



REGENERATION AND RESOURCES SCRUTINY SUB COMMITTEE

MINUTES of the meeting of the REGENERATION AND RESOURCES SCRUTINY SUB-COMMITTEE held on JULY 2 2007 at 7:00PM at the Town Hall, Peckham Road, London SE5 8UB

PRESENT: Councillor Lewis Robinson (Chair)
Councillor Richard Livingstone
Councillor Martin Seaton

OFFICERS: Duncan Whitfield – finance director
Debbi Gooch – principal lawyer
Stephen Gaskell – head of corporate planning and performance
Cathy Doran – financial strategy accountant
Rachael Knight – scrutiny project manager

APOLOGIES FOR ABSENCE

Apologies were received from councillor Paul Noblet. Apologies for lateness were received from councillor Martin Seaton.

NOTIFICATION OF ANY OTHER ITEMS WHICH THE CHAIR DEEMS AS URGENT

None.

DISCLOSURE OF INTERESTS AND DISPENSATIONS

None.

MINUTES

RESOLVED: 1. - That the minutes of the Regeneration and Resources scrutiny sub-committee meeting held on April 17 2007 be agreed as a correct record of proceedings and signed by the chair.

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1. REPORT BACK FROM THE CHAIR ON OUTSTANDING MATTERS

- 1.1 The chair explained that the Commission for Racial Equality (CRE) is investigating the extent to which local authorities undertaking major regeneration projects are complying with race equality legislation and integrating race equality measures into their redevelopment work. He explained that he had obtained a copy of the consultation questions that the CRE had distributed to all local authorities, as well as a copy of Southwark's response. Copies of these documents were tabled at the meeting and made available to the members.

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- 1.2 The chair added that the CRE is expecting to report on their findings by the end of September 2007, but may not be publishing their conclusions until towards the end of this year. He also suggested that this timeframe may be affected by the establishment of the new Commission for Equality and Human Rights (CEHR), which is bringing together the work of the three existing commissions; the Commission for Racial Equality, Disability Rights Commission and Equal Opportunities Commission (due to become operational in October 2007). It was suggested that Southwark's submission to the CRE be discussed under the work programme.
- 1.3 Regarding the issues affecting traders at Elephant and Castle, the chair expressed his disappointment that there appeared to have been minimal progress in terms of dialogue between the traders and council officers. He added however, that traders have now been offered dates for meetings to discuss the proposed business charter. He explained that he had seen the charter proposals submitted by the traders, and reasoned that other than reporting this back, it did not seem worthwhile to discuss the related issues at the present meeting. He suggested that there would be more merit to continue the discussion once the progress in dialogue from the last 48 hours could be presented in a written form.
- 1.4 A member agreed that this appeared to be a reasonable way forward and that it would be difficult at this stage to discuss the issues. He added that officers and traders need to work through the concerns and hopefully reach a resolution.
- 1.5 The chair responded that the sub-committee also needs to discuss what it can effectively scrutinise on this topic and what decisions it can make. He commented that the London Development Agency's (LDA) position is not clear on this issue, and nor is it clear how the sub-committee can respond.
- 1.6 A member pointed out that it had been suggested at the last meeting to revisit this topic in autumn 2007. The chair confirmed that although members had said the next meeting, officers had suggested September. He added that he would prefer to have a full dialogue on the issue with the other sub-committee members.
- 1.7 The finance director commented that these discussions will become easier in the context of securing the preferred development partner and therefore supported the later timing of the discussion.

- RESOLVED:**
1. That copies of the following documents, tabled at the meeting, be made available for members who were unable to attend:
 - 'Business Continuity at the Elephant and Castle'- Executive report (Jan 20 2007);
 - Southwark's response to the 'CRE General Investigation into Physical Regeneration: Survey of Local authorities' (June 2007);
 - The CRE General Investigation questionnaire.

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2. CHANGES TO THE COUNCIL'S PERFORMANCE MANAGEMENT STRUCTURE

- 2.1 The head of corporate planning and performance addressed the sub-committee on forthcoming changes to the national performance management arrangements. He gave an overview of a broad sweep of changes, effected by both external and internal influences, and of the implications for the council. Key points raised included as follows:

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2.2 - Some of the forthcoming changes are not as fixed as suggested by Audit Commission and others. Formatted: Bullets and Numbering

2.3 - The council's CPA ranking is currently three stars (of a possible four), and this has been retained from the previous year. The Audit Commission is further raising the bar for the ranking criteria.

2.4 - The financial strategy accountant commented that the council had a good success rate of savings over the previous years, but that this was becoming more and more difficult to achieve. She added that the higher levels of financial commitment were restricting growth. The finance director explained that while the council had achieved £38 million in savings, it had incurred £41 million in new commitments, through new demands from children's services, recycling, waste, health and social care etc.

2.5 - For the Use of Resources element, the Audit Commission has shifted a number of its Key Lines of Enquiry (KLOEs) from level 2 to level 3, which has made level 3 more difficult to achieve. Formatted: Bullets and Numbering

2.6 - It is necessary to consider how well Southwark is performing compared to other local authorities and to understand its relative position across the range of services provided. A consequent message to the Audit Commission is that Southwark's performance should be assessed on fair competition between the council and like authorities. Formatted: Bullets and Numbering

2.7 - The Local Government and Public Involvement in Health Bill is expected to receive royal assent this autumn. It's aim is to reduce bureaucracy, and include four main themes: Formatted: Bullets and Numbering

- i. giving local communities greater say
- ii. "place" shaping
- iii. making councils more directly accountable
- iv. streamlining the performance regime

2.8 - Local Area Agreements (LAA) are also at the centre of changes and a list of 200 national performance indicators (PIs) will replace the current Best Value PIs. The new list will first be drafted in 2008 and the final list is expected in 2009. The council will then be required to select 35 indicators that reflect local priorities and issues (and a further 18 from the Department for Children, Schools and Families). While this arrangement is intended to be considerably simpler than the current performance framework, detailed local monitoring will still be expected.

2.9 The chair asked whether the council will be selecting Southwark's priority indicators in partnership with the Southwark Alliance, or in dialogue with the Department for Communities and Local Government (CLG). The head of corporate planning and performance responded that this will happen both in dialogue with the CLG and partners; that the 200 indicators are likely to include a mix of national priorities; and that key indicators related to the environment and planning may be included, reflecting the shift in national priorities. He added that Southwark's selection will also need to take account of the police, the PCT, and other local partners. The impact on grant settlements, however, is not yet known.

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2.10 The finance director commented that some grants within the LAA are being drawn into a single agreement and as activities are shifted into a 'single bucket' it is not known how this will impact the performance framework. He added that further clarity is also expected from the CLG regarding how the new arrangements are expected to affect the 3% savings reduction. Consequently, the Comprehensive Spending Review (CSR) will first be feasible once it is known what funding will be available.

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2.11 - The current inspection framework, the Comprehensive Performance Assessment (CPA), will change and give way to greater focus on place under a new model called Comprehensive Area Assessment (CAA). Consequently, rather than the council being audited, Southwark will be assessed as a place, and the inspection will take into account what the council is contributing to the shaping of the borough. The council will have a final CPA assessment in early 2008. This falls in the middle of the transition to the CAA, which is due to be implemented in April 2009.

2.12 - The CAA is structured to be more forward looking, as opposed to assessing what a local authority has already achieved: It is designed to examine whether the council has the ability to achieve what has been deemed as the local priorities. However, the annual direction of travel statement will remain only an assessment of Council performance.

2.13 - Further details on the transition to the CAA are due to be published in autumn. Southwark, like others, is making representations to the CLG to ensure that the new arrangements will be proportionate to what the council is seeking to achieve in the borough. An increasing element of the new framework will be the role of resident satisfaction, resident involvement and consultation.

2.14 - The new government cabinet has shifted priorities and consequent changes to the political context will impact the CSR. The council had also been advised that it would receive central government funding according to a 3 year settlement following the next CSR. Due to the recent government changes, however, this is currently unclear.

2.15 - Regarding the recent Lyons report, any expected changes are likely to hinge on evaluations and will probably be deferred to the next spending review.

2.16 A member asked what percentage of the current budget's funds is allocated to health. The financial strategy accountant responded that the amount spent on adult social care is approximately £93 million, which is close to 32% of the budget and currently the biggest net spender. She added that there is a pool arrangement with the PCT and that some costs are shared.

2.17 The member further asked that if there were an adverse settlement for health and social care, what would be the likely percentage reduction. The financial strategy accountant responded that the council no longer has allocated spend per block, rather that the authority's grant is awarded as a totality. Consequently, an adverse settlement would be one where grant was 'pegged to the floor' i.e. achieve a minimum level of grant.

2.18 - Health and social care currently attributes for the lion's share of the council's budget commitments. The 2012 Olympics will also increase the council's costs, as will the regeneration programmes.

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- 2.19 A member asked what the corresponding risk factor is, in view of current prospects that costs are likely to increase. The finance director responded that health and social care represents a significant budget pressure and that central government is moving costs in this area into local government. He commented that this is a major risk; that there was early evidence of this problem in 2005/06 and that it is likely to continue throughout 2007/08. He added that local authorities are not seeing new funding following the increasing demands and that one clue for the shortfall could be the local demographics, - for instance that people are now living longer. He also mentioned that there are now £4 million in new costs annually for waste, despite the council's new methods for working with waste.
- 2.20 The finance director also outlined that there are risks related to cost pressures around building works, both for Decent Homes and for the major regeneration projects. The local education partnership is also likely to incur increasing costs, and the council is waiting for further direction from central government regarding the Building Schools for the Future (BSF) programme.
- 2.21 The government continue to set challenging targets in terms of the CSR (3% minimum cashable efficiencies). Due to demand pressures and restricted resources the council is likely to be required to achieve cashable savings in excess of 3% (in line with the medium term financial strategy). The finance director commented that the council's greatest financial concern is not how it is to achieve the prescribed 3% savings, rather how it can exceed this requirement in order to balance the books. He explained that it is difficult to see to the end of pressure from health and social care and that the additional concern is the impact of Local Area Agreements.
- 2.22 A member commented that the council can clearly see what is taking place over a 3, 5 or 7 year period and that therefore, like any good household, the council should be able to plan ahead. He asked what preparation had been made to cope with the outlined challenges. The finance director responded that relevant planning was started last year with the agreement of the four year medium term financial strategy (MTFS) which included a robust strategy concerning reserves. He commented on pressures with regards to council tax, and added that given that 70% of the council's budget is funded by central government grant, and that as this is currently an unknown, it always makes any medium term planning a challenge.
- 2.23 The finance director explained ed that there is currently significant turmoil in the local government finance system and that all chief officers are carrying out policy reviews, so that there will be budget options from each department to consider, with the view to look at pressures and potential savings.
- 2.24 A member queried how the Audit Commission measures whether a council is improving. The head of corporate planning and performance explained that at a basic level a council's direction of travel assesses how the council is performing against a fixed set of national BVPIs, in comparison with other authorities. He added that the Audit Commission includes s a further qualitative dimension, by considering factors such as local performance indicators, and projects. Generally, however, if an authority is performing above average, it is likely to be 'improving well'.
- 2.25 A member commented that if councils are required to select 35 indicators from a pool of approximately 200 there is a danger that assessments will be made on a basis that compares 'apples with pears'. He added that it would be a key role for scrutiny to look at the process that the council will use for agreeing the 35, and he suggested that the chair recommend this as an item for the Overview and Scrutiny Committee's work programme.

2.26 The head of corporate planning and performance commented that, based on the central government timetable, the council will need to refresh its LAA by April 2008 [now June 2008]. A member expressed concern with relying on the council's partners to get things right and asked what is in place to ensure that a partnership is effective. He expected that it would be difficult if a council agrees what it is doing when other partners first establish their strategies at a later stage. The head of corporate planning and performance responded that multi agency planning is particularly complex, but that the council works closely as a local authority with the Primary Care Trust (PCT), the Children's Trust and other partners.

2.27 The finance director further discussed the issue of aligning the financial plans of key partners recognising the complexity of such arrangements. He added that there is currently a sense that the council is being set a 'mission impossible'; that hopefully things are improving for the public, but that significant problems are being lined up.

2.28 A member queried whether there is any advantage that the Deputy Chief Executive was the Director of Health and Social Care. The finance director responded that from the perspective of service delivery there are advantages in combining health and social care services. Funding streams, however, do not always follow from the same routes and consequently the issue of a lack in funds cannot be avoided. He stated that the reason that so many local authorities do not have a good relationship with their PCTs, as Southwark does, is because there are natural tensions due to the funding arrangements. He added that in Hertfordshire the chief executive of the council and the PCT is now combined.

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2.29 It was suggested that copies of the presentation from the head of corporate planning and performance, and accompanying briefing note, be circulated to the sub-committee members.

RESOLVED: 1. That OSC be recommended to have a key role in assessing the council's method for selecting the 35 priority performance indicators, which are to be central to the new performance framework.

3. STATEMENT OF ACCOUNTS

3.1 The finance director explained that it was the role of the new Audit Committee to consider the council's Statement of Accounts, which needed to be approved before June 30 2007. He confirmed that the committee had assessed and approved the statement at their first meeting in the previous week. He added that the statement would now be submitted to external audit, which is expected to be complete in September.

3.2 The finance director highlighted various issues outlined in the statement. Key points included as follows:

- The general fund overspend on services was between £5 to 6 million, which was mainly due to health and social care.
- As interest rates rose above expectations, the council was able to offset its overspend with interest earnings. However this was not expected to be an ongoing advantage.

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- 3.3 - Prudential borrowing was not necessary in the 2006/07 financial year and the overriding financial outcome was that the council was able to balance its books. Formatted: Bullets and Numbering
- There was an underspend in the Housing Revenue Account, as expenditure during the period of reorganisation has decelerated. This deceleration in spending was likely to accelerate again this year however.
- 3.4 - Local Area Business Growth Incentives Scheme (LABGI) funding was likely to help underwrite the costs of the Elephant and Castle regeneration, Building Schools for the Future and other major projects. Underspend in education was currently parked in this reserve. Formatted: Bullets and Numbering
- The modernisation budget had been well managed and the overall balance position was maintained.
- 3.5 The finance director also commented that the meeting of the Audit Committee had exceeded his expectations, as the committee brought a level of scrutiny at the pre-signature stage that he had not seen before.
- 3.6 The chair commented that he had a discussion with the chair of the Audit Committee and that both chairs were comfortable with the Regeneration and Resources scrutiny sub-committee and the Audit Committee taking a role in the assessment of the Statement of Accounts. He explained that they would need to see how things play out over the next year, to then determine how one or the other of the committees takes the lead on certain issues.
- 3.7 Councillor Seaton requested an individual briefing on the Statement of Accounts from the finance director, at a later date.
- 3.8 A member commented, that given the cross-over with the two committees, he thought that there is likely to be a distinction between the auditing and the scrutiny roles regarding assessment of the Statement of Accounts. He added that there could be some merit for the two committees to meet next year to discuss an appropriate approach, and for the committees to consider the statement jointly. The chair responded that it could be feasible to arrange for the scrutiny sub-committee members to be invited to an Audit Committee meeting.
- 3.9 The finance director remarked that he would see the two committees as having distinct roles: that the Audit Committee would be better suited, for example, to comment on the statement's technical issues and format; and that the scrutiny sub-committee may prefer to query the particular reasoning for some of the budget setting, including for example, timing issues, such as the timeframe allocated for consultation. The chair responded that further discussion would be needed on this issue.

4. REGENERATION AND RESOURCES SCRUTINY 2007/08 WORK PROGRAMME

- 4.1 The chair stated that he thought it would be necessary for the sub-committee to revisit the issue of Elephant and Castle business continuity at the September 19 2007 meeting. He added that he would expect progress to have been made with the dialogue between council officers and traders by this time, and that he would take up this issue with officers to determine what has taken place.

- 4.2 A member proposed a scrutiny review related to the redevelopment of South Bermondsey Station. He argued that although based on a ward issue, the review would raise broader implications: the issues centre on the standard of security and of the environment work undertaken in the vicinity of the station, which involves several agencies, including Network Rail and the Millwall Football club. He added that the council appears to have missed an opportunity to use £50,000, made available from the Department for Transport, as the money was not spent within the required timeframe. A further issue, regarding the council's response to the discovery of soil contamination, pointed to the scope of lessons to be learnt from the project.
- 4.3 The chair commented that the issue seemed worth considering. He also proposed two further review topics:
- Public concern regarding the increase in rental charges for allotments: This would likely be a brief review, not requiring more than half a meeting and would be in response to public concern. The chair suggested that officers could be requested to provide a report outlining the levels of rent increases and explaining why they have increased.
 - The issuing of parking permits to council staff: The chair explained that he had been made aware of issues regarding the distribution of permits to staff, and suggested that the sub-committee consider how this is being managed and monitored. He noted that it may similarly suffice to request an officer report on this issue, in order to establish whether it is a concern.
- 4.4 A member proposed three further review topics related to the council's regeneration projects:
- Wooddene Estate: in particular the issue that only a third of new properties may be social housing;
 - Aylesbury Estate: issues would include the transfer to a trust and issues related to the scale of the project;
 - Heygate Estate: key issues would include the possible necessity for some residents to move twice and the concern that the council would fund a first move, but not a second; in addition the issue whether correct sized dwellings will be available – the councillor noted that it had been suggested that 20% of Heygate tenants wanted properties that had three-bedrooms or more, but that it is unlikely that this proportion of larger properties will be provided.
- 4.5 The chair queried whether any of these issues were being taken up by housing officers and commented that the sub-committee would not have the capacity to consider each of the estates. He suggested that one be selected, according to whether there were any time critical issues etc. The Heygate estate was selected as the preferred topic, and councillor Seaton agreed to draft a scope for the review, for the sub-committee to consider.
- 4.6 A member also referred to the earlier discussion on budget pressures from costs incurred through the delivery of health and social care services. It was suggested that this issue be added as a scrutiny review, with the view to consider how the council could best manage the risk and whether recommendations could be made to central government.
- 4.7 The chair commented that it would be useful to see further evidence and that finance officers could be requested to provide a map of the situation. He suggested that it would be worthwhile to hold a review of this issue, even if viable outcomes were restricted to submitting recommendations to central government.

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4.8 Members further discussed the sequence of the proposed reviews and relevant allocation of meeting time, etc. A schedule for the year was outlined (as below).

4.9 A member commented that it would be useful if the second stage of the Elephant and Castle Equalities Impact Assessment (EIA) had been completed by the September meeting, for the findings to be considered by the sub-committee. The chair agreed and requested that the timetable for the EIA be confirmed.

RESOLVED: 1. That the 2007/08 work programme comprise the following review topics, as scheduled to the sub-committee's meetings as below:

September 19 2007

- Elephant and Castle business continuity
- Heygate regeneration

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October 31 2007

- Executive member interview with Cllr Thomas
- Regeneration of the South Bermondsey train station
- Issues outstanding from the September meeting

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December 5 2007

- Executive member interview with Cllr Eckersley
- Rent increases to council allotments

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February 6 2008

- Budget issues regarding the provision of Health and Social Care services

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March 19 2008

- To be confirmed (provisionally held free)

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The meeting closed at 9:10 pm.

CHAIR:

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