



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held at 7.00pm on **Monday 18th September, 2017**, Room 3.6 and 3.7, 3rd Floor, 5 Strand, London, WC2 5HR.

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

Also Present: Steve Mair (City Treasurer), Graeme Gordon (Programme Director Evaluation and Performance Team), Mo Rahman (Evaluation and Performance Analyst), David Hughes (Senior Internal Auditor) Moira Mackie (Senior Internal Audit Manager), Lee Witham (Director of People Services), Jeremy Beresford (ICF Manager) Jake Mathias (HRA Strategy Manager), Dai Williams (Finance) David Hodgkinson (Assistant City Treasurer), Mick Steward (Head of Committee and Governance Services)

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 **RESOLVED:** That the minutes of the meeting held on 17 July be signed by the chairman as a correct record of proceedings.

Action:

The Committee repeated their request as follows:

1. Receive clarification why a waiver was required in relation to Microsoft Office 365 Licences in order to directly award this contract.
2. Clarify why the contract for Asbestos Removal and Encapsulation was rated below expectation.

3. Provide a note on (i) how many contracts the Council has running at present? (ii) How does this compare to previous years? (iii) What opportunities are there for amalgamating contracts to achieve savings/economies of scale and/or to bring about innovation?

(Action: Anthony Oliver, Chief Procurement Officer)

4 FINANCE (PERIOD 3) AND QUARTER 1 (APRIL - JUNE 2017) PERFORMANCE BUSINESS PLAN MONITORING REPORT (SEE REPORT OF THE CITY TREASURER AND THE DIRECTOR OF POLICY, PERFORMANCE AND COMMUNICATIONS)

- 4.1 Steve Mair, City Treasurer, introduced 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. Members reiterated their concerns about the significant variances between capital forecast and outturn against budget. The Committee intends to consider the Capital Programme, including the housing element, in more detail as a dedicated agenda item in 6 months as at this stage it was too early to monitor trends. Noted that this is already part of the Committee's Work Programme.
- 4.2 Mr Mair, in response to Councillor Boothroyd, advised that the Council produced an annual statement setting out how parking income had been used only on transport related matters and no longer produced a separate Parking Places Reserve Account.
- 4.3 Graeme Gordon, Programme Director, Evaluation and Performance Team, introduced the Quarter 1 performance report which presented detailed results of the period April to June 2017 against the 2017/18 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. Mr Gordon, in response to Member questions, advised that a review of Key Performance Indicators would be undertaken with Executive Directors. These would be more closely aligned to the City for All policy commitments or highlight if these were statutory.
- 4.4 The Chairman referred to the recurrence of several similar under performing issues eg Pensions Admin associated with the BT contract. He asked that a specific report be submitted to the next meeting on the replacement proposals for the BT contract. It was noted that the proposed joint scrutiny meeting with RBKC had not taken place.
- 4.5 The Committee were advised that some Council officers had been diverted to respond to the Grenfell Tower fire. Many of the families however remained too traumatised to be able to consider accepting the good offers of alternative accommodation at this stage. The Committee were advised that officers were now returning from these duties and that a track of expenditure was being kept so these could be recouped from RBKC. Costs up to £100k were being

met locally by the authority providing the service. Councillor Boothroyd stressed that the cost of replacing cladding should not be passed on to leaseholders. It was noted that the HRA would need to be refigured as a result of this additional cost. Generally, the importance of targeted communication was stressed.

- 4.6 The committee in particular asked questions regarding the transitional arrangements for Tri-Borough exit which is due to occur in March 2018. It was noted that decisions were expected shortly with staff consultation due to commence by the end of September.
- 4.7 The committee noted that SEN would form part of the refreshment of KPIs.

RESOLVED: That the reports be noted.

ACTION:

1. Report on the BT contract to be presented to the next meeting of the Committee (**Action:** John Quinn).
2. The high profile risks to be highlighted in future reports (**Action:** Graeme Gordon).
3. That a report on cyber security be presented to a future meeting (**Action:** Ben Goward).

5 INTERNAL AUDIT MONITORING REPORT (APRIL-JULY 2017) (SEE REPORT OF THE SHARED SERVICES DIRECTOR FOR AUDIT, FRAUD AND FINANCE)

- 5.1 The committee considered a report that summarised the work carried out by the Council's Internal Audit Service in the reporting period. The service found that, in the areas audited, internal control systems were generally effective with 24 positive assurance (substantial or satisfactory) reviews being issued in the period, although four limited assurance audits have also been issued since the last report to the Committee.
- 5.2 The follow up review completed in the period for two audits confirmed that the implementation of recommendations has been effective.
- 5.3 One of the limited assurances related to Odham's Walk Tenant Management Organisation. Given the committee's previous concerns regarding limited assurances at 7 of the Council's TMOs Members submitted questions on their management and the Council's enforcement powers to the Council's HRA Strategy Manager. The Committee noted the actions set out in the report aimed at addressing the identified shortfalls. It asked that consideration be given to the merger of some TMO back office functions to be delivered by CityWest Homes has any merit.
- 5.4 Following discussion, Officers undertook to provide Members with details of how many charitable organisations provided services to the Council and how many had moved to provide these on a contractual basis.

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

Action:

1. Officers to consider if merger of TMO back office functions have any merit (**Action:** Jake Mathias).
2. Provision of information regarding charities (**Action:** David Hughes).

6 COMMERCIAL REVENUE PERFORMANCE (SEE REPORT OF THE CITY TREASURER)

6.1 Given the continuing financial challenges that Westminster faces as government funding continues to decrease, the Committee requested a report on the performance and outcomes as well as future targets of corporate commercial revenue as well as the risks and mitigations associated with achieving these objectives.

6.2 Steve Mair and Dai Williams introduced the report. The committee was informed that the Council currently generates circa £140m of income from fees and charges as its key commercial income source. As well as this the Council has developed additional income sources from trading companies and continues to grow its trading profile. The income represented approximately 15% of the Council's income which also allowed the Council to maintain a satisfactory level of reserves.

6.3 Commercial income sources remain a major part of medium term planning savings proposals with circa £3.3m of savings proposals generated through the differential services programme.

6.4 Fees and Charges were to be the subject of an annual review by Cabinet. It was noted that whilst Westco profits had reduced profits were still being made.

6.5 It was also noted that the future of the Hub was the subject of further consideration.

Resolved: That the Commercial Revenue Performance set out in the report be noted.

7 GENERAL RESERVES AND BALANCES AND DRAFT RESERVES POLICY (SEE REPORT OF THE CITY TREASURER)

7.1 The Committee considered a report that provided background on general reserves policy which provide funds for emergencies or other unexpected requirements for fund.

7.2 The City Treasurer advised that currently no action was required to increase the level of reserves. In an ideal situation based on previous experience reserves of £70m would be the target.

Resolved: That the position as set out be noted.

8 WORK PROGRAMME AND ACTION TRACKER

8.1 RESOLVED:

1. That the agenda items for 23 November meeting as set out be agreed subject to any changes agreed.
2. That the responses to actions arising from the meetings on the 17 July 2017 be noted.

The Meeting ended at 8.36pm.

CHAIRMAN: _____

DATE _____