



CITY OF WESTMINSTER

# MINUTES

## Audit and Performance Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Tuesday 18th September, 2018**, Room 3.6/3.7, 3rd Floor, 5 Strand, London, WC2 5HR.

**Members Present:** Councillors Ian Rowley (Chairman), Danny Chalkley, Paul Swaddle and David Boothroyd

**Also Present:** Dave Hodgkinson (Assistant City Treasurer), Barbara Brownlee (Executive Director for Growth, Planning and Housing), Damian Highwood (Evaluation and Performance Manager), Mo Rahman (Evaluation and Performance Analyst), Paul Dossett (Partner, Grant Thornton), Paul Jacklin (Senior Manager), Andrea Luker (Executive Director of Strategy and Planning, CityWest Homes), Emma Dexter (Executive Director of Finance, CityWest Homes), Jeremy Beresford (ICF Framework Manager), Moira Mackie (Senior Audit Manager), Mandy Gado (Head of Procurement Development), Marivie Papavassilou (Procurement Governance Manager) and Reuben Segal (Acting Head of Committee and Governance Services)

#### 1 MEMBERSHIP

- 1.1 It was noted that Councillor Danny Chalkley had replaced Councillor Robert Rigby.

#### 2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations.

#### 3 MINUTES

- 3.1 **RESOLVED:** That the Chairman, with the agreement of the Committee, signed the minutes of the meeting held on 16 July as a correct record of proceedings.

#### 4 GRANT THORNTON - ANNUAL AUDIT LETTER 2017 - 2018 AND PROGRESS AND UPDATE ON 2018 - 2019 AUDIT

- 4.1 Paul Jacklin, Senior Manager, 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 2018.

He advised that there were no new issues subsequent to the detailed audit findings reported to the committee on 21 June 2018.

- 4.2 The Committee welcomed the news that Westminster maintained its position as the first local authority to have its accounts signed off by its external Auditors. The Committee was informed that the Council's performance was comfortably ahead of other local authorities. In accordance with statutory requirements the local authority deadline for approving and publishing financial statements with audit opinions for 2017/2018 had been bought forward from 30 September to 31 July. Thirty local authority audits were still pending.
- 4.3 Paul Dossett, Partner, Grant Thornton, then introduced a report which set out progress in delivering its responsibilities in relation to undertaking the audit of the Council's Financial Statements and the Pension Fund for the financial year 2018-19. The report included key information on emerging issues for Local Government such as the Ministry of Housing, Communities and Local Government (MHCLG), Social Housing Green Paper and Business Rate Pilots.
- 4.4 **RESOLVED:** That the Annual Audit letter 2017-2018 and the progress and update on the 2018/2019 audit be noted.

## **5 FINANCE PERIOD 3 AND QUARTER 1 PERFORMANCE BUSINESS PLAN MONITORING REPORT**

- 5.1 Dave Hodgkinson, Assistant City Treasurer, introduced the contents of the period 3 finance report which provided details of the forecast outturn in respect of revenue and capital and projected revenue and capital expenditure by Cabinet Member including key risks and opportunities. The report also included details in relation to the revenue and capital expenditure for the housing revenue account.

### Forecast Outturn by Cabinet Portfolio

- 5.2 Members requested further clarification in respect of forecast Special Education Needs (SEN) spending where there was a forecast overspend of £0.350m and service demand pressures for SEN transport of £0.261m. It was explained that Westminster's transient population makes it difficult to forecast requirements and that it can only take one child to significantly impact on the budget.
- 5.3 With regards to the Place Shaping and Planning Cabinet portfolio, members noted that there are £0.500m of opportunities from Development Planning which relate to vacant posts. Members suggested that consultation is undertaken with Development Planning regarding its staffing requirements before any decisions on these vacant posts are made.

## Capital – Forecast Outturn

- 5.4 The Committee noted with concern that there is still a significant underspend in the Council's general fund operational capital projects compared to approved budget. Members expressed the view that compared to development projects, which can be complex, there was less obvious justification for slippage in operational projects which relate to current stock and are largely small in nature.
- 5.5 Damian Highwood, Evaluation and Performance Manager introduced the contents of the Quarter 1 performance report which presented detailed results of the period April to June 2018 against the 2018/19 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.
- 5.6 Mr Highwood explained that the key performance indicators (KPIs) for the quarter were based on the 2017/18 target ranges. KPIs were being reviewed and the results of outturns against the 2018/19 target ranges would be reported on in the next quarter's monitoring report.

### **ACTIONS:**

#### Finance

1. Provide a breakdown of the specific variances in each general fund capital project in future finance reports. **(Action for: Dave Hodgkinson, Assistant City Treasurer)**

#### Performance Monitoring

1. KPIs for attention - Is the 4% target for STI screens undertaken in a community setting appropriate?
2. KPIs for attention - How is the failure to meet the streets lighting defects targets and call-back regarding noise complaints impacting Westminster's residents?
3. Featured analysis: Greener City - What air quality data and carbon emissions data does the Council hold and what actual real impacts have the greener city initiatives made to the air quality in the city?
4. Adult Social Care and Public Health - How is the Council monitoring safeguarding issues around Adults in light of the changes in shared service arrangements?
5. Children's Services - What is being done for the 40% of carers at Q1 that are NEET?
6. City Management and Communities - What KPIs and performance monitoring is there for policing following the planned BCU merger?

7. Growth, Planning and Housing – Provide an update on the mitigation actions around facilities management’s failure to maintain a Health & Safety compliant portfolio.
8. Policy, Performance and Communications - What % of the Council’s events revenue is at risk and what is the actual impact?
9. The Committee would like future reports to include the top quartile figures instead of the average when benchmarking performance.

**(Action for: Mo Rahman and Damian Highwood, Evaluation and Performance team)**

## **6 UPDATE ON THE HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME**

- 6.1 Barbara Brownlee, Executive Director for Growth, Planning and Housing, introduced a report on the HRA Capital Programme and in particular the steps and processes in place to address year-end capital expenditure variances when compared to the approved growth expenditure budget. This included the establishment of the Programme Management Office (PMO) in 2018-2019 whose main purpose and objective is to establish consistent and authoritative reporting of progress against agreed business targets and advice of strategic issues linked with the delivery against these targets.
- 6.2 Barbara Brownlee explained that over the last three years the year end capital expenditure variances had been an underspend of between 29% and 39% when compared to the approved gross expenditure budget. The variances to budget were due to a number of factors and differed depending on the type of expenditure (development, operational and acquisitions). In relation to operational expenditure she explained that historically, there were many small major works contracts which collectively, did not serve the Council well. This has been addressed through re-letting such contracts.
- 6.3 Barbara Brownlee highlighted that the forecast at period 3 indicated a much lower projected level of slippage in this financial year compared to the three previous years. She was cautiously optimistic that the year end outturn against budget would broadly be on target. She further advised that Growth, Planning and Housing and Finance were working much more closely together to monitor the Capital Programme compared to previous years.
- 6.4 The committee noted in relation to major works, that there was approximately a 40% variance at period 3 in external repairs and decorations and fire precautions compared to agreed budget. Barbara Brownlee explained that the latter related to replacing external cladding at Little Venice Towers. Replacement cladding had due to be installed but has been put on hold following publication of the Hackett report while the Council waits to obtain the recommended A\*\*\* rated cladding.

6.5 Members asked questions about the purpose and objective of the PMO. Barbara Brownlee explained that whilst development managers will continue to control projects the PMO will capture and analyse all capital activity occurring throughout the Council to provide more comprehensive reporting and insight into programme management for Members. She advised that it will likely take a couple of years before the PMO is fully effective.

6.6 **ACTION:**

1. Provide an explanation for the variance in the external repairs and decorations works at Period 3 compared to approved budget.  
**(Action for: Barbara Brownlee, Executive Director of Growth, Planning and Housing)**
2. The Committee will review the HRA capital outturn compared to original budget at year end where it will also review the outcomes of the PMO to date. **(Action for: Barbara Brownlee, Executive Director of Growth, Planning and Housing)**

**7 INTERNAL AUDIT AND INTERNAL CONTROL MONITORING REPORT (APRIL - AUGUST 2018)**

7.1 Moira Mackie, Senior Internal Audit Manager, introduced a report that summarised the work carried out by the Council's Internal Audit service in the reporting period and found that in the areas audited internal control systems were generally effective with 14 positive assurance reviews (substantial or satisfactory) being issued, although three limited assurance audits (1) Children's Services – Leaving Care; (2) Corporate Services – ICT Procurement and Contract Monitoring and (3) Corporate Services and Policy, Performance and Communications – Members IT had also been issued since the last report to the committee.

7.2 Four follow up reviews completed in the period confirmed that the implementation of recommendations had been effective with the majority (85%) of recommendations fully implemented at the time of the review.

7.3 With regards to Corporate Services (ICT Procurement and Contract Monitoring), Members expressed disappointment that sample testing of five contracts identified a number of exceptions where controls required improvement and deviated from procurement policy. This is unwelcome given the work that Procurement services have undertaken with service areas on contract management over the course of the previous year.

7.4 The Committee discussed the additional information on the 14 audits that received a satisfactory assurance, which was set out in Appendix 2 to the report. Despite receiving satisfactory audits the Committee highlighted a number of concerns as follows:

- Children's Services – supplier resilience – the service confirmed that due to the disaggregation of shared service and a high staff turnover, they had

been unable to locate the relevant evidence of credit checks regarding the financial stability of suppliers.

- Growth, Planning and Housing – Planning – not all staff who should have completed a Declaration of Interest and Out of Work Activities form as required by law had done so. There was also no evidence that Anti-bribery Risk Assessment had been completed for the planning staff and Anti-bribery Awareness training had not been provided.

Moira Mackie outlined the recommendations made to address the weaknesses identified which will be followed up in subsequent reviews.

- City Management and Communities – Libraries Target Operating Model – Members noted that 17 out of the 29 interviewees suggested that more support could have been provided in advance of the project's implementation to allow for a smoother transition. This was considered disappointing given that this was a pre-planned transformation project.

## **8 INTERNAL AUDIT CHARTER**

- 8.1 Moira Mackie, Senior Audit Manager, introduced a report on the Internal Audit Charter. She explained that in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Council has an Internal Audit Charter which is maintained by the Shared Services Director for Audit.
- 8.2 She further explained that the Charter is reviewed annually and has recently been updated to reflect changes.
- 8.3 **RESOLVED:** That the contents of the Internal Audit Charter and Strategy be noted.

## **9 HAMPSHIRE COUNTY COUNCIL PARTNERSHIP AND BT MANAGED SERVICES EXIT**

- 9.1 Dave Hodgkinson, Assistant City Treasurer, introduced an update report on the exit from the existing BT Managed Services contract and the transition to the Hampshire IBC Solution.
- 9.2 The committee was informed that the Go Live date had been pushed back to 1 December 2018 as the City Council had not felt sufficiently confident in the IBC solution's readiness for the intended Go Live date of 1 October 2018.
- 9.3 Mr Hodgkinson explained that the main programme to deliver the IBC solution is divided into 5 phases, which include testing of Systems Integration, User Acceptance Testing, and payroll comparison runs. Feedback following initial User Acceptance Testing, who consist of volunteers from across the Council, had been positive. One of the main areas of work is around the testing of payroll comparison runs. The Council's payroll is comparatively complex compared to some private sector organisations. Testing is ongoing with the focus on resolving data differences to increase the results of net pay accuracy which was running at c80%.

- 9.4 The committee asked if the Go Live date could be pushed back further if it was felt necessary. Jeremy Beresford, ICF Manager, Managed Services Framework, explained that contractually the Council will exit its current arrangements with BT at the end of November so it is unfeasible to postpone the Go Live date further. Additionally, the City Council is currently utilising version 4.7 of Agresso. Technical support for this version ceased at the end of 2017 and for the interim period arrangements are in place to provide extended support but this will cease on the last day of December.
- 9.5 Mr Hodgkinson outlined the contingency plans that have been put in place. The December pay for all staff is being brought forward to Friday, 14 December on a one-off basis to coincide with the launch of the IBC so that any discrepancies can be addressed before Christmas. Officers will be able to view their payslips prior to this pay date and raise queries if there are inaccuracies. The committee sought and received reassurances that sufficient resources would be in place to take calls from staff in December. Finance will also provide support as required to the IBC to resolve any identified issues.
- 9.6 Members asked about the outcome of testing of other services such as invoicing and payments to suppliers. Mr Beresford advised that this was ongoing to plan. Tests revealed that all suppliers' data should transfer properly to Hampshire's SAP system. Similar test results had been achieved in relation to payments to suppliers.
- 9.7 The committee noted that all schools had already migrated away from BT services.

## **10 CITYWEST HOMES PERFORMANCE UPDATE**

- 10.1 Andrea Luker, Executive Director of Strategy and Planning, and Emma Dexter, Executive Director of Finance, CityWest Homes, introduced a report that summarised CityWest Homes' (CWH) performance for the financial year 2017/18 and the period April – July 2018. It provided an update on the management of complaints and members' enquiries. It explained the changes within CWH during 2017/18 and the impact of those changes on operational performance. It incorporated a review of contracts let by the City Council and managed by CWH; an overview of CWH' risk management and a summary of CWH financial position for 2017/18.
- 10.2 Members questioned the accuracy of the volume of complaints recorded for 2017/18 as the statistics did not include the member enquiries raised on behalf of residents. Members were therefore of the view that the statistics could not be relied upon to provide a true reflection of complaints received by the organisation. This made it difficult for members to properly monitor performance. Members also expressed interest in data that is not compiled such as how many residents have had to call more than once in a month to complain about the same issue.
- 10.3 The committee discussed the changes within CWH during 2017/18 and the impact of those changes on operational performance. It considered that

strategically it had been a mistake to mobilise new contracts for repairs and maintenance, and major works at the same time as changing CWH's operating model for service delivery. Members were of the view that if there are proposals to change the operating model in service delivery in future its implementation should be closely performance monitored by the relevant Scrutiny committee. The Executive Director for Growth Planning and Housing also suggested that the Council's Programme Management Office could potentially oversee any restructure.

- 10.4 Members referred to the fact that complaints about delays in getting through to the Customer Service Centre were being raised before the change to the repairs and maintenance contractors. Barbara Brownlee informed the committee that there was a significant increase in the volume of calls to the new, single contact centre shortly after it opened. This was due to a combination of internal and external factors. The phone number was advertised extensively across the Borough and coincided with the Grenfell Tower Fire. Residents concerned about fire safety issues in their homes understandably called the phone line in large numbers to seek advice and reassurance.
- 10.5 The Committee discussed the responsibility of the CWH Board for monitoring the implementation of changes to its operating model and for day to day operational performance. Barbara Brownlee stated that with the exception of the Council's representatives on the board, who had raised concerns, there had been insufficient insight and rigour into the impact of the changes between December 2016 and July 2017.

## **11 PROCUREMENT SERVICES UPDATE**

- 11.1 Following consideration of the Annual Contract Review at its last meeting the Committee received an update on Procurement which focused on the Contract Management Programme and service area compliance in updating contract performance ratings in capitalEsourcing.
- 11.2 Mandy Gado, Head of Procurement Development, introduced the report. She advised that since the last meeting all 181 contracts had now been performance rated in capitalEsourcing and that there was good engagement from service areas with Procurement Services.
- 11.3 Mandy Gado highlighted that 10 contracts were rated as performing 'below expectations'. Members explored the reasons for this and discussed the actions put in place to improve performance as summarised in Appendix 2 to the report.
- 11.4 **RESOLVED:** That the report be noted.



## **12 WORK PROGRAMME AND ACTION TRACKER**

### **12.1 RESOLVED:**

1. That the Committee agreed the agenda items for its next meeting on the 14 November as set out in appendix 1 to the report.
2. That the work undertaken in response to the actions which arose from the last meeting, as detailed in at appendix 3 to the report, be noted.

The Meeting ended at 8.30 pm

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_