



REGENERATION AND RESOURCES SCRUTINY SUB COMMITTEE

MINUTES of the meeting of the REGENERATION AND RESOURCES SCRUTINY SUB-COMMITTEE held on 2 FEBRUARY 2005 at 6:30PM at the Town Hall, Peckham Road, London SE5 8UB

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

OFFICERS: Stephanie Fleck – Principal Lawyer, Contracts
Stuart Hoggan – Head of Corporate Strategy
Carina Kane – Scrutiny Project Manager
Bernard Nawrat – Head of Human Resources
Karen O’Keeffe – Head of Economic Development and Strategic Partnerships
Andy Scott – Team Leader, Economic Development

OTHERS: Geoffrey Banister – District Auditor and Relationship Manager
Neil Gray – District Auditor and Relationship Manager
Kash Pandya – District Auditor and Relationship Manager
Councillor Andy Simmons

APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor Jane Salmon.

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 Resources Scrutiny Sub-Committee meeting held on 15 December 2004 be agreed as a correct record of proceedings and signed by the Chair.

1 ANNUAL AUDIT AND INSPECTION LETTER [pages 1-15]

- 1.1 The Chair introduced the item, noting that the Annual Audit and Inspection Letter had been considered by Executive the previous day, and had been referred to the Overview and Scrutiny Committee for their consideration. The sub-committee had already decided to consider the item.
- 1.2 Kash Pandya gave an overview about the findings in the letter. Overall the council had a good year, and its direction was right, with the Comprehensive Performance Assessment (CPA) moving the council up a category. The council needed to build on this. The letter was forward-looking and identified challenges and issues that the council needed to think about. This included: work needed to meet the Decent Homes Standard for 2010, the need for action plans to be implemented and monitored, how accounting issues could be addressed particularly given the tighter timeframes for producing the accounts.
- 1.3 Councillor Michelle Pearce asked about the value of members highlighting areas of concern. Kash said they were currently planning the audit process for the next year, and while there were no guarantees issues highlighted by members would be picked up, they were happy to listen.
- 1.4 The Chair said the previous year's Annual Letter had been considered by the sub-committee and three key concerns had been highlighted: changes to the human resources function, staff appraisals, and the use of SAP. Executive had recommended these issues be picked up in the quarterly reports, but this did not appear to have happened. Neil Gray responded that scrutiny would not be discouraged from following up on these, but noted that some aspects had been picked up in the current letter (page 5). Stuart Hoggan explained that as progress had been good in these particular areas it had been decided that there was no need to highlight these in the performance report.
- 1.5 There was some discussion around Councillor Pearce's concerns that the council's customer access strategy relied on the literacy of people in the borough. Auditors accepted her point, and said the council recognised it needed to do further work in breaking down barriers with those whom English was not a first language.
- 1.6 A related point was the comment that challenges remained around building capacity with the voluntary sector and tenants. Cllr Pearce highlighted to auditors that all tenants needed to be reached, not just those who were active members of their associations. Auditors agreed that the council needed to be doing more on this, and said that the audit plans for the next year would try to identify good practice in order to facilitate partnership working.

- 1.7 The Chair invited Councillor Andy Simmons to make comments. Cllr Simmons sought clarification of the phrase stating that the council had needed to adopt “a more systematic approach to measuring schools’ satisfaction with the local education authority”. Neil explained that there was a challenge to build better relationships with head teachers and feedback had been very ad hoc.
- 1.8 Cllr Simmons also expressed his disappointment that members had not been made aware the council had introduced corporate arrangements to monitor the implementation of recommendations from internal and external audit, and queried whether the process would involve members. Neil explained that the database was not fully operational: it was still being populated and arrangements needed to be made for the monitoring of recommendations. In other councils, he had seen this system being brought to the attention of scrutiny committees.
- 1.9 Members went through the audit letter page by page. During this process, the auditors clarified the following points for the sub-committee members:
- The Environment Department still had a low CPA rating as it had not yet been re-inspected. An inspection was due that year. The performance measures used by the council were different to what was used by the Audit Commission.
 - The council was making efforts to find a permanent Chief Finance Officer (CFO), but there were practicalities to take into account in the time taken to fill a position e.g. the need to give three months notice at the previous job.
 - The need for the council to demonstrate continued vigilance in meeting its large and ambitious range of projects (refer to top of page 4) was a management responsibility. There were different models as to who could be involved in this (members and/or officers), but it needed to be monitored.
 - The Audit Commission worked closely with the internal auditors. A reason that members were presented with revised accounts in October 2004 was because the wrong method of valuing the council’s housing stock had been used for the draft accounts. The Audit Commission had corrected this error and the members were then presented with a new set of accounts.
 - In terms of the £1.9bn reduction in the valuation of stock, auditors suggested that it was in the interests of all parties to ensure that asset valuations were correct. They had no reason to believe that the revised figure was inaccurate. The original inaccuracy had been caused by the council’s Valuation Department using a variant of market value rather than a variant of existing use as per the ODPM definition.
 - There were two parts to the best value process: the best value performance indicators and the best value performance plan. The auditors understood that the government ultimately planned to get rid of some aspects of ‘best value’.
 - The interim CFO had initiated a review of the electronic interface between the main accounting systems and the different systems at the council (including the housing rents system). The audit letter sought to highlight this problem.
 - The Pension Fund deficit was a national issue and the government was looking into this. Auditors suggested that the council needed to seek advice from an actuary, and use this to determine the period of which to fund the gap. Various methods could be used, but the key was assurance that the method was evidence-based, reasonable and prudent.

- 1.10 Members asked questions around the dual-roles being held by senior officers – as in Southwark the Chief Executive was also the Chief Education Officer. Auditors replied that there were different models across London boroughs, depending on the council's objectives, direction and the people it was dealing with. Regardless of the model used, the key was making it work (within the legislative framework). Stuart added that the role of the contractor, CEA, was the reason for the dual-role in Southwark.
- 1.11 The Chair noted that the council had not been successful in meeting its 'Investors in People' target and queried the seriousness of this. Auditors said this was not critical, and clarified that the target was good sign of the quality and retention of staff.
- 1.13 Councillor Pearce said that the move to the Customer Service Centre was very high risk, with serious impacts on housing benefits and loss of the IT provider. Auditors said that there was work looking at this, and the report would be available in April. Members were keen to pick this up at this stage.
- 1.14 Councillor Pearce was also concerned at the problems she had heard about the Southwark Alliance, namely considerable duplication between projects and lack of coordination. Auditors agreed this was a key point, and was a common problem amongst such partnerships. A copy of the audit letter had gone to its board members.
- 1.15 There was discussion about the anti-fraud strategy, with particular focus on the recommendation that confidentiality would be assured to whistleblowers. Members were concerned that it had been considered by Executive, but did not appear to have been followed up on. It was important for employees to know that their position would be protected. Bernard Nawrat said a booklet on whistle-blowing was available to staff, but he would need to look into the extent that it addressed confidentiality issues. Members therefore asked for a report back to their March meeting on progress in meeting the recommendations outlined in Exhibit 5, page 9 of the Audit Letter.
- 1.16 Auditors also clarified that members were not considered employees under the Public Interest Disclosures Act, and should seek the advice of the monitoring officer on this point. In response to concerns raised by Councillor Jonathon Hunt, the auditors said if someone felt that they had been victimised as a result of whistle-blowing it was a matter for the courts, and that allegations of fraud needed to be investigated and dealt with in the proper manner, but there needed to be a weighing up of whether the cost of the investigation would outweigh the benefits. Members decided that the report back in March should also specify whether the whistle-blowing provisions in the Public Interest Disclosures Act applied to members, and if not, whether any steps could be taken on this.
- 1.17 A point was raised about how the different operation of the SAP accounting system made it difficult to compare data across departments. This was a frustration to members and officers alike. Neil said that this problem was recognised, and the audit commission would continue to look into this. He had noticed improvements in the last couple of years.
- 1.18 During the course of the discussion, the sub-committee sought the opinion of the auditors on what value they saw in scrutiny on specific issues. Issues discussed were staffing matters (e.g. meeting the Investors in People target) and ensuring that the monitoring arrangements for responding to the recommendations of internal and external audit were robust. Auditors said that in terms of member intervention, some authorities asked officers to prepare an action plan following the audit letter and to report back the following year.

- 1.19 The auditors confirmed that they had noted the concerns raised about service charges and leaseholder debts and assured members that it would be followed up for the following year.
- 1.20 The Chair asked the auditors if they had any further comments to make on the rights of members of the public to make formal objections. Kash commented that in his experience, Southwark Council received considerably more correspondence than other councils. It was a democratic right for people to make formal objections. However, for the future, it was proposed that more care was needed in determining the cost of the investigation compared to the substance of the issue raised and the value to the council.
- 1.21 The Chair asked about ownership of the audit letter and whether any significant changes had been made when the draft audit letter had been submitted to the Leader and Chief Executive. Kash assured officers that the letter was his, and although he was prepared to listen to the Chief Executive he would ultimately decide what went in the letter. The purpose of seeking feedback from the council was to ensure there were no factual inadequacies, and nothing of substance had been changed in this year's letter.
- 1.22 Councillor Eliza Mann commended officers on their achievements in council tax collection, and collection of rates.
- 1.23 Councillor Hunt asked how the public interest report on Fairview/Imperial Gardens was going, and whether any new evidence could be considered at this stage. Kash said that the Audit Commission was following up on action being taken by the council, and had not yet decided whether more work was needed. In terms of looking at new evidence, this would depend on which year it related to, and whether the claims were issues of substance.
- 1.24 The Chair asked the scrutiny project manager to provide the sub-committee with a report which suggested a scheme for how the scrutiny function could satisfy themselves that monitoring arrangements for responding to the recommendations for internal and external audit were robust. It was also suggested that this report should include the other references to matters which the District Auditor has said that he is following up.
- 1.25 There was discussion about the approach that the sub-committee should take to moving their concerns forward.

RESOLVED:

That, on consideration of the Audit Letter 2003/04, OSC take up the following issues directly, or alternatively forward them on to the Executive for consideration:

- a) ensuring that the information relating to improvements in the Council's environmental services Environment is incorporated into the CPA score without further delay (refer to page 3 of the audit letter);
- b) considering whether adequate progress is being made to meet the target for 'Investors in People' (page 5 of the Audit Letter notes that the Council has not been successful in meeting the targets for this).
- c) monitoring progress being made in responding to the points highlighted on page 2 of the audit letter as needing action by the council, i.e.
 - exploring options for achieving the Decent Homes standard for 2010;
 - considering the implications of the actuarial deficit on the

pension fund when making the budgets for 2005/06 and beyond;

- prioritising development of the anti-fraud culture;
- implementation of the action in response to the public interest report issued in 2004.

MOTION OF ADJOURNMENT

At 8:05 p.m. it was proposed, seconded and

RESOLVED: That the meeting stand adjourned for five minutes for a comfort break.

At 8.10 p.m. the meeting reconvened.

2 USE OF AGENCY STAFF [pages 16-37]

- 2.1 The Chair noted that this item had been referred from OSC, and that the sub-committee's remit was to look purely at the financial implications. He gained the support of the sub-committee to therefore focus purely on the table on page 37 of the agenda, which compared agency salaries to those of permanent staff.
- 2.2 Councillors Pearce and Smith asked to move back to the first item, to look at page 10 of the audit letter. A vote was taken and the request was declined.
- 2.3 Bernard Nawrat explained how the comparative figures in the table arose. The information relating to agency staff was the result of a large study undertaken by PriceWaterhouseCoopers. Bernard had added his own figures for the council staff, using the same categories as had been used by PWC. The PWC figures were averaged, but the figures for the council staff showed the range of salaries. The figures did not include running costs (e.g. training) because these expenses may also be incurred for agency staff.
- 2.4 Councillor Hunt asked whether the council policy was to employ agency staff because they were cheaper. Bernard said this was not the case – the policy was to employ permanent staff where possible, agency usage was a necessary consequence of shortages as outlined in the paper. There were a variety of reasons as to why agency staff were employed. The figures did show that agency staff were cheaper on average, but there were variances in this depending on market demands for particular skills.
- 2.5 Councillor Mann queried the method used for employing agency staff, and asked whether the council could ensure quality. Bernard said that at present the council only had a contractual arrangement with Hays and the one aim of the proposed procurement projects was to put in place an arrangement for all agency recruitment from October.
- 2.6 Cllr Pearce suggested that there were areas within the council where the pay rates were not in keeping with the market rate which contributed to the lack of staff retention. Bernard replied that this factor was monitored, and any findings of this nature were responded to. Staff turnover was only about fifteen percent.

RESOLVED: That on consideration of the data comparing the salaries of agency staff and the permanent staff at Southwark, the Regeneration and Resources Scrutiny Sub-Committee found no purely financial reasons why agency staff should not be used.

3 STAFF SICKNESSES [Pages 38-42]

- 3.1 The sub-committee discussed the report on the data and management procedures relating to staff sickness. The Chair referred to paragraph 4 of the report noting that officers' representations to the government, that schools should be removed from council sickness figures, should be supported because the council did not manage school staff.
- 3.2 The focus of discussion was around responding to long-term sicknesses (50+ days). Bernard advised the sub-committee that he personally attended the case conferences to discuss the highest absence cases and the latest meetings had been held that morning. The two most common reasons for long-term sickness were psychological/stress, and muscular skeletal problems. There were council procedures in place for managing staff sickness, and these procedures were used as best practice in other boroughs.
- 3.3 There were two main problems in trying to resolve the cases. The first related to enabling line managers to identify early that an absence was likely to turn into a case of long-term sickness. It was important to get managers to take action, and there had been briefings and guidance during the last year to help managers in this regard. However not all cases could be identified and acted upon e.g. cancer.
- 3.4 The second problem was the slow treatment under the National Health System (NHS). The council were looking to assist in this by providing access to some health provision direct (at a cost) but also the use of Occupational Health service to influence treatment response.
- 3.5 There was discussion about the role of stress in sickness figures. In some cases, this studies showed that primary causes related to home/personal life. As a result there was a real people management skill in identifying and responding to this effectively. Most long-term stress cases were sparked by an event at work, particularly for front-line staff, and this is where it was important to ensure that the initial stages of intervention and dialogue worked.
- 3.6 It was noted that some sickness would be triggered by line managers. Bernard said that the system was set up to involve human resources personnel as an alternative reporting point.
- 3.7 Questions were asked about the culture of sickness in the council. Bernard confirmed the council did not suffer with a belief that staff had an entitlement to take sick leave, nor was it regular experience that staff took sickness on regular days of the week.
- 3.8 There was also discussion about what could be done to promote better health and reduce stress. Bernard said that they had taken a number of actions on this front, for example health fairs and well-being website and leaflets. Bernard also monitored departmental trends to highlight and address areas of concern, for example, the implications from the recent housing reorganisation. Cllr Pearce was keen that tougher action should be taken against managers who were not managing sickness in accordance with the council's sickness procedures.
- 3.9 The Chair thanked Bernard for his time.

RESOLVED:

1. That in June/July 2005, officers provide the sub-committee with data for the two departments with the worst sickness

statistics, to look at trends in this area.

2. That at the June/July 2005 meeting, officers also report on suggestions for how extra resources could reduce sickness levels and save the council money on lost productivity.

4 SMALL BUSINESS [pages 43-74]

- 4.1 The purpose of this item was to scope the scrutiny of small businesses. As a starting point, the Chair outlined his idea that the scrutiny should consider the relationship between regeneration and the displacement of small businesses, and blend the work being done on Elephant and Castle into this. As part of this, the sub-committee could look at: the paper going to Executive in March on the council landholding options for the Elephant and Castle regeneration; leaseholder re-housing issues; and the legal framework being developed by officers.
- 4.2 Members raised issues relating to whether BME business owners actually understood the impact of the relocation given the language barriers. Officers advised that there was a “business health check” system in place to ensure that businesses were in the best shape to understand and respond to the impact of the regeneration. It was recognised that there was a large diversity of languages spoken in the borough, and there were routes to respond to and identify any gaps in this respect. Annual contracts enabled greater flexibility in this area. Officers gave examples of efforts made to ensure that language would not present a barrier e.g. a Latin-American had been recruited to assist in Elephant and Castle, and Business Extra had staff who spoke a number of different languages and also used translation services where appropriate.
- 4.3 Members further received information that a survey of the business community, to see if they were aware of the various council services, had not been carried out since 1991. Officers pointed out that there was wide-spread marketing of services as well as the broad consultation of stakeholders, services providers, users/clients and businesses during the current Enterprise Strategy review process. However, this did not mean that all businesses were aware.
- 4.4 A submission received from Ms Janet Yatak was tabled. This listed a number of issues with the Elephant and Castle regeneration that Ms Yatak believed should be considered as part of the scrutiny. Members were of the opinion that many of the issues raised appeared valid, but there was some doubt as to whether she represented the Elephant and Castle traders. Members were keen to invite the Elephant and Castle Traders Association along to the March 2005 meeting, and to cc Ms Yatak into that letter.
- 4.5 Officers were invited to give their views. Karen O’Keeffe reminded the sub-committee that the officers had been invited to look at how the council responded to small businesses, and not specifically those involved in regeneration. She suggested that the scrutiny might look at what is happening across London and in other cities on these areas – what could be learnt from the experiences of other boroughs so this could be fed into all the regeneration schemes in Southwark. Stephanie Fleck added that it was important that the policy used by the council was robust – and that the contracts made with developers could reflect this policy.

- 4.6 Karen O’Keeffe added that while it was appropriate to invite the Elephant and Castle Traders Association, it was not appropriate to discuss individual cases. There was some discussion about the membership of the Elephant and Castle Traders Association – and it was decided that this was a question that could be asked at the March meeting if representatives were in attendance.
- 4.7 Andy Scott discussed the work that the Economic Development Team were doing in regard to supporting BME and small businesses. Contact had been made with other local authorities (the Manchester, Birmingham and Leeds City Councils), and there were plans to look to other large metropolitan areas to learn from their experiences. Officers were also planning to look at last year’s ‘Supporting Existing Business’ beacon theme to get more information about best practice in this area.
- 4.8 During further discussions, members decided that the issue about the legal framework would not be looked at for now, and nor would the progress in selecting Registered Social Landlords for the replacement housing. Property disposals would also not be discussed – it was noted that a report on this issue was going to Executive in March.
- 4.9 At the end, members seemed happy with looking at policy points around how the council should respond to small businesses, using the Elephant & Castle experience as a case study. Business Extra and the Chamber of Commerce would be invited to attend, as would the Strategic Director of Regeneration.

5 WORK PROGRAMME [pages 75-86]

- 5.1 Discussed under Item 4 above. The Chair also suggested that the Executive Interview with the Executive Member for Regeneration and Economic Development should be replaced by an interview with the Deputy Leader, as her remit included the Elephant and Castle Regeneration.

The meeting closed at 10:22pm.

CHAIR:

DATE: