

MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE

Wednesday 29 June 2016

www.oxford.gov.uk



COUNCILLORS PRESENT: Councillors Fry (Chair), Fooks, Coulter, Munkonge (Vice-Chair), Paule, Tidball and Thomas.

OFFICERS PRESENT: Jackie Yates (Executive Director Organisational Development and Corporate Services), Jeremy Thomas (Head of Law and Governance), Nigel Kennedy (Head of Financial Services), Anna Winship (Management Accountancy Manager), Gurpreet Dulay (Manager, BDO Internal audit), Greg Rubins (Partner, BDO internal audit), David Guest (Ernst & Young external auditor), Catherine Phythian (Committee Services Officer), Patsy Dell (Head of Planning & Regulatory Services), Helen Bishop (Head of Business Improvement), Paul Fleming (Chief Technology & Information Manager), Bruce Thompson (Building Operations Manager) and Scott Warner (Investigation Manager)

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. ELECTION OF THE CHAIR FOR THE 2016/17 MUNICIPAL YEAR

The Committee resolved to elect Cllr James Fry as Chair for the 2016/17 municipal year.

Cllr Thomas arrived at the end of this item.

3. ELECTION OF THE VICE-CHAIR FOR THE 2016/17 MUNICIPAL YEAR

The Committee resolved to elect Cllr Chewe Munkonge as Vice-Chair for the 2016/17 municipal year.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. INVESTIGATION TEAM PERFORMANCE FOR FINANCIAL YEAR 2015/16

The Chair took this item first.

The Committee considered the report of the Head of Financial Services reporting the activity and performance of the Corporate Investigation Team for the financial year 2015/16.

The Investigations Manager introduced the report. He highlighted the achievement of £3.9M income against a £200K target and explained the reasons behind this; he also commented on the successful agreements with the County Council and South Oxfordshire and Vale of White Horse District Councils.

The Committee asked that future reports should present a quarterly analysis of the performance targets in order to see if there were any trends.

The Committee noted the report and the confidential appendix. They thanked the Investigations Manager for the report and congratulated him on the results achieved by his team.

6. INTERNAL AUDIT REPORT - BUSINESS IMPROVEMENT AND TECHNOLOGY

The Chair took this item next (Minute 14 refers).

The Committee considered the report from the Council's internal auditors, BDO, detailing the findings and recommendations of the audit review of Business Improvement and Technology – Systems Interfaces.

Gurpreet Dulay, Internal Auditor BDO, presented the report.

The Head of Business Improvement, tabled a briefing paper (attached to this minute) detailing the background to the ICT service migration; the scale and range of the issues that arose from 1 April 2016; the current situation; and proposals for the future. She assured the Committee that the ICT service was now moving beyond the problems of the implementation phase; that call levels had returned to normal levels; and that the team was focused on embedding new processes and improvements in the service. The Chief Technology and Information Manager, assured the Committee that all 57 business systems used

by the Council had performed satisfactorily during the migration and that the problems had been with the associated file locations and permissions.

The Executive Director, Organisational Development and Corporate Services informed the Committee that no further major changes were planned; that the new contract arrangements offered the Council greater resilience; and that a councillor working group was being established to monitor on-going developments for members' ICT needs.

The Committee asked that an officer report be presented to the September meeting detailing the lessons learnt from the ICT transition and indicating how the problems experienced this time would be avoided in the future. They requested that the report address the following points:

- procedural arrangements
- realistic deadlines and timescales
- the impact on reputational risk from the loss of public facing services
- details of the monetary / non-monetary costs of the transition of the ICT services against the anticipated savings from the new contract
- how the relationship with the County Council and new service provider worked in practice
- consequences of service failure impacting on councillors performance

The Committee noted the report.

7. RISK MANAGEMENT REPORT: QUARTER 4 2015/16

The Committee considered the report of the Head of Financial Services, setting out corporate and service risks as at the end of Quarter 4, 31 March 2016.

The Head of Planning and Regulatory Services explained the reasons for the reduction from red to amber of four planning related risks. She explained that some of the factors driving the risks were entirely outside the Council's control but that wherever possible the planning service was taking a more proactive approach in trying to influence the situation and this had delivered some results. She assured the Committee that these risks would continue to be closely monitored.

The Head of Financial Services spoke to a briefing note (attached to these minutes) detailing the action taken to address the Housing and Property red risk relating to the increased costs of homelessness arising from less effective homelessness prevention work and higher homelessness acceptances.

The Committee noted the report and noted the new initiatives taken to mitigate the serious risks relating to homelessness.

8. STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2016

The Committee considered the report of the Head of Financial Services setting out the Council's Statement of Accounts for the year ending 31 March 2016.

The Head of Financial Services explained the implications that the Accounts and Audit Regulations 2015 would have on the timetable for the preparation of financial statements for 2017/18 and later years. He highlighted the major changes affecting the Statement of Accounts (as detailed in the report) and commented on the favourable variance on the General Fund and the surplus on the Housing Revenue Account. He thanked the accounts team for their work in preparing the statement of accounts.

The Committee agreed to note the contents of the Statement of Accounts certified by the Head of Financial Services (Section 151 Officer) prior to their submission to the external auditors.

The Committee agreed to consider a report on the audited Council's Statement of Accounts for the year ending 31 March 2016 at the September meeting.

9. ANNUAL GOVERNANCE STATEMENT 2015/2016

The Committee considered the report of the Head of Law and Governance presenting the Annual Governance Statement 2015/16 for approval.

In discussion the Committee made the following observations:

- Council Sports Pavilions: not all of these had been replaced or refurbished
- Member Guarantee: some service areas were not meeting the response deadlines and in other areas the response received tended to be a holding message rather than a substantive reply

The Committee resolved to approve the Annual Governance Statement 2015/16.

10. EXTERNAL AUDIT : AUDIT PROGRESS REPORT FOR YEAR ENDING MARCH 2016

The Committee considered the report of the Council's External Auditors, Ernst and Young, detailing the progress made with the work needed to complete the 2015/16 audit.

David Guest, Ernst and Young, presented the report. In response to comments from the Chair he agreed that there was some degree of uncertainty regarding the new accounting policy on fair value measurement.

The Committee noted the report.

11. EXTERNAL AUDIT: ANNUAL AUDIT AND CERTIFICATION FEES FOR AUDIT OF YEAR ENDING MARCH 2017

The Committee considered a letter from the External Auditor setting out the audit and certification work and indicative fees for the 2016/17 financial year.

The Committee agreed to note the letter.

12. INTERNAL AUDIT: ANNUAL REPORT 2015-16

The Committee considered the report of the Council's internal auditors detailing the work undertaken by internal audit for Oxford City Council and commenting on the effectiveness of the controls in place for 2015-16.

Greg Rubins, Ernst and Young, presented the report. He informed the Committee that the report took account of the work of the Council's previous auditors PWC.

The Chair thanked the internal auditors for the report and commented on their energetic and visible approach to their work with the Council.

The Committee noted the report.

13. INTERNAL AUDIT: PROGRESS REPORT TO JUNE 2016

The Committee noted the report from the Council's internal auditors, BDO, setting out progress against the approved internal audit plan and commenting on two audit reports with moderate opinions:

- Trading Services
- Year End Financial Reporting Timetable

Gurpreet Dulay, BDO, presented the report. He said that BDO had undertaken three reviews in addition to those agreed in the Internal Audit Plan:

- Westhill Farm Business Plan
- Council's Commercial Property Portfolio

- Overtime

In response to questions from the Committee the Executive Director, Organisational Development & Corporate Services explained that additional audit reviews could be requested by the Chief Executive or Executive Directors; would be authorised by herself or the Head of Financial Services; were funded separately and not charged to the internal audit budget.

The Committee noted the report.

14. INTERNAL AUDIT: AUDIT REPORTS TO COMMITTEE JUNE 2016

The Committee noted that BDO, the internal auditors, had submitted two reports relating to audits identifying medium-level risks.

The first report was considered at Minute 6.

The second was considered at Minute 14 a).

(a) Internal Audit - Empty and Void Property Management Report

The Committee noted the report from the Council's internal auditors, BDO, detailing the findings and recommendations of the audit review of Empty and Void Property Management.

Gurpreet Dulay, BDO, presented the report. He said that there was good management oversight of the service and recognition of the challenges it faced. He highlighted the weekly Choice Based Letting website as an example of good practice. There were however a number of areas for improvement, particularly around the need for a clear understanding of the individual roles and shared responsibilities of each of the three teams working to deliver the service.

In response to questions from the Committee regarding the observed problems in communication between the different teams the Building Operations Manager said that the review had been conducted during a period a transition and re-organisation for the service teams; that the teams were not co-located; and that although the teams did use a common database there was scope for improvement.

The Committee asked that details of the re-organisation of the service teams should be circulated to Committee members.

The Committee discussed the recommendation that the Council should undertake a cost/benefit analysis of introducing an incentive scheme for tenants

with the aim of improving void turnaround time. The Committee felt that this was something that the Scrutiny Housing Standing Panel might wish to consider and agreed to refer the matter to them.

The Committee noted the report and the recommendations.

15. INTERNAL AUDIT: FOLLOW UP OF RECOMMENDATIONS TO JUNE 2016

The Committee considered the report of the Council's internal auditors, BDO, setting out progress on implementing the recommendations arising from previous internal audits.

Gurpreet Dulay, BDO, presented the report and highlighted the low level of implementation of the recommendations, some of which had been subject to repeated slippage.

The Committee noted the report and asked that Heads of Service be reminded of the importance of setting realistic timescales for the implementation of internal audit recommendations.

16. OFFICER EXECUTIVE DECISIONS FEBRUARY 2016 TO JUNE 2016

The Committee considered the report of the Head of Law and Governance setting out the Officer Executive Decisions taken in the period February to June 2016.

The Committee noted the report and decisions taken.

17. MINUTES OF THE PREVIOUS MEETING

The Committee agreed to approve the minutes of the meeting held on 1 March 2016 as a true and accurate record.

18. DATES AND TIMES OF MEETINGS

The Committee noted the dates and times of future meetings.

The meeting started at 6.00 pm and ended at 8.30 pm

HEAD OF BUSINESS IMPROVEMENT ICT BRIEFING TO AUDIT & GOVERNANCE 29TH JUNE 2016

Background

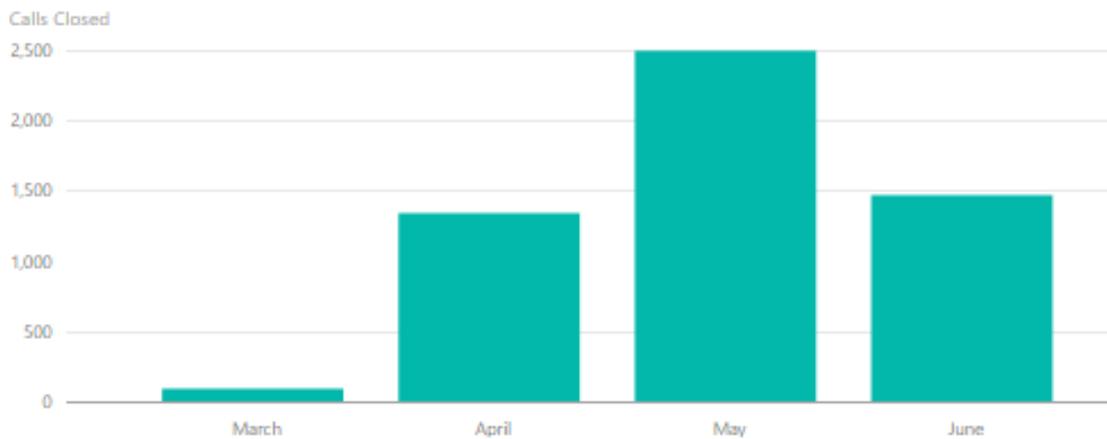
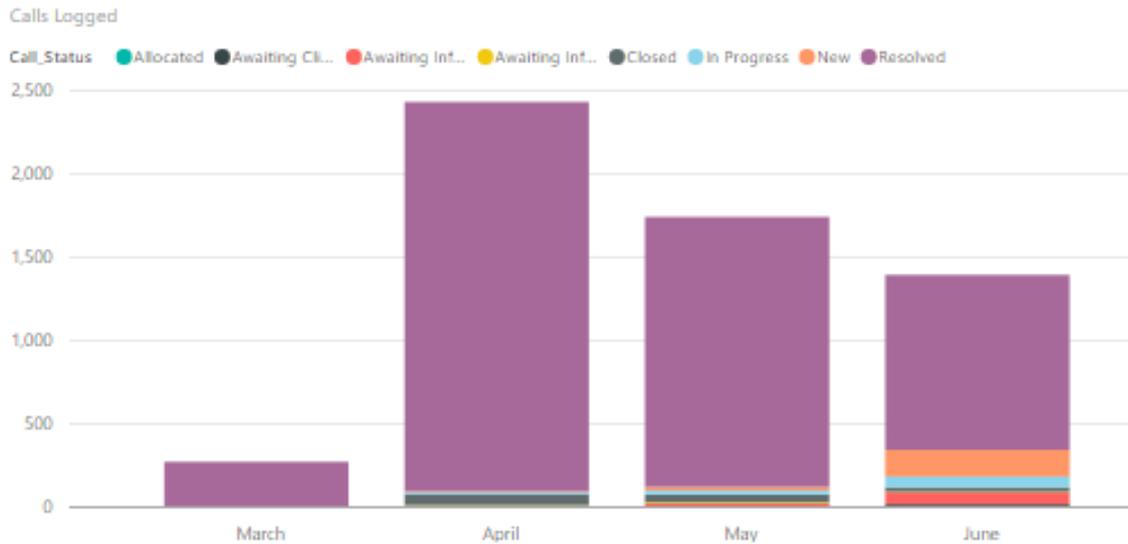
1. The Council entered into a partnership agreement with Oxfordshire County Council in April 2009 for the provision of IT services. The partnership agreement was set to expire on 31 March 2016 and the County Council duly served notice on the City Council. The City and County jointly appointed an external specialist to review what options there might be for the partnership to continue. The conclusion was that there was a lack of synergy between the two service areas due to not utilising the same key applications or technology platforms, and this would limit any longer term benefits of the partnership.
2. In addition, the commercial infrastructure market was seen to be mature and constantly innovating. Its agile nature would be able to meet the potential demanding timelines and flexibility of future server requirements and any other changes, in order to deliver future Council services.
3. In the autumn of 2014 the Council carried out a soft market test to understand the available options. The outcome of this review was as follows:
 - a) Partnership with other Councils
At the time of the review other Councils that had their own infrastructure were unable to commit to offering infrastructure services to the Council due to their own priorities
 - b) Purchase infrastructure as a service
This was still fairly new in the marketplace and the current approved government frameworks limited the contract length to two years. The cost and work involved in transition and managing the change would make this option expensive and limited the ability to get any longer term value from the contract.
 - c) Carry out an EU tender and award contract(s) for the range of infrastructure services required.
A soft market test resulted in responses being received from five organisations. The information provided identified that all suppliers could offer services that would meet our requirements at a cost that was within budget.
4. Consequently a full EU restricted tender was carried out to maximise competitive leverage. This was duly reported to CEB on 30th July 2015, where approval was given to award a single contract to SCC Ltd. for a period of five years with the option to extend for up to a further five years.

Introduction

5. After 12 months of planning and a very intensive period of work by our ICT colleagues and partners, on 1st April 2016 we successfully moved 57 software applications and more than 20 million files across from the County Council's systems to our new ICT platform Sentinel, managed by SCC.
6. This change will ensure the highest level of government accreditation for security, consistent and improved levels of ICT availability for all customers in the long term, improving the overall user experience. For example, the two major system outages that we experienced in the last six months period with the County Council should not happen with our new provider, as the new backup arrangements mean systems can be switched to maintain service availability.
7. The new service desk software, vFire, allows users to report and track issues quickly and efficiently, and enable ICT to prioritise and focus on resolving issues. In addition, these new arrangements have saved the Council £150,000 per annum.
8. This report details the background to moving from the County Council as our infrastructure provider, the nature of the issues we have faced and the way forward.

Issues faced from 1st April 2016 to date

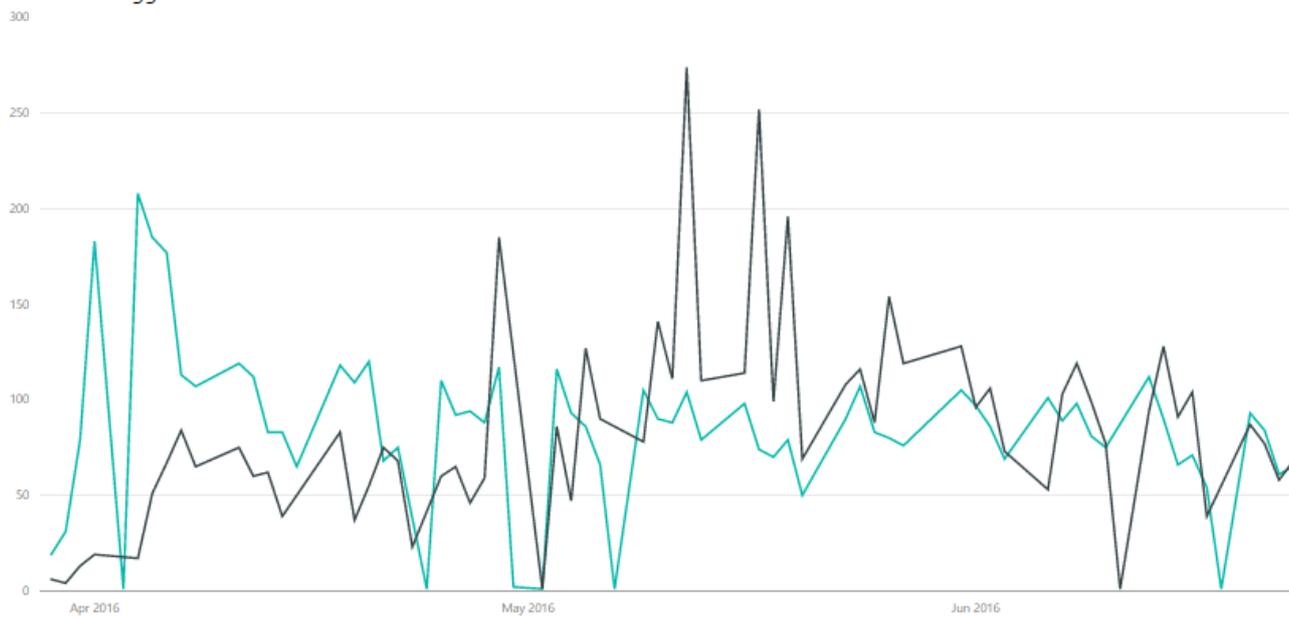
9. 5,871 calls have been logged on our new service management software (vFire) since 1st April. Of the calls logged, 5,452 have been resolved to date, a further 108 are fixed, but awaiting customer confirmation and 311 remain open. We have successfully reduced the open calls for April and May to 15 and 45 respectively.
10. The charts below shows the volume of calls received since March and how we are doing in resolving those calls. The lower chart shows the number of calls that are resolved each month.



11. The chart overleaf shows the number of calls logged per day (green) and the number resolved (black). It has been very positive that over 80% of calls have been logged using the new self-service portal allowing the ICT team to concentrate on resolving issues.

Items logged and items resolved per day

Action ● Logged ● Resolved



12. The major issues we have faced and a current position statement is provided below.

MS Exchange / Public Folders - Resolved.

13. Not all of the data for group emails (63GB) was originally transferred as part of email migration to Exchange 2010. This data was recovered in the first week after transition, but caused a loss of service for the mail accounts for 3 days. The problem was exacerbated by accidental deletion of the content which had to be recovered leading to unavailability for another working day. This included key public facing email accounts to allow the public to send emails to business services (e.g. Building control, Scrutiny). The accounts were all enabled to allow ongoing access to email, and there was a resource allocated to complete the task by 29th April.

File Store - Resolved.

14. Many users were reporting missing data from the day prior to migration. The majority of this data was recovered almost immediately. However, residual issues meant the m:drive and archive server were both recovered by the County and made available for users week commencing 13th and 20th June respectively, resulting in all outstanding requests for missing files and data have now been fulfilled.

Permissions - Resolved.

15. Due to increased security arrangements on the SCC infrastructure, users experienced network permission issues preventing access to certain files and folders. Two new file servers have been built by SCC and our content migrated over to them so we can retire the original servers which had been the source of many of the permission issues.

Software Centre (SCCM)

16. These calls relate to accessing the client software, as it does not load properly from the software centre. There is a work around in place, and we have had a specialist resource on site to explore the long term fix.

17. New laptops are being deployed using the automated tools. The process can be refined further as we get feedback from the initial users. We also have a stock of tablet devices and are working on deploying Windows 10 so users have access to the touch screen capability.
18. We have identified some issues with automated updates of windows patches and anti-virus files. There is a manual work around and we are implementing fixes so it will return to an automated process.

Information@Work -Resolved.

19. This is a document management system used by Revenues, Benefits and Housing. Post migration performance was degraded and there were several areas not functioning, notably scanning of new documents. The missing data has now been recovered and the indexing problems resolved.

ICT for Members

20. Members were contacted individually in April to confirm what devices and access methods they used, in order to identify any issues and common themes, and ensure that a systematic resolution could be put in place. This identified that access via Council BT Onephones was good, and training was offered to new and existing members where required. There were initial issues with members who used their own devices to access our systems, which have now been resolved. Members' room access is also fine.
21. iPads have been the most significant area of concern for members, and more specifically the operation of Airwatch. It should be noted iPads issued to Officers appear to be working satisfactorily. To resolve this situation we have worked closely with BT and Airwatch, we have: created a test environment to replicate issues; conducted a server upgrade to eradicate any known issues; replaced iPads where applicable; deployed the native iPad mail client to 19 councillors (currently this is being offered as and when they are having issues with AirWatch) and we are testing the iPad Outlook client as a third option.

Resources

22. Performance is being monitored and reported daily at both a summary and individual staffing level to ensure colleagues understand and are achieving targets as well as dealing with priority issues. Weekly one to one meetings with staff to manage performance are also in place.
23. Additional resources have been sourced to support the existing core ICT teams, this includes:
 - a) Retaining the existing Transition technical resources until the middle of July
 - b) Bringing in suppliers and specialist technical resources to tackle outstanding problems
 - c) Additional senior technical analysts and service desk analysts recruited to address the remaining issues and work through the remaining calls.

The Way Forward

Communications

24. The key managers in Business Improvement continue to have daily briefings within the team to ensure we are focused and co-ordinated in our approach, prioritising issues and closing them down as quickly as possible.
25. We are updating colleagues with the current ICT position using all staff emails and refreshing the intranet. We have been liaising with each service area as required, ensuring we are agreeing with Services what their priorities are for ICT resolution.
26. A weekly progress report addressing the outstanding issues is given to the Executive Director for OD & Corporate Services and the Chief Executive.

Development Plans

27. The ICT Team are working up their own development plans to embed the systems and processes that have just been implemented. In addition SOCITM have been appointed to undertake a critical friend review of the functions and skills required to deliver our service effectively.

Audit and Governance Committee - Wednesday 29th June

As requested, this is a brief paper in relation to the Housing and Property risk identified as red in the risk report. The risk is described as follows:

- Increased costs of homelessness arising from less effective homelessness prevention work and higher homelessness acceptances

Background to the Risk

There are many pressures on homelessness services, including the following:

- Welfare reform and austerity – including cuts in other areas and higher living costs for households
- Affordable housing crisis – mismatch of wages and house prices, including an overheated private rented sector (PRS)
- Lack of housing supply – including less turnover of social housing (30% down so far in 16/17)

All the above create a ‘perfect storm’ in which there is more demand and higher needs, with less options and supply to address these. The financial risk, in particular relates to a growing pressure on the need for temporary accommodation, in which to place households to whom the Council is likely to have a statutory homeless duty.

We are using Council housing stock more, as we are less able to access the PRS even for temporary accommodation long leases. Using B&B accommodation more frequently than we would like adds an immediate cost pressure, close to £500pw per family.

The Government are actively considering legislation to impose a ‘duty to prevent’ homelessness on English housing authorities, similar to the Welsh approach. This could increase the burden on the Council at a time when other services, especially for single homeless adults, are being reduced (for example, in the County Council budget).

Mitigation Actions to Manage the Risk

The Council mitigates these risks on a day to day operational basis as usual business, including the following approaches amongst many:

- Good quality homeless prevention work and management of expectations from customers
- Robust homeless investigations and decisions, made in a timely manner
- Effective and efficient management of voids and move-on of households from temporary accommodation
- Out of area PRS offers in some cases, although our ability to do this is also constrained by the difficulty of accessing the PRS throughout Oxfordshire, and beyond. The Council must also to take a number of factors, including employment and reasonable commuting costs into account when making such a decision

Wider work across the Council also supports this, including the establishment of a Housing Company (with the potential to develop new supply of affordable housing, and also to possibly procure property for rental purposes) and the work of the Welfare Reform team.

More specifically new initiatives in Housing and Property to help mitigate this risk includes:

- Rent Guarantee Scheme and Housing Coach model

A full report on this initiative will be taken to City Executive Board (CEB) in September 2016. The initiative seeks to pilot a new offer to local landlords, offering for the Council to guarantee the rent to the landlord, acting as their managing agent. Research suggests that this offer, and reduction of risk for landlords, should be sufficient to secure some property in Oxford at close to Local Housing Allowance (LHA) rates. To ensure the sustainability of this initiative, the Council is proposing employing a dedicated housing coach to support customers within this pilot to increase their income, working in conjunction with the Welfare Reform team. This will often be to support customers into better paid employment, where they can support themselves in the PRS without on-going Council assistance.

- Real Lettings

The Council entered into agreement with Real Lettings in December 2015, and made a 'social investment' of £5m into this property fund. This was match-funded, making a fund of £10m to invest locally in 50 or more properties (mostly two beds). The report to CEB of 30th July 2015 provides more information on this model. The 2 year acquisition stage of this initiative is now well underway, with the first property successfully let, and a further 12 in the conveyancing pipeline. Our preference is for property in Oxford, or the immediate urban areas, but where this is challenging, then Real Lettings can procure property anywhere in the Oxford Broad Rental Market Area (BRMA). To date, they have not been able to secure suitable property within Oxford City that would meet the minimum yields required to support the financial model, but officers are engaged with Real Lettings in order to ensure that properties and locations are suitable to discharge homeless families into.

Managers from Housing and Property were unfortunately not able to attend the meeting tonight, but would be happy to attend on another occasion, and will be able to follow up any questions after the meeting.

Dave Scholes
Housing Strategy and Needs Manager
June 2016