



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Wednesday 2nd December, 2015**, Rooms 3 & 4 - 17th Floor, City Hall, 64 Victoria Street, London, SW1E 6QP

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

Also Present: Steve Mair, City Treasurer, Sue Howell, Complaints and Customer Manager, Siobhan Coldwell, Chief of Staff, Anthony Oliver, Chief Procurement Officer, Mandy Gado, Head of Procurement Operations, Della Main, Operations Support Manager, Process and Governance, Damian Highwood, Evaluation and Performance Manager, Moira Mackie, Internal Audit Manager, Carolyn Beech, Director of HR, Nick Dawe, Interim Bi-borough Executive Director of Corporate Services and Reuben Segal, Senior Committee and Governance Officer

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 Councillor Glanz declared in respect of item 12 that he had previously used Mazars LLP in relation to his own business.

3 MINUTES

3.1 **RESOLVED:** That the minutes (Public and Exempt versions) of the meeting held on 3 November 2015 be signed as a correct record of proceedings.

4 KPMG ANNUAL AUDIT LETTER 2014/15

4.1 The Committee considered the Annual Audit Letter issued by the Council's external Auditors KPMG 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 2015.

- 4.2 Steven Mair, City Treasurer, informed the Committee that the comparative report on Local Government 2014-2015 accounts was expected on 10th December 2015. This would reveal where the council came in the order of local authorities filing their financial statements for 2014/15.
- 4.3 The City Treasurer was asked about the increase in the audit fee against the estimate. He explained that a proportion of this related to objections raised by one individual (from 2008/09) on behalf of a Westminster resident. One of these had been resolved while one remained outstanding. This related to motorcycle parking charges. He advised members that the Council was liaising with KPMG to resolve this matter as quickly as possible. Although the objections raised had identified weaknesses in respect of procurement these were minor in nature rather than fundamental problems. He confirmed that despite the appointment of a new auditor KPMG would have responsibility for signing off all of the accounts from 2007/08 to 2014/15.
- 4.4 The Committee asked officers about the unqualified Value for Money conclusion with regard to the weaknesses identified in respect of procurement. These related to instances of non-compliance with the Procurement Code and contracts being extended without provision in the contract to do so and the contracts register not being up to date and/or including incorrect items. The City Treasurer advised that the Chief Procurement Officer was taking remedial action to ensure that compliance was being met in full. Anthony Oliver, Chief Procurement Officer, stated that the weakness identified in relation to the extension of contracts included a significant number in Adult Social Care and possibly Children's Services. Extensions were required as the services were considering the impact of government legislation on commissioning strategies and the approach had been scrutinised by Cabinet Members beforehand. In response to questions about the processes for extending a contract he advised that these were as rigorous as the letting of a new contract. The extensions were considered and approved by the Westminster Tri-Borough Approval Board and were formally agreed by the relevant Cabinet members.
- 4.5 **RESOLVED:** That the Annual Audit Letter 2014/15 including the status of objections to the authority's accounts be noted.

5 CORPORATE COMPLAINTS 2014/15

- 5.1 The Committee considered a report that set out the Council's Annual Complaints Review for 2014-15. The report summarised the Council's complaints performance (Complaint stages 1 and 2) those complaints received by Local Government Ombudsman (LGO), and a limited review of dealing with the Leader and Cabinet Member correspondence. The report also contained, as an appendix, a copy of the Local Government Ombudsman Annual Letter/Review for the year ending 31 March 2015 and a copy of CityWest Homes Complaint Report for 2014-15.
- 5.2 Siobhan Coldwell, Chief of Staff, informed the Committee that the Executive Management Team was generally satisfied with how services were handling complaints and that in most departments performance was improving. She

explained that the Council was working on introducing a new complaints reporting system which will enable the Council to analyse data much more comprehensively such as identifying trends. This will result in officers being able to provide the Committee with a much more comprehensive report in future years. User acceptance testing was currently being undertaken. Subject to this and other necessary checks being satisfactorily completed the system was expected to go live on 1 April 2016. The 2015/16 review would be based on the existing reporting methodology. However, part year data for 2016/7 based on the new system could be provided alongside it.

- 5.3 Sue Howell, Complaints and Customer Manager, summarised the key headlines from the 2014/15 review. There had been an overall decrease in the total number of complaints across all stages of the complaints process (Council Complaints Stages 1 & 2) and that the percentage of upheld complaints had fallen with a significant fall from 14% to 3% at Stage 2. No serious issues had been raised at Stage 2. The committee was referred to the fact that the Council had introduced a new target for responding to complaints of 10 working days for both stages thereby taking a total of 20 days to go through the whole process. This compared very favourably with other London authorities where most took a total of 30 days or more to go through the whole process. The LGO Annual Review provided no comment on the Council's performance. It has suggested that it may provide some commentary on performance in next year's annual review letter. Until the new reporting system has been introduced a full breakdown of the correspondence submitted to Cabinet Members and Ward councillors could not be provided.
- 5.4 Members asked about the decision not to create a Tri-Borough Complaints Team. The committee was informed that a shared service would ordinarily only be created if moving to such an arrangement delivered savings. The Corporate Services Management Board undertook an analysis but found that there was no robust business case for creating a shared service. Miss Howell explained that the Royal Borough of Kensington and Chelsea has a different complaints process to the City of Westminster and the London Borough of Hammersmith and Fulham. The former would have needed to have increased resources in order to then make savings. The current arrangements were open to review should circumstances change in the future. Miss Howell explained that where complaints were received in relation to a Tri-Borough Service, such as Libraries, these were investigated by the borough in which the service was located. Not all complaints are dealt with through the Council's complaints procedure. Adults and Children's Social Services which are Tri-Borough services have their own statutory complaints procedure.
- 5.5 Members asked officers to explain the justification for creating a single system to manage complaints and FOI requests. Miss Howell advised that the complaints team would take on responsibility for some of the processing associated with FOI requests in order to free up the FOI team to focus on dealing with complex cases.

5.6 It was noted that there was a far greater volume of complaints in Finance than any other department both at Stage 1 and Stage 2. Members asked about the reasons for this. Miss Howell explained that this largely related to the nature of services within the Finance Department which included Housing Benefit, Council Tax and Business Rates. Often benefit officers assessing claims require additional information before a decision can be made. Benefits claimants will sometimes initiate a complaint if their claims are delayed while these checks are carried. Where residents have failed to pay their Council Tax the Council will issue a summons and residents will complain about having to pay the related additional fees. Other Council tax related complaints related to issues around administration such as problems in setting up direct debits.

5.7 With reference to planning, members queried why the number of complaints at Stage 1 was comparatively low with other departments while the volume of correspondence received by the Cabinet Member was high. Miss Howell clarified that the volume of correspondence received by Cabinet portfolio was indicative and until the new IT system is live we will not know exactly how many items are received. However, she considered that one reason for the low volume of planning complaints is that appeals against planning applications are progressed under a separate process overseen by the Planning Inspectorate who is independent of the Council and as such the complaints procedure cannot deal with many concerns residents might raise. However, members of the community who are concerned about planning applications/decisions may contact the relevant Cabinet Member to express their feelings.

5.8 The Committee noted that the LGO upheld a complaint in respect of a housing needs case and recommended a payment. This related to a case where a social housing tenant was placed in a property which was too large for his family. The tenant incurred rent arrears following the imposition of the bedroom tax as his housing benefit no longer covered the rent for the property. Members asked what processes were in place to ensure that homes offered to social housing tenants matched their Housing Benefit allowance.

5.9 **RESOLVED:**

1. That the information contained in the Annual Complaint Review 2014/15 be noted.
2. That the committee welcomed the improvement in performance and in particular the reduced timescale for responding to complaints.

5.10 **ACTION:**

1. Provide the committee with progress reports on the implementation of the new complaints reporting system as well as performance data once it has gone 'live'.
2. Provide the committee with a note on the reasons for the increase in complaints concerning CityWest Homes staff behaviour.

3. Provide the committee with details of the processes in place to ensure that homes offered to social housing tenants match their Housing Benefit allowance.

(Actions for: Sue Howell, Complaints and Customer Manager)

6 UPDATE ON CORPORATE CONTRACT MANAGEMENT

- 6.1 The Committee considered a report on compliance with contract record keeping within CapitalEsourcing across the Council, implementation of the Contract Management Framework and procurement and commercial training received by members of the Strategic and Commercial Procurement team.
- 6.2 Anthony Oliver, Chief Procurement Officer, informed the Committee that compliance with contract record-keeping within CapitalEsourcing across the Council had increased from 41% to 86% since the committee was presented with the Annual Contracts Review in July. Three departments (Finance, Policy, Performance & Communications and Corporate Services had achieved 100% compliance. Officers aimed to achieve full compliance across all departments by early in the New Year. The recording of contract performance had improved from 30% to 44% over the same period. Mr Oliver clarified that contract managers were managing contracts and undertaking reviews with suppliers but that they were not recording this information within CapitalEsourcing. There would be a drive in the New Year to obtain full compliance within this area. This would be supported by providing training and development to contract managers.
- 6.3 Mandy Gado, Head of Procurement Operations, informed the committee that the Contract Management Framework (CMF) had been finalised since officers last appeared at committee in July. The CMF had been designed to support an effective and more consistent approach to managing a diverse range of contracts across Tri-Borough. The CMF It had been developed to help manage risk and exploit the opportunities that arise in all contracts; it draws upon existing good practice and offers a flexible approach to support Contract Managers according to their specific needs.
- 6.4 Mr Oliver highlighted that having an accurate contracts register will enable the Council to better manage its contracts. For instance, it will alert contract managers about the forthcoming end of a contract and the need to plan for a re-procurement. This helps avoid the need to extend a contract because insufficient time has been left for the re-procurement process to take place.
- 6.5 In response to queries officers confirmed that to reflect the recent organisation changes further work was being undertaken to map the new hierarchies so that those within CapitalEsourcing match those within the Managed Services Agresso system.
- 6.6 Officers were asked about the flexibility of the system and the data that contract managers had to input into it given how varied contracts across the Council were in size and value. The committee was informed that the system

included 5 categories where contract managers were required to input a mix of generic contract information as well as specific data relating to the contract's key performance indicators. This enables scores to be rolled up to provide reasonable comparisons of how contracts are performing individually and against one another.

- 6.7 In recognition of the significant investment being undertaken to train contract managers the Committee asked about the retention of such staff within the Council. Mr Oliver explained that contract managers were not based within the procurement team but within individual directorates. Service directors had raised retention of such staff as a concern. Unfortunately there would always be some staff turnover. He stated that there was a requirement within the Council's procurement code for all new staff recruited to manage a contract to receive and undertake relevant training.
- 6.8 Mr Oliver was asked whether there were more training opportunities that could be progressed. He advised that the Council wanted to develop training on negotiation which was a completely new skill and which had not been provided previously.
- 6.9 **RESOLVED:** That the report be noted.
- 6.10 **ACTION:** Provide the committee with regular progress reports on meeting compliance targets for contract record keeping within CapitalEsourcing.
(Action for: Anthony Oliver, Chief Procurement Officer)

7 FINANCE (PERIOD 6) AND PERFORMANCE BUSINESS PLAN (QUARTER 2) MONITORING REPORT

- 7.1 Steve Mair, City Treasurer, provided an overview of the Council's financial position as at Period 6 (September 2015). This covered the revenue and capital expenditure and finance strategic projects. The Council was projecting a potential overall £1.082m underspend against the budget. The forecast outturn for capital expenditure was £2.588m underspend against the budget.
- 7.2 The City Treasurer advised that the Local Government Finance Settlement was due to be announced on the 16th or 17th December. It was unclear at the present time whether the government would provide a one or two-year settlement.
- 7.3 With reference to the forecast outturn, the City Treasurer was asked about the identified opportunities within the Directorate of the Executive Director of City Management and Communities. He stated that a proportion of this related to car parking income.
- 7.4 Damian Highwood, Evaluation and Performance Manager, Strategic Performance team, introduced the remainder of the report which outlined the progress made against the performance management framework between April – September. The Committee considered the major achievements and challenges, performance issues against internally set 2015-16 targets and where key performance needed to be improved.

Key Messages at Quarter 2

- 7.5 Concern was raised by Members about some of the key findings from the results of the 'Your Voice' Staff Survey 2015 - (safe to speak up and challenge 48%), (staff supported through change 30%) and (satisfaction with work environment 46%). Members commented that the good work undertaken by staff could suffer if officers do not feel valued by the organisation. The Director of HR was asked what the Council was doing to raise morale and retain staff. Carolyn Beech, Director of HR, advised that the Council was running a Leadership Academy programme to lead the organisation forward. It will better equip managers with the necessary leadership tools, behaviours and skills. She recognised that this form of training had not been undertaken for some time. Initial feedback from those that had participated to date was that the training was starting to bear results although this would take time to filter throughout the organisation. More broadly, the Council had identified a number of specific areas from the survey where focus would be targeted such as supporting staff through change. All departmental managers had been asked to produce action plans responding to the individual results from their directorate by 20th December.

2014 Mid-Year Estimates

- 7.6 The Committee noted the details of the population change in Westminster from 2013-14. The committee asked why the reduction in the female population was particularly pronounced. It also asked about migration of international migrants specifically which countries they were coming from and whether this was for work purposes. Mr Highwood explained that the former was based on an analysis in the previous year. It was therefore difficult to tell whether this was a temporary change or a long-term trend. It appeared that the reduction in the female population was based on the movement of families and young women out of the borough. This could be due to issues around affordability and the impact of the benefit caps. It was suggested that the Department for Work and Pensions new national insurance numbers could provide a profile of the numbers of workers and their nationality.
- 7.7 Members commented that the lack of affordable accommodation in Westminster was also leading to many more young people living at home. The committee asked about the long-term effects of families and young women moving out of the borough on school places. Mr Highwood indicated that this could result in a decline in the number of children in Westminster resulting in a greater number of school places being taken up by children from other London local authorities. While there would be sufficient secondary school places for local children there could still be competition to obtain a place at a school of choice.
- 7.8 Mr Highwood was asked how the population statistics compared with the number of available dwellings in the borough. Members expressed concern over the number of empty properties in the borough. Mr Highwood advised that the Council had limited information about the number of unoccupied properties. There was little benefit for owners to declare this. Members

queried whether the Council should take advantage of its powers as a billing authority and charge a premium on a class of property that has been unoccupied and unfurnished for two years or more. The premium can be up to 50% of the council tax on the property. The City Treasurer advised that due to its low Council Tax base the Council would only generate circa £90,000 whilst incurring administration costs.

- 7.9 The Committee asked about the increased time taken to process planning applications. Members were informed that this was due to a number of unfilled posts within the department. These were presently being filled and should result in an improvement in performance in the second half of the year.
- 7.10 With regard to service pressures and challenges within Growth, Planning and Housing, members asked whether the number of families in short-term nightly booked accommodation included those which the Council was working to provide with longer term leased properties outside of the borough. Mr Highwood confirmed that the number did include such families.
- 7.11 Members asked about the financial impact of the extension of 'Right to Buy' to housing associations which is to be funded by the sale of high-value Council homes. The City Treasurer advised that the Council was waiting for the final details to emerge once the bill had passed through Parliament. He stated that the Council had undertaken some initial calculations and estimated that it would lose £1.5 million a year in revenue as there would be a delay between the sale of the high-value Council homes and funds coming forward from sales to buy replacement properties.
- 7.12 In relation to the notable areas of achievement in Policy, Performance and Communications, officers were asked whether the Open Forum event which had been launched to replace the Area Forums would be reformatted given the experience to date. The Open Forum includes 3 citywide meetings per year which the Leader of the Council attends and answers questions from residents. Mr Highwood was informed that due to the high attendance at previous events many residents did not have an opportunity to ask questions. He undertook to take this back to the relevant officers for consideration.
- 7.13 Mr Highwood was asked for details about the Digital programme which was currently rated red/off track. He informed the Committee that this related to two issues. These were the way in which customers contact the Council and the flexible working arrangements that enable on street staff to use handheld devices to access and input information in order to improve the speed and operation of such services.
- 7.14 **RESOLVED:** That the report be noted.

7.15 ACTION:

Finance

Clarify whether the capital project to redevelop the Marylebone library is behind schedule and if so what impact this will have on the Council's capital budget. **(Action for: Steve Mair, City Treasurer)**

Performance

1. Supply details of what measures the Local Authority is undertaking to address the rising numbers of Unaccompanied Asylum Seeking Children.
2. Provide a breakdown by nationality of the international migrants coming into Westminster including the context for their migration, i.e. for work, studying or as dependents.
3. Given the decline in the female population between 2013 and 2014 and possible falling child numbers in the population, provide details on current and future schools capacity.
4. Is the increase in population in recent years being matched by an increase in council tax dwellings? Provide information known on the number of empty properties within the borough?
5. Supply details of rough sleepers who are not the responsibility of the Council.
6. Supply details of where fly tipping incidents occur in Westminster.

(Action for: Damian Highwood, Evaluation and Performance Manager)

8 INTERNAL AUDIT PROGRESS REPORT

- 8.1 The Committee noted the work carried out by the Council's Internal Audit Service in the reporting period and that, in the areas audited, internal control systems were generally effective although one limited and one no assurance report had been issued, in respect of Tri-Borough fostering and adoption and Tri-Borough multi-user log-ins respectively.
- 8.2 Follow up reviews completed in the period confirmed that the implementation of medium and high priority recommendations had been consistently effective.
- 8.3 The Committee expressed concern that no internal audit work had yet been undertaken on the Council's key financial systems due to the issues around the implementation of the Managed Services Programme. Moira Mackie, Internal Audit Manager, advised that ordinarily the audit team would have identified the key controls, verified their adequacy and undertaken some compliance testing against them. Because changes are still being made to the systems, key controls have not been reviewed at this stage. However, as

previously reported to the committee the Finance team were undertaking extensive testing and verification to provide themselves with assurances that the financial systems are as accurate as they should be within a small margin of error. The Internal Audit team is expecting to undertake some additional testing to enhance and not duplicate the work already undertaken by Finance and that planned by external audit.

- 8.4 **RESOLVED:** That the report be noted.
- 8.5 **ACTION:** Supply the Committee with a note on whether the recommendations in respect of the Tri-Borough multi-user logins has been implemented.
(Action for: Moira Mackie, Internal Audit Manager)

9 HEADLINE RESULTS FROM 'YOUR SURVEY' 2015

- 9.1 The Committee considered a report that provided the headline results from the 'Your Voice' Staff survey 2015. This is an annual staff engagement survey designed to give staff a voice, highlighting what does and does not work well.
- 9.2 The paper gave an overview of the main areas of improvement, areas of concern, progress on last year's key areas for action and identified potential areas for action this year.
- 9.3 Carolyn Beech, Director of Human Resources, highlighted that the key areas of improvement were around IT and other resources, perception that pay is fair, learning and career opportunities and a belief that action would be taken as a result of the survey. The areas which had declined were around appraisals (11% lower) and understanding of both personal, team and Council objectives and communication. In addition staff wanted to understand better what is going on within the Council and particularly matters affecting them. Ms Beech commented that in the last year the Managed Services Programme had been introduced and had encountered problems and the Council had undergone a large reorganisation. She considered that these issues would have had a bearing on staff responses.
- 9.4 In relation to bullying and harassment, although this had improved overall, there was a decline in staff affected reporting it, so this remained a key priority. Similarly although the physical environment had improved as a result of the declutter programme, the score still remained below the local government benchmark and remained a key focus area.
- 9.5 Miss Beech reported that there were improvements in all the areas which had been identified as areas for focus in 2014. To address the issues identified in this year's survey each department will develop its own action plan while the Council will also develop corporate actions on bullying and change management.
- 9.6 A breakdown of results by Department had been produced since the publication of the Committee report and this information would be provided to the Committee in a more detailed report following the meeting.

- 9.7 The Committee was disappointed to note that the number of staff that would like to be working at the Council in 12 months time was 5% below the Local Government Benchmark. Members also expressed disappointment that staff did not feel sufficiently informed about what is going on as this helps to allay fears about change. The Committee considered that how change is managed is exceptionally important. Miss Beech informed members that the Council would be studying good practice in departments which had scored well in this area and would be rolling that out across the organisation.
- 9.8 Members commented that each time there was a large reorganisation staff became unsettled. It was put to Miss Beech that it would perhaps be more productive to avoid such reorganisations unless absolutely necessary. In response she stated that given the significant financial savings that are likely to be needed over the next few years it was inevitable that more change would occur. She recognised that this would need to be managed better than previously. She advised that the Council had good relations with the trade unions and would seek their advice on better ways to handle this in future.
- 9.9 Miss Beech was referred to the fact that although there had been an increase in satisfaction with IT the overall satisfaction levels were still low. She was asked whether the survey attempted to understand what aspects of IT people were satisfied or dissatisfied with. She advised that it did not identify the different IT issues that staff have.
- 9.10 **RESOLVED:** That the report be noted.
- 9.11 **ACTION:** Provide the committee with a breakdown of the 'Your Voice' Staff Survey results by Department as part of a more detailed paper. **(Action for: Carolyn Beech, Director of Human Resources)**

10 WORK PROGRAMME

- 10.1 The Chairman referred to the large number of basement extensions that had been granted by the Council in recent years and he questioned whether concerns regarding the potential long term geological impacts and their effect on the structural integrity on buildings could store up future liability for the authority. The City Treasurer believed that the Council was fully insured in this respect but undertook to raise it with the Council's Risk Manager.
- 10.2 **RESOLVED:**
1. That the agenda items for the next meeting on 3rd February be noted.
 2. That the responses to actions arising from the meetings on 17th September and 3 November be noted.
- 10.3 **ACTION:**
1. Provide the committee with a note on the Council's insurance arrangements in relation to legal challenge associated with basement extension consents. **(Action for: Neil Wholey, Risk Manager)**

2. Invite Independent Persons on the Council's Standards Committee to the next meeting on 3 February 2016 in relation to the item on maintaining high ethical standards at the Council. **(Action for: Mick Steward, Committee & Governance Services)**

11 EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972

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

12 LESSONS LEARNED - MANAGED SERVICES PROGRAMME

- 12.1 The Committee received a report on the key findings from a "lessons learned" review that had been undertaken on the Managed Services programme by an external Auditor on behalf of the interim Bi-borough Director of Corporate Services.

- 12.2 **RESOLVED:** That the report be noted.

13.3 ACTION:

1. Provide the committee with the cost of the review undertaken by Mazars.
2. Provide the committee with an explanation of how the list of interviewees spoken to as part of the review was selected.

(Action for: Nick Dawe, Interim Bi-Borough Director of Corporate Services)

The Meeting ended at 9.32 pm

CHAIRMAN: _____

DATE _____