



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Thursday 9th February, 2017**, Rooms 3 & 4 - 17th Floor, Westminster City Hall, 64 Victoria Street, London, SW1E 6 QP.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd and Judith Warner

Also Present: Steve Mair (City Treasurer), Phil Black (Deputy Contracts Performance Officer, Revenue and Benefits), Gwyn Thomas (Senior Benefits Policy Officer), Paul Dossett (Engagement Lead, Grant Thornton), Elizabeth Jackson (Engagement Manager, Grant Thornton), Mo Rahman (Evaluation and Performance Analyst), Damian Highwood (Evaluation and Performance Manager), Neil Wholey (Head of Evaluation & Performance), Greg Ward (Director of Economy), Tasnim Shawkat (Monitoring Officer), Lee Witham (Director of People Services), Moira Mackie (Interim Shared Services Director Audit, Fraud, Risk and Insurance), and Reuben Segal (Senior Committee and Governance Officer)

Apologies for Absence: Councillor Lindsey Hall

1 MEMBERSHIP

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

2 DECLARATIONS OF INTEREST

Councillors Boothroyd and Warner declared that they were members of the Standards Committee which was referred to in the report on Maintaining High Ethical Standards at the City Council.

3 MINUTES

RESOLVED: That the minutes (Public and Exempt versions) of the meeting held on 16 and 24 November be signed as correct records of proceedings.

4 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015-16

- 4.1 The Committee received a report on the annual review undertaken by Grant Thornton on the grants the City Council claims. The key messages from the Grant Certification Audit are communicated to the Audit and Performance Committee as the body charged with overseeing governance at the Council.
- 4.2 There was only one claim/return audited by Grant Thornton in relation to the 2015-16 financial year and this related to Housing Benefit subsidy. The committee noted that Grant Thornton had no recommendations to raise for members consideration. This was the fourth successive year that there had been no recommendations.
- 4.3 There was only one minor issue identified by the audit. This related to one manual error that resulted in a £6 overpayment on one benefit claim. The claim was subsequently corrected. Officers were referred to the fact that although only one error was identified this was based on a sample test of twenty cases and not all of the applications processed. In response to questions Paul Dossett, Grant Thornton, explained that the number of cases tested was set by the Department for Work and Pensions and applied equally to all local authorities. If an error is discovered testing is permitted on a further forty cases to identify whether there are any underlying issues.
- 4.4 **RESOLVED:** That the report be noted.

5 GRANT THORNTON ANNUAL AUDIT PLAN 2016-17

- 5.1 The Committee considered the external audit plan which outlined the work that Grant Thornton propose to undertake for the audit of the Council's Financial Statements and the Pension Fund for the financial year 2016-17. The plans are based upon Grant Thornton's risk based approach to audit planning.
- 5.2 The committee welcomed Paul Dossett, Engagement Lead, and Elizabeth Jackson, Engagement Manager, Grant Thornton, to the meeting.
- 5.3 Members noted and asked questions about the identified significant risks on the Managed Services Partnership (MSP) and appeals provision for National Non-Domestic Rates (NNDR), the identified other risks around the valuation of property and the significant risk around value for money relating to capital projects. With regards to the audit plan for the Council's pension fund members also noted and asked questions about risks in relation to property funds.
- 5.4 With regards to the significant risk relating to MSP, members commented that due to on-going difficulties with the implementation the degree of cooperation from BT this year may differ compared to the previous year. The committee questioned how this would affect the audit. Mr Dossett advised that in this event Grant Thornton would write to the City Council to inform them of the circumstances and request that they ask BT to provide its cooperation.

- 5.5 The Council's provision for business rates appeals is the largest in the country and is a highly material balance in the financial statements. The provision is based on significant judgements made by management and uses a complex estimation technique to prepare provision. The Committee expressed concern about the implications for the Council's appeals provision following the new 2017 NNDR valuation list. Officers advised that this would not affect the current year's accounts but might affect those in the future. Steve Mair, City Treasurer, explained that the finance team was in the process of addressing the impact of the changes in the same way that it had in when the NNDR valuation list was last updated in 2010.
- 5.6 Officers were asked how frequently the Council's property assets are valued. The City Treasurer explained that general fund investment assets are valued on an annual basis to comply with financial accounting requirements. Other assets are valued at an average of 20% per annum. In response to concerns that this proportion seemed low, Mr Mair explained that increasing the sample or undertaking a valuation more frequently would lead to increased costs for the Council. Mr Dossett stated that a figure of 20% was common across local authorities. Members questioned whether a greater proportion of assets should be assessed more frequently given property values in central London are likely to change more than in other parts of the country. Concern was expressed that some properties could be incorrectly valued if assessed only once every 5 years
- 5.7 In respect of the significant value for money risk on capital projects, Ms Jackson advised that Grant Thornton would be reviewing the project management and risk assurance framework established by the Council in respect of the more significant projects, to establish how the Council is identifying, managing and monitoring these risks. It would review any business cases that are near completion or approved by members by the end of the financial year.
- 5.8 Reference was made to the fact that Westminster employee pensions are administered by Surrey County Council. The committee asked whether Grant Thornton audits their processes. Ms Jackson advised that they sample test pension calculations and provide the Council with assurance that these are being applied correctly.
- 5.9 With regard to the audit of the Council's pension fund, officers were referred to the fact that most investments are held as liquid investments. Members considered that the area where there was likely to be risk related to the property funds managed by Hermes and Standard Life. The auditor was asked to review these funds in relation to value for money.

5.10 **RESOLVED:** That the audit plans be noted.

6 FINANCE (PERIOD 9) AND QUARTER 3 (APRIL-DECEMBER 2016) PERFORMANCE MONITORING REPORTS (TO FOLLOW)

- 6.1 Steve Mair, City Treasurer, introduced the period 9 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.

- 6.2 The Committee expressed on-going concern over the capital forecast outturn variances against budget . Members expressed concern about the ability of service areas to produce robust forecasts. The City Treasurer stated that the City Council was a large and complex and business with a budget of over £800 million per annum and a large and significant capital programme. Therefore, it was not unusual given its complexities for slippage to occur in the capital programme. Effective forecasting relied on a combination of leadership and project management skills. He advised that the finance team does robustly challenge the assessments from those leading on capital projects. He further advised that the Council was not currently borrowing to finance capital expenditure but that this would be the case in the future. He explained that the Council had introduced a new business case arrangement for awarding capital programme expenditure to projects and that the finance team was working with service colleagues to address this. Moreover, the chief executive had commissioned a report to investigate the Council's programme management and delivery processes. Members suggested that a report on this issue should be added to the committee's work programme.
- 6.3 The Committee expressed concern over the possibility that a large number of projects that are currently delayed may all progress at the same time and they questioned whether officers would be have the capacity to deal with such a challenging workload. The City Treasurer advised that this issue would be picked up as part of the full service review.
- 6.4 The Committee noted that the £86 million capital receipt for the Moxon Street site which had yet to materialise was delayed due to challenges over Rights to Light.
- 6.5 The City Treasurer was asked for details of the Council's reserves. He reported that the general fund reserves were £41.56m at March 2016. This is likely to increase by approximately £5m to £46.6m over the course of the year.
- 6.6 In response to questions he was of the view that reserves should be built up to £70m as a minimum over the next 4 years or so. He referred to the fact that the Council cannot operate without sufficient reserves. As mentioned previously the Council's annual budget was approximately £800m. A modest 3% error on income and expenditure would result in the Council having to find £48m to make up the shortfall. He reminded the committee that in 2008 the Council had reserves of £70m which were heavily called upon following the global recession. He explained that at the current rate it would take a further four years for the Council to build reserves to a similar level. Members commented that the Council's external auditor at the time expressed the view that the Council was over reserved. The City Treasurer advised that this was not his view. The committee expressed concern as to whether the government would potentially reduce the Council's grant settlement in such

circumstances. It also wished to ensure a balance between increasing reserves and seeing further cuts to services.

- 6.7 Members also asked about the Council's income generation capabilities both in relation to contributing to the Council's budget and reserves. The City Treasurer advised that approaching one third of the budget proposals in the last 2 years had been generated from income such as car parking charges, commercial waste collections and the renting of advertising hoardings. This compared favourably with other local authorities. The committee suggested examining at a future meeting the Council's income generation streams and opportunities and how they can contribute to the ambition to increase general fund reserves.
- 6.8 Damian Highwood, Evaluation and Performance Manager, Policy Performance and Communications, introduced the remainder of the report which outlined of the progress made against the performance management framework between April and December 2016. The committee considered the major achievements and challenges, performance issues against internally set 2016-17 targets and where key performance needed to be improved.
- 6.9 Greg Ward, Director of Economy, addressed of the committee on the Council's progress in reducing long term unemployment amongst Westminster residents. He explained that to support the Council's ambition to reduce by a third the residents who are long-term unemployed (defined as residents claiming DWP benefits for one year plus) a new Westminster Employment Service was established in December 2016.
- 6.10 He informed members that despite the huge volume of jobs on offer Westminster has a high proportion of working age residents who are long-term unemployed compared with other parts of London. This is despite Westminster's unemployed being well-qualified. It has a greater proportion of its workforce further from work due to a combination of significant health or disability issues (the majority are Employment Support Allowance claimants), barriers to affordable childcare and the high costs of accommodation.
- 6.11 The Committee was informed that the Council had only started focusing on reducing long-term unemployment two years ago. In 2015 the number of long-term unemployed in Westminster was 11,500. This has now reduced to 9,600 due to a combination of factors including residents moving out of the borough or moving into retirement and therefore no longer being in receipt of certain DWP benefits. 551 of this group had been helped into work. Mr Ward stated that while this may seem a small number the implications were significant given the particular challenges presented by the target group. He advised that compared to 378 local authority districts in England, Wales and Scotland, Westminster achieved the 8th highest fall in the numbers of long-term unemployed. One third had sustained employment for more than 6 months. Evidence had shown that those who manage to stay in work for this length of time were more likely to remain in work. At the present time he was unable to provide statistics about how many had sustained employment for 12

and 24 months but through the new service there is now opportunity to start to monitor to these timeframes.

- 6.12 Mr Ward advised that the Council was focusing on those residents who had the highest support costs such as those in temporary accommodation or in receipt of social care, children known to the police or with addiction, mental and health issues. It was estimated that the savings from the Treasury amounted to £9000 per person. In response to further questions around costs he advised that the service cost £277,000 from the general fund annually with all other funding being attracted from alternative more external resources.
- 6.13 Mr Ward was asked about the on-going support provided to the long-term unemployed once they have found work. Members considered that some on-going monitoring and support was likely to be required for those with the challenging circumstances previously identified. Mr Ward reported that a particular issue identified was that those who enter employment can find it challenging to turn up consistently and on time and therefore to maintain work in the short term. The Council wished to work further with partners to ensure that the long-term unemployed have a greater opportunity to succeed.
- 6.14 The Chairman questioned the accuracy of the performance information for each directorate. With reference to the Community Independence Service (CIS) which featured as one of the successes within Adults Services he advised that from September 2016 he had chaired a task group of the Adults, Health & Public Protection Policy and Scrutiny Committee which examined the re-procurement and strategy for the re-commissioning of the CIS. He advised that the task group struggled to obtain information on the forecasting process which would determine the resourcing strategy, details about whether the model was appropriate to meet the demand and the mitigation of risks associated with the labour market which was required to support the service. The chairman expressed concern about the ability to track its performance when such information could not be scrutinised.
- 6.15 Mr Highwood explained that the report presented for this quarter was a hybrid report. He advised that some of the outcomes for the service were set out in the performance indicator table in appendix 1 although he acknowledged that this could be better interlinked. He advised that moving forward the Evaluation & Performance Team would be asking service directorates to outline in detail the outcomes achieved rather than listing successes.
- 6.16 The committee then raised questions and asked for further information on a range of key service updates within the performance business plans.
- 6.17 **RESOLVED:** That the report be noted.
- 6.18 **ACTION:**

Finance

1. Provide the committee with the cost of leasing accommodation at 5 Strand and Portland House as part of the City Hall refurbishment programme.

(Action for: Steve Mair, City Treasurer)

Performance

2. Advise whether the pressure on Adult Service budgets are likely to have an impact on future eligibility criteria;
3. The slowness to get the Young Westminster Foundation up and running has left a service gap (for instance Stowe Youth Centre reducing its opening times and provision) – what progress has been made and what impact will the delay have on services?
4. Clarify what steps can be taken to deal with rough sleepers who refuse support, but contribute to antisocial behaviour;
5. Is planning performance getting back on track in terms of determining applications for non-major developments?
6. Circulate updated demographics of long term unemployed in Westminster together with details of the costs/benefits associated with supporting those into employment as well as details of the outcomes achieved to date;
7. Provide some narrative as to how social value has been used to support distinctly i) local residents, and ii) local businesses;
8. Does the Council have an IT strategy to mitigate the risk from failure of remaining legacy data centre services and the risk of malicious virus/hacking from external sources?
9. Provide more information in the next quarterly report around the HR metrics and MSP improvement plans in place to resolve the current lack of dashboard data which is impacting on policy development and workforce planning. Confirm the number of staff in the council
10. Detail how Cornerstone has marketed for new potential Foster Carers – how might this change to deliver improved performance which has been off track for some time?

(Action for: Damian Highwood/Mo Rahman, Strategic Performance Team)

7 MAINTAINING HIGH ETHICAL STANDARDS AT THE CITY COUNCIL

- 7.1 The Committee considered an annual report which provided an overview of the arrangements in place and actions taken to maintain high ethical standards throughout the authority.
- 7.2 Members noted that the Monitoring Officer had considered 5 complaints about member conduct but determined in each case that there was no case to answer. The committee further noted that the complaints were submitted by

different members of the public and therefore did not indicate a pattern of vexatious behaviour.

- 7.3 Members referred to the fact that to assist those who sit on planning committees a note was being prepared that would provide guidance about entering into discussions with applicants or attending site visits and/or scheme presentations in advance of committee meetings.
- 7.4 The committee considered the details of staff disciplinary cases and whistleblowing issues. The committee noted that the Council concluded 13 disciplinary cases in total in the 2015/2016 financial year. This was regarded as normal for an organisation the size of the City Council and had slightly decreased from the previous financial year. Members asked whether there were any patterns of misconduct and whether there were clusters of misconduct in service areas. Lee Witham, Director of People Services, advised that 6 of the 13 cases involved staff in Children's Services while 3 were in Adult Social Services. However, he explained that these were two of the largest service areas in the Council and often involve some of the most challenging and sensitive work. He further advised that the misconduct cases were varied and there was no case to answer in five of them.
- 7.5 The Committee noted that there had only been one whistleblowing matter raised via the HR Department. Officers were asked whether this was because members of staff were hesitant to raise issues. Members suggested that perhaps a mechanism could be developed so that officers can put forward issues that should be scrutinised by councillors. Mr Witham undertook to look into this.

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

8 INTERNAL AUDIT MONITORING REPORT 2016-17 (NOVEMBER TO DECEMBER 2016)

- 8.1 The Committee considered a report that set out the key outcomes from the internal audit work carried out in the reporting period (October to December 2016).
- 8.2 The Committee noted the Internal Auditor's opinion that the Council's internal control systems based on the areas reviewed were generally satisfactory with all 9 audits finalised in the period receiving satisfactory assurance.
- 8.3 Two follow up reviews were undertaken in the period. It was noted that all the recommendations made had been implemented.
- 8.4 Members commented that while all 9 audits received a satisfactory assurance some of the weaknesses identified were of concern. Some related to failures to undertake fairly basic duties in sensitive services. Moira Mackie, Interim Shared Services Director for Audit, Fraud, Risk and Insurance, explained that the audits are undertaken across a wide area looking at the overall adequacy and effectiveness of governance, risk management and control arrangements.

Some of the weaknesses identified were procedural in nature but that on the whole the areas audited had improved compared to 2 years ago.

8.5 Moira Mackie stated that there will be a need to review those areas which are provided on a shared services basis if there is any change from a Tri or Bi-Borough basis to a sovereign service. However, she advised that while strategically some services were being delivered on a shared basis at an operational level in a number of cases each Council still had its own procedures and processes.

8.6 **RESOLVED:** That the results of the internal audit work carried out during the period be noted.

8.7 **ACTION:** Provide the committee with an analysis of potential risks for service areas moving from a shared service to another structure. (**Action for: Moira Mackie, Interim Shared Services Director Audit, Fraud Risk and Insurance**)

9 INTERNAL AUDIT PLAN 2017-18

9.1 The Committee reviewed a draft of the internal audit plan for 2017-18 as set out in Appendix 1 to the report.

9.2 The Internal Audit Plan had been developed following discussions with senior managers at the Council. Balancing audit resources across the Council's activities the Plan takes into account change, priorities and risk with cyclical reviews planned in operational areas across the 3 year period where possible. Areas of high risk had been identified and included in the plan as well as cyclical reviews in areas of a lower financial risk (e.g. schools).

9.3 Members asked why the number of planned audit days in Children's Services was significantly reduced compared to the previous year. Moira Mackie explained that some reviews were undertaken on a cyclical basis. Moreover, a high number of audits had been undertaken in Children's Services and Adult Social Care in the current year. She stated that the Plan is an early draft and will be subject to some amendment before a final version is published in March. It is possible that additional audits would be undertaken in these areas.

9.4 **RESOLVED:** That the draft internal audit plan 2017-18 be noted.

9.5 **ACTION:** Provide the committee with the updated audit plan once it is finalised in March. (Moira Mackie, Interim Shared Services Director Audit, Fraud, Risk and Insurance)

10 WORK PROGRAMME AND ACTION TRACKER

10.1 **RESOLVED:**

1. That the agenda items for 9 May meeting be agreed.

2. That the responses to actions arising from the meetings on the 24 November 2016 be noted.

11 ANY OTHER BUSINESS

The Meeting ended at 8.47 pm

CHAIRMAN: _____

DATE _____