



## **REGENERATION AND RESOURCES SCRUTINY SUB COMMITTEE**

MINUTES of the meeting of the REGENERATION AND RESOURCES SCRUTINY SUB-COMMITTEE held on 9 SEPTEMBER 2004 at 7:00PM at the Town Hall, Peckham Road, London SE5 8UB

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**PRESENT:** Councillor Toby Eckersley (Chair)  
Councillor Jane Salmon (Vice Chair)  
Councillors Billy Kayada, Eliza Mann, Michelle Pearce, Charlie Smith.

**OFFICERS:** Jo Anson - Financial Governance Manager  
Stephen Bishop – Director of Finance  
Phil Davies – Head of Waste Management  
Carina Kane – Scrutiny Team  
Lyn Meadows – Legal Team  
Edwin Thomas – Finance Manager, Environment and Leisure

### **APOLOGIES FOR ABSENCE**

Received from Councillor Jonathan Hunt.

### **CONFIRMATION OF VOTING MEMBERS**

The Members listed as being present were confirmed as the Voting Members.

### **NOTIFICATION OF ANY OTHER ITEMS WHICH THE CHAIR DEEMS AS URGENT**

None.

### **DISCLOSURE OF INTERESTS AND DISPENSATIONS**

None.

### **RECORDING OF MEMBERS' VOTES**

Council Procedure Rule 1.17(5) allows a Member to record her/his vote in respect of any motions and amendments. Such requests are detailed in the following Minutes. Should a Member's vote be recorded in respect to an amendment, a copy of the amendment may be found in the Minute File and was available for public inspection.

The Sub-Committee considered the items set out on the agenda, a copy of which has been incorporated in the Minute File. Each of the following paragraphs relates to the item bearing the same number on the agenda.

### **MINUTES**

**RESOLVED:**

That the Minutes of the Regeneration and Transport Scrutiny Sub-Committee meeting held on 24 May 2004 be agreed as a correct record of proceedings and signed by the Chair.

That the Minutes of the Regeneration and Resources Scrutiny Sub-Committee meeting held on 14 July 2004 be agreed as a correct record of proceedings and signed by the Chair.

**MATTERS ARISING FROM PREVIOUS MEETING**

The following matters from the minutes of the 14<sup>th</sup> July 2004 were raised:

- Paragraph 1.2: It was confirmed that the ICT and Call-Centres were both covered under the Overview and Scrutiny remit.
- Paragraph 2.12: The Chair said that he would return to the issue of small businesses under the work programme item (refer to Item 3).
- Paragraph 3.6: The Chair confirmed that budget monitoring papers for the regeneration and strategic services departments would be tabled at the meeting for consideration.

**1 STEPHEN BISHOP – DIRECTOR OF FINANCE**

- 1.1 The Chair invited Stephen Bishop, Director of Finance, to speak about the budget milestones. Stephen gave a power-point presentation outlining budget milestones for the 2004/05 year and three-year financial planning, and copies of the presentations were handed out to the meeting. His key point was that there was still an element of development in planning for budgeting (e.g. there was still uncertainty with regard to the revenue and capital settlements from the government as well as how the government expected the 2.5% savings to be achieved).
- 1.2 During the presentation, Members showed interest in government assumptions about council tax collected by Southwark. The Chair asked for an analysis of the gap between council tax take and the government assumption of the council tax take. He was concerned that the increased difference over time was undermining local discretion and asked Stephen Bishop to probe the ODPM assumptions on this. Stephen Bishop reported that the 2004/05 figures were basically in-line, however for the next year the council tax was slightly lower than had been assumed by government. This had implications for government funding.
- 1.3 Stephen Bishop said that he could provide members with council tax figures for the previous couple of years, and how the tax figures differed from government assumptions. In terms of the way these would be carried forward into 2005/06 and future years, officers could provide an assumed percentage but would know more in November 2004. Councillor Pearce asked that officers give members a seminar on the council tax situation so that the impact could be understood for future years.

- 1.4 There was discussion about the draft corporate plan and the timetable for its development. Stephen Bishop said Council Assembly had agreed the overall corporate plan and the final plan would be produced in early 2005 when members approved the budget. The plan outlined the aims of each development, and it became refined and less wordy as discussions took place with various members. Summaries of the individual business plans were included in the document "Finances 2004/05" which had been sent to all councillors. Councillor Pearce expressed her desire to ensure that members had input into the plan before it got carved in stone.
- 1.5 The Chair said that members should reflect on the corporate plan process and how it linked with budget-making. He suggested that this could be a focus question for the Executive Member for Resources, Councillor Lorraine Zuleta, when the time came to interview her.
- 1.6 There was discussion about the timing between approval of the capital programme and the revenue budget. The Chair said the capital programme should be agreed before the revenue budget, or at the very latest, the same time. He pointed out that asset rent charges arising from the capital programme would have an impact on service budgets. Councillor Pearce asked that scrutiny members and other councillors be informed earlier than seemed to be current practice, citing two examples: (1) during budget setting in February 2004 members were asked to approve a significant sum for prudential borrowing without being informed as to why; and (2) in-year changes relating to liberation of a significant amount of reserve funds for capital the previous year.
- 1.7 The Chair then asked Stephen Bishop to address the further queries about financial standing orders that had been raised at the previous meeting of 14 July 2004. In the interests of time, it was agreed that the responses would be circulated separately to members after the meeting.
- 1.8 Stephen Bishop and Jo Anson also tabled a set of papers that outlined the budgets of regeneration and strategic services departments. This had been requested by members at the previous meeting for the purposes of considering the best way to monitor departmental budgets. The Chair suggested that these be on A3-sized paper when next distributed. The Chair asked about the availability of more detailed breakdowns e.g. to business unit levels. Officers explained that what was presented was to a level which balanced the ability for members to ask questions yet remained manageable for officers.
- 1.9 Officers informed that the month six SAP budget monitor would be ready and analysed around 20 October 2004. It would therefore be available for discussion at the November 2004 scrutiny meeting. It was not practical to produce a month five monitor for the October scrutiny meeting as this was costly in terms of additional officer time for detailed analysis.

The meeting adjourned for a 10-minute comfort break at 8:35pm.

## **2 INTEGRATED CLEANING CONTRACT [pages 1-20]**

- 2.1 The Chair explained that this item related to an additional spend of £2.2 million on the Integrated Cleaning Contract (ICC) since the contract was brought back in-house. A report had been presented to Executive on 22 June 2004, and some of the performance-related aspects of the report had been subject to a call-in by the Overview and Scrutiny Committee.
- 2.2 Phil Davies (Head of Waste Management) explained the various reports that were presented to Executive in the lead-up to the decision to bring the cleaning contract back in-house in 2002. The Executive reports outlined the procurement timetable; gave an initial estimate of £15.3 million for improving performance levels; and expressed concerns about the quality of cleaning under the previous contractors. A key point was that the initial figure of £15.3 million for street cleaning had been an external estimate of the cost for increasing the performance levels for cleaning in Southwark. This figure had required variation once the more detailed specification was drawn up and as a result of experience about what worked best for improved service levels over the first few months of operation.
- 2.3 Of the £2.2million increase over the original estimate, Phil Davies explained that £1.1million was from the Housing Revenue Account (for estate cleaning), and £1.1 million was from the General Fund (for street cleaning). The £1.1million in relation to the Housing Revenue Account was met through an underspend in 2003/04 and had been consolidated into the base budget for 2004/05.
- 2.4 In terms of the additional expenditure against the general fund, Phil said that two specific growth items were presented to Council Assembly in February 2003, relating to the collection of 1200 additional litter bins, and daily cleaning and recycling facilities. An additional £275,000 had been approved for this purpose over the base budget of £15.3million.
- 2.5 Phil Davies also said that in 2001/02 and 2002/03 an additional £490,000 had been agreed for extra works and paid to the external contractors (SITA) on top of the base contract price. Phil said that there had been omission from both consultants and officers, and the external consultants had determined the estimated cost not taking into consideration the £490,000 or the additional work it funded. The Chair noted that this additional £490,000 had not been mentioned in the Executive report of 22 June 2004 – only the basic contract price had been referred to as the base budget.
- 2.6 Phil Davies further explained that the £17.5 million was a trading account figure. £232,000 was netted off this figure for the cleaning of market space (this money was charged to the Street Trading Account). In addition, £70,000 was paid to the ICC contract for works it took over from refuse collection service. Phil said that these funded variations accounted for the £1.1million additional general fund expenditure against the original estimate for service provision.

- 2.7 The Chair questioned officers as to why the report presented to Executive on 22 June 2004 assumed that the gap was £2.2million, when the explanation just given to the sub-committee indicated that it was only £1million at the start of the year. Phil Davies said that every statement in the Executive report was correct, but that it may have led to some confusion. The intention was to assure members that the money was available in the base budget. The report was tailored for Executive purposes but Phil acknowledged that it could have been clearer. The final accounts showed £17.5million. The Chair suggested that lessons needed to be learnt about communication.
- 2.8 Councillor Pearce commented about the staffing levels that were used for the early part of the cleaning contract. Phil explained how the "front-loading" referred to the staffing resources available in the early stages of the contract, while the Council negotiated the harmonisation of contracts for the transferred staff.
- 2.9 The Chair asked about the involvement of the Executive Member in the budget variations. Phil said that the Executive Member would have been first informed in approximately August 2003, as this was when officers would have had a clearer picture of the changing figures. Officers were open in telling the Executive Member that £15.3 million was an estimate, and explained changes as movements from the £15.3 million. Phil said that the movements had no impact on overall funding.
- 2.10 Phil Davies also explained how under the current system, two of the business units that he managed charged each other for work (i.e. client and contractor). He was looking to make this easier for 2005/06 by aggregating budgets and was in discussions with Stephen Bishop about this.
- 2.11 In terms of the contract for 2004/05, Phil said that there would be some changes to operation (e.g. shift hours), but no changes to funding. He advised that expenditure was on budget for 2004/05. He was looking to create efficiencies in operation by increased integration and training, and gave examples of changes he had made to this effect.

**RESOLVED:**

That the sub-committee:

- a) notes with thanks the explanation of officers in relation to the additional £2.2million spend on the integrated cleaning contract;
- b) notes the lack of clarity and insufficient detail in the 2003/04 budget in relation to the contract as discussed in paragraph 45 of the report to Executive on 22 June 2004;
- c) recommends that in future, early action be taken to bring any significant budget variations of a similar kind to the attention of relevant Executive Members;
- d) recommends that officers inform relevant members of the effect of moving away from separate client and trading accounts, in the event that a decision is made to do this.

**3 WORK PROGRAMME [pages 21-32]**

- 3.1 Members discussed the work programme for the up-coming Regeneration and Resources Scrutiny Sub-Committee meetings. The following was agreed:

*October 2004:*

- Interview with Executive Member for Resources, Councillor Lorraine Zuleta.
- Underspend in the Housing Revenue Account, as had been requested by the Overview and Scrutiny Committee.

*November 2004:*

- Focus on 04/05 Budget Monitoring, Performance and Priorities

*December 2004:*

- The first stage of the small business review. This would be a scoping exercise to look at the council's overall policy and attitude to small businesses. It would be likely to involve a presentation from an outside expert, and was linked to the paper that was being presented to October's Executive on the impact of regeneration policies on BME/small businesses.
- Consideration of the Statement of Community Involvement and brief outline of Local Development Scheme by regeneration officers.

3.2 Councillor Pearce asked that a scrutiny be conducted into the efficiencies of employing temporary staff. This had been highlighted in the CPA report, and Councillor Pearce believed that it was a particular problem in the regeneration department. The Chair noted that this came under the Overview and Scrutiny Committee's terms of reference.

**RESOLVED:**

- a) That the Overview and Scrutiny Committee be asked to investigate the excessive use of agency staff, and the reasons why this may be occurring in the Council;
- b) That the November and December Scrutiny Sub-Committee dates be on Thursday 18 November 2004 and Wednesday 15 December 2004.

The meeting closed at 10:20pm.

**CHAIR:**

**DATE:**