



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 24th November, 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) and David Boothroyd

Also Present: Steve Mair (City Treasurer), Paul Dossett (Engagement Lead, Grant Thornton), Elizabeth Jackson (Engagement Manager, Grant Thornton), Sue Howell (Customer and Complaints Manager), Jonathan Cowie (Chief Executive, CityWest Homes), Jo Bowles (Director of Shared Services at CityWest Homes), Damian Highwood (Strategic Performance Team), Ben Goward (Interim Bi-borough Director of ICT), Moira Mackie (Interim Shared Services Director for Audit, Fraud, Risk and Insurance) Neil Walker (Assistant Head of Tri-borough Insurance Service), Andy Hyatt (Tri-borough Head of Fraud) and Reuben Segal (Senior Committee and Governance Officer)

Apologies for Absence: Councillor Judith Warner

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 minutes of the meeting held on 14 September 2016 be agreed by the Chairman as a correct record of proceedings.

4 GRANT THORNTON ANNUAL AUDIT LETTER 2015/16

4.1 Paul Dossett, Engagement Lead, Grant Thornton, introduced the Annual Audit letter which set out the key findings from the audit of the Council's Financial Statements (Council and Pension Fund) for the year ending 31 March 2016.

- 4.2 Mr Dossett advised that the letter which had been published on the Council's website and that of the Audit regulator by the statutory deadline of 31 October 2016 contained very little in additional information to the key findings reported to the committee at its meeting in May. He advised that there were no outstanding objections to the 2015/16 accounts. He further advised that since the publication of the letter Grant Thornton had certified the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions as well as the Teachers Pensions Return meeting the end of November deadline.
- 4.3 Mr Dossett explained that the Code of Practice on Local Authority Accounting (CIPFA) requires authorities to account for Highways Network Assets (HNA) at depreciated replacement cost from 1 April 2016. The Council's finance team had undertaken a good deal of work in preparation for this. CIPFA had recently decided to postpone its introduction. It will consider whether to require this to be accounted for in 2017/18. This is expected to be known in March.
- 4.4 Members asked whether assets such as street furniture would be valued on their historic or replacement cost? Mr Dossett was referred to the fact that some street furniture may incorporate Wi-Fi and therefore could be income generating. He was asked whether such street furniture could incorporate its income generating value. Elizabeth Jackson, Engagement Manager, Grant Thornton, suggested that this may be possible if such values can be produced. She undertook to raise this issue with CIPFA as part of future discussions.
- 4.5 In response to questions relating to Value for Money risks around significant capital projects, Ms Jackson advised that as part of its audit work for 2016/17 Grant Thornton would review whether the new business case arrangements for awarding capital programme expenditure to projects are working.
- 4.6 **RESOLVED:** That the Annual Audit Letter 2015-16 be noted.

5 PROGRESS REPORT AND UPDATE ON 2016-2017 AUDIT

- 5.1 Elizabeth Jackson, Engagement Manager, Grant Thornton, introduced a report which set out the auditor's progress in delivering its responsibilities relating to the audit of the Council's Financial Statements and the Pension Fund for the financial year 2016-17. The report included key information on accounting changes and emerging issues for Local Government such as the outcome of the EU referendum.
- 5.2 The Committee was informed that a further progress report would be submitted to the next committee meeting.
- 5.3 **RESOLVED:** That the progress report be noted.

6 CORPORATE COMPLAINTS 2015/16

- 6.1 The Committee considered a report that set out the Council's Annual Complaints Review for 2015-16. The report summarised the Council's complaints performance (Complaint stages 1 and 2) and those complaints received by the Local Government Ombudsmen (LGO). The report also contained, as an appendix, a copy of the Local Government Ombudsman Annual Letter/Review for the year ending 31 March 2016 and a copy of CityWest Homes Complaint Report for 2015-16.
- 6.2 Sue Howell, Complaints and Customer Manager, summarised the key headlines from the 2015-16 review.
- 6.3 The Committee was informed that only 18% of the stage 1 complaints were escalated to stage 2 and represents an improved performance (down 6%) compared to the previous year. In 62% of the stage 2 complaints received the complainant did not cite specific fault with the stage 1 decision, and either requested a review without explaining why, or repeated the same complaint made at stage 1. The analysis of stage 2 complaints revealed that there were no serious service failings in any of the complaints received. Only 6 stage 2 complaints were Upheld (6 of 163). Overall human error was the main factor in 5 of these complaints.
- 6.4 The Committee was further informed that the findings of complaint decisions at stage 2 support a robust stage 1 process. Comprehensive stage 1 responses are being undertaken and any wrong doing put right at the first stage of the procedure. There had been learning from complaints. Measures had been implemented by Housing Benefit/Council Tax, which made up the largest volume of complaints, after analysing stage 1 complaint data. A significant majority of housing benefit complaints were due to perceived delays in the assessment process. In most cases additional outstanding information was required from the applicant before the application could be assessed. Members commented that in the past the contractor was asked to prioritise speed over accuracy which resulted in assessment errors. The committee requested details of the verification process/specification for housing benefit applications.
- 6.5 The Committee noted the explanation in the report that the highest volume of complaints relate to finance (Housing Benefit, Council tax and business rates) but that complaint volume is not in itself a good indicator when trying to determine if a service area has been delivering good services. Whether Housing Benefit is awarded or whether a homeless application is accepted are very emotive concerns and therefore increases the likelihood of complaints being generated if customers consider the Council should be doing more whether the Council is at fault or not. Members suggested that to more clearly reflect complaints relating to finance next year's annual report should set out the finance related complaints by subject.
- 6.6 The report revealed that 28% of Council Tax stage 1 complaints upheld in 2015/16 were in relation to missing or miss-allocated Council Tax payments. The committee asked about the cause of this. Ms Howell explained that some

of the problems related to functionality issues within the Agresso system. The particular problem had been corrected and the error should not re-occur.

- 6.7 With regard to Members correspondence, the committee noted that there had been a decrease in the volume of queries received over the year. Members asked whether the figure related to all enquiries received from members. Ms Howell clarified that the figure was based on the level of correspondence which is responded to on a formal basis by the Cabinet Secretariat and Member Services team on behalf of Cabinet Members or Ward councillors. At present there is no way to gather a record of all queries or complaints raised by elected members as many will be raised informally in electronic form. Members questioned whether there may be an opportunity via Office 365 to aggregate such correspondence in future. Officers undertook to take this away for investigation.
- 6.8 Ms Howell stated that with further benefit caps coming into effect this year the committee may have concerns that this may result in an increase in complaints to the Council by those affected by it. She explained that as the policy was set by government the Council would not treat letters specifically protesting about the cap as a complaint.
- 6.9 The committee then heard from Jonathan Cowie, Chief Executive, CityWest Homes, (CWH) regarding the formal complaints and local resolutions received by CWH for the year 2015/16. It also received an update on a new complaints policy that was launched in April 2016 which will be used to improve service delivery.
- 6.10 Mr Cowie informed members that following an independent review of the organisation in 2015 CWH had developed a five-year strategy and transformation plan which will modernise and simplify all aspects of service delivery. Based on the results of satisfaction surveys there were three core services where the organisation was not performing as well as desired. These were complaints, major works and antisocial behaviour.
- 6.11 With regards to complaints, Mr Cowie explained that CWH had spent the last 12 months ensuring that it captured and analysed all complaints raised by residents to increase transparency on issues and to understand the root cause of concerns. CWH would be comparing complaints data against other, similar organisations to identify levels of service excellence. In respect of complaints performance this year, while there had been an increase in the number of stage 1 complaints being raised issues were being resolved faster than previously. Additionally, the number of complaints escalated between stages 1 and 2 had reduced significantly from 29% to 10% which demonstrated the positive impact being made by the new complaints policy. He further highlighted that whilst the highest number of complaints related to repairs this only equated to 0.6% complaints per volume of transactions. Since the introduction of the new policy and approach satisfaction with complaint handling had also improved from 63% to 75%. CWH wanted to see this rise up to 85%. Mr Cowie advised that complaints performance data is reported to CWH board meetings and the City Council.

- 6.12 The Committee asked about the number of complaints being submitted to the housing ombudsman. Jo Bowles, Director of the Shared Services, CWH advised that CWH would be undertaking some benchmarking to determine how the 8 to 10 cases that have been submitted to the ombudsman compared across the sector. She further informed the Committee that approximately one third of the cases had been upheld by the ombudsman. A senior team within CWH would be looking at these cases to understand what went wrong and to learn from them to ensure that the mistakes are not repeated.
- 6.13 The Committee noted that more MP and Councillor enquiries are received than recorded centrally as many enquiries go directly to individuals and this makes it harder to track the responses. Ms Bowles explained that the housing management system used by CWH was not particularly sophisticated in compiling all of these enquiries. CWH would be looking to see whether it could access the City Council's new complaints database to better capture this information.
- 6.14 Members asked how CWH was monitoring complaints relating to the subletting of leaseholder properties through Airbnb. Mr Cowie stated that CWH was currently experiencing difficulties in capturing this information as many residents do not formally complain but raise the issues in local estate offices. It would be asking residents to formally submit their concerns in writing so that they can be captured and recorded. He was aware that there are concerns on the Churchill Estate about properties being sub-let through Airbnb. Residents are particularly concerned about security. CWH are concerned about how those renting properties are gaining access to its estates and obtaining key fobs. Officers were referred to the fact that there are provisions in CWH long leases that restrict subletting. Members had concerns that by doing so residents could invalidate the Council's insurance policies and place it at risk of irrecoverable claims in the event that damage occurs. Mr Cowie was asked to provide a note to the committee on this matter.
- 6.15 **RESOLVED:** That the information contained in the Annual Complaint Review 2015-16 be noted.
- 6.16 **ACTIONS:**
1. The committee would like details of the verification system that is used by Capita to process housing benefit and council tax applications. **(Action for: Martin Hinckley, Head of Shared Services)**
 2. CWH monitoring of Airbnb complaints - how will CWH formally capture concerns about the short term letting of CWH residential property through Airbnb? What are the insurance policy implications for the Council if leaseholders sublet their properties? **(Action for: Jonathan Cowie, Chief Executive/Jo Bowles, Director of Shared Services, CWH)**
 3. Where/to whom should councillors send queries or complaints regarding CWH? **(Action for: Jonathan Cowie/Jo Bowles)**

4. CWH Complaints Performance Reports - The Committee would like copies of reports provided to the CWH Board and Westminster City Council so that they can have an oversight of trends. **(Action for: Jonathan Cowie/Jo Bowles)**

7 FINANCE (PERIOD 6) AND QUARTER 2 (APRIL 2016-SEPTEMBER 2016) PERFORMANCE MONITORING

- 7.1 Steve Mair, City Treasurer, introduced the period 6 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.
- 7.2 The Committee was pleased to note that at the end of period 6, the general fund was projecting an underspend of £11.667m. This was largely attributable to higher than anticipated car parking income as a result of increased income from parking bay suspensions. In response to questions, the City Treasurer confirmed that any net surplus at the end of the financial year would be dealt with as part of the financial year accounts for 2015/16. The overspend of £1.051m within the portfolio of the Deputy Leader & Built Environment related to lower CIL payments.
- 7.3 Members noted that there was a net underspend of £60.487m within the service area capital budgets. This was offset by £99.351m shortfall for in year capital receipts and contingencies. Overall, the effect of the two had been to see the project borrowing requirement rise by £38.864m in 2016/17. Members expressed ongoing concern over the capital budget where funds are not being spent as expected due to slippage on capital projects. The City Treasurer stated that the City Council was a large and complex business with a budget of over £800 million per annum. Therefore, it was not unusual given its complexities for slippage to occur in the capital programme. He explained that to mitigate the challenges the Council had introduced a new business case arrangement for awarding capital programme expenditure to projects. He also reminded the committee that there was an opportunity for Members to scrutinise next year's capital programme as part of the Council's budget proposals for 2017/18.
- 7.4 Damian Highwood, Strategic Performance Team, introduced the Quarter 2 performance report which presented detailed results for the period April to September 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.
- 7.5 The report included a featured analysis on employment. This is a key priority throughout City for All, with a commitment to reduce long-term unemployment, those out of work for a year or more, particularly prominent. The committee was informed that data on long-term unemployment is drawn from people actively claiming workless benefits (Jobseekers Allowance, Employment Support Allowance (ESA) and Lone Parents) from local job centres. Across

all benefits in scope the long-term unemployment count had been reduced by over 5% in the single year February 2015-February 2016. In response to questions, Mr Highwood explained that the reduction could be attributed to either claimants coming off benefits, being exempt from employment due to disability, moving out of the borough or being deceased. The committee asked how many people that had found employment in the 12 month period were in part-time vs full-time work. Mr Highwood explained that as the Council was not permitted access to this data from the Department for Work and Pensions. Officers could only provide statistics for those jobs brokered by the Council and its partners.

- 7.6 Members noted that despite the successes a significant challenge remains. Westminster's stock of long-term unemployed is now 84% ESA claimants, which is the hardest client group to obtain job outcomes.
- 7.7 In respect of the service performance within Growth, Planning & Housing, the report set out challenges for the regeneration of Ebury Bridge. Members commented on the need to keep the local community updated on the issues. Mr Highwood advised that there were plans to re-commission community engagement on any change to the current option and to reassure residents that there remains a plan for regeneration.
- 7.8 With regard to the service performance within City Management & Communities, members asked questions about the recent failure of the Ringo parking system and what assurances there were if the contractor's software fails? Ben Goward, Interim Bi-Borough Director of ICT, explained that the recent disruption was caused by the providers network crashing. He stated that the Council would expect the provider to incorporate resilience in the event that this occurred. He was due to have follow-up discussions with the contractor on the matter.
- 7.9 The Committee noted within Corporate Services that the key service performance indicators around the percentage of temporary agency contractors (TACs) employed for over 12 months was still deteriorating. The City Treasurer advised that an update on this was provided on a regular basis at Executive Management Team (EMT) meetings. The new Director of People Services was also following up the issue of the numbers of TACs in each service directorate and the circumstances for their requirement with individual directors.
- 7.10 The Committee then received an update from Ben Goward on the recent failure of legacy IT infrastructure, IT security issues and the Council's measures to mitigate these. The committee also received an update on the rollout of office 365 to members including when training and guidance would be provided. Mr Goward welcomed feedback from Members on the available Office 365 options for Councillors as well as instructions of how to set these up. He clarified that training to be provided in January would also cover legal implications.
- 7.11 In response to questions on the security attack on the Council's website in March, Mr Goward confirmed that the matter was reported to GCHQ so that it

could be investigated. However, the Council would not receive feedback on the outcome of this.

7.12 Members also asked questions about the security implications of moving to Cloud computing, in particular whether there was any issue over where such data was stored. Mr Goward advised that all organisations were moving to this form of computing. The Council had begun to migrate to this system in 2008-2009. He stated that wherever the Council procures a Cloud system it states for security reasons where such data can be located.

7.13 **RESOLVED:** That the Period 6 Finance Report and Quarter 2 Performance Business Plan Report be noted

7.14 **ACTIONS:**

1. HRA revenue forecast - provide a breakdown of the sources of 'other' income. What does this consist of? **(Action for: Steve Mair, City Treasurer)**
2. Gangs - Provide details of the latest intelligence around gang activity. What are the current interventions in place? Include a passage on work around gangs in future reports.
3. CCTV - What is the current situation with the use of CCTV so that Members can provide community safety assurance? The committee stated that feedback from residents is that they cannot understand why the City Council has reduced / lost CCTV surveillance capabilities.
4. Low Emission Neighbourhood (LEN) funding – What activities are being planned with the LEN money that has been secured? The committee expressed concern about the increase in air pollution in the City and the need to tackle this. The committee has requested an analysis of the change in air-quality in parts of the City. Particular concern was expressed about Embankment, Hyde Park and Marylebone Road.
5. Unemployment – What is the age breakdown of the remaining Long Term Unemployed by benefit type? How many people helped into work by the Westminster Employment Service (WES) are achieving part-time vs. full time work? What role (if any) could the University Technical College (UTC) have in helping unemployed people? The committee suggested this could include providing evening classes and enhanced links with employers.
6. Open Forums – Provide details of current plans for Open Forums. Members were concerned that it has been almost two years since Area Forums ceased in their areas.
7. Sexual Health / GUM services- Provide in more detail the process by which providers obtain addresses from service users so that appropriate recharges can be made.

(ACTION FOR: Damian Highwood, Strategic Performance Team)

8 INTERNAL AUDIT 2015/16 - PROGRESS REPORT (AUGUST TO OCTOBER 2016)

- 8.1 Moira Mackie, Interim Shared Services Director for Audit, Fraud, Risk and Insurance, introduced a report that contained details of the work carried out by the Council's Internal Audit service in the reporting period. It found that in the areas audited internal control systems were generally effective although one no assurance report had been issued. One follow up review completed in the period confirmed that the implementation of recommendations had been undertaken.
- 8.2 The committee noted that the one no assurance related to an audit of Children's Disability Services - Direct Payments. The audit identified a number of control weaknesses in the existing system. It was further noted that since the audit was finalised the service had confirmed that actions had been taken to address the weaknesses identified. A follow-up audit will be undertaken in January 2017 to confirm that the agreed actions have been implemented as stated by the service.
- 8.3 The committee further noted that in addition to the internal audit work completed in the period, a technical claims file review had been undertaken by the Council's insurers to provide an analysis of the Tri-Borough Claims Handling Service as measured against current best practice. The service handles Employers and Public Liability claims up to a delegated authority of £100,000 for Westminster. The committee welcomed the news that the review concluded that the service provided was effective, which is the highest opinion given in technical reviews, with the controls considered to be appropriate and to maintaining risk within acceptable parameters.
- 8.4 The Committee asked for details of the sort of claims being made up to the delegated authority level and whether there were many claims to this value. The committee also asked officers whether they believed that the value at which they were able to determine claims was set at the right level. Neil Walker, Assistant Head of the Tri-Borough Insurance Service, informed members that the City Council self-funded claims up to a value of £100,000. The types of claims that the service handled often included claims for tree root damage. The delegated authority level of £100,000 for Westminster had been in place for some time. He advised that a procurement exercise was currently underway for the award of a contract for the insurances which includes as part of the evaluation delegated authority levels for claim handling. Bidders have the option to quote for different deductible levels. At the Royal Borough of Kensington and Chelsea the delegated authority level is £250,000, in line with their deductible. He considered that there were benefits, dependent upon the evaluated merits of the bids, in the Council having increased authority in determining claims as it was Public funds.
- 8.5 **RESOLVED:** That the report be noted.

8.6 ACTIONS:

1. Provide a breakdown of the claims paid out this year by Westminster up to the delegated authority of £100,000.
2. The committee would like a note on the outcome of the procurement for a provider to handle Employers and Public Liability claims above the delegated authority level once a contractor has been chosen.

(Action for: Neil Walker, Assistant Head of the Tri-Borough Insurance Service)

9 MID YEAR COUNTER FRAUD MONITORING

- 9.1 Andy Hyatt, Tri-borough Head of Fraud, introduced a report that provided an account of fraud related activity undertaken by the Tri-Borough Corporate Antifraud Service (CAFS) from 1 April 2016 to 30 September 2016.
- 9.2 Since April 2016 CAFS identified 70 positive outcomes, including 12 prosecutions and ten recovered tenancies. Fraud identified in the same period had a notional value of over £2.2 million.
- 9.3 The Committee noted that to date, CAFS had successfully prevented 13 Right to Buys (RTB) from completing, where suspicion was raised as to the tenant's eligibility or financial status. The prevention work undertaken in respect of RTB continues to protect a valuable Council stock. In response to questions from members Mr Hyatt explained that while CAFS apply an enhanced fraud prevention process to all new RTB applications anti-fraud activity generally tended to be more reactive. He explained that the service relies on referrals. It did not previously want to publicise requests for referrals without having sufficient resource to investigate them. However, since last year there has been an increase in CAFS resources which will provide additional capacity to enhance coverage and deferrals will be encouraged. The service has previously visited each of the Council's estate managers to raise awareness of fraud and RTB fraud and provided some guidance on issues to be aware of. Members commented that CWH also has many street based properties and stressed the importance of similar awareness being applied to these properties. Mr Hyatt advised that publicity around this matter will be included in newsletters that will be circulated to CWH.
- 9.4 In respect of disabled parking investigations, the Committee noted that the introduction of a dedicated resource, body cameras and a regular Blue Badge inspection regime had proven successful with 15 offenders apprehended who had appropriate sanctions applied for misuse, including 12 successful prosecutions. Members asked what they should do in the event that they suspected the fraudulent use of disabled parking badges. Mr Hyatt advised that anyone who had concerns should contact CAFS which could undertake target monitoring. He reported that following complaints by antique dealers in Church Street the service undertook some targeted monitoring of the use of blue badges in the area and subsequently prosecuted individuals who were

witnessed to be misusing blue badges. Mr Hyatt clarified that for a successful prosecution to take place an officer needs to witness the misuse.

9.5 The Committee also considered fraud related activity relating to resident parking investigations. It noted that CAFS continues to investigate the misuse of resident parking permits and to date had successfully apprehended ten offenders. Positive outcomes included fraudulently obtained permits, height restricted vans and permits issued to commercial addresses. Mr Hyatt was referred to the fact that when the committee last discussed resident parking investigations it was informed that CAFS would undertake some work to determine which addresses in the Council's database were genuinely residential properties and subject to Council tax and which were in fact businesses. Mr Hyatt advised that while some desk based enquiries had been undertaken which had enabled some of the database to be cleansed CAFS had not performed any bulk data matching. This was an exercise it still aimed to undertake. The committee asked what the Council could do to further lobby for a requirement that number identifiers are displayed on each residential address to stop fraud. Members highlighted that the absence of numbers on many properties makes it easier for resident parking and other forms of fraud to be perpetrated.

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

10 AUDIT ARRANGEMENTS BEYOND 2018-2019

10.1 Steve Mair, City Treasurer, introduced a briefing on the options for appointing an external auditor to the Council for the 2018-19 financial year onwards.

10.2 The Council's current external auditors, Grant Thornton UK LLP, are currently working under a contract originally let by the Audit Commission. This was novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission.

10.3 Regulations made under the Local Audit and Accountability Act 2014 allow authorities options for appointing an external auditor from 2018/19 onwards. They can opt-in for their external auditor to be appointed by an "appointing person", as defined in the Regulations. Alternatively, they can establish an auditor panel and conduct their own procurement exercise solely or in partnership with other authorities.

10.4 The report outlined the options in more detail, along with an analysis of the benefits and risks to the Council with the intention of opting into a procurement being run by the PSAA under the "appointing persons" regime.

10.5 The Committee noted that the function of appointing a local auditor to audit the Council's accounts would be the responsibility of the full Council.

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

11 WORK PROGRAMME 2016/17

11.1 **RESOLVED:**

1. That the work programme including the items for the next meeting on 9 February be noted.
2. That the responses to actions be noted.

11.2 **ACTION:** Add an item to the work programme on DHP delegated decisions.
(Action for: Reuben Segal, Committee & Governance Services)

The Meeting ended at 9.40 pm

CHAIRMAN: _____

DATE _____