



CITY OF WESTMINSTER

DRAFT MINUTES

Audit & Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit & Performance Committee** held at 6.30pm on Thursday 19th September 2019, Rooms 18.4/18.5, 18th Floor, Westminster City Hall, 64 Victoria Street, London SW1E 6QP.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd, Elizabeth Hitchcock and Jacqui Wilkinson.

Also Present: Gerald Almeroth (Executive Director of Finance & Resources), Barbara Brownlee (Executive Director of Growth, Planning & Housing), Julia Corkey (Executive Director of Policy, Performance & Communications), Damian Highwood (Evaluation & Performance Manager), Dave Hodgkinson (Director of Corporate Finance & Property), David Hughes (Shared Services Director for Audit, Fraud, Risk & Insurance), Stuart Love (Chief Executive), Moira Mackie (Senior Internal Audit Manager), Jonathan Noble (Head of Procurement & Supply Chain), Andrew Palmer (Senior Committee Officer), Jim Paterson (Director of Property Services), Daniel Peattie (Senior Finance Officer, Growth Planning & Housing), Mo Rahman (Planning & Performance Manager), Sara Sutton (Executive Director of City Management & Communities), Andrew Tagg (Director of Operations & Management), Rikin Tailor (Head of Corporate Finance), Neil Wightman (Director of Housing) and Lee Witham (Director of People Services).

1 MEMBERSHIP

- 1.1 There were no changes to Membership.
- 1.2 The Chairman welcomed Councillor Elizabeth Hitchcock to the Committee.

2 DECLARATIONS OF INTEREST

- 2.1 No declarations were made.

3 MINUTES

- 3.1 **RESOLVED:** That the Minutes of the meeting held on 10 July 2019 be agreed by the Committee as a correct record of proceedings.

4. FINANCE & PERFORMANCE BUSINESS PLAN MONITORING

4.1 Period 4 Finance Report 2019/20

- 4.1.1 Gerald Almeroth (Executive Director of Finance & Resources) and David Hodgkinson (Assistant City Treasurer) presented the Period 4 Finance Report, which provided details of the forecast outturn in respect of revenue and capita, together with a summary by Cabinet Portfolio of forecast variances, risks and opportunities.
- 4.1.2 The report projected a £0.133m overspend; with a variance increasing overspend to £0.632m if all risks and opportunities were realised. The report also projected an expenditure variance of £52.338m by year-end; and income variance of £8.616m resulting in a net variance of £43.722m. The Housing Revenue Account (HRA) revenue forecast was for an overall net surplus of £9.252m, which represented a shortfall of £0.541m against budget. The forecast gross capital expenditure outturn for the HRA at the end of Period 4 was £148.524m, resulting in a total variance of £1.331m compared to the budget of £149.854m.
- 4.1.3 Variances, risks and opportunities within Cabinet Portfolios continued to be monitored closely as the year progressed. In the Deputy Leader's portfolio, parking revenue remained volatile with a £1.2m under recovery of parking suspensions; and Finance & Resources were reporting a £900,000 underspend due to increased treasury balances. Fortuitous budget variances changed over time, and that there were currently no concerns in the robustness of the City Council's budget. The Committee noted that a forecast overspend due to under recovery of income relating to non-dwelling properties related to garages on estates.
- 4.1.4 The Committee discussed parking suspensions, and Sara Sutton (Executive Director of City Management & Communities) confirmed that it was difficult to forecast future trends due to changeable external factors. Although the introduction of the Lower Emissions Zone and roll-out of the digital surcharge on parking income were being tracked, the impact was yet to be assessed.
- 4.1.5 The level of placements in Adult Social Care had been lower than forecast, and it was anticipated that seasonal and demographic pressures and increasing complexity of service users would be met from within existing resources. Committee Members recognised that seasonal issues were difficult to predict and could put more pressure on hospitals.
- 4.1.6 The Committee noted that 11 schools in Westminster had been in deficit this year compared to 8 in 2018. Andrew Tagg (Director of Operations & Management) confirmed that this had been due to the fall in pupil numbers, especially in the primary sector; and that the reduction of 460 pupils had equated to a loss of £2.3m in funding for the schools affected. Actions being taken to mitigate the deficit included schools working in federation with a shared head teacher and management structure; and working with the Schools Forum. Funding for schools in deficit was available from reserves allocated by the City Council, and could be released if supported by a robust business case. Data suggested that pupil numbers were beginning to stabilise, and the next pupil

count in October would provide more up to date information. Schools and governing bodies also received training in managing financial resources.

4.1.7 Other issues discussed included the risks associated with the Oxford Street Project and delays in procurement; and ongoing discussions with the Clinical Commissioning Group on their contribution towards the Better Care Fund.

4.1.8 **RESOLVED:** That the Period 4 Monitoring Report be noted.

4.2. Quarter 1 Performance Report.

4.2.1 Julia Corkey (Executive Director of Policy, Performance & Communications) presented the Quarter 1 Performance Report, which summarised the City Council's performance at the end of the first quarter of the 2019/20 financial year against City for All priorities. The report also set out progress towards achieving the deliverables and targets within departmental business plans; and provided commentary in respect of outstanding and poor performance, providing details of remedial actions where appropriate.

4.2.2 The Committee noted that instances of knife crime in Westminster had risen by 36% over the past year from 704 to 1000, and asked whether it was anticipated that this trend would continue. Sara Sutton (Executive Director of City Management & Communities) confirmed that the figure included instances of possession following Police activity such as stop and search. The City Council continued to work closely with communities, partner agencies and the voluntary sector in seeking to reduce knife crime; and in promoting initiatives for young people which included sports centres and enrichment programmes such as the City Lions. The Committee asked to receive a copy of the report on activity by the Police and City Council to stop knife crime, which had been submitted to the City Management & Public Protection Policy & Scrutiny Committee.

4.2.3 The Committee discussed the increasing number of school exclusions, and whether school exclusions diverted resources from knife crime. Andrew Tagg (Director of Operations & Management) confirmed that a pilot scheme with secondary schools which related to exclusions was ongoing; and that a successful alternative provision for short and fixed term exclusions had resulted in a high rate of children re-integrating back into schools. The City Council was monitoring risk, together with the measures that schools could take to keep children in school. Although the number of exclusions in Westminster's Primary schools was below the national average, there had been a significant spike in secondary schools which had led to the measures being put in place.

4.2.4 A Robbery Team created specifically by the Police to tackle organised robbery in Westminster had reduced a list of 90 identified offenders almost by half. Members noted that a knife amnesty had been included in Operation Sceptre, which was a week-long national campaign staged twice a year to reduce knife crime; and that the Leader of the City Council had hosted a summit with London Councils on the response to county lines in London

4.2.5 The Committee discussed the financial liability and increasing risk of the breach and misuse of data, and noted that recent costs awarded against local

government had ranged between £100k and £200k. Gerald Almeroth (Executive Director of Finance & Resources) commented that the larger fines had generally been imposed where companies had been negligent in looking after data, or had not provided the proper training or right kind of security. The Committee noted that contractors who handled IT on Westminster's behalf were responsible for the security of data.

- 4.2.6 The Committee discussed how the profile for Social Value contracts would be measured, and Barbara Brownlee (Executive Director of Growth, Planning & Housing) agreed to provide Members with details of the range of criteria and individual skill sets that were taken into account.
- 4.2.7 The City Council was considering proposals for different types of scheme for buskers and street entertainers in different locations, which included public space protection orders and an element of licensing. Although the introduction of the scheme was off-track, it was in the final stages of development and the Committee would be informed when it was ready for implementation.
- 4.2.8 Committee Members commented on the shortfall in the number of trees planted in Westminster, and noted that although a commitment had been made to plant 3000 trees by 2020, 327 had been planted at the end of 2018/19. Barbara Brownlee and Sara Sutton acknowledged that the original target would not be met, but confirmed that as many would be planted as possible together with other forms of street greening. A new target would be set as part of an investment plan that was being developed by the City Council for delivering street greening.
- 4.2.9 Committee Members noted that the target for less than 4% of calls being abandoned by Agylasis was off-track, and Julia Corkey confirmed that performance had now improved.
- 4.2.10 Other issues discussed included the City Council's financial obligations in view of the fragility of the adult care market; the potential impact of Brexit on EEA nationals employed by Veolia; and the management plan for the Oxford Street Project and ongoing problems of organised crime in Edgware Road.
- 4.2.11 The Committee made a number of requests for further information.
- 4.2.7 **RESOLVED:** That the Period 1 Performance Report for 2019/20 be noted.

ACTIONS:

1. Committee Members to receive the report on knife crime that was submitted to the City Management & Public Protection Policy & Scrutiny Committee on 10 September. **(Action for Sara Sutton - Executive Director of City Management & Communities)**
2. Committee Members to receive details of the policy on Social Value contracts requests. **(Action for Gerald Almeroth - Executive Director of Finance & Resources)**

3. A report on the performance of the Basic Command Unit for Westminster, including Key Performance Indicators, to be included in the Committee Work Programme for the next meeting on 27 November. **(Action for Sara Sutton - Executive Director of City Management & Communities)**
4. Details to be provided of the reasons performance of the Agilysys customer service contract was off-target in Quarter 1; together with an explanation of any issues remaining in Quarter 2. **(Action for Julia Corkey - Executive Director of Policy, Performance & Communications)**
5. A deliverable target for tree planting in Westminster to be established; together with general infrastructure greening. **(Action for Sara Sutton - Executive Director of City Management & Communities)**
6. Details to be provided of how Children's Services are managing the finance and restructure of schools in response to school budgets and deficits. **(Action for Andrew Tagg - Director of Operations & Management)**
7. Analysis to be provided of the financial pressures on Adult Social Care and the implications for the City Council. **(Action for Gerald Almeroth - Executive Director of Finance & Resources)**
8. Analysis to be provide of the underlying reasons for the increase in fixed-term exclusions; including a breakdown of the reasons for exclusion; schools; age groups; and any other characteristics available. **(Action for Sarah Newman – Bi-Borough Executive Director of Children's Services)**

5. WESTMINSTER HOUSING SERVICE UPDATE

- 5.1 Neil Wightman (Director of Housing) and Jim Paterson (Director of Property Services) presented an overview of the standards and delivery of improvements in the Housing Service, following the transition to the City Council in April. Targets had been benchmarked against high performing London boroughs and set prior to the service returning in-house, and had required an improvement on previous performance levels. Call Centres were performing well, with 80% of calls being answered within 30 seconds against the corporate target of 70%. The City Council's commitment to providing residents with local, face to face services had been demonstrated by the introduction of the Westminster on Wheels initiative. It was reported that since being introduced, over 1000 residents had engaged with the mobile surgery with 95% being satisfied with the new service.
- 5.2 A new Director of Housing appointed at the end of May had set out five key priorities for Westminster's Housing Service. These sought to:
 - Improve the responsiveness and quality of the repairs service and major works;
 - Provide a better service for leaseholders, particularly in relation to major works;

- Support vulnerable residents;
- Develop a local offer and increase resident involvement; and
- Prevent homelessness.

The Housing Service was working towards an October launch date for a number of significant improvements, which included billing and service charges.

- 5.3 Neil Whitman reported that 65% of tenants had been satisfied with major works; and that targets tended to be fixed seeking an improvement on the previous year's performance. The Housing Service would also set targets following benchmarking against other London Boroughs with similar stock.
- 5.4 The Housing Service recognised Anti-Social Behaviour (ASB) was a significant issue, and tenants often had to be taken to court several times before a Suspension Order could be obtained. The Committee noted that prospective tenants who were known to be involved in ASB or criminal activity would be investigated before being allocated a property. If nothing was known about the applicant, the Housing Service would follow the normal choice-based letting procedure. Members suggested that residents were not confident that ASB and criminality were being properly dealt with, and Neil Whiting acknowledged that some behaviours and cultural issues needed to change. The Committee agreed that more resources should be allocated to the recovery of properties following tenancy fraud and sub-letting.
- 5.5 The Committee discussed circumstances in which tenants could be evicted, and noted that there was no direct correlation between eviction and debt. The Housing Service recognised that rent arrears were usually caused by external factors, so tried to help manage individual debtors on a case by case basis with a plan to solve the situation and get payments starting again.
- 5.6 Barbara Brownlee (Executive Director of Growth, Planning & Housing) reported that the leadership team for the Housing Service had changed, and that measures to remove the previous gulf between leadership and front line service delivery was ongoing. It was also anticipated that working more closely with other departments in the City Council would enable the Housing Service to respond more effectively to vulnerable tenants or enforcement issues.
- 5.7 Committee Members highlighted the need to keep residents well informed of developments and changes; and for the Housing Service needed to be aware of the high number of properties that were located within streets.
- 5.8 **RESOLVED:** That the Westminster Housing Service update be noted.

6. HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME UPDATE

- 6.1 Neil Wightman (Director of Housing) presented a report on expenditure in the HRA Capital Programme under the three main categories of major works; regeneration; and other schemes such as self-financing acquisitions. Over the last 4 years, the year-end capital expenditure variance had been an underspend of between 29% and 39% when compared to the original approved gross expenditure budget. Actions taken to ensure variances were minimised where

possible had included the establishment of the Programme Management Office in the autumn of 2018/19, which aimed to be consistent and authoritative in reporting progress against agreed business targets; and to advise of strategic issues linked with delivery.

- 6.2 The forecast at Period 4 indicated a significantly lower projected level of slippage, although this needed to be considered in the context of being only a third of the way through the financial year. The Committee noted that in-year work such as re-profiling schemes which had been delayed, or deferring expenditure to future years, had been designed to reduce the year end variance where possible.
- 6.3 The Committee acknowledged that performance of the HRA Capital Programme and process for budgeting and delivering for major works had improved. Members commented on underspend on the housing regeneration budget, and noted that this was being addressed and was now on an upward trajectory. The Committee sought clarification on the forecast variation in major works for Fire Precautions, and Barbara Brownlee (Executive Director of Growth, Planning & Housing) agreed to provide a written response.
- 6.4 **RESOLVED:** That the HRA Capital Programme update be noted.

7. ANNUAL CONTRACTS REVIEW AND PROCUREMENT UPDATE

- 7.1 Jonathon Noble (Head of Procurement & Supply Chain) presented an overview of contracts performance for 2018/19, together with an update on the future of Procurement Services and proposed model.
- 7.2 The performance report provided an overview of the 85 contracts let during 2018/19, and on the 79 waivers that had been approved. Previous reports to the Committee had recognised that the current methodology for recording contract performance had not provided a true representation, and that one of the key areas of weakness had been data quality and completeness. This would be addressed by the implementation of the new contract management framework that would provide more meaningful data. The Committee noted that only 46-47% of third party spend had been reflected on the contract register, and that this had now risen to 58% with a target of 75% by December.
- 7.3 A review of procurement services had led to a number of recommendations for the future operating model and organisational structure for procurement, which included the development of a more integrated service that incorporated activity currently undertaken within adults and children's services. A new Director of Procurement post has been created, with opportunities being created for career progression; and from 1 October 2019, all procurement activity in Westminster would be brought together for the first time. An extensive program of work and training to implement the new arrangements would begin following staff consultation, and it was anticipated that the new service would be established from 1 April 2020.
- 7.4 Committee Members expressed concern over the number of contract waivers that had been awarded during the reporting period to a limited range of

providers, which could reduce opportunities for economies and innovation. Jonathon Noble confirmed that the waivers had been granted with current legislation, and that of the 263 contracts that had been awarded during the reporting period, 51 had been let without competition.

- 7.5 The Committee noted that the performance of the new service would be reviewed after the service had been operational for six, nine and twelve months with report back to the Committee.
- 7.6 **RESOLVED:** That the Annual Contracts Review and procurement update be noted.

8. INTERNAL AUDIT PROGRESS REPORT (APRIL TO JULY 2019/20)

- 8.1 David Hughes (Shared Services Director for Audit, Fraud, Risk & Insurance) and Moira Mackie (Senior Internal Audit Manager) submitted a report which set out the work carried out by the Council's Internal Audit service. Five audits had been completed between April and July 2019, in which internal control systems had been found to be generally effective. Of the five audits, three positive assurance reviews (substantial or satisfactory) had been issued; together with two limited assurance audits which related to cemeteries contract monitoring and health and safety compliance data in Growth Planning & Housing. Recommendations had been made in response to the two limited assurances, which were expected to be implemented by October and December respectively. Two follow up reviews completed since the last meeting had confirmed that 100% of the recommendations made had been fully implemented.
- 8.2 The Committee expressed concern over the key findings of the audit of health and safety compliance checks for residential properties, and noted that the audit had been undertaken before the transition to Westminster's Housing Service. David Hughes confirmed that the issues were being addressed, and that progress in implementing the action plan would be reported back to the Committee.
- 8.3 Other issues discussed included the audits of the Cemeteries contract and Certified Enforcement Agents.
- 8.4 **RESOLVED:** That the work of the Internal Audit service between April and July 2019 be noted.

9. INTERNAL AUDIT CHARTER

- 9.1 David Hughes (Shared Services Director for Audit, Fraud, Risk & Insurance) and Moira Mackie (Senior Internal Audit Manager) submitted the Internal Audit Charter for 2019. In accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), the Council had an Internal Audit Charter which was maintained by the Shared Services Director for Audit, Fraud, Risk & Insurance. The Charter was reviewed annually, and had recently been updated to include reference to the CIPFA Statement on the Role of the Head of Internal

Audit in Public Sector Organisations; and to reflect the appointment of the City Council's Executive Director of Finance & Resources during 2019.

9.2 **RESOLVED:** That the Internal Audit Charter for 2019 be noted.

10. INTEGRATED BUSINESS CENTRE (IBC) UPDATE

10.1 Dave Hodgkinson (Director of Corporate Finance & Property) and Lee Witham (Director of People Services) updated the Committee on the performance of the new Integrated Business Centre (IBC) solution, which had been delivered in partnership with Hampshire County Council to replace BT Managed Services. The deployment of the new system had been completed on time and on budget with minimal issues reported, and positive feedback had been received from across the organisation. Communications and engagement initiatives would continue to ensure that the IBC was fully embedded across the organisation; and support and guidance would continue to be made available to staff. Current key areas of focus included increasing HR self-serve transactions to 80%.

10.2 The stabilisation period initially planned to run from 1 January to 31 March 2019 had been extended, to enable improvements in performance metrics and continued monitoring. In light of the progress that had been made, a full performance report would be submitted to the next meeting of the Performance Board in October, with a view to the IBC progressing to the Business as Usual stage based on the performance data and stabilisation criteria.

10.3 The Committee noted that implementation of the new service had been supported by a collaborative approach across the City Council; and agreed that contracting with the public sector had resulted in a more effective cultural fit.

10.4 **RESOLVED:** That performance of the new Integrated Business Centre (IBC) be noted.

11. WORK PROGRAMME AND ACTION TRACKER

11.1 The Committee noted the items that were on its Work Programme for the next meeting on 27 November; together with the action taken in response to issues raised at the last meeting.

11.2 **RESOLVED:** That the Committee Work Programme be noted.

The meeting ended at 8.30 pm.

CHAIRMAN: _____

DATE: _____