



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** Committee held on **Wednesday 14th September, 2016**, Rooms 3 & 4 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Jonathan Glanz (Chairman), Julia Alexander, Judith Warner and David Boothroyd

Also Present: Steve Mair (City Treasurer), David Hodgkinson (Assistant City Treasurer), Damian Highwood (Evaluation and Performance Manager), Moira Mackie (Senior Internal Audit Manager) and Reuben Segal (Committee and Governance Services)

1 MEMBERSHIP

- 1.1 It was noted that Councillor Julia Alexander had replaced Councillor Lindsey Hall.

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations made.

3 MINUTES

3.1 RESOLVED:

1. That the minutes of the meetings held on the 30th June and 14th July (Public and Confidential versions) be signed by the Chairman as a correct record of proceedings.
2. That the responses to actions from the above mentioned meetings be noted.

- 3.2 **ACTIONS:** The Committee would like an updated version of the forward plan of procurements which they would like to include details of the objectives for each contract, any savings expected to be delivered, the contracts proposed

start and end date and the name of the relevant contract manager. (**Action for: Anthony Oliver, Chief Procurement Officer**)

4 FINANCE (PERIOD 3) AND PERFORMANCE BUSINESS PLAN MONITORING REPORT

- 4.1 Steve Mair, City Treasurer, introduced the period 3 finance report which provided details of the forecast outturn in respect of revenue and capital and projected revenue and capital expenditure by Cabinet Member including key risks and opportunities. The report also included details in relation to the revenue and capital expenditure for the housing revenue account (HRA).
- 4.2 The Committee noted that the total net variance for the authority's capital programme was an underspend of £82.030m. Members asked whether the budget should be adjusted to reflect the slippage. The City Treasurer reported that the slippage would be re-profiled to the next financial year. He explained that this would not show in the budget until Period 6. He clarified that the Council had not taken out any loans against these proposals so had not incurred any related costs. The committee expressed some concern about the possible impact that the capital slippage could have on the delivery of frontline services such as meeting housing provision and library services. The City Treasurer explained that the City Council was a large and complex business with a budget of over £800 million per annum. He stated that it was not unusual given the complexities for slippage to occur in the capital programme. He advised that while the individual schemes within the capital programme generally did not have detailed business cases in preceding years, for the 2015/16 budget onwards a robust business case process had been put in place.
- 4.3 Members further noted that at the end of Period 3, the general fund was projecting an underspend of £2.847m which was largely attributable to higher than anticipated car parking income. The committee asked, should the trend continue, whether the additional income could be redirected to services that have had to be cut to mitigate required savings following the reduction of the government grant. Members commented that there were a number of services where there was a clear pressure for additional spending. The City Treasurer stated that the Council would need to consider this position as it progressed through the year and that the vast majority of the Council's budget for 2016/17 had not been balanced by service reductions but by commercial and other opportunities. It was not certain at present whether the higher than anticipated parking income would continue but this would be kept under review.
- 4.4 The City Treasurer was asked whether there were any current projects in the capital programme that were dependent on specific capital receipts that had not yet been received. Members were concerned about the possible impact on future projects if there is a fall in property prices arising from uncertainty caused by Brexit. The City Treasurer advised that the Council was waiting on a capital receipt of £80m from the sale of the Moxon Street site. He further advised that the Council does not necessarily finance individual schemes by

individual receipts but that it does monitor the delivery of planned capital receipts.

- 4.5 With Regard to the HRA Revenue Expenditure, officers were referred to the fact that non-dwelling rent income used to be between £8-9 million per annum but as highlighted in the revenue forecast outturn table had fallen to just over £1m. (*The Director for Property, Investments and Estates has clarified that the HRA generates commercial rent of approximately £7m pa*). The City Treasurer was asked for a briefing note on the process for reclassifying commercially tenanted properties from the HRA to the general fund. In response to further questions he clarified that such decisions would require Cabinet Member approval.
- 4.6 Damian Highwood, Strategic Performance Team, introduced the Quarter 1 performance report which presented detailed results of the period April to June 2016 against the 2016/17 Business Plans. The report provided explanations and commentary in respect of outstanding, good and poor performance including achievements of targets and details of remedial action being taken where appropriate.
- 4.7 The report included a table that set out the 14 crosscutting priorities identified as underpinning the Council's strategic objectives and short-term commitments throughout the year. One of the priorities/themes related to the health of the organisation and ensuring that the Council's resources are deployed effectively and efficiently. The committee asked why figures around staff sickness and turnover remain unavailable. The City Treasurer explained that this was due to on-going issues relating to Managed Services. An action plan was in place to resolve this as well as a range of outstanding issues by December.
- 4.8 A further theme related to prioritising support for the most vulnerable people. Officers were referred to the fact that the Homelessness Reduction Bill as currently drafted includes a negation of the need to demonstrate a local connection to be eligible to receive housing from a local authority. Members requested a best case analysis on the likely impacts that this would have for the authority if this remains the case. Mr Highwood commented that with further caps on benefits to come forward, a freeze on the local housing allowance and a shortage of affordable housing in the City homelessness was likely to become an increasing problem.
- 4.9 The Committee noted that the report included an economic, social and environmental summary profile of Westminster that had been provided by Grant Thornton. It set out the performance of Westminster according to how well the city scores on a range of selected benchmark indicators against the national median. Members commented that while the information was useful for comparison purposes there were some aspects which due to the City's unique position and characteristics the local authority cannot address. The committee stated that it would prefer to see data on perennial problems that the Council can change. Mr Highwood acknowledged members' views and indicated that the Council could use the information as an opportunity to

identify geographic areas of the City where the council can most usefully take action to improve the lives of those living and working in the City.

- 4.10 The social profile of Westminster highlighted that the population change between 2014-15 was the second largest increase since 2001. This was a rise beyond expectations. Members noted that there was a +0.65% natural population change due to an increase in births over deaths. Members asked whether the birth statistics were based on people living in Westminster or included people utilising hospitals in the local authority area. Mr Highwood clarified that the birth rate statistics were linked to residents' postcodes. He advised that the Council was working with the Office for National Statistics (ONS) to understand why the City's population and that of Tri-Borough partners are growing beyond expectations.
- 4.11 The committee then considered the service performance by directorate. With regard to Community Services and the New Leisure Centre Management Contract, the City Treasurer was asked whether there was a conflict of interest for the Council to provide a loan to its contractor to finance the refurbishment of the leisure centres. Mr Mair advised that this was acceptable so long as due diligence had been undertaken. In response to a request to explain the reasoning behind the decision he advised that the Council had a risk adverse approach to Treasury opportunities. As a consequence, Westminster has significant short term cash balances. He explained that as the funds loaned to the leisure centre operator will be expended on Westminster owned buildings the Council will directly benefit from the expenditure both in terms of generating income for the general fund and refurbishing its buildings.

In response to a request to explain the reasoning behind the decision he advised that the Council had previously had a risk averse approach to Treasury opportunities. As a consequence, Westminster has significant short term cash balances which are not being used in the most effective way possible.

- 4.12 The Committee noted in the area of Corporate Services - Information Services, that the new Office 365 platform went live to all staff in April, introducing new intranets and a variety of collaboration tools. Members expressed disappointment that little information had been provided about when councillors would benefit from the new platform. The committee asked for a note to be provided to all members on when the transfer would happen and the implications for councillors email accounts.
- 4.13 The Committee further noted that in procurement, staff changes, including challenges in recruiting appropriately qualified resources, has placed some pressures on the organisation. The committee questioned why there were challenges in recruiting such staff given that these skills are common across the business sector and not unique to local authority work. Members noted that staff turnover was running higher in Westminster than in other London local authorities. The committee had earlier in the year requested a report to understand the causes of this as they can have a detrimental impact on the health of the organisation. The City Treasurer summarised the work that had

been undertaken to address issues that had come out of last year's staff survey. This included the Cabinet's approval to refurbish City Hall to improve the working environment and the rollout of the Westminster Way Leadership programme to help staff develop skills.

4.14 **RESOLVED:** That the Period 3 finance report and Quarter 1 performance business plan reports be noted.

4.15 **ACTIONS:**

Period 3 Finance

1. The Committee would like to know how much has been spent to date on working up proposals for the Luxborough Development which is now under review.
2. What is the process that governs the reclassification of commercial tenanted properties from the HRA to the general fund?
3. With regards to the HRA, how many Westminster dwellings are expected to be affected by the duty on the Council to sell high value local authority voids to fund extension of the 'Right to Buy' to housing associations? Will this apply to units in CityWest Homes housing blocks? It was noted that the duty only requires the Council to consider selling such properties and that it can choose instead to pay a sum to the government.

(Action for: Steve Mair, City Treasurer)

Quarter 1 Performance

4. Why has BNP Paribas Real Estate been appointed to analyse the Council's operational portfolio instead of Bilfinger GVA, who are responsible for the day-to-day management of the portfolio.
5. The committee would like to know when members' email accounts will be transferring to Office365, what benefits moving to the new platform will provide and of any other changes to the way that councillors inboxes operate. The committee suggested that a note on this should be sent to every councillor.
6. With reference to the Homelessness Reduction Bill, provide the committee with a best case analysis of the likely impact to the Council of the removal of a requirement for homeless people to demonstrate a local connection.

(Action for: Damian Highwood/Mo Rahman, Strategic Performance Team)

5 INTERNAL AUDIT MONITORING REPORT

- 5.1 Moira Mackie, Senior Internal Audit Manager, introduced a report that provided details of the work carried out by the Council's Internal Audit service in the reporting period. The paper highlighted that in the areas audited internal

control systems were generally effective although five limited assurance reports had been issued. Follow up reviews completed in the period confirm that the implementation of medium and high priority recommendations had been consistently effective.

- 5.2 The committee discussed the limited assurance relating to an audit of corporate services monitoring of Internet and social media use. Members were especially concerned that filters and blocks applied to the network are not tested for any 'work arounds' or weaknesses that can be exploited which can potentially allow access to inappropriate Internet sites. The committee was concerned by the potential security implications that this could expose the authority to.
- 5.3 Members noted that Internet activity reports are not produced on a regular basis to enable managers to monitor usage by staff. Ms Mackie explained that while general guidance and protocols on the use of social media tools exist it was unclear whether these have been circulated to staff or that all staff know about them. She clarified that despite the lack of data reports provided to managers it was a manager's responsibility to monitor their staffs' activity. There was a likelihood that where staff are office-based managers will be in a position to identify instances of exclusive personal use of the internet.
- 5.4 Moira Mackie advised the committee that the Head of Information Services had accepted the recommendations and was working to implement them.
- 5.5 The committee discussed the fact that while there was supposed to be a separation between the emails they receive in their capacity as councillors and their private correspondence in practice this is often not the case. They considered that given the ever increasing threat of malware and viruses it would be useful for all members to receive a dedicated training session on IT/digital security.
- 5.6 The Committee noted that while the audit of Procurement Governance had received a satisfactory assurance three medium priority recommendations were made to ensure that weaknesses identified are effectively addressed. This included ensuring that sufficient time is built into the process for appropriate exit planning prior to contracts expiring. The committee had raised concerns at its meeting on 30 June about non-compliance with the completion of mandatory information into the capitalE-sourcing system. This had led to a number of contracts needing to be extended because insufficient time had been available to progress new procurements. Ms Mackie advised that the Procurement Service team had recently undertaken a great deal of training and publicised guidance to contract managers on their responsibilities. The City Treasurer advised that compliance with this requirement was being reported to EMT to ensure that the situation improved.
- 5.7 **RESOLVED:** That the report be noted.

5.8 ACTIONS:

1. The Committee would like to know whether any of the server problems experienced by the authority in the last few months could have been caused by the misuse of Internet usage by staff exposing the Council to viruses or malware.

(Action for: Ben Goward, Tri-Borough Head of Digital Services)

2. Given the volume of digital correspondence received by councillors and the lack of division between these and their private emails the committee considered that it would be useful for all members to receive a dedicated training session on IT/digital security.

(Action for: Ben Goward, Tri-Borough Head of Digital Services, Janis Best, Member Services Manager)

6 INTERNAL AUDIT UPDATE ON TENANT MANAGEMENT ORGANISATIONS

- 6.1 Moira Mackie, Senior Internal Audit Manager, introduced a report that contained details of the work undertaken by the Internal Audit Service in respect of Tenant Management Organisations (TMOs) for the period 2014/15 to date and included the outcomes of follow up reviews where the effectiveness of implementing the audit recommendations were assessed.
- 6.2 The report also included details of the level of oversight provided by CityWest Homes (CWH) of TMOs and the mechanisms in place for ensuring that both CWH and the Council were aware of any concerns in respect of a TMO and the appropriate action to take.
- 6.3 The committee discussed some of the difficulties around the running of TMOs. Ms Mackie explained that some TMOs in Westminster were staffed by an individual administrator, with some of these only working part-time. Some TMOs had responsibility for large budgets. TMO Board members act in a voluntary capacity and some have been performing the role for some time. In contrast she advised that the Royal Borough of Kensington and Chelsea had one large TMO. She advised that CWH were liaising with the TMOs on the benefits of joining together.
- 6.4 The committee was informed that since the management of TMOs had been reported to committee last year there had been an improvement in the level of oversight provided by CityWest Homes of TMOs and the mechanisms in place for ensuring that both CWH and the Council are aware of concerns and take appropriate action.

- 6.5 The Committee asked what actions could be taken if a TMO fails to accept or implement recommendations made following an audit. The City Treasurer advised that EMT can take action against the TMO similar to a public sector body being placed in “special measures”.
- 6.6 The committee noted that internal audits of those TMOs that had yet to be reviewed would be taking place in the next few months and it asked to receive information on the outcome of these audits in the future reports to the meetings.
- 6.7 **RESOLVED:** That the report be noted.

The Meeting ended at 6.06 pm

CHAIRMAN: _____

DATE _____