



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Tuesday 29th November, 2022**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Aziz Toki (Chair), Tony Devenish, James Small-Edwards, and Jessica Toale.

Also Present: Gerald Almeroth (Executive Director Finance and Resources), Nick Byrom (Strategic Performance Manager), Nicky Crouch (Director of Public Protection and Licensing), Mathew Dawson (Strategic Investment Manager), Zoe Evans (Complaints and Customer Manager), Martin Hinckley (Director of Revenues and Benefits), David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance), Andy Hyatt (Tri-Borough Head of Fraud), Debbie Jackson (Executive Director for Growth Planning and Housing), Amy Jones (Director of Environment), Jeffrey Lake (Deputy Director Public Health), Andrea Luker (Head of Housing Innovation and Improvement), Moira Mackie (Head of Internal Audit), Phil Robson (Head of Operations), Tony Roy (Head of Supplier Relationship Management), Visva Sathasivam (Bi-Borough Director of Social Care), Annabel Saunders (Director of Operations and Programmes), Rikin Tailor (Head of Corporate Finance), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Warman (Director of Commercial Partnerships), Claire Weeks (Head of Operational People Services) and Clare O'Keefe (Temporary Joint Lead Policy and Scrutiny Advisor).

1 MEMBERSHIP

- 1.1 The Committee noted that Councillor Paul Fisher sent his apologies for this meeting.
- 1.2 The Committee noted that Councillor James Small-Edwards was attending as substitute for Councillor Paul Fisher.

2 DECLARATIONS OF INTEREST

- 2.1 Councillor Jessica Toale declared that in respect of Item 4, she is listed as a formal signatory on the Modern Slavery Statement as the Council's Single Point of Contact for Modern Slavery.

- 2.2 Councillor Tony Devenish declared that in respect of Item 5 and Item 6 he is a consultant to one division of Bouygues but doesn't work for Bouygues Facilities Management which is referred to in the papers.

3 MINUTES

- 3.1 The Committee approved the minutes of its meeting on 31 October 2022.

3.2 RESOLVED:

That the minutes of the meeting held on 31 October 2022 be signed by the Chair as a correct record of proceedings subject to the following amendments:

1. That Item 1 reflect that apologies from Councillor Tony Devenish were received by the Chair.
2. That Item 6, 6.3, notes the correct date of 29 November 2022.

4 GENERAL PROCUREMENT UPDATE

- 4.1 The Committee received an overview of the General Procurement Update report from Sarah Warman (Director of Commercial Partnerships). The Committee understood that the Council spends £550 million each year on third party contracts and the report captures how these services are procured and managed to ensure maximum value for Westminster, residents and partners, as well as influencing and creating positive action.
- 4.2 The Committee noted that a supplier engagement event on 14 November was held in partnership with the City of London, the Metropolitan Police and Minority Supplier Development UK to support minority-led business in the UK and encourage more diverse and smaller businesses in the Council's supply chain. The Committee was informed that 70 suppliers attended the event and feedback was positive.
- 4.3 The Committee discussed the role of contracts to help deliver the Fairer Westminster and Responsible Procurement and Commissioning Strategies. The Committee understood that there will be significant changes to ensure that the commitments the Council makes translate into the commissioning of services and that suppliers share these commitments, like the commitment to modern slavery for instance. The Committee was advised that contracts are monitored.
- 4.4 The Committee held a detailed discussion on ethical procurement and how this works in practice. The Committee was advised that officers across teams in the Council are working together to ensure that procurement is as robust as possible whilst also safeguarding against unintended consequences, such as barriers which prevent businesses from bidding on contracts.
- 4.5 The Committee raised concern regarding the £550 million spend on third party contracts not being allocated to local, Westminster-based, smaller organisations. The Committee understood that strong engagement was being undertaken with businesses and officers are aware of the importance of

making the process as simple as possible.. The Committee was also pleased to learn that officers are cleansing available data to understand the current situation with the aim of having a more local and diversified supply chain, working towards a transparent process and setting the expectation in larger contracts about local supply chains. Whilst ensuring there is a level playing field for bids, the Council is providing opportunities for local businesses and actively seeking local businesses to bid. The Committee requested to be sent a summary of the Council's Procurement Code guidelines which sets the process out.

4.6 The Committee was advised that whilst ethical procurement is driving the wider agenda forward, there are no current plans to include living hours contracts for contractors. The Committee also noted that the early stages of developing the insourcing framework are progressing well with a number of actions being developed in tandem. Furthermore, the Committee was advised that the Adult Social Care team are investigating signing up to the Ethical Care Charter; the team hope to complete Stage One in January and then sign up to the whole charter.

4.7 **RESOLVED**

1. That the Committee noted the report.
2. That the Committee receive a one-page summary of the Council's Procurement Code.

5 **CONTRACT AND SUPPLIER PERFORMANCE REPORT**

5.1 The Committee received an overview of the Contract and Supplier Performance Report from Sarah Warman (Director of Commercial Partnerships). The Committee noted that the report sets out a retrospective view of the annual contract and supplier performance.

5.2 The Committee was advised that there is collaboration between Council teams and other stakeholders concerning risk management of key suppliers. There is a risk management forum which is updated monthly to oversee risk and give early warning signs of financial distress. The Committee understood that this forum is used as a proactive tool.

5.3 **RESOLVED**

1. That the Committee noted the report.

6 **QUARTERLY PERFORMANCE REPORT**

6.1 The Committee heard a summary of the Quarterly Performance Report from Nick Byrom (Strategic Performance Manager). The Committee noted that the Cost-of-Living Crisis has been predicted to last into 2024 and, to mitigate the effects, the Council is carefully considering financial plans which meet policy objectives whilst also supporting residents. In addition to the Government's welfare responsibility, the Council has a Cost-of-Living strategy which is being built on to ensure that the most vulnerable in Westminster are being looked

after. The Committee was pleased to note that the Council is investigating ways to help staff who are feeling direct or secondary pressure from the Cost-of-Living Crisis; this includes reviewing staff benefits and working pan-London to engage with other local authorities to ensure financial wellbeing of staff.

- 6.2 The Committee was advised that the Special Educational Needs and Disabilities transport provider has worked with the Council a number of years where a strong working relationship developed and a contracted programme established which was co-designed with parents and carers. Officers continue to monitor delivery and gain systematic feedback as part of the contract monitoring.
- 6.3 The Committee noted that the Key Performance Indicator (KPI) guidance is shared with officers to capture the risk, and guide scoring on the matrix which looks at impact and likelihood. The Committee understood that the fluvial water issue tends to appear in distinct pockets of the City and there's been significant investment over the last four years to ensure the surface water drainage assets are in the best condition they can be. The Committee also understood that high inflation is affecting the construction industry and costs are flagged as a risk despite the Council undertaking scenario planning, phasing programmes, liaising with contractors, tactically buying materials and listening to expert advice to mitigate the effects of estimates rising before entering into fixed price contracts.
- 6.4 The Committee noted with concern the trend of primary school vacancies. The Committee was advised that officers are working with a number of schools who are reporting falling school rolls; a number of these have deficit recovery plans in place and officers are examining local demographics, looking to strengthen communications and geographical delivery of targeted offers. The Committee also noted that the childcare provision has been under review due to increased homeworking, with officers keen to attract not only children within the boroughs but also out of borough. The Committee will receive census data of this.
- 6.5 The Committee was given clarification on the affordable housing targets and advised that there are a number of schemes close to completion, and whilst the metric provided focuses only on completion, different metrics are being considered. The Committee understood that the KPI regarding number of people doing physical activity is in line with a number of areas in the service provision; numbers dipped during the pandemic and the period of recovery is still ongoing. The Committee will have more information on this in the next report due to the Annual City Survey results.
- 6.6 The Committee recognised the tragedy of Awaab Ishak, the two-year-old who died as a result of mould in a social housing flat and noted that mould is an issue the Council is aware of and has systems in place to deal with. The Committee welcomed the knowledge that the Council is aware of its responsibilities and will do more in terms of ensuring communications with residents is adequate and that services can be accessed. The Committee understood that intelligence is used from the repairs team where trend data informs the planned maintenance programme and officers are looking to

identify a long-term solution. The Committee also questioned the access to fibre broadband KPI provided and officers will come back to the Committee with more information.

6.7 RESOLVED

1. That the Committee noted the performance updates at Quarter Two.
2. That the Committee will receive census data regarding falling school rolls.
3. That the Committee will receive information regarding the fibre broadband KPI.

7 CORPORATE COMPLAINTS REPORT

7.1 The Committee was introduced to the Corporate Complaints Report by Zoe Evans (Complaints and Customer Manager). The Committee expressed concern that only 62% of Stage One responses are meeting their 10-day target. Andrea Luker (Head of Housing Innovation and Improvement) advised the Committee that there is an increased volume in housing management complaints which is unlikely to decrease; this is a national trend and the Council is seeing an increased focus on housing generally. The Committee emphasised that complaints themselves are not necessarily negative, but it is important that complaints are captured, and lessons learned from them. The Committee requested that statistics of the last three years be given so the Committee has a view of the progress which has been made.

7.2 The Committee noted that officers are taking a more personal approach to responses, where solutions are more considered and agreeable to residents. This change is in progress but is taking time. The Committee was pleased to note that the quality of the investigations is improving but that the management of expectations, in terms of targets, are also considered.

7.3 RESOLVED

1. That the Committee reviewed and noted the information about complaints set out in the Annual Complaint Review 2021/22.
2. That the Committee reviewed the Local Government and Social Care Ombudsman Annual Letter/Review.
3. That the Committee will receive statistics covering the last three years.

8 Q2 FINANCE MONITOR

8.1 The Committee received a summary of the Quarter Two Finance Monitor from Rikin Tailor (Head of Corporate Finance). The Committee noted the Council's Revenue finance position and the variance which has increased since Quarter One, primarily due to inflationary pressures. The Committee also noted the Housing Revenue Account and Capital positions.

8.2 The Committee understood that services are taking actions to mitigate the difficulties from increased inflation by challenging suppliers on their increased costs and requesting evidence of the increases. The Committee noted with

concern that the amount of recoverable Temporary Accommodation rent remains frozen as per the Autumn Statement given by the Chancellor.

8.3 The Committee held a detailed discussion on services that are provided to the Council. The Committee noted that contract negotiations mitigate potential issues and the Council needs to ensure good, sustainable, value is being delivered.

8.4 The Committee acknowledged that the Council has a level of reserves which reflect the risks in the budget and allows the Council to weather difficult periods. The Committee understood that managing high inflation when income hasn't also risen will be difficult in the medium to long term but that there have been positive discussions with central Government about these pressures. The Committee also noted that interest earnings are not directly comparable to inflation costs.

8.5 **RESOLVED**

1. That the Committee noted the current monitoring and forecast position at Quarter Two for 2022/23.

9 **TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW**

9.1 The Committee heard a summary of the Treasury Management Strategy Mid-Year Review report from Phil Triggs (Tri-Borough Director of Treasury and Pensions). The Committee noted that in the current year 2022/23 and in 2023/24, officers are confident that the Council can use internal reserves to fund capital expenditure; this short-term strategy has been advised by the treasury consultants as well. The Committee was advised that the Council is in a relatively healthy position in terms of positive cash flow and would look to catch the market's cycle on its way down in terms of interest rates and lock into some new fixed interest loans.

9.2 The Committee was informed that the Tri-Borough team is working with London Borough of Bexley in the provision of treasury and pensions services. The Committee was advised that this type of arrangement is not likely to increase from the four London boroughs at the moment.

9.3 The Committee held a discussion on decreased local authority investing and was advised that the two main local authority consultancies had contrary views on utilising internal cash as means of temporary funding, or borrowing via the undertaking new long-term PWLB loans. It is understood that if a council has healthy internal cash reserves, these can be used on a temporary basis until interest rates are lower in the future.

9.4 **RESOLVED**

1. That the Committee noted the annual treasury strategy mid-year review 2022/23.

10 INTERNAL AUDIT PROGRESS REPORT

- 10.1 The Committee heard a brief summary of the Internal Audit Progress Report from Moira Mackie (Head of Internal Audit). The Committee was informed of the four different audit assurances and advised that when the audit was undertaken on the Children's Placements team, there was already an acknowledgement that improvement needed to be made.
- 10.2 The Committee was given a verbal overview of the Children's Placements audit and misalignment of data; the Committee understood that the issue of overpayment will be mitigated with the new case management system which will be in place in April 2023. The Committee noted that the service had undertaken a forensic piece of work and, in terms of lessons learned, having two separate systems which don't talk to each other is a risk.
- 10.3 The Committee noted that, as the Section 151 Officer, Gerald Almeroth (Executive Director Finance and Resources), is overall responsible for the audit function. The audit function is a tri-borough arrangement with the London Borough of Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea which David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance) manages.
- 10.4 The Committee understood that the number of audits undertaken within a given timeframe can differ as not all reviews have the same scope. Whilst there is a cycle of work, audit is also reactive. The Committee was advised that the audit process, in the post-pandemic world, is hybrid. There are a lot of meetings which are able to be held remotely but it is still useful to have conversations in person and review processes face to face. The Committee noted that the four, current, draft audit reports will be brought to the Audit and Performance Committee meeting in February 2023.

10.5 RESOLVED

1. That the Committee considered and commented on the results of the internal audit work carried out during the period.

11 REVIEW OF THE INTERNAL AUDIT CHARTER

- 11.1 The Committee was introduced to the Review of the Internal Audit Charter report by Moira Mackie (Head of Internal Audit). The Committee was advised that the Internal Audit Charter outlines how the internal audit service is provided in line with the Public Sector Internal Audit Standards (PSIAS). The Committee understood that reviewing the Charter ensures that it is current and allows for any corrections and amendments. The Committee also recognised the benefit of having more transparency in the detail of the service provided.
- 11.2 The Committee was pleased to note that the review of the effectiveness of the Audit and Performance Committee would be undertaken with Members to ensure that the Committee is as effective as possible. The Committee acknowledged that this might involve some informal workshops to identify

areas of improvement. The Committee was informed that the recruitment exercise for an independent Member of the Committee is underway, with interviews to take place soon; Members will be informed of progress and the Chair will go to the shortlisted interviews.

11.3 RESOLVED

1. That the Committee approved the Internal Audit Charter and Strategy.
2. That the Committee noted the commencement of a review of the effectiveness of the Committee in line with the recent guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) on Audit Committees and that a report will be provided on the outcome of the review at a future meeting.

12 MID-YEAR COUNTER FRAUD REPORT

- 12.1 The Committee was provided with an overview of the Mid-Year Counter Fraud Report by Andy Hyatt (Tri-Borough Head of Fraud). The Committee noted that the half-year report includes counter-fraud activity which has been undertaken. The Committee's attention was drawn to the London National Fraud Initiative (NFI) Fraud Hub where, over the next 12-18 months, more analytics and data sets will be used to identify outliers which may suggest fraud and provide significant benefit.
- 12.2 The Committee was advised that having 207 live investigations is reasonable in terms of the number of officers. The Committee understood that around 120 are active investigations with others waiting progression with legal services, for instance. The Committee noted that the figures of live investigations are at a good, and expected, level. The figures for the last two years had been inflated due to special exercises which were undertaken.
- 12.3 The Committee held a detailed discussion on the London NFI Fraud Hub and was provided with historic context around the proposal. The London NFI Fraud Hub uses the same system as the NFI, a public sector data matching exercise where all local authorities provide around ten different data sets every two years which is matched for anomalies. However, the NFI is localised for London and information is collated on a much more regular basis. The Committee noted that this helps prevent fraud at the gates and gives opportunity to prevent fraud as it is almost real time data and allows local authorities to be proactive to avoid potential fraud.

12.4 RESOLVED

1. That the Committee noted the contents of the report.

13 REVIEW OF ANTI-FRAUD POLICIES

- 13.1 The Committee was introduced to the Review of Anti-Fraud Policies report by Moira Mackie (Head of Internal Audit) on behalf of Andy Hyatt due to technical difficulties experienced at City Hall during the meeting.

13.2 The Committee noted that Council staff sign the Conflicts of Interest document and all Band 5 staff and above have to sign this document when joining the Council as it is considered to be part of their contract of employment. The Committee was advised that anti-fraud policies are part of the induction package to all new staff and communicated to existing staff via the Council's internal channels, similar to Human Resource policies.

13.3 RESOLVED

1. That the Committee approved the revised anti-fraud and corruption policies.

14 WORK PROGRAMME

14.1 The Committee reviewed the work programme and recognised that the agenda for this meeting was perhaps too lengthy. The work programme should be examined to prevent too many items being on the next committee agenda.

15 ANY OTHER BUSINESS

15.1 The Committee requested that the meeting in February 2023 should include an item on staffing, including structure, vacancies, turnover, sickness, agency and pay gaps for instance. It was agreed that this would be investigated.

15.2 RESOLVED

1. That an item of staffing will be investigated.

The meeting ended at 20:16.

CHAIR: _____

DATE _____