



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Monday 16th July, 2018**, Room 3.1, 3rd Floor, 5 Strand, London, WC2 5HR.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd, Robert Rigby and Paul Swaddle

Also Present: Stuart Love (Chief Executive), Steve Mair (City Treasurer), Julia Corkey (Director, Policy, Performance and Communications), Barbara Brownlee (Executive Director, Growth, Planning and Housing), Richard Barker (Interim Executive Director, City Management and Communities), Bernie Flaherty (Bi-borough Director, Adult Social Care and Health), Lee Witham (Director of People Services), Ian Heggs (Director of Schools), Chris Greenway (Bi-borough Director of Integrated Commissioning), Cathy Mullins (Head of Evaluation and Performance), Mo Rahman (Evaluation and Performance Analyst), Maria Benbow (Interim Chief Procurement Officer), Mandy Gado (Head of Procurement Development), Andrew Polley (Head of Category Management), David Hughes (Shared Services Director, Audit, Fraud, Risk and Insurance), Moira Mackie (Senior Internal Audit Manager), Andy Hyatt (Tri-borough Head of Fraud) and Reuben Segal, Acting Head of Committee and Governance Services)

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations made.

3 MINUTES

3.1 **RESOLVED:** That the Chairman, with the agreement of the Committee, signed the minutes of the meetings held on 23rd April and 21st June as correct record of proceedings.

4 2017/18 END OF YEAR PERFORMANCE BUSINESS PLAN AND FINANCE PERIOD 2 (MAY) REPORT

- 4.1 Steve Mair, City Treasurer, introduced the Finance Period 2 Monitoring report. He explained that the papers were circulated with less than the 5 working days notice due to a conflict between the internal reporting timeline to the Executive Leadership Team and the agenda publication date.
- 4.2 The report 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.
- 4.3 With regards to the capital forecast outturn (Cabinet Member for Finance, Property and Regeneration), the Committee noted that £2.564m had been re-profiled for the refurbishment of the Coroner's Court to 2019-20 as there had been no agreement from Merton LBC. [NB: Westminster, RBK seek and Wandsworth all willing to contribute their share]. In response to questions, Steve Mair confirmed that agreement is required from all four boroughs that the court covers (Westminster, RBKC, Wandsworth and Merton) before the capital project can proceed.
- 4.4 With regards to the place shaping budgets, the Committee asked which projects or schemes the £20.225m of re-profiled capital expenditure related to. The City Treasurer advised that this related to the West End Partnership Programme which is subject to review and will be reported to Cabinet and Council in October and November as part of the review of the Council's Capital Programme. The City Treasurer clarified that current expenditure on the Oxford Street district approach is being funded through the revenue budget rather than via capital expenditure.
- 4.5 The Committee asked when the Capital Programme Management Office (PMO) is due to start operating. Barbara Brownlee, Executive Director, Growth, Planning and Housing, explained that the office started operating in June and consists of three directly employed staff which will monitor and report on the Council's whole capital spend, including social value commitments, VFM capital spend and physical progress. She advised that it will start producing reports in the autumn and that an update on its work can be reported to the Committee at the same time.
- 4.6 Julia Corkey, Director of Policy, Performance and Communications, introduced a year end report that presented detailed performance results for the year April 2017 to March 2018 against the 2017/18 business plans. The report set out how the Council performed against the City for All priorities and included progress towards achieving the deliverables and targets within the Business Plans. The information presented was reported by exception and focused on those areas of notable achievement or concern where action/intervention is likely to be required. The report also provided early views into the challenges that await in 2018/19.
- 4.7 The featured insight for the quarter focused on the diversity of Westminster's workforce. The Committee noted that in 2018 63% of Council staff have not recorded a disability statement and that just under 20% have not recorded

their ethnicity. Members commented that this made it difficult to accurately determine the diversity of the Council's workforce. The Committee asked how the Council intends to deliver an increase in the level of recorded information which should include sexual orientation. Lee Witham, Director of People Services, explained that the transfer of Managed Services for Finance, HR and Payroll from BT to the Hampshire County Council Partnership offers an opportunity for the Council to undertake a piece of work to fill in this information gap. The benefit of gathering this is that it will enable the Council to better address issues such as under-representation of BME and female staff in senior positions. The Committee was of the view that to encourage participation the communications should emphasise this. The tone of the message will also be important to avoid dissuading people. Members also suggested that some members of staff may not identify with the current classification options and therefore the ability for individuals to submit alternatives should be included. Julia Corkey advised that there are a number of representative groups within the Council and that testing with them will be undertaken prior to any communications launch to ensure that a positive message is reflected.

- 4.8 The Committee then discussed the 2018 diversity results. The Chief Executive stated that the Council needs to understand why it underperforms in this area and examine what better performing local authorities are doing across the piece. He stated that the Council needs to look at how it can actively encourage applications for senior positions from BME's where historically it has received few, if any. Members noted that Westminster has the fifth highest gender pay gap out of London boroughs and asked about the reasons for this. The Director of People Services stated that women's hourly mean rate at Westminster is 9.8% lower than men's. The Council needs to better understand the reasons behind this although he advised one explanation is that historically there have been fewer women in senior positions in the Council. To close the gap the Council has held workshops to try to understand what the barriers are and then look at opportunities that it can offer to address them. He further advised that the Council is reviewing a range of HR policies including its maternity pay. The Council wants to be a competitive, family friendly employer and it needs to look at how it can improve its current offer.
- 4.9 The committee then considered the overall performance of the City Council and submitted questions to individual members of the Executive Leadership Team on performance within their directorates. This included the top achievements and challenges at year end and key performance indicators for attention that are critical to the Council's performance which have either missed the ideal target or only met the minimum standard.
- 4.10 Members commented in respect of the top accomplishments by the Council that whilst the transition of Adults, Children's and Public Health Services from a Tri-borough to a Bi-borough model had been completed it was too early to state that this has been a success this has been as there is insufficient output at present to make such an assessment.

- 4.11 With regards to the key performance indicators for attention, the Committee asked officers for further explanation why the ideal targets had been missed or only the minimum standards met.

Adult Social Care

- 4.12 KPI - Percentage of clients who require long-term service after completing a reablement package: Bernie Flaherty, Bi-borough Executive Director for Adult Social Care and Health, explained that the Council had set itself a challenging target and that the 30% position achieved at year end is considered good across London.
- 4.13 KPI - Total number of new permanent admissions to residential/nursing care of people aged 65 years and over: Bernie Flaherty explained that the target is set to reflect the desire of those aged 65 years and over to live at home. Due to developing complex requirements, however, more people will ask to move into residential care. Therefore meeting the measure will continue to be challenging.

Children's Services

- 4.14 KPI - Number of social care contracts that go on to early help: Ian Hegg, Borough Director of Schools, explained that this is a new local measure for 2017/18 for which the service did not have a baseline. As this work is in its first year this year's performance will help to set future targets. He advised that the ideal target of 20% had been set quite high. Having an Early Help manager in the front door will ensure that thresholds are consistently applied.

Growth, Planning and Housing

- 4.15 KPI - New enterprise space created: Barbara Brownlee explained that the new enterprise space is being delivered in partnership with stakeholders. Only a small proportion of the funding is being provided by the Council. Only 1000 sq feet had been delivered at year end against a target of 40,000 sq feet due in part to a change in landlord at Paddington Works and a squatter at Ingestre Court. Mitigation measures were being progressed in both cases to unblock delays in the delivery of the schemes.
- 4.16 KPI - Connect 1000 businesses to super and ultrafast broadband: Members asked how the voucher scheme is publicised as a few businesses reported that they had only come across it by accident. Barbara Brownlee advised that the Council uses many third parties such as BIDs, Cross River Partnership and business partnerships to promote and encourage applications. She explained that despite the receipt of applications small and medium-sized enterprises are failing to provide sufficient evidence to meet the European Regional Development Fund evidencing requirements. She stated that the Council needs to consider how it can better facilitate take up. Greater success may be achieved through grouping businesses together. She confirmed that connection would be all the way into the businesses' premises.

City Management and Communities

- 4.17 KPI - Number of hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety: Richard Barker, Interim Executive Director for City Management and Communities, explained that the target had been missed as the Residential Services Team had been under significant pressure during what had been a unique year as it separately responded to government requirements around fire safety investigations and inspections in the wake of the Grenfell Tower Fire.
- 4.18 KPI - Percentage of total licences issued within 28 days from the publication date of the Licensing Sub-Committee decision: Richard Barker explained that the target was missed due to staff shortages as a result of officers leaving the Council. He reported that staffing levels had since improved and that in the first quarter of this current financial year 88% of licences had been issued within the 28 day target.
- 4.19 The committee then asked for further information on a range of key service updates against the 2017/18 performance business plans.
- 4.20 Mr Heggs was referred to the fact that the Minerva Free School which would be closing at the end of the week had been due to occupy a development site at Paddington Basin. He was asked what will now happen to the site. Mr Heggs explained that the decision to close the school has been supported by the Secretary of State for Education. The Council has provided alternative primary school places at nearby schools for all families of students. The decision regarding the future educational use of the site is a matter for the Department for Education (DfE). The Council has been in discussions with the DfE and has explained that there is a pressure in the borough for secondary rather than primary school places.
- 4.21 Members welcomed the results relating to the percentage of carriageway and footway defects repaired or made safe within 24 hours but expressed disappointment over the quality and responsiveness of TfL to repairs of manhole covers and gullies on roads that it manages. Mr Barker advised that the Council has relationships on a number of fronts with TfL and works to encourage them to undertake works on their roads more speedily and to a better standard.
- 4.22 Mr Barker was asked whether the Council achieved full cost recovery for supplying RBKC and LBHF's contractors with 51 tonnes of grit during the peak snowfall period? The Chief Executive advised that the Council has a mutual aid recovery agreement with neighbouring local authorities where only the cost of the salt is charged for.
- 4.23 The Committee noted that all three targets relating to the City Survey (keeping residents informed) had been missed at year end. Julia Corkey advised that despite the outcome, 65% of residents feeling informed about services and benefits was still a good result. She explained that there had been changes in year regarding residents' preferred channels of communication. The service area will undertake a review so that it can better understand where and how best to communicate with residents.

4.24 Members suggested that future quarterly monitoring reports should include other risks to the Westminster economy. The Chief Executive agreed that only risks that have some certainty of occurring and which the Council can mitigate against should be included.

4.25 **ACTIONS:**

Finance Period 2 Monitoring Report

Capital Programme Management Office – The Committee would like an update in one year's time on the outcomes and outputs of this project (**Action for: City Treasurer/Committee and Governance Services**)

2017/18 End of Year Performance Report

1. Performance achievements and opportunities – Westminster's Employment Service has supported 881 unemployed residents into work. The Committee would like to know how many of the residents are still in employment after six months (the current sustainment measure).
2. Performance challenges - Westminster accounts for 7% of all hate crime incidents in London and this has increased by 44% over the last 2 years. The Committee would like a breakdown of the increase by year and by type of incident to understand the trend pattern. It would also like a standing update on hate crime in future quarterly monitoring reports.
3. Growth, Planning and Housing – Local Full Fibre Network Funding – The Committee would like clarity on whether the aim to connect 9,500 premises and 80,000 addressable premises covers all Westminster residential properties?
4. Policy Performance and Communications – Community Contribution Scheme - Provide Councillor Boothroyd with a breakdown of the individual contribution values and the dates they were received.

(Action for: Mo Rahman, Evaluation and Performance Analyst, Evaluation and Performance team)

5 ANNUAL CONTRACTS REVIEW 2017/18

5.1 Maria Benbow, Interim Chief Procurement Officer, introduced the Annual Contracts Review report. The reporting format had been updated to focus on the Executive Leadership Team who are responsible for the overall management of the Council, for setting and monitoring overall direction, ensuring high performance and for overall risk and reputation management.

- 5.2 The report also highlighted a number of areas where Procurement Services are working to support the Council to deliver best value, in terms of professional development of staff, contract management and transition to the new Integrated Business Centre for finance and HR.
- 5.3 The review outlined the contracts let by the Council for value for money and adherence to the procurement code. The committee noted that 104 contracts commenced during the 2017/18 period. Fifty one contracts were below the value of £100,000 threshold and fifty three over the value of £100,000. There were nine extensions of existing contracts. This latter represented a reduction compared to the previous year. In exceptional circumstances a waiver to the requirements of the Procurement Code may be obtained from the Chief Procurement Officer. Seventy two waivers were approved during the course of the year. This represented an increase to the previous year.
- 5.4 The report highlighted that the capital Sourcing contracts register is regarded as the “single source of truth” and forms the basis for reporting on contract information across the Council.
- 5.5 Members expressed concern that only 51% of all contracts (65 of 127) over the value of £100,000 had been assessed and performance rated within the system during the year, a downward trend on the previous year. Compliance varied significantly between service areas. The committee noted that of the 62 contracts that have not been performance rated, 25 had a value over £1.5m. Whilst Officers provided assurances that large value contracts were being evaluated locally, Members commented that in the absence of a complete set of data it was difficult for the committee to properly fulfil its statutory role in this respect. The Chief Executive undertook to investigate why compliance in reporting by service areas was not being achieved. The committee requested that a standing update is provided to each future meeting on progress in achieving compliance.
- 5.6 Officers were referred to the fact that quite a number of waiver requests were received for a change to the mandatory evaluation criteria either due to the use of framework agreements whereby the terms stipulate alternative criteria or following extensive market research. Members asked about the thoroughness of the market research undertaken. Andrew Polley, Head of Category Management, advised that this is commensurate with the level of risk associated with the procurement.
- 5.7 Members stressed the added importance of contract monitoring during the transition between contractors. Officers were referred to the fact that in June 2017 CWH appointed two long term major works contractors and five new repairs contractors. The exiting contractor had left a backlog of approximately 2000 outstanding jobs (representing 2 week’s work). This placed an additional pressure on the new contractor while establishing its workforce.
- 5.8 The Committee asked why Westminster’s public conveniences were not referenced in the contract activity within City Management and Communities in 2017-18. The Chief Executive explained that the Council’s public toilets are being operated by Carlisle under a lease agreement rather than via a

contract. Members asked whether the Council would need to buy back the leases. The Chief Executive advised that a piece of work around the ongoing arrangements for the City Council's public conveniences is being progressed by the Interim Executive Director for City Management and Communities and the Cabinet Member for Finance, Housing and Regeneration. Members suggested that it would be useful to examine the lessons from this particular arrangement to help guide future service considerations.

- 5.9 Maria Benbow advised that the Procurement Service has initiated a Contract Management Programme to build on the tools and processes already in place to improve contract management across the organisation. A PMO has been set up and will collect updates from all project leads, track completion of project activities and report status to the Advisory Board. She also advised that the service would shortly be commencing an end-to-end review of procurement processes. She advised that next year's report to the Committee will outline what processes have been changed and where improvements have been made.
- 5.10 **ACTIONS:** The Committee would like to know which contracts received a waiver in 2017-18 and which of these had not been performance evaluated within capitalEsourcing.

6 ANNUAL COUNTER FRAUD MONITORING REPORT

- 6.1 Andy Hyatt, Tri-borough Head of Fraud, introduced a report that provided an account of fraud related activity undertaken by the Tri-borough Anti-Fraud Service (CAFS) from 1st April 2017 to 31st March 2018.
- 6.2 Since April 2017 CAFS had identified 230 positive outcomes including 22 prosecutions and 21 recovered tenancies. For the financial year ending 31st March 2017 fraud identified by CAFS has an estimated a value of over £500,000.
- 6.3 Members asked in relation to the prevention of fraud and corporate investigations, whether an investigation into potential bribery had been proven. Mr Hyatt advised that the disciplinary hearing led CAFS to identify another disciplinary issue but there was no evidence of bribery.
- 6.4 The Committee asked whether the transfer of Westminster residents in receipt of benefits to Universal Credit will make investigating housing related fraud harder for CAFS. My Hyatt stated it should not make any difference. He explained that since the transfer of housing benefit investigations from local authorities to the Department of Work and Pensions in March 2015 all investigations in respect of housing benefit fraud are now undertaken by the DWP. The Council liaises with the DWP and provides information where it suspects such fraud is taking place. Westminster still has responsibility for and investigates fraud in relation to social housing.
- 6.5 Mr Hyatt was informed that a particular frustration expressed by residents is the fraudulent use of disabled badges and Respark permits. The Committee

asked about the sanctions available where disabled parking fraud is proven. They also asked how the Council communicates its enforcement work and successful prosecutions to residents. Mr Hyatt advised that each case of suspected parking fraud is assessed on its own merits. A decision on whether to pursue a prosecution will in part be based on the strength of the evidence available. Other factors that are considered include the impact of the fraud on the community and the cost to the Westminster taxpayer. He explained that the reason why the Council pursues more prosecutions for disabled parking badge fraud is due to the greater impact that this can have on the ability of disabled and vulnerable users to undertake everyday tasks. During its investigations CAFS has identified and shared with Council colleagues weaknesses in processing which will in turn should reduce the potential for permits to continue being used once residents are no longer eligible for them.

- 6.6 Members recommended that the Service increase its publicity in respect of its enforcement and its successful prosecutions so that residents can be reassured that fraudulent activity is being tackled. The committee also requested that Ward councillors are kept informed of the Service's successes so that they can publicise these locally.

7 ANNUAL REPORT ON INTERNAL AUDIT AND INTERNAL CONTROL 2017/18

- 7.1 Moira Mackie, Senior Internal Audit Manager, introduced a report that summarised the work of Internal Audit in 2017-2018 and provided the opinion of the Shared Services Director of Audit, Fraud, Risk and Insurance on the adequacy and effectiveness of the Council's governance, risk management and internal control environment. The opinion is provided for the use of Westminster City Council and is used to support its Annual Governance Statement.
- 7.2 The report outlined that, from the work carried out by the Council's Internal Audit Service in the financial year, reasonable assurance could be provided that systems of internal controls in place are effective with 85% of the audits undertaken receiving a positive assurance opinion.
- 7.3 The report further outlined that there were a few areas where control improvements are required and compliance with agreed systems could be improved. In each case action plans are in place to remedy the weaknesses identified. The Council was found to be effective, in most areas, at implementing recommendations where concerns in respect of controls were identified.
- 7.4 Moira Mackie informed the Committee in respect of College Park Special School, which had received two consecutive limited assurances, that a follow up audit had been undertaken in June. All but three low priority recommendations had been implemented to-date. She advised that in future if a service area should receive two consecutive limited assurances internal

audit will write to the service head or headteacher to request details of how they aim to improve compliance with controls.

- 7.5 Members asked why audits of Public Health and Community Infrastructure Levy (CIL) had been deferred. Moira Mackie explained in respect of Public Health that this was due to the disaggregation of services following the move from Tri-borough to Bi-borough arrangements as well as the re-contracting of some services to reduce costs. The CIL audit had been deferred due to the complex nature of the CIL administration process. The audit will examine the mechanisms for identifying where CIL monies have originated from rather than the processes for allocating funds. The outcome of the audit will be reported to the next committee meeting as part of the standing quarterly internal audit report.
- 7.6 The Committee made reference to the fact that a number of significant transitions either had or would shortly take place where there is the opportunity for fraud and data protection issues to arise. In response to questions, David Hughes, Shared Services Director for Audit, Fraud, Risk and Insurance, confirmed that the 2018/19 Internal Audit Plan included intentions to audit areas involving key risks and change.
- 7.7 **RESOLVED:** That the Committee noted the Annual report on Internal Audit and Internal Control 2017/2018.

8 WORK PROGRAMME 2018/19

- 8.1 The Chairman referred to the fact that there were a number of major strategic changes due to take place over the coming year and that these needed to be embedded in the Committee's Work Programme.
- 8.2 **RESOLVED:**
1. That the Work Programme for 2018-2019 as set out in Appendix 1 to the report be agreed subject to adding a standing update at each meeting on contract management.
 2. That the work undertaken in response to the actions arising from the meeting on 23 April as set out in Appendix 3 to the report be noted.

The Meeting ended at 8.00 pm

CHAIRMAN: _____

DATE _____

