes of the meeting held on 9 July 2018 be agreed as an accurate record.

2. Declarations of interest

- 2.1 There were none.

3. Responses from Mayor and Cabinet

- 3.1 There were none.

4. Cost pressures in children's social care

- 4.1 Sara Williams introduced the report and the following key points were made:

- Over the last eight years, the Council had undertaken a major budget reduction programme to manage the difficult financial challenge it has been faced with. The CYP budget had reduced by 30%, whilst the child population in Lewisham had increased by 9%, with children's social care being the major component (78%) of the CYP budget.
- Funding for Children's Social Care was a national issue with Lewisham's 33% overspend not in the top 5 overspending councils in the country.
- The two main drivers for the increase in spend were the high cost of placements and high staffing costs.
- Whilst Lewisham's unit costs for different types of placements were broadly in line with other boroughs, costs for residential placements were higher and Lewisham had a higher than average number of children in residential placements. If the numbers in these placements were reduced down to the level of Lewisham's statistical neighbours, the council would save £3.4m.
- Despite paying in the bottom quartile for London, Lewisham's higher rate of agency staff did mean that staffing costs were higher than expected. High numbers of agency staff had been engaged to bring caseloads down to a manageable level. The staffing requirement therefore needed to be re-baselined.
- To reduce costs, the systems and processes in place needed to improve. This included: data, finance and performance management systems; and IT.
- An improvement programme was being produced; a detailed plan had been developed and was currently in draft form; and the key elements had been appended to the committee's report.
- The improvement programme to improve processes and practice was not at odds with addressing budgetary pressures, as good practice should, in theory, cost less.
- The service was likely to be subject to a full Ofsted inspection in early 2019.
- Staff would be more rigorous in assessing the type of placement required, which should lead to cheaper alternatives to residential placements that were also better for the young person.
- Efforts to recruit additional council foster carers would continue.

4.2 Members of the Committee questioned why the overspend had increased so dramatically during the second half of the last financial year and why the significant additional spending on agency staff had not led officers to anticipate that their budgets would be heavily overspent, at an earlier point in the year. In relation to the overspend, Sara Williams made the following points:

- The budget had been overspent for many years and was not realistic.
- There had been significant staffing changes in the accountancy support for the service.

- The budget analysis carried out by the acting chief executive had flushed out some of the overly positive assumptions made by the service and Finance.
- Spending increased throughout 2017/18, which added to the overspend.
- The full level of the overspend was reported as soon as it was understood.

4.3 David Austin provided a further analysis as to why the full scale of the overspend had not been realised and reported until the end of 2017. There had been a visible element to the overspend that had been fully reported throughout the year, growing spending throughout the year (partly driven by an increase in demand) and an invisible element that had only become apparent towards the end of the year.

- In terms of what was visible, it was clear that the service had offered up big savings which could not be realised and the cost of changes arising from the Ofsted “requires improvement” judgement had not been recognised early enough. Corporately, the Council was preparing to adjust the base budget by £4m in 2018/19 in relation to these known pressures and the resulting overspend.
- In addition, demand and spending were growing throughout the year so the overspend was growing between reporting stages.
- The invisible element occurred because a series of positive assumptions had been made, including that costs would be managed down in year; demand would turn a corner; and previous improvements to practice would shortly result in cost reductions (allowing for an assumed time lag). The forensic review that had been carried out by the acting chief executive had made it clear that the assumptions that had been made were optimistic and required a more detailed assessment of what the service could realistically achieve by when.
- As soon as the invisible part of the overspend became visible, it was reported.

4.4 In response to questions from members of the committee, the following points were noted:

- Ofsted rightly sets a high bar for the standard of service and many aspects of this were quite prescriptive, so there were certain things the service had to do following the last inspection.
- All staff and partners needed to understand existing thresholds to avoid redundant work. Thresholds would not be raised but did need to be more rigorously applied.
- If a budget is unrealistic and always overspent, it is difficult to manage. The budget needed to be restructured and then properly monitored and managed.
- The CYP budget proposals due to be considered shortly were modest and realistic but unfortunately would not make a large enough dent in the overspend. Further reductions needed to be made, especially around placements. (It was hoped, for example, that being part of a local consortium would help reduce costs). However, given the underlying

upward pressure on demand, the directorate did not want to overpromise and under-deliver.

- Transport costs were an issue and needed to be addressed. SEND transport costs were a General Fund overspend and a significant review of costs, especially on the supply side, was taking place.
- The local market for fostering needed to be better managed.

4.5 Cllr De Ryk, Cabinet Member for Finance, Skills and Jobs was asked to comment on the budget and she advised the committee that she was not satisfied with the overspend, that the Executive Director was not satisfied and that the service would respond. Whilst other councils sometimes gave money to services in advance of overspends, Lewisham did not tend to do this, preferring to be very open and transparent about overspends to keep the focus on the service actions needed. However, once it was clear that the budget was completely out of step with demand, action had been put in place to begin to re-set the budget.

4.6 The Committee discussed staffing costs and felt that paying staff in the bottom quartile might have an impact on recruitment and morale and that better paid staff might be more successful at bringing overall costs down due to improved practice. The structure and quality of the staffing complement was more important than numbers and the council needed to focus on retaining permanent staff rather than relying on expensive agency workers to plug the gaps. Jean Imray made the following points in relation to staffing:

- The staff that had been brought in to cover demand had not been funded from the core budget so could not be recruited permanently but these temporary, expensive, arrangements had continued as demand had not reduced.
- A business case had not been approved for the additional team in assessment so they were not permanently in the budget.
- The budget needed to be fit for purpose in order to run a safe service and officers needed to be held to account on the budget.
- Salaries were not competitive compared to neighbouring boroughs yet we were “fishing in the same pond”. Increasing pay rates may lead to long term savings as practice and decision making improves.
- Other factors were important in retention including training and supervision and this was being worked on.
- The improvement plan would make a dent on the overspend but it would not be eliminated in a year.

4.7 Lucie Heyes spoke briefly about the changes required and plans to introduce a stable, permanent workforce that was committed to Lewisham and determined to improve practice. This would require funding. David Austin commented that which budget any additional money was allocated to, would be important and any re-budgeting must be done carefully and in a way that would enable clear monitoring. In terms of the improvement plan, Lucie was satisfied with its content and was aware of what was required to deliver a 2-3 year journey of improvement.

4.8 The Committee recognised that the base budget and the overspend were two separate issues. It was broadly accepted that the late reporting, and size, of the overspend was regrettable and needed to be urgently addressed in terms

of better monitoring and management and better practice to reduce costs. The base budget was felt to be unrealistic and Members welcomed plans for its restructure.

4.9 Cllr Barnham, the Cabinet Member for School Performance, was asked to comment. He stated that the focus must be on the improvement plan but that costs must not be ignored. It was acknowledged that expensive fixes had been used and this could not continue. However, the situation that the Council was facing was unique other councils were facing similar overspends and children's social care was one of the most highly regulated areas of council service yet had no specification in terms of funding. It was clear that Members needed to reach a view on the budget. It was evident that the budget was too low and it was hoped that the overspend was too high - the correct level in between needed to be fully understood.

4.10 There was a debate amongst committee members on the recommendations that the Committee should make.

4.11 **RESOLVED:** That a referral be made to Mayor and Cabinet as follows:

- The Committee notes the report and recognises the severity of the budget issues raised.
- The Council must learn lessons from the problems and issues raised.
- In particular, the Committee:

(a) recommends that improved, more accurate and more detailed financial information is produced in relation to this budget and properly utilised by the relevant officers; and that regular monitoring reports are received by the Public Account Select Committee on this budget; It also expects that action is taken to reduce cost pressures, such as transport;

(b) notes that "best practice costs less", with particular regard to management and staffing, and looks forward to changes being made to current practice that will lead to this result;
and

(c) notes and welcomes the fact that a recommendation to increase the base budget for this service, so it is more realistic, will be considered by Mayor and Cabinet on 10 October 2018; however, any future increase to the base must be considered within the context of the Council's overall priorities and financial strategy and follow further monitoring to ensure the necessary efficiencies have meanwhile taken place.

- In relation to (a) and (b) above, the Committee acknowledges the need for, and welcomes the prospect of, a new and comprehensive improvement strategy; notes the outline improvement plan appended to the report presented to the Committee; notes that a more detailed plan has been produced that is currently in draft form; and welcomes the prospect of a better financial framework – including the accounting for costs in other related services to Children's Social Care – to support the plan, as referred to in (c) above.

5. Financial forecasts 2018-19

- 5.1 The following points were noted:
- In terms of the CYP Directorate, Mayor & Cabinet would be recommended to commit the remaining £1.7m of the 2018/19 unallocated risk & other budget pressures to Children's Social Care at its meeting on 10 October 2018, with immediate effect. There would also be a further recommendation to draw down £4.3m from reserves now, from the £6.5m available in the 2019/20 budget. Combined, this would increase the Children's Social Care base budget by £6m for 2018/19 and on-going. Using the reserves now instead of applying it at the year-end would bring the budget closer to the real need and make the budget easier to monitor and manage.
 - In terms of the Community Services Directorate, it was forecasting an overspend of £0.3m, largely due to adult social care costs.
 - The Customer Services directorate was forecasting an overspend of £1.7m, made up of various overspends including in parking services, council tax administration and technology and change.
 - The Resources and Regeneration directorate was forecasting an underspend of £0.1m at the year-end having previously forecast an underspend of £0.6m.
- 5.2 The Committee expressed concern that 14 schools would have licensed deficits by the end of March 2019 and 5 schools had not yet submitted a budget plan this year.
- 5.3 It was noted that Youth First was being paid the full value of its contract by the Council but was lobbying to retain its budget for an additional year.
- 5.4 **RESOLVED:** That the report be noted and a detailed written update on (a) the Technology and Change overspend and (b) the Youth First funding situation be provided to the Committee.

6. Income generation update

- 6.1 Standing orders were suspended to allow for the conclusion of business.
- 6.2 In relation to the Income Generation Scoping Paper, it was agreed that the first evidence session would take place in December rather than November to allow space at the next meeting for an item on the adult social care budget.
- 6.3 Katherine Nidd provided a brief update to the Committee and it was noted that the council's Income Generation Strategy, including an appraisal process and Corporate Charging Policy and a Fees and Charges Report inclusive of cost modelling, had begun. Phase two, starting next year, would involve implementing a culture change, with staff being encouraged to develop a commercial mindset, alongside a continued focus on a community wealth building approach. Lewisham was doing a lot of income generating activity but it needed to be brought together, re-framed and highlighted so it could be better discussed, scrutinised and taken forward. It was welcomed that Katherine Nidd would be involved in implementation across directorates.

6.4 The Vice-Chair of the Committee would be leading on this agenda on behalf of the Committee. The Committee felt that Members needed to provide a political steer in relation to commercialism and that future reporting on income generation should be done in a consistent way to allow easy comparison.

6.5 **RESOLVED:** That the report be noted and figures for December provided.

7. Select Committee work programme

7.1 It was agreed that the following items would be considered at the next two meetings:

7 November 2018:

- Budget cuts
- Adult Social Care Budget

20 December 2018:

- Income generation
- Capital Programme (Financial Forecasts)
- Asset Management
- Mid-Year Treasury Management Review.

7.2 **RESOLVED:** That the work programme, as amended, be agreed.

8. Referrals to Mayor and Cabinet

8.1 A referral to Mayor and Cabinet was agreed in relation to item 3 (the Children's Social Care Budget) as outlined above.

The meeting ended at 10.05 pm

Chair:

Date:
