

Executive Summary and Recommendations

Date: Tuesday 19 July 2011

Subject: Overview of Ethical Standards and Related Matters

Summary of this Report

1.1 This is the fifth annual report to the Standards Committee submitted in accordance with the Committee's following term of reference:

“To maintain an overview of the arrangements in place for maintaining High Ethical Standards throughout the Authority (ie not just in relation to Member conduct) and in this context to receive a report annually from the Head of Legal and Democratic Services, the Strategic Director of Finance and Performance and the Strategic Director of Resources”.

1.2 It sets out how the City Council goes about maintaining High Ethical Standards and covers issues from relevant audit reports, staffing information and referrals relating to Member Conduct to the Standards Committee.

Recommendations

2.1 That the annual report be noted and the actions taken and proposed be endorsed.

2.2 That the Committee endorse the conclusions set out in paragraph 7 of the report.

2.3 That the report be circulated to all Members of the Council with a covering letter from the Chairman of the Committee.



City of Westminster

Standards Committee Report

Item No:	4
Date:	19 July 2011
Classification:	For General Release
Title of Report:	Overview of Ethical Standards and Related Matters
Report of:	Head of Legal and Democratic Services Strategic Director of Finance and Performance Strategic Director of Resources
Wards involved:	Not applicable
Policy context:	High Ethical Standards
Financial summary:	There are no financial implications arising from this report
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3. Background

- 3.1 The issues covered by this report are those which the Standards Committee have previously endorsed as those which should be included.

When considering its first annual report the Committee agreed the following definition of a complaint relating to ethical governance.

“An alleged breach of the high standards of ethical conduct set out in the Codes of Conduct for Officers and Members.”

Since agreeing this definition, the Audit Commission have circulated their own definition of governance, as follows:

“Good governance is about ensuring the organisation is doing the right things, in the right way”.

- 3.2 As was the case with previous reports a summary of key activity/events in the following areas have been included: these being the areas endorsed by the Standards Committee as those which they would like to be addressed.

- (a) Annual Governance Statement.
- (b) Corporate Complaints.
- (c) Procurement.
- (d) Human Resources; including details of Staff Disciplinary Cases and Whistleblowing issues.
- (e) Member Conduct and Related Issues.
- (f) A summary of the work of the Audit and Performance Committee.

- 3.3 The Chief Executive convenes meetings of the Statutory and Corporate Governance Group as necessary. This Group comprises the Chief Executive, the Strategic Director of Finance and Performance and the Monitoring Officer (the Head of Legal and Democratic Services). Other officers attend as necessary. Its terms of reference are:

“To keep under review the Governance arrangements and related procedures of the City Council, to ensure best practice so that the highest standards are maintained”.

A Governance Working Group also exists. This Group was originally established to conduct a review of the Council’s arrangements against the CIPFA/SOLACE Good Governance Framework published in 2007 and to co-ordinate the preparation of the Council’s Annual Governance Statement. It has overseen a programme of improvement activities arising from this work and is taking a new work programme forward to monitor and improve the Council’s

governance arrangements. Most recently, the Group has established a 'Governance Risk Register' whereby governance risks to the City Council are assessed and monitored on a regular basis by the Group's Lead Members for each respective service area (Legal & Democratic, Audit/Finance, Performance, Complaints, Procurement and HR). Any governance risks with a particularly high risk assessment score will be reported directly to the Statutory and Corporate Governance Group by the Head of Legal and Democratic Services for action to be taken.

3.4 The Group are also responsible for the Understanding Local Government and Ethical Governance Course. This course was originally established following the Ethical Governance Audit in 2006. It is held 4 times per year and has been attended by approximately 250 delegates. The subjects covered include:

- How the Council Works and Understanding Governance
- How the Components of the Whole Organisation fit together
- Employee Code of Conduct and Staff Handbook
- Procurement
- Information Governance
- Council Finances, Budget Management and Audit and Compliance

3.5 The Council's documents which relate to Governance are located in a single location on the City Council's website. Currently, the website contains the following documents:

- Annual Governance Statement
- Anti-Fraud and Corruption Policy
- Code of Governance
- Complaints about Councillor Conduct
- The Council's Constitution
- Data Protection Advice for Members
- Employee Handbook
- Member Induction Handbook
- Members' Code of Conduct
- Register of Members' Interests
- Standards Committee meeting dates, reports, minutes and terms of reference)
- Whistleblowing at Work Policy

3.6 **Code of Governance Review**

As previously reported to the Committee, Legal and Democratic Services undertook an in depth review of the City Council's Code of Governance in 2010. The Code was last reviewed in 2008 and is updated as necessary to reflect organisational changes. However, the review undertaken last year involved a comprehensive scrutiny of the content, composition and format of the code. The revised Code minimises 'general information' which can be found elsewhere in the Constitution and other publically available documents and concentrates on providing concise guidance and relevant protocol for

Members and Officers. Once formally endorsed by the General Purposes Committee the revised Code of Governance will be adopted and replace the existing version.

3.7 Governance Arrangements and Annual Governance Statement 2010/11

- (a) Local authorities are required to conduct an annual review of the effectiveness of their governance arrangements and to publish the results of this in an Annual Governance Statement (AGS). The AGS must be prepared in accordance with the Accounts and Audit Regulations and the CIPFA/SOLACE 'good governance' framework.
- (b) The 2010/11 AGS is attached at Appendix A. It has been prepared in line with the CIPFA/SOLACE guidance and comprises the following components:
- Section 1 - Scope of Responsibility
 - Section 2 - Purpose of the Governance Framework
 - Section 3 - The Governance Framework, ie a description of the systems and processes that the Council has in place to ensure good governance
 - Section 4 - Review of Effectiveness, ie the results/outcomes of the Council's review processes
 - Section 5 - Significant Governance Issues, ie details of significant areas identified for improvement and actions taken and/or planned
- (c) The 'significant governance issues' highlighted in section 5 of the AGS show those areas where actions will be taken going forward to improve control systems (ie strengthening the practices that support the Council's major contract re-lets and improving internal controls within local systems for administering debtor accounts). The implementation and progress of these actions will be independently followed-up by Internal Audit and the results reported back to the Audit & Performance Committee.

Ethical Governance Audit: Follow-Up

- 3.8 The findings of the follow-up ethical governance audit were presented to the Committee at its meeting on the 15th February 2010 and included a set of recommendations for action to improve the City Council's ethical governance arrangements. Based on these recommendations, officers prepared a draft action plan which was endorsed by the Committee at this meeting. The action plan formed the basis of the Committees work programme for the 2010/11 municipal year. This action plan has now been completed and the Committee received a report at its meeting on 9th March 2011 which summarised the actions taken over the last year and detailed how the audit's recommendations have been taken forward.

4. Legal Implications

- 4.1 There are no new legal implications arising from this report.

5. Financial Implications

5.1 There are no financial implications arising from this report.

6. Other Implications

6.1 There are no other implications arising from this report.

7. Conclusions

7.1 This report highlights the continuing work being undertaken throughout the City Council in taking ethical governance issues forward.

7.2 The evidence set out in both external and internal audit reports confirms that high standards continue to be achieved. The work of the Statutory and Corporate Governance Group and the Governance Working Group will be to ensure the existing high standards are maintained and enhanced.

If you wish to inspect one of the background papers please contact Naomi Stauber: 020 7641 2341; email: nstauber@westminster.gov.uk

Background Documents

- Report to the Standards Committee – 9th March 2011

Annual Governance Statement 2010/11**1 SCOPE OF RESPONSIBILITY**

Westminster City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Council, Cabinet and Committee Scrutiny Secretariat. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place in the Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

3 THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements are:

- A City Plan, Westminster's sustainable community strategy, which sets out a shared vision for Westminster and was developed jointly with the Westminster City Partnership which brings together representatives of the public, voluntary and business sectors.
- An annual programme of priorities and service improvements to support delivery of the Council's vision, and a transformation programme aimed at reducing costs and improving services and customer satisfaction.
- A medium term financial strategy which is reviewed and updated annually to support the achievement of the Council's corporate priorities.
- An annual strategic business planning process to define how the organisation will deliver the strategy underpinning the budget, its living city priorities and track the critical indicators of service quality and associated risks to delivery through the performance management framework.
- A Strategic Executive Board (SEB) which is responsible for the overall management of the Council. SEB also have responsibility for reviewing and challenging Council performance and business plan delivery.
- A performance framework to track and report on the business plan delivery. The framework will involve monitoring and reporting of performance/risk at both operational and strategic levels. This includes monthly summary reports to SEB and Senior Leadership Teams on delivery milestones and critical service measures supplemented by a quarterly strategic review that will focus on delivery and exceptions in more detail.
- Full engagement on Performance with elected Members through Informal Cabinet and Audit and Performance Committee.
- Business continuity plans which ensure that the Council can maintain delivery of its business critical services, regularly tested emergency planning arrangements, a corporate health and safety policy and insurance policies to cover the Council's key financial risks.

- A local Code of Corporate Governance, incorporating Members and Employees Codes of Conduct, which stipulates the regulations and standards required to be followed by officers and elected members and includes a protocol on officer/member relations.
- A schedule of delegations setting out the functions that Senior Managers may discharge on behalf of the Council.
- A Westminster Scrutiny Commission that oversees the work of the Council's Policy and Scrutiny Committees which conduct an annual programme of scrutiny reviews, establish Task Groups to scrutinise critical service areas, and have powers to call in and challenge decisions prior to implementation.
- An Audit and Performance Committee which is independent of both the executive and the Policy and Scrutiny function, and whose role includes maintaining an overview of the Council's governance framework and the financial and service performance of key Council functions.
- A Standards Committee which is responsible for promoting high standards of conduct by councillors and officers, monitoring the operation of the Members Code of Conduct, and maintaining an overview of ethical standards across the Council.
- A Head of Legal and Democratic Services whose functions include maintaining the Constitution and Code of Corporate Governance, overseeing compliance with the law, and supporting the Standards Committee.
- The Strategic Director, Finance and Performance who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of financial transactions.
- A Statutory and Corporate Governance Group (comprising the Chief Executive, Strategic Director, Finance and Performance and Head of Legal and Democratic Services) which oversees the Council's governance arrangements and promote best practice through the Governance Working Group.
- A set of Financial Regulations and a Procurement Code which stipulate how the financial management of the Council and the letting of contracts are to be conducted.
- A Gate Review Process which oversees the letting and performance of the Council's key contracts.
- An internal audit service whose role includes reviewing the effectiveness of the Council's control systems in accordance with the standards set out in the Code of Practice for Internal Audit in Local Government.
- An anti-fraud and corruption strategy which outlines the Council's commitment to preventing and detecting fraud and corruption, a dedicated fraud investigation team, and a freephone hotline for members of the public to report suspicions.
- A whistleblowing policy which encourages staff to raise concerns about potential malpractice in the Council, and provides protection to them when they do so.
- A corporate complaints handling procedure which sets out how complaints will be investigated, recorded, and monitored; and a separate procedure for social services complaints to ensure compliance with statutory requirements.
- A Human Resources framework which sets out the Council's approach to managing people and its policies and procedures for doing so including recruitment and release, remuneration, performance management, employee relations and the required standards of employee conduct.
- Member and officer training and development programmes to support high standards of conduct and promote effective performance of roles.
- A Knowledge and Information Board that oversees the Council's Information Governance arrangements. The board is supported by a network of Information Champions covering all business areas that ensure adherence to policies and best practice initiatives in this area.

In addition:

- The Council delivers a significant proportion of its services through its strategic partnership contract with Vertex. The direction and performance of the partnership is governed through regular meetings of the Partnership Management Board and Commercials Board.
- The Council has established an arms length management organisation (CityWest Homes), a wholly owned subsidiary limited by guarantee, to manage its housing stock and deliver some of its housing responsibilities. CityWest Homes has adopted a formal governance structure, and manages its internal affairs and delegated budgets through the Company's Board and four board committees: Finance and Audit Committee; Customer Services Committee; Development & Building Services Committee; and Remuneration, Employment & Diversity Committee. Performance is also monitored through a regular review process with senior Council officers and members. The Company operates its own risk management strategy and is subject to internal and external inspection and audit in compliance with the Companies Acts.
- The Council has established WestCo Trading Limited to take advantage of trading powers introduced by the Local Government Act 2003. The company is wholly owned by the Council and is governed by a board of directors comprising senior Council officers, an elected member and an independent director. Accounts are independently prepared and lodged annually with Companies House.
- The Council has also established Westminster Community Homes, a registered Industrial and Provident society, to develop its Community Build Programme and Temporary to Settled Homes Scheme. It is governed by a board of directors comprising representatives from the Council, CityWest Homes and residents and is chaired by an independent nominee.

4 REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework including the following mechanisms:

- Monthly performance monitoring by senior managers and Cabinet members. The results for the year confirm good performance against priorities and targets and high levels of customer satisfaction. There is an overspend of approximately £12m against service budgets for the year, arising from reductions in income and increased demand for services. This is in addition to the £5 million reserves supporting the budget as per the 2010/11 Council Tax report. This is being funded from the Council's reserves, leaving an anticipated reserve level of £15.1m.
- Quarterly review of performance, risks, and audit and inspection results by the Audit and Performance Committee, supplemented by more detailed consideration of a range of issues by the Committee's working groups. Areas reviewed have included procurement arrangements, property organisation, anti-fraud initiatives and internal audit planning and performance.
- Regular meetings of the Council's Policy and Scrutiny Committees, Task Groups, and the Westminster Scrutiny Commission which have included question and answer sessions with the Leader of the Council and consideration of a range of specific areas as set out in the annual Policy and Scrutiny Committee report.
- Regular meetings of the Standards Committee on a range of matters including the Audit Commission's ethical governance audit, annual overview report on ethical standards, review of protocols for dealing with local complaints and guidance on Members' interests.
- An in depth review and scrutiny of the Council's Constitution and Code of Governance undertaken at least every 4 years, in addition to regular revisions to update and amend the content of these documents as necessary. The most recent in depth scrutiny of both the Constitution and the Code of Governance took place in August 2010.
- A new Schedule of Delegations approved by Cabinet, in respect of non-executive functions and the Council, in respect of executive functions.
- A programme of compliance checks across all departments to ensure income and expenditure transactions are processed in accordance with approved regulations and procedures.
- Monthly review of internal audit results and a 91% implementation rate for priority 1 & 2 audit recommendations.
- Line managers monitoring of internal control systems and completion of self-assessments in a number of key areas.
- Regular meetings of the Governance Working Group which has overseen a number of improvements including expansion of governance training, updating of regulatory codes to reflect changes in organisational structure, a review of the Council's anti-fraud and corruption strategy and, most recently, the commencement of a Governance Risk Register to actively monitor and review governance risks to the Council.
- In 2009, the group undertook a detailed self-assessment of the Council's governance arrangements against the CIPFA/SOLACE framework. Whilst concluding that the overall governance arrangements were sound, the Group has continued to meet regularly to monitor continued compliance and oversee the implementation of a programme of improvements aimed at promoting best practice and supporting organisational change.

Managers also monitored progress against the significant internal control issues raised in the 2009/10 governance statement. Improvements have been made across all areas including strengthening of the administration of treasury management, creditors, cashiers and payroll systems. Improvements in the debtors process have resulted in a reduction in level of debt outstanding and further work is being undertaken to strengthen systems for raising, amending and cancelling debtor accounts.

The Council also draws assurance on its governance arrangements from independent sources, in particular:

- **Internal audit**
The internal audit service undertook a risk-based programme of audits during the year to provide the Council with assurance on the adequacy of its systems of internal control. Based on its work during 2010/11, the internal auditor concluded that the Council's control systems were adequate, that its internal control framework was improving and that it is effective in implementing recommendations where problems are found. However, there were a number of important areas where the auditor considered that improvements were required to strengthen the Council's control framework. A number of recommendations have been

made to address these weaknesses particularly where important controls were not imbedded into systems and where non compliance with Council procedures had been identified.

The Council has a range of mechanisms in place, at member and officer level that provide a continuous review of the internal audit function. This includes monthly review of performance against targets, quality control checks on audit files and formal annual assessment of compliance with the standards set down in the CIPFA Code of Practice for Internal Audit. The 2010/11 results confirm compliance with professional standards and good performance against targets. The service is also subject to regular inspection by the Council's external auditors which has confirmed that internal audit is a strong and compliant function.

- **External audit and inspection**

The Council is subject to an annual programme of independent external audits and statutory inspections which report on the Council's governance, performance and accounting arrangements. The auditor's 2009/10 Annual Audit Letter summarises the results of that year's audit, and concludes that:

- the Council performed well overall in its use of resources and demonstrated excellent performance in aspects of its arrangements for managing its finances and governing its business
- the Council had proper arrangements to secure economy, efficiency and effectiveness of its use of resources
- an unqualified opinion had been issued on the Council's financial statements, although improvements were needed for clearance of audit queries and production of final amended financial statements
- the key controls in the accounts receivable systems need to be reviewed and strengthened

The auditor's recommended improvements are being implemented, and the 2010/11 financial year programme of external audit coverage is in progress.

- **External review**

The 2009/10 annual governance statement and annual audit letter highlighted the issues that arose out the award of the parking enforcement contract. An independent review was undertaken. In April 2011, following the achievement of a settlement, a follow-up review was undertaken. The report concluded that the Council had implemented all the recommendations made in the original review.

5 SIGNIFICANT GOVERNANCE ISSUES

Section 7.6 of the Budget and Council Tax Report for 2011/12 and 2012/13 identifies a number of risks and challenges to the delivery of the Council's 2011/12 Budget. These risks will be rigorously monitored and managed throughout the year however depending on the evolution of these risks they could present some issues under the Council's Statutory Framework.

The following actions are in progress:

ISSUE	ACTIONS REQUIRED
Further strengthen the practices that support the Council's major contract re-lets.	Actions include improving the level of guidance in the procurement code around competitive dialogue & contract award debriefing, consistency of gate review records, application of risk management methodologies within procurement exercises and improving the effectiveness of independent challenge during procurement exercises.
Improve internal controls within local systems for administering debtor accounts.	Areas requiring attention include addressing failures to obtain appropriate authorisations; the use of incorrect stationery; insufficient documentation being maintained to substantiate the raising and cancelling of debts.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Mike More
Chief Executive
July 2011

Colin Barrow
Leader of the Council
July 2011

Ethical Governance Corporate Complaint monitoring

The definition of an ethical governance complaint as endorsed by the Standards Committee is as follows:

“An alleged breach of the high standards of ethical conduct set out in the codes of conduct for officers and Members”.

As indicated in the table below for the year ending 31 March 2011 the Council has received a total of 1597 complaints. For the same period in the previous year 1742 complaints were received, and this represents a total reduction of 145 complaints.

The figures quoted include complaints made under all three stages of the Council's complaint procedure together with first time enquiries investigated by the Local Government Ombudsman.

Table 1: Total numbers of complaints

Complaint totals for 2010/11	Stage 1	Stage 2	Stage 3	LGO
Housing Nds	180	39	18	8
Planning	14	3	3	0
Education	2	1	0	3
Parking	88	13	11	4
CityWest	360	55	15	16
Finance	165	33	14	8
Legal Services	2	2	0	1
Libraries & Culture	37	1	0	0
Street Mgt	399	5	1	3
Sports & Leisure	27	2	1	0
Premises Mgt	34	8	2	5
One Stop	11	3	0	0
Totals	1319	165	65	48

Using the definition of what constitutes an ethical governance complaint Departments/Service Delivery Units have been asked to determine if any have been dealt with under the Council's Complaints procedure. All have provided a nil return.

It is not unusual for Departments to report that no ethical governance complaints have entered the complaints procedure as it is a matter of general practice that allegations of this nature are usually dealt with under the Council's disciplinary code, or referred to Internal Audit for investigation as appropriate. However, in February 2010 the Standards Committee asked for a review of the Council's Complaints Handling procedure particularly to ensure that ethical governance issues are highlighted to enable corrective action to be taken, if necessary.

At its meeting on 15 November 2010 the findings of the complaint review were reported to the Standards Committee. The review made a number of remedial recommendations to help raise awareness of what constitutes an ethical governance complaint and how to capture/record that information once such a complaint has been identified. Some of these recommendations have been put in place, and since November 2010 service areas are now reminded on a quarterly basis what constitutes an ethical governance complaint, as well as being asked if any have been dealt with under the Council's Complaint procedure. The Council's complaint database has also been amended to enable the category of "ethical governance complaint" to be recorded on the system.

The remaining recommendations which relate to improving any bespoke complaints training that takes place to ensure that officers and staff understand what constitutes an ethical governance complaint, and the ability to continue to record such complaints should the Council introduce a new complaints database will be implemented at the appropriate time.

Records indicate that the recommendations already implemented have not had any impact on ethical governance complaints data reported for the two final quarters of 2010/11, and nil returns were received. The Complaints and Customer Manager will continue to analyse complaint data and to ensure that awareness is continually raised so the Council can have confidence in the complaint data captured.

City of Westminster Procurement Activity

Introduction

The award and management of contracts is guided by the City Council Procurement Code, version 1.6. The Code outlines policy and procedures for the procurement of goods, works and services at the City Council, and it establishes the rules and regulations that must be followed by all Members and by all staff of the City Council when undertaking procurement processes.

A Procurement toolkit is available on Sharepoint and it can be accessed via the Procurement and Supplier Relationship Management (SRM) page of the Wire. The toolkit was developed to support procurement managers and Nominated Authorised Officers (NAO's) in following the code and the Gate Review process.

The toolkit is reviewed on a regular basis and documents are replaced, where necessary, to comply with current internal and external policies and legislation.

A Contracts Register was put in place in January 2010 which is contributed to by Westminster City Council NAO's and which includes the following:

- Letting organisation: City of Westminster;
- Title of the contract;
- Type of contract: Renewable or "Period" contract, Framework;
- Categories (Type of service eg Highways Maintenance, Printing);
- Start date;
- Expiry date;
- Duration;
- Supplier Name;
- Department responsible.

These details are made publicly available via the London Contract Register Service which ensures transparency, in accordance with the legal requirement to publish all contract activity over £500. This is in line with a specific commitment made by the Prime Minister that new items of local government spending over £500 be published on a council-by-council basis from January 2011.

Contract performance monitoring information is recorded on the internal Contracts Register and exception based reports are submitted to the Gate Review Panel if there has been an incident or serious under performance by a contractor.

Compliance and governance

The City Council has clear governance arrangements in place. When carrying out any procurement activity, it will be broken down into four stages (or gates) according to the total contract value. Progress through the gates will depend on the value of the procurement activity:

- Group 1 (Total value of £1.00 - £50,000) – Progress through each gate will be approved by the Peer Group.

- Group 2 (Total value of £50,000 – EU Threshold or £150,000, whichever is the lowest) – Progress through each gate will be approved by the Peer Group.
- Group 3 (Total value above EU Threshold or £150,000, whichever is the lowest and/or key decisions) – Progress through Gates 1, 3 and 4 will be subject to the approval of a Gate Review Panel meeting. Progress through Gate 2 will be approved by the Peer Group, but the Gate Review Panel may call for Gate 2 items to also be considered, by exception only.

The role of the Peer Group is to review and sign off each stage of the Gate Review procurement process. This means that the NAO is secure in the knowledge that what has been completed so far is correct and the next stage of the process can be carried out. Alternatively, if the Peer Group members consider that any stage of the procurement process has not been carried out correctly, the NAO will receive guidance on what should be rectified.

Where the total contract value exceeds the European Union threshold for all categories of expenditure or £150,000 (whichever is the lowest), or exceeds £1.5m, items will need to be considered by a Gate Review Panel for Group 3 items. The panel is made up of Senior Leadership Team members who consider reports which recommend approval by the appropriate Strategic Director.

The Gate Review Panel members review the following:

- Financial implications (which have been cleared by an appropriate Finance officer).
- Legal implications (which have been cleared by an appropriate Principal Solicitor or Head of Legal Services as appropriate).
- Contract policy development.
- Procurement Strategy.
- Risk review.
- Compliance with the EU Directives.
- Resources.
- Use of Assets, e.g. Property.
- Customer Strategy alignment and channel shift.
- Benefits realisation.

Significant governance issues include increasing the level of dedicated procurement expertise available to project teams, formal review and sign-off of scoring methodologies, and strengthening procedures for risk assessment and recording competitive dialogue. It should be noted that the Group Procurement Manager and her team of Procurement Managers (including an OJEU Specialist) provide specialist procurement expertise. Further procurement support is provided by the Enterprise procurement team. Formal reviews of risk assessments are carried out at Gate 1 and reviews of scoring methodologies are carried out at Gate 2 of the procurement process.

An audit was undertaken to establish whether the Gate Review Process at Westminster City Council was operating efficiently and effectively in line with the Procurement Code, in accordance with the approved Internal Audit periodic plan for 2010/11. From this review of the control framework the controls relied upon to

manage the Gate Review Process, as currently laid down and operated, was considered to be “Fair” with some scope for improvement.

In addition, an audit was undertaken in order to review the Suppliers/Service Providers selection process with a focus on controls surrounding the Pre-Qualification Questionnaire (P.Q.Q.) and Health and Safety arrangements, in accordance with the approved Internal Audit periodic plan for 2010/11. From this review of the control framework the controls relied upon to manage the Selection of Suppliers, as currently laid down and operated, was considered to be Fair with some scope for improvement.

Engagement with suppliers and supplier selection

Companies looking to bid for City Council contracts via CompeteFor are asked, during the pre qualification and tender stages, to submit information pertinent to the procurement activity. There is a list of standard questions and there is a section where the NAO can create their own questions. Organisations are asked, if shortlisted, could they immediately provide evidence to support the answers given for the following standard questions:

- Does your organisation have arrangements to ensure equality of opportunity regardless of sex, race, religion/belief, disability, age and sexual orientation?
- Does your organisation have a Health and Safety policy?
- Does your organisation have an Environmental policy?
- When sourcing goods or services from overseas do you have a policy in place to ensure ethical sourcing?

The City Council is currently leading on the implementation of the Pan London Procurement Portal. The Portal will provide:

- a restricted buyer access facility for procurement systems, information repositories, databases, discussion groups, opportunity creation and the issue of an on-line prequalification questionnaire;
- a public facing facility with contract and contract opportunity search and access capability;
- a restricted supplier access facility to express an interest in opportunities, complete on-line qualification questionnaires, market services and products and advertise for sub-contractors;
- an e-tendering solution

Once in place, the Portal will be the Council’s main advertising tool for contracts. It will also allow the Council to share procurement knowledge and collaborative opportunities across London. The e-Tendering solution and the Portal will provide full audit trails of all procurements and support the Council’s fulfilment of its transparency obligations.

The City Council sets out a number of ethical requirements to contractors through its standard terms and conditions including environmental, equal opportunities and complaints on service. The City Council specifically updated the following standard terms and conditions of contract in recent months to reflect changes in legislation: Bribery Act, Data Protection, Data Processing and Equalities Act.

Small and minority enterprise engagement and sustainable procurement

Smart Green Business is a project co-financed by the ERDF (European Regional Development Fund), and delivered by the Cross River Partnership and Westminster City Council in partnership with 10 other public and private-sector partners in Central London (Boroughs and Business Improvement Districts).

The programme offers free services to help businesses in Westminster improve their environmental performance, market themselves and save money. One of the services offered to businesses (SME organisations – Small and Medium Enterprises) is up to 12 hours of advice and support on 'Green Procurement', including attendance of Workshops and drafting of a tailored Action plan. The support is focused on ensuring environmental considerations are weighted along with quality, price, availability and reliability of products, services and materials when choosing suppliers. The service is also meant to help businesses fulfil green procurement criteria so that they can join large supply chains that have environmental requirements. Green Procurement should help make sure that a business is as sustainable as it can be.

Overall this programme aims namely at saving over 1500 tonnes of CO2 within Central London, up to June 2012.

Supply Cross River services to procurement professionals include sustainable procurement workshops, which aim at increasing awareness of how local purchasing can have a positive impact on sustainable procurement, and how sustainable procurement can in turn give local businesses an additional competitive advantage. After a first round of introductory workshops run in 2009/2010, Supply Cross River now offers advanced sustainable procurement workshops, which focus in particular on BSI standard BS8903:2010.

The City Council continues to support economic sustainability in the borough through its work with the Westminster Business Council to provide training and support to local small and minority businesses.

If it is identified that specific contracts may be delivered by SME or Voluntary organisations, focused market engagement and briefing sessions are delivered as part of the procurement process.

The Westminster City Council web site contains a procurement page which includes a link to the Procurement Code and links to guidance for suppliers wishing to provide goods or services.

Carbon emission measurement and management considerations have begun to be introduced into the Council's processes as a way of meeting its Greenhouse Gas (GHG) reporting targets set by Central Government (which have replaced the National Indicator 185 requirements).

Appendix D

Human Resources: including details of Staff Disciplinary Cases and Whistleblowing issues.

Details of these throughout the authority, categorised by issue, are set out below. Details of all cases are monitored by HR who review these and flag up any issues arising. The level of disciplinary cases is regarded as normal in an organisation the size of the City Council, and is a reduction from the previous financial year.

An overall three year trend

	2008-2009		2009-2010		2010-2011		Trend
	Closed	Open	Closed	Open	Closed	Open	
Disciplinary	60	24	45	8	31	7	↓ = Decrease

- The council concluded 31 disciplinary matters in the 2010/2011 financial year.
- 17¹ of these were in schools, 14² of these were in non-schools departments.
- The outcome of those disciplinary matters were:

Departments								
Outcome	No Case to answer	Not Blameworthy	Formal Oral Warning	Formal Written Warning	Final Written Warning	Dismissal	Other*	Total
Closed Cases	3	2	0	2	3	4	0	14

Schools								
Outcome	No Case to answer	Not Blameworthy	Formal Oral Warning	Formal Written Warning	Final Written Warning	Dismissal	Other*	Total
Total	3	1	0	5	2	3	3	17

There was one whistleblowing matter raised via the HR department.

¹ Cases concerned issues such as “undermining trust and confidence” and “bringing the school into disrepute”, assault, punctuality and absenteeism, negligence/gross negligence, fraud, and CRB disclosure.

² Cases concerned conflict of interests, “undermining trust and confidence” and “bringing the council into disrepute”, assault, insubordination, fraud, punctuality and absenteeism, inappropriate behaviour at work, and sexual misconduct at work.

*Resignations , withdrawn complaints

Member Conduct and Related Issues

Member Conduct

Since the submission of the last report the Standards Committee has considered one complaint against a Member at the Assessment Sub-Committee stage. The Sub-Committee resolved that no breach of the Code of Conduct had taken place and no action was taken.

Dispensations and Guidance

The Standards Committee has granted dispensations for Members who have considered planning applications submitted by Councillors or to which Councillors have made representations in their private capacity.

At its meeting in August of last year the Standards Sub-Committee requested a report reviewing the need for dispensations to be granted when Members of the Majority party are either the applicants or have made representations, either for or against an application being considered by a Committee, in a personal capacity.

In response to the Sub-Committee's request, the Head of Legal and Democratic Services produced guidance which advised Members that knowing another Member as a Member of the same political party and attendance at related social/community events is not regarded by the Standards Committee as having a personal interest except when the Member (or Spouse) is the applicant or objector in their private capacity. In the event that the association is simply as a result of these activities then the Member should, in all these circumstances, regard themselves as having a personal, but not a prejudicial interest. As such, Members are no longer required to seek a dispensation from the Standards Committee by declaring a personal interest as outlined above. Members who consider themselves to know the Member in question as a result of greater social contact/friendship should declare a prejudicial interest and remove themselves from consideration of the application.

This guidance was endorsed by the Standards Committee at its meeting on 9th March 2011 and circulated to all Members of the City Council's Planning and Licensing Committees. The guidance has been effectively implemented to date and has had the desired result of minimising the convening of meetings to grant dispensations for this purpose.

Training

Following changes to Committee/Sub-Committee membership Members who had been newly allocated to one of the Planning or Licensing Sub-Committees received the necessary training conducted by a Senior Planning or Licensing Officer.

Summary of the Work of the Audit and Performance Committee

At its meeting in June 2010, the Audit and Performance Committee considered and approved the Annual Governance Statement 2009/10 (AGS) which reported that the results of both the internal and external work undertaken were positive – indicating that the Council has strong governance and internal control arrangements in place. The Committee also approved the Annual Statement of Accounts and noted the external auditor's progress report and work planned for 2010/11.

At this meeting the Committee discussed the proposed shift from monitoring the Council's performance predominantly with National Indicators (NIs) to a greater number of Local Indicators (LIs). The Committee heard that the Council planned to retain the NIs that were relevant to Westminster but replace NIs that did not fit the Westminster model with LIs that were valid and useful. This transition has been made through-out the 2010/11 municipal year and the Committee now receive a Finance and Performance Monitoring Report which reflects the City Council's new performance framework. This improved report has a more graphical representation which fully aligns the budget with the key activities the Council is involved in.

The Committee also received the Annual Contracts Review report and examined the expenditure associated with the Special Needs Transport: Licensed Radio Taxicab Home to School Transport Service and Children and Adult Services Taxis contract. The Committee subsequently wrote to the Cabinet Members responsible for awarding this contract to request further information about the award process for this contract which had considerable prolonged financial implications.

At its September meeting the Committee received the Audit Commission's Annual Governance Review and an update report on the progress made by the Procurement & Supplier Relationship Management (P&SRM) team since the completion of the first phase of transformation in October 2009. The Committee also reviewed the P&SRM Contract Status Update and noted the progress made in presenting the 2010/11 Statement of Accounts in International Financial Reporting Standards (IFRS) format.

In November 2010 the Committee considered the Corporate Complaints Review 2009/10 which highlighted that there had been a continuing large decline in the number of complaints in 2009/10 compared to 2008/09, as well as a decline in LGO investigations and complaints relating to the Leader and Cabinet Member correspondence. Periodic reports on the City Council's Reserves Policy, performance monitoring and internal audit and counter fraud work were also received.

At the February meeting the Committee considered the Annual Audit Letter which set out the results of the audit for the 2009/10 financial year and followed-up the messages shared with the Committee in the Annual Governance Review in September 2010. The Committee also received the periodic Internal Audit and Counter Fraud Monitoring Report which, for the first time, had extended its remit to reporting AMBER RAG status audits due to the considerable reduction in audits classified as REG RAG status.

Through-out the municipal year the Process and Audit Working Group has examined the issues of housing benefit fraud and illegal sub-letting in Westminster. Most recently the Group worked with its Lead Officers on the restructuring of the Internal Audit Programme for 2011/12 which was endorsed by the Committee at its meeting in April. The Group has also reviewed proposals for streamlining counter fraud work and reviewed the outcomes of the 2011/12 Tenancy Fraud work which had been very successful at securing the return of 12 properties to RSL's and training local Housing Officers in carrying their own Tenancy Verification exercises.

Going forward, the Audit & Performance Committee are receiving a progress update at each meeting on the tri-borough collaboration proposals. The Property, People and Procurement Working Groups will also be continuing their work on specific issues identified by the committee, including ward based Property Boards, training delivery and the Special Education Needs (SEN) transport contract.