



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 17th September, 2015**, Rooms 3 & 4 - 17th Floor, City Hall.

Members Present: Councillors Jonthan Glanz (Chairman), Judith Warner, Jacqui Wilkinson and David Boothroyd

Officers Present: Carolyn Beech, Director of Human Resources, Steve Mair, City Treasurer, Damian Highwood, Evaluation and Performance Manager, Mo Rahman, Planning and Performance Manager, Moira Mackie, Internal Audit Manager, Andy Hyatt, Tri-borough Head of Fraud, Moyra McGarvey, Tri-Borough Director of Audit, Fraud, Risk & Insurance, Jane West, Bi-Borough Executive Director of Corporate Services, Martin Hinckley, Head of Shared Services Centre and Reuben Segal, Senior Committee & Governance Services Officer

1 MEMBERSHIP

1.1 It was noted that Councillor Wilkinson had replaced Councillor Hall.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 15 July 2015 be signed Bi-Borough chairman as a correct record of proceedings.

4 REPORT ON STAFFING MATTERS IN RELATION TO AGENCY STAFF AND TURNOVER

4.1 The Committee received a report responding to concerns regarding current staff turnover and temporary agency contractors (TAC) usage following the 2014-15 End of Year Performance report. The paper set out how the City Council was delivering on the Corporate Strategy and medium term savings plan in relation to TAC usage and staff turnover excluding redundancies as a proportion of the workforce.

- 4.2 The breakdown of reasons for staff leaving the Council in 2013/14 was set out at paragraph 3.1.1 of the report. Carolyn Beech, Director of Human Resources (HR) was asked about the ages of the employees that had resigned. Members were curious to know whether the organisation was losing younger members of staff who are possibly dissatisfied with the management culture, opportunities and environment within the organisation. It was noted that the second highest reason for resignations was other employment/the same level and it was unclear to Members what the underlying reasons for such moves were. Members also were interested to know number of resignations by department.
- 4.3 The Committee asked whether the increase in staff turnover had resulted in expertise or skills being lost in key areas. Ms Beech reported that there were issues around the retention of expertise in Children's Services and Development Planning and work was being undertaken to mitigate this.
- 4.4 The "Your Voice" survey is an annual staff engagement survey designed to give employees a voice, highlighting what does and doesn't work well. Members asked when the results of the next survey of staff would be available to see if issues identified in the previous year had improved. Ms Beech advised that another Staff Survey was currently being undertaken. This was set to close on 25th September. She stated that she would be able to provide the Committee with headline results at the next meeting followed by a more comprehensive report in the New Year.
- 4.5 The Committee then asked Ms Beech questions about current TAC usage. She advised that setting targets was helpful as it provides the Council with a figure to aim for and to measure performance against. Targets were set based on discussions with the Executive Management Team in relation to staffing requirements.
- 4.6 The Director of HR was also asked whether Westminster's HR would form part of a tri-borough service. She reported that a decision had been taken during the week for Westminster's HR to remain a sovereign service. This would help move forward decisions which have been put on hold while a decision was pending.
- 4.7 **RESOLVED:** The Committee noted the rationale within the report and the remedial actions being taken to reduce TAC usage and staff turnover.
- 4.8 **ACTION:**
1. Provide the Committee with an update on staff turnover and the use of TAC in six months time to establish whether the mitigation actions have delivered results. A breakdown of the reason for resignations should include numbers by department and where possible details of ages
(Action for: Carolyn Beech, Director of HR)

2. Provide figures by department on the number of TACs that have worked for the Council for more than two years on a quarterly basis (**Action for: Carolyn Beech, Director of HR**)
3. Provide the Committee with the headline results from the current Your Voice Survey and a more comprehensive report at its meetings in December and February. (**Action for: Carolyn Beech, Director of HR**)

5 REPORT ON LOCAL GOVERNMENT PENSION SCHEME

- 5.1 The Committee received a report that provided a brief update on changes to the Local Government Pension Scheme (LGPS) since 2013.
- 5.2 The Director of Human Resources, was asked about whether there were significant costs associated with changes in governance arrangements for pension funds which required pension boards to be established. She advised that there were minor costs of organising meetings, providing training and possibly paying transport expenses. Those serving on pension boards were unpaid
- 5.3 Ms Beech was referred to the fact that national insurance rebates for members of staff that had been contracted out were shortly to come to an end. She was asked whether this would result in the Council having to make significant increases in employer contributions in future and if so what the financial impact of this would be for the Council. Ms Beech replied that an announcement on this had only been made during the week and that the implications would need to be examined. She indicated that this could have serious ramifications involving significant, additional, national insurance contributions to be paid by the employer and in some instances the employee.
- 5.4 The Director of Human Resources was also asked about the retirement age for women and the date of the next tri-annual valuation. She advised that the retirement age for both sexes would rise from 65 to 66 the following year. The tri-annual evaluation would take place in 2016 although the results would not be known until 2017.
- 5.6 **RESOLVED:** That the report be noted.

6 FINANCE (PERIOD 4) AND PERFORMANCE BUSINESS PLAN (QUARTER 1) MONITORING REPORT

- 6.1 Steve Mair, City Treasurer provided an overview of the Council's financial position as at Period 4 (July 2015) which covered revenue and capital expenditure and finance strategic projects. The Council was projecting a potential overall £0.553m underspend against the budget. The forecast outturn for capital expenditure was £0.957m underspent against the budget.
- 6.2 The City Treasurer was asked about indications that the Government was intending to require local authorities with healthy balanced to spend their

reserves. He stated that he had heard such suggestions over many years, that they had never been progressed. He stated that the Council did not have excessive reserves, but that they were reasonable given the size of the organisation. Any private sector business of a comparative size would have similar reserves. He indicated that there would need to be primary legislation to force local authorities to do what was suggested. He was of the view that if the Government did enact such legislation it would be an incorrect approach as local authorities are liable for their own finances. Moreover, the reserves could only be spent the once. This would have implications for future budgets as there would not be any money to draw on, if required, in subsequent years.

6.3 The City Treasurer was asked about the challenges of producing a stable budget. He stated that the Council had always balanced its budget. In such a large organisation there would always be variances in budget lines due to a variety of issues which are out of the Council's control such as staff turnover and external pressures. He clarified that when formulating the Council's budget colleagues are required to provide information on risk.

6.4 Damian Highwood and Mo Rahman, Strategic Performance Team, introduced the remainder of the report which outlined progress made against the performance management framework between April and June. The Committee noted the major achievements and performance issues against internally set 2015-16 targets focusing on where performance needs to be improved and highlighting the key challenges in the year ahead.

6.5 **RESOLVED:** That the report be noted.

6.6 **ACTIONS:**

1. Requested analysis around the rise in the number of Unaccompanied Asylum Seeking Children (UASC) in Westminster (hotspots, age groups, estimates, demographics) and the impact on children coming into care. What can Children's Services do to plan for meeting rising demands of UASC children?
2. Requested analysis on the numbers of freedom passes against population cohort of those that are eligible in Westminster.
3. In respect of the extension of Right to Buy, officers are asked to validate statement that "Kensington and Chelsea Council may lose 97% of its social housing stock". What are the impacts to Westminster's HRA housing stock (quantify, provide estimates and numbers, how many lost etc.)
4. How are asylum seekers likely be treated by the Local Authority in terms of access to social housing – how would local connection requirements be handled?
5. What would the impacts of rising asylum seeker numbers be on short term accommodation arrangements?

6. Provide more information on Operation Neon and enforcement operations being delivered including whether this includes Pedicabs in Westminster.
7. Provide more detail on the HTMA contracts – what do the findings of the report (that our indexation method doesn't reflect current prices within M25) mean for the service?
8. Provide results of benchmarking analysis of CMC indicators (against London, statistically similar, neighbouring councils) particularly Waste & Parks, Parking, Transport, Highways, Community services indicators.
9. Provide an explanation of performance in terms of response time against lighting and highways – has the restructure had an impact?
10. Requested clarification over use of the new iPad in libraries for scanning, with photos automatically uploaded to the online parking portal form
11. Queried how the Council will ensure that the recent incident at the Dean Street sexual health clinic (where personal contact details were accidentally released) won't deter people from accessing the service.

(Action for Mohibur Rahman, Strategic Performance Team)

7 INTERNAL AUDIT PROGRESS REPORT

- 7.1 The Committee received a report regarding the work carried out by the Council's Internal Audit Service between April and August. The service found that, in the areas audited, internal control systems were generally effective although six limited assurance audits have been issued, three of which are in respect of Managed Services systems.
- 7.2 Follow up reviews completed in the period confirmed that the implementation of medium and high priority recommendations has been consistently effective.
- 7.3 Concerns were raised with officers regarding the limited assurance audit for the Disclosure and Barring Service (DBS) including the length of time it was taking to undertake appropriate checks. Members commented that in some instances it was taking as long as four or five months to perform the latter compared to four or five weeks in other organisations. This could have an impact on service areas including local authority schools if posts cannot be taken up.
- 7.4 Members also expressed concern at the limited assurance report in respect of the management of Tenant Management Organisations (TMOs). Weaknesses were largely around 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 and the appropriate action to take. Recommendations to address these weaknesses were expected to be implemented by January 2016.
- 7.5 **RESOLVED:** That the report be noted.

7.6 **ACTION:**

That a report be submitted to the Committee within the next 12 months on work undertaken by the Internal Audit Service with CityWest Homes in respect of TMOs and whether recommendations made have been implemented and are producing results. **(Action for: Moira Mackie, Senior Audit Manager)**

8 **COUNTER FRAUD 2015-16 - PROGRESS REPORT**

- 8.1 The Committee considered a report that provided an account of fraud related activity undertaken by the Tri-borough Corporate Anti-fraud Service from 1st April 2015 to 1st September 2015.
- 8.2 The Committee was pleased to note that the service was instrumental in a landmark case which involved the successful prosecution of a sub-tenant as well as the tenant for conspiracy to de-fraud. Westminster has now set a precedence in this field for other Councils to follow. Andrew Hyatt, Tri-borough Head of Fraud, was asked whether this success was being comprehensively advertised to deter others. It was suggested that the information should be put up in CityWest Homes estate offices and on tenants notice boards.
- 8.3 Mr Hyatt was asked whether the absence of any whistleblowing referrals received or referred to the Corporate Anti-fraud Service (CAFS) between 1st April and 1st September 2015 was a concern. He commented that this had been identified as an area of weakness. He stated that as part of tri-borough arrangements a new Fraud team had been established. The service did not want to run an awareness campaign before the resources were in place to support it. Two new investigators had been appointed and would start work in October. It was hoped that an awareness campaign would run across all three councils in early Spring.
- 8.4 Examples of resident parking permit fraud were set out in the appendix to the report. Mr Hyatt was asked why some of those identified as committing fraud were not prosecuted when fairly good evidence was available. Mr Hyatt explained that to bring a successful criminal prosecution the Council needs to make a case beyond reasonable doubt and to do this an officer needs to witness the subject misusing a permit. In criminal prosecutions, hearsay evidence even if recorded is often insufficient proof. In the absence of the former the Council will seek to achieve other positive outcomes such as freeing up the residents parking spaces by cancelling the permits which is often what is most important to local residents.
- 8.5 Concerns were raised with Mr Hyatt about commercial vehicles using residents parking permits and the possibility that fraud was occurring. Mr Hyatt advised that the service was hoping to undertake more inspections. He advised that the Council was able via business intelligence to data-match

NNDR files against property addresses to identify potential fraud and eliminate weaknesses in processes. He undertook to do some further work around commercial vehicles.

8.6 **RESOLVED:** That the report be noted.

8.7 **ACTION:** Investigate and provide a response to Councillor Warner on the concerns raised regarding commercial vehicles using residents parking permit in St Peter's, Eaton Square (**Action for Andy Hyatt, Tri-borough Head of Fraud**)

9 STRATEGIC RISK REPORT

9.1 The Committee considered a report that outlined the current arrangement for recording, managing and reporting risk in Westminster City Council. The report set out the preliminary findings from an external risk audit and included a brief proposal for future risk management. It also included the most important strategic risks facing the Council at the end of Quarter 1 2015.

9.2 The Committee reviewed the current risk management approach and the preliminary findings from a recent Corporate Risk audit.

9.3 It was noted that one of the outstanding issues to be addressed following the audit of the Council's Risk Management process by Mazars is developing a consistent risk management approach across Tri- and Bi-borough and sovereign Westminster services. Officers considered that it was also important to ensure that risks are scored consistently across the Council as what may be considered to be "significant" to an individual service may not be at a corporate level.

9.4 Officers were asked about the methodology and management of mitigation actions for each of the risks. This information was collected at the same time as performance reporting data. It was suggested to Members that this information could be incorporated with the performance monitoring information submitted to the Committee.

9.5 **RESOLVED:**

1. That the report be noted.

2. The Committee agreed the recommendation that work to develop a consistent risk management approach across Tri-borough and sovereign Westminster services should commence.

9.6 **ACTION:**

1. Provide the Committee with access to the SharePoint site containing the risk registers (**Action for Mo Rahman, Planning and Performance Manager**)

2. Provide the Committee with details of past risks scoring the highest ratings
(Action for Mo Rahman, Planning and Performance Manager)
3. Clarify the risks associated with the waste disposal contract re-let **(Action for Mo Rahman, Planning and Performance Manager)**

10 CHANGE TO THE COUNCIL'S AUDITOR

- 10.1 The Committee received a report that outlined the reasons for a change of auditor. The Council's Auditor, KPMG, could not continue in this role because a KPMG employee has been a member of the Council and this is not permitted under the Public Sector Auditor Appointments (PSAA) terms of appointment. The PSAA proposed that Grant Thornton UK LLP are appointed to this role. Members noted that officers are in the process of taking steps to ensure that the change of Auditor happens in a managed and controlled way.
- 10.2 The City Treasurer informed the Committee that the contract with Grant Thornton would run until 2016-17. The Department for Communities and Local Government will then decide whether to extend the appointment by three years or allow the Council to appoint its own Auditor.
- 10.3 The City Treasurer was asked what costs there would be to the Council to bring the new Auditors up-to-date. He informed the Committee that the Council had written to the PSSA to state that it does not expect the Council to be financially disadvantaged in respect of audit fees as a consequence of this issue.
- 10.4 The Committee asked the City Treasurer how the oversight had occurred. He stated that KPMG should have identified the conflict of interest through its internal systems and reported the matter to the PSSA. It was surprising that this had not occurred given the amount of due diligence that they undertake.
- 10.5 **RESOLVED:** That the report be noted.
- 10.6 **ACTION:** That the above mentioned issue be shared with the Standards Committee to ensure that all Members are aware of this potential conflict of interest. **(Action for Mick Steward, Head of Committee and Governance Services)**

11 WORK PROGRAMME

- 11.1 **RESOLVED:**
 1. That the agenda items for the next meeting on the 2nd December as set out in the Work Programme be agreed.
 2. That the responses to actions arising from the previous meeting be noted.

12 EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

- 12.1 **RESOLVED:** That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following item(s) of business because they involve the likely disclosure of exempt information in relation to the financial or business affairs of the Authority and/or other parties and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

13 AUDIT REPORT ON MANAGED SERVICES SYSTEMS

- 13.1 **RESOLVED:** Noted the confidential report focusing on the risks impacting on the Council from the departments' perspective from the live managed services processes that have been introduced from 1st April 2015.

14 CITY TREASURER'S REPORT ON MANAGED SERVICES MITIGATION

- 14.1 **RESOLVED:** Noted a confidential report focused on the financial risks at the present time facing the Council from the implementation of the Managed Services programme and the work being undertaken to mitigate these risks and the potential audit outcomes.

15 UPDATE ON MANAGED SERVICES PROGRAMME

- 15.1 **RESOLVED:** Noted a confidential report that provided background information on the history of MSP and provided an update on progress over the last 2 months to resolve the problems associated with the roll-out of the new system and an indication of the timeframes for resolving the outstanding issues.
- 15.2 **ACTION:**
1. That if the outstanding issues remain unresolved by the middle of next month that the contractor is invited to the next meeting to answer questions from Members. **(Action for Reuben Segal, Senior Committee and Governance Officer)**
 2. Should the contractor be invited to the next meeting, the Committee to be provided with the terms of the MSP contract in advance of the meeting. **(Action for Jane West, Executive Bi-borough Director of Corporate Services)**

The Meeting ended at 9.30 pm

CHAIRMAN: _____

DATE _____