



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 30th June, 2016**, Rooms 3 & 4 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Jonathan Glanz (Chairman), Lindsey Hall (Vice-Chairman), David Boothroyd and Judith Warner

Also Present: Pete Carpenter (Assistant City Treasurer), Head of Procurement Development, Della Main (Operations Support Manager, Procurement Services), Damian Highwood (Evaluation and Performance Manager), Mo Rahman (Evaluation and Performance Analyst), Richard Stanley (Assistant Director, School Standards, Tri-borough Education Service) Moira Mackie (Senior Internal Audit Manager) and Reuben Segal (Senior Committee and Governance Officer)

1 MEMBERSHIP

1.1 It was noted that there were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest made.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meetings held on the 12th May and 2 June 2016 (public and confidential versions) be signed by the Chairman as correct record of proceedings.

4 ANNUAL CONTRACTS REVIEW 2015/16

4.1 The Head of Procurement Development, and Della Main, Operations Support Manager, Process and Governance, introduced an Annual Report that reviewed the Council's contracts as per the requirements of the Committee's Terms of Reference.

- 4.2 The committee was informed that 55 contracts over the value of £100,000 and 63 contracts with a value of less than £100,000 commenced in 2015/16 in accordance with the requirements of the Procurement Code. There were 29 extensions and 6 variations of existing contracts. In exceptional circumstances a waiver to the requirements of the Procurement Code may be obtained from the Chief Procurement Officer. 55 waivers were approved during the course of the year. While the committee welcomed the reduction in extensions and waivers from the previous year members considered that the figures were still too high given that many of the Council's contracts run for a number of years with clear end dates which should provide sufficient time to plan for new procurements. This was acknowledged and the Committee was advised that the Procurement Team was looking at how it could assist contract managers to better plan for procurements to avoid them having to apply for extensions in future. Automatic alerts are set up in the system and a forward plan of activity is reviewed so that contract managers are contacted to understand their intentions early enough to develop appropriate sourcing strategies.
- 4.3 The Committee was informed that the capitalEsourcing contracts register is regarded as the "single source of truth" and forms the basis for reporting on contract information across the Council.
- 4.4 The committee noted that Compliance regarding completion of mandatory fields had increased overall since 2014/15 from 41% to 94%. Compliance regarding completion of contract performance data had increased from 30% to 63%. The Committee referred officers to Table 3 in the report which showed a breakdown of contract performance by Contracting Authority. It expressed concern that only 15% of contracts let by CityWest Homes had been evaluated. It was clarified that this did not mean that CWH had not monitored the contract performance of 17 out of 20 contracts but that it had not entered the information in capitalEsourcing. She advised that Procurement Services are working with the Services to ensure that all contracts are evaluated a minimum of once per annum within the platform.
- 4.5 The committee heard that a Tri-Borough Contracts Management Framework is available, which creates a consistent approach to Contracts Management that will be applied to all external third party relationships. Members were informed that workshops about the framework had been held in all three boroughs together with six training sessions. Feedback from attendees had been positive and common issues that had been raised were being followed up. However, it was suggested that this had not translated to a change in contract manager behaviour. In response to questions about the governance for each borough the Committee was advised that each borough in the Tri-borough Partnership has their own procurement rules which are vastly different from one another. However, there is a common high level Procurement Code for Tri-Borough procurements.
- 4.6 Members were informed about a comprehensive programme of development in place for Procurement Services over the next 12 months and that a structured approach is in place to deliver the projects that will enable the Service to achieve its vision of Procurement Excellence. Members were

advised that the service had received positive feedback regarding its submission to the Chartered Institute of Procurement & Supply (CIPS) for the CIPS Corporate Certification Standard.

- 4.7 With reference to historical slippage that has occurred in the capital programme, members asked whether there was merit in procuring smaller lots to deliver a major scheme rather than letting an all-encompassing contract. The Committee was advised that each capital project would need to be assessed on a case-by-case basis. She suggested that given the scale of some of the capital projects and the management involved the Council could look to see whether there are established frameworks that it could buy into as there is a risk that costs could increase with having to procure lots of small contracts. She also commented in respect of development that the construction market was highly competitive and attracting bids can be challenging.
- 4.8 The Committee asked for details of why two of the contracts within Policy, Performance & Communications were assessed as “below expectations”. Officers suggested that this was possibly because the expectations were unrealistic. The committee asked who was responsible for undertaking an end-to-end analysis for a contract including its outcomes. It was explained that contract management, including performance assessment, is devolved across the Council. The committee asked how procurement services would know if contracts have not been awarded. While Procurement Services now has the ability to look retrospectively at the overall spend data for the year there was a delay in obtaining this information. She stated that the Service would like direct access to the data so that it can undertake its own analysis and hoped that this would be available in future. With regard to measuring corporate outcomes, it was agreed with members that while it was possible to measure and assess whether a contract was delivering value for money and meeting key deliverables, quantifying social value was more difficult. She advised that the service is piloting a responsible procurement programme and working with the Policy and Strategy Team to develop a set of standards that could be measured. Pete Carpenter, Assistant City Treasurer, suggested that one possible way of matching contracts to outcomes was to include a link to key performance indicators in quarterly performance reports. Officers undertook to consider options for providing this information in future reports.
- 4.9 As contract management is devolved across the Council, the Committee asked about the on-going training available for contract managers to ensure that they are kept up-to-date with on-going changes to the capitalSourcing. The committee was informed that this was provided through a number of mechanisms including e-learning tools and drop in sessions. A newsletter is also sent to all users to ensure that they are kept informed on key matters. Procurement Services also has a dedicated mailbox where contract managers can raise issues and this is monitored daily. She advised that there had been significant changes to the look and feel of the capitalSourcing system over the last year which contract managers would have had to familiarise themselves with.

4.10 The Committee asked about the number of dedicated contract managers within the Council. Members were aware from other reports on the committee's agenda that the Council's turnover due to resignations is the highest in London and they were concerned about the retention of experienced contract managers and the ability of the Council to retain knowledge when such people leave. The committee was informed that there were few dedicated contract managers within the organisation. In many cases those responsible for monitoring contracts were undertaking the role in addition to other duties as part of meeting service delivery targets. Given the above-mentioned concerns and the historic slippage that has occurred in the capital programme the committee asked for a note about the Council's competencies in both contract and project management. The committee asked for this to include an analysis of who is managing contracts and projects within the Council, whether this is their sole responsibility and how this practice/structure compares with other local authorities and industries. Members also wished to know the level of staff turnover amongst such managers.

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

4.12 **ACTIONS:** Provide a note about the Council's competencies in both contract and project management. The committee have asked for this to include an analysis of who is managing contracts and projects within the Council, whether this is their sole responsibility and how this practice/structure compares with other local authorities and industries. Members also wish to know the level of staff turnover amongst such managers.
(Action for: Anthony Oliver, Chief Procurement Officer and Ed Watson, Executive Director for Growth, Planning & Housing)

5 FINANCE (PERIOD 2) AND 2015/16 END OF YEAR PERFORMANCE BUSINESS PLAN MONITORING

5.1 Pete Carpenter, Assistant City Treasurer, informed the committee that the Period 2 Finance Report which had been marked to follow had not been submitted to the committee as originally intended because it had yet to go through the governance process of being reported to the Executive Management Team and the Cabinet. He expected that this would occur in time for the report to be presented to the committee at its meeting on 14 July.

5.2 Damian Highwood, Strategic Performance Team, introduced the End of Year Performance report that presented detailed performance results for the year April 2015 to March 2016 against the 2015/16 business plans. The report provided explanations and commentary in respect of outstanding, good and poor performance, including achievement of targets and details of remedial actions being taken where appropriate.

School Performance for 2015

5.3 The committee welcomed Richard Stanley, Assistant Director (School Standards) Tri-borough Education Service, who had been invited to the

meeting to answer questions on a range of key performance indicators relating to school performance.

- 5.4 Mr Stanley addressed the committee. He explained that the School Standards Team monitors standards within Westminster Schools. It also works closely with Westminster headteachers to provide support to schools to help improve standards including training in the areas of leadership and management. Following the move of many of Westminster's secondary schools from local authority maintained status to academies the team's relationship with schools is evolving from one of direct oversight to influencing and challenging.
- 5.5 Mr Stanley advised the committee that pupil's performance at Key Stage 2 and GCSE compared favourably in comparison to national and London averages. While there been a slight decrease in Key Stage 2 results compared to the previous year he indicated that this needed to be viewed against an overall trend of improvement over the last 3 years. He further advised that other measurements such as the results of Ofsted inspections provide a broader example of school performance. He highlighted that well over 90% of Westminster schools were considered to be delivering by Ofsted
- 5.6 The committee noted that the percentage of Westminster's pupils who achieved at least 5 A*- C grades at GCSE including English and mathematics was 68% against a target of 70%. Mr Stanley highlighted, as he had for Key Stage 2, that this result compared favourably against the national and London averages. He explained that the shortfall of the target could, in part, be attributed to changes to the examination criteria around GCSEs that had been introduced over the last couple of years. Another explanation was that the target set may have been overambitious. While the service aims to push schools to continue to improve on performance it had possibly failed to take into consideration the likely impact of changes to the examination criteria. He explained that due to the different relationship that the Council now has with Westminster schools performance data from schools is often provided late so that the setting of performance targets now has to be estimated.
- 5.7 The Committee asked whether the GCSE performance results were based on the number of pupils enrolled on to GCSE courses or the number that had taken the exams. Members commented that in the past there has been reports of pupils being withdrawn from exams where it was clear that they would not achieve a particular standard which would impact on performance results. Mr Stanley stated that he would expect schools to be challenged on withdrawing students in such circumstances.
- 5.8 Members asked Mr Stanley whether in his view problems with the Managed Services Programme had indirectly impacted on school performance. Mr Stanley undertook to look into this.
- 5.9 Members asked what the local authority should do to help further improve performance in Westminster schools. Mr Stanley advised that being able to attract good quality teachers is important. Headteachers had raised the ability to recruit and retain teachers as a concern. The service was looking at

what it can do to assist with retention. It was due to have discussions with the Secondary School Head Teachers Partnership. It was also looking at the possibility of putting in place some funding to help improve quality including providing leadership training. He advised that given the impending changes to school funding, schools will in future need to maximise opportunities and examine alternative models which could include joint executive arrangements.

Westminster in 2036

- 5.10 The report included details of some initial work that had been undertaken to project what the city might look like in the future and the different demands this will place on the Council. Mr Highwood informed the committee that this would need to be remodelled in light of the recent vote to leave the EU. Revised details would be presented to committee following a considered view.
- 5.11 The Committee noted that the city is expected to be busier than ever with more commuters coming to work in the city every day, putting tremendous pressure on transport and public realm. It is expected that people will be less likely to drive but will make more use of walking, cycling and taxis. Members were concerned that many tube and rail lines are already at capacity and that there may not be an ability to meet future demand. Members asked whether the Council had a specific vision for transport and public realm. Mr Highwood referred Members to the Mayor of London's commitment to pedestrianise Oxford Street which if given the go-ahead would entail a major change for above ground transport and public realm in the city.
- 5.12 The Committee asked in respect of the expected increase in the number of people living in Westminster how much of the assumption is based on immigration versus an increase in the birth rate and people living longer.
- 5.13 Reflecting further on the implications of the vote to leave the EU, the committee asked for details of funding that the Council receives directly from the EU which is likely to be at risk. Mr Carpenter informed members that Cross River Partnership is the only service that receives direct funding from the EU. He advised that the Council would need to examine all its income sources to understand the source of second and tertiary income that might include funding from the EU. Mr Highwood advised that a Council employment project specifically aimed at helping those with mental health problems into employment was funded by the EU. This funding was likely to end following the outcome of the referendum.
- 5.14 The Committee enquired whether the Council had developed a contingency plan for the refurbishment of City Hall in the event of a vote to leave the EU. Members commented that there is a risk that the rental projections of surplus office accommodation may not materialise which would impact on the Council's income. Mr Carpenter advised that although an executive decision to proceed with the project had been granted the Council had yet to take much of this forward. He commented that given the condition of the building significant refurbishment was required. He suggested that it was possible that following the decision to leave the EU could result in capital costs for Council schemes being lower than initially expected.

Five-Year Capital Programme

- 5.15 The committee noted that the Council is embarking on an ambitious five-year capital programme of £2.08 billion which will help Westminster to maintain its status as a key global centre for business, retail, entertainment and tourism. The committee was conscious that there was an underspend of £157.568 million (56%) at the end of 2015/16 against the original gross budget of the capital programme of £281.7m. Members expressed concern about this re-occurring in future years as this would have an impact on the delivery of priorities such as much-needed affordable housing in the city. The committee asked what measures were in place to reduce slippage in future years and whether the Council had sufficient teams to deliver them. Mr Carpenter acknowledged the concerns. He advised that there was greater rigour being applied to the capital programme. There was a more robust approach to ensure that business plans are in place together with the necessary underlying infrastructure. Review of capital schemes were undertaken on a quarterly basis.

Policy, Performance and Communications

- 5.16 Members noted that the percentage of residents that feel that they can influence decisions affecting their local area is currently at the low level of 37%. Members expressed concern over this and commented that plans needed to be put in place to address this.
- 5.16 **RESOLVED:** That the report be noted.
- 5.17 **ACTIONS:**
1. Provide a full breakdown of secondary school performance (in particular, achieving at least 5 A* - C grades at GCSE including English and mathematics). The committee wanted to understand which schools had particular difficulty in meeting the GCSE targets. **(Action for: Richard Stanley, Assistant Director (School Standards) Tri-Borough Education Service)**
 2. Provide a breakdown of the number of EU nationals employed in Westminster schools and details of any strategic risks that the committee needs to be aware of arising from a vote to leave the EU. **(Action for: Richard Stanley, Assistant Director (School Standards) Tri-Borough Education Service)**
 3. The Committee would like an updated demographic analysis with a particular focus on the impact of Brexit **(Action for: Ezra Wallace, Head of Corporate Policy and Strategy).**
 4. Provide a breakdown of activities and projects that are dependent on EU funding. Members want to understand which projects and workstreams are at risk. **(Action for: Pete Carpenter, Assistant City Treasurer, David Hodgkinson, Assistant City Treasurer).**
 5. Provide an appraisal of how Brexit might impact the re-let of surplus accommodation within City Hall **(Action for: Guy Slocombe, Director of**

Property, Investments and Estates, Julia Bourne, City Policy and Strategy Officer).

6. In the context of the London 2036 analysis provide an appraisal of how the transport system is likely to be able to cope with future demand including Crossrail 2. **(Action for: Barry Smith, Head of City Policy and Strategy).**
7. The Committee would like to see details of the risk management strategy in relation to the capital programme. **(Action for: Pete Carpenter, Assistant City Treasurer, David Hodgkinson, Assistant City Treasurer).**
8. The Committee would like to see a named sponsor against every capital programme item **(Action for: Pete Carpenter, Assistant City Treasurer, David Hodgkinson, Assistant City Treasurer).**
9. What is the Council doing about the low numbers of people who feel they can influence policy and how in specific terms will the Council ensure that people have a say on issues such as tall buildings policy. **(Action for Barry Smith, Head of City Policy and Strategy).**
10. The Committee would like statistics on the reliability of the Report It tool on the Council's website and details of the numbers and response times for issues raised including for abandoned cars. Members had received complaints that some reported problems had not been followed up or that the tool did not always work. **(Action for: Ben Goward, Tri-Borough Head of Digital Services)**

6 INTERNAL AUDIT CHARTER 2016 - 2017

- 6.1 The Committee received a report that provided details about the Internal Audit Charter including changes made to it.
- 6.2 The Committee was informed that the Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. To demonstrate compliance with the standards, the Council has an Internal Audit Charter which was approved in September 2013. The charter is subject to annual review and revision with minor changes approved by the Shared Services Director for Internal Audit.
- 6.3 The contents of the Internal Audit Charter had been revised with minor changes to be consistent with the charters maintained for the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham.
- 6.4 **RESOLVED:** That the contents of the Internal Audit Charter which had recently been reviewed and revised be noted.

7 WORK PROGRAMME 2016/17

- 7.1 **RESOLVED:**

1. That an annual work programme for 2016-17 as set out at appendix 1 to the report be agreed.
2. That the responses to actions arising from the meetings on 12 May and 2 June, as detailed in appendix 3 to the report, be noted.

7.2 ACTIONS:

Provide a Forward Plan for the meeting on the 6 September of all forthcoming procurements (prior to publication of PQQ or tender documents) over a value of £100 million. The list to include details of the lead Cabinet Member and officer for each contract. (**Action for: Anthony Oliver, Chief Procurement Officer**)

The Meeting ended at 8.45 pm

CHAIRMAN: _____

DATE _____