



CITY OF WESTMINSTER

MINUTES

AUDIT AND PERFORMANCE COMMITTEE

MINUTES OF PROCEEDINGS

Minutes of a meeting of the Audit and Performance Committee held on **Thursday 29th March 2012** at Westminster City Hall, 64 Victoria Street, London SW1E 6QP

Members Present: Councillors Tim Mitchell (Chairman), David Boothroyd, Ian Rowley and Nick Yarker.

Apologies: Councillor Lindsey Hall

Officers present: Barbara Moorhouse (Chief Operating Officer), John Ogden (Head of Financial Management and Control), Chris Harris (Associate Director - RSM Tenon), Nick Byrom (Business Analyst), Michael Haworth-Maden (Audit Commission - District Auditor), Naomi Stauber (Committee and Scrutiny Officer), Martin Hinckley (Head of Shared Service Centre), Adam Taylor (Assistant Commissioner - Community Safety) and Greg Roberts (Supporting People and Homelessness Strategy Manager).

1. MEMBERSHIP, MINUTES AND DECLARATIONS OF INTEREST

- 1.1 It was noted that Councillor Lindsey Hall had formally replaced Councillor Cameron Thomson on the Committee.
- 1.2 It was noted that Councillor Lindsey Hall had sent her apologies.
- 1.3 The Chairman with the assent of the Members present signed the minutes of the meeting held on 8th February 2012.
- 1.4 There were no declarations of interest.
- 1.5 The Chairman announced that prior to the meeting Members had received documentation containing a series of questions which had been raised by a member of the public in respect of finance-related issues within the Committee's remit. The Chairman invited Barbara Moorhouse, Chief Operating Officer, to address the Committee to provide some background information to the documentation.
- 1.6 The Chief Operating Officer informed Members that the questions raised had been prompted by a former contracted employee of the Council who had left earlier in the year. The individual in question had made numerous allegations

concerning management in the Finance Department, the financial propriety of various transactions and malpractice within the department. The allegations had been circulated to numerous Officers within the Council, Members of the Majority and Minority Party and to external groups. Barbara Moorhouse clarified that employees of the Council's Finance Department who had been implicated in the documentation and had allegations raised on their behalf, without their knowledge or consent, had informed both Barbara Moorhouse and the Chief Executive in writing that they wished to disassociate themselves from the allegations.

- 1.7 In response to a question from Members regarding the process for answering the questions cited in the document, Barbara Moorhouse stated that many of the issues raised can be addressed in the appropriate public reporting processes to the Committee through such items as the statutory accounts. A number of the questions raised will also fall within the remit of the Audit Commission to investigate with regard to the propriety of the financial figures. In respect of questions relating to debt, the Finance Department will be undertaking a full assessment of the debt position as part of their year-end statutory accounts preparation and a debt-specific report will be submitted to the Committee in due course.
- 1.8 Councillor Ian Rowley expressed his concern that the actions taken by the individual responsible for the documentation had intimidated staff in the Council's Finance Department. Councillor Rowley formally thanked the staff for the work they have undertaken in challenging circumstances.

2. WORK PROGRAMME

- 2.1 The Committee considered and agreed the proposed Work Programme for the 2012/13 municipal year and noted the progress of the four Working Groups, as detailed in the report.

2.2 RESOLVED:

- (1) That the Work Programme for the 2012/13 municipal year attached to the report as Appendix 1 be noted.
- (2) That the progress of the Working Groups, as set out in the report and reported at the meeting, be noted.
- (3) That the work undertaken in response to the actions which arose from the last meeting, as detailed in Appendix 4, be noted.

3. AUDIT COMMISSION CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT AUDIT 2010/11

- 3.1 Michael Haworth-Maden, District Auditor, introduced the report which summarised the outcomes of the Audit Commission's certification work in respect of the Council's 2010/11 claims and returns. Mr Haworth-Maden explained that he is required annually to certify a number of claims for the government and it is important that the working papers prepared by the Council to support those claims are provided on a timely basis, as any delays in the preparation can impact in terms of cash-flow and the grants that are

ultimately paid to the Council. The District Auditor had certified eight claims with a total value of £1.5 billion, which resulted in three claims being subject to qualification - housing and council tax benefit, Sure Start and the London Development Agency [LDA] construction employer accord. One of these claims was subject to minor amendments and there was also a minor amendment to one cell in the HRA subsidy base data return. The Committee heard that, although there had been an overall improvement in the quality of the compilation of the claims and in the evidence provided in support, there is scope for further improvement. As such, the District Auditor issued three recommendations which all related to enhancing the role of the Grants Claim Coordinator to strengthen the grant claims and returns control environment. All recommendations were agreed by the Council and will be addressed by a new appointment to the Grants Claim Coordinator role (within Corporate Finance) and by the Head of the Shared Service Centre who has responsibility for the largest two claims (Business Rates and Housing and Council Tax Benefit subsidy).

- 3.2 In response to a query from the Committee regarding the seriousness of the amendment to the Housing and Council Tax Benefit Claim (BEN01), Martin Hinckley, Head of Shared Service Centre, informed Members that due to the complexity of the process almost all local authorities are subject to claim adjustments. The Housing Benefit claim in question was amended by £3,411, which represents only 0.001% of the total claim value of £293M. In this context, Mr Hinckley did not consider the amendment to be a serious one. Mr Haworth-Maden added that there are complex regulations around the way benefit is paid and prepared and indicated that the level of qualification and the level of the issue cited in the report is not dissimilar from those arising at other London boroughs.
- 3.3 Members noted that the timeliness of claim preparation could be improved, with three claims provided for certification after the relevant deadline - housing and council tax benefit claim, teachers' pension scheme; and LDA construction employer accord. The latter submission, with a deadline of 30 April 2011, was made on 15 December 2011 and Members queried why the time lapse was so substantial. Mr Haworth-Maden referred any detailed explanation to Council Officers but noted that such a delay was unacceptable and is addressed by one of the recommendations set out in the report relating to ensuring that all claims/returns (and evidence) are supplied to the Audit Commission by the relevant deadline date.

3.4 RESOLVED: That the report be noted.

4. AUDIT COMMISSION - AUDIT PLAN AND WESTMINSTER CITY COUNCIL PENSION FUND AUDIT 2011/12

- 4.1 The Committee considered the audit plan for the Main Accounts and the Pension Fund which set out the work that the Audit Commission proposed to undertake for the audit of the 2011/12 Financial Statements. The plans were based on the Audit Commission's risk-based approach to audit planning and reflected the audit work specified by the Audit Commission in 2011/12; the current national risks relevant to the Council's and Pension Fund's local circumstances; and the Council and Pension Fund's local risks. The District

Auditor noted that the accounting framework is simpler this year than last, which had the added complexity of the implementation of the International Financial Reporting Standards (IFRS) and this is reflected in the report which cites more specific risks, such as heritage assets, than the more general risks considered in 2010/11. The risks were set out in terms of the two areas of responsibility held by the District Auditor – the Opinion on the accounts and the conclusion for securing arrangements for Value for Money (VFM). Mr Haworth-Maden noted that a number of risks cited in the report have arisen previously in his Annual Audit Letter, considered at the last meeting in February, such as staff continuity, financial resilience and tri-borough on the VFM side.

- 4.2 Mr Haworth-Maden reported a significant fee reduction compared to previous years, which will continue in the future. He also provided the Committee with an update on the developments relating to the demise of the Audit Commission and the transfer of the work undertaken by the audit practise into the private sector. Members were informed that the Audit Commission wrote to its members on 6th March 2012 with the results of the procurement exercise that was undertaken to outsource the work it currently delivers in-house. Contracts have been awarded on a 5 year basis to 4 firms. KPMG had been appointed to the North London contract area which includes the City Council. As a result of this the Commission has been able to secure very competitive prices which should save local public bodies over £30 million per year over the course of the 5 year contract, which will be returned to Councils through reduced fees. The Commission will now go into consultation with all the Councils implemented in respect of a formal appointment. The transfer of work to the new suppliers will commence from 1st September 2012 for the 2012/13 audit. He reassured the Committee that the Audit Commission remains committed to ensuring that the transition is smooth and will also ensure that his remaining responsibilities are fulfilled to the highest standard.
- 4.3 In response to a question from the Chairman regarding the work the Audit Commission plans to undertake in respect of debt analysis, Mr Haworth-Maden confirmed that the Commission would always consider the Council's arrangements for bringing its debt to account at year-end and that work will be part of the final accounts award.
- 4.4 Councillor Rowley brought to the District Auditor's attention an issue regarding a potential risk to the Pension Fund Account which had been raised as a concern at a recent meeting of the Council's Superannuation Committee. He explained that certain social enterprises which are set-up, but not financially well-run, build-up pension liabilities which the pension scheme is forced to absorb. John Ogden, Head of Financial Management and Control, responded by reassuring Members that, although the Council has a degree of exposure, Officers are doing their best to identify that exposure, manage it and mitigate it in an effective and timely way.
- 4.5 **RESOLVED:** That the basis on which the Audit Commission will be undertaking the 2011/12 audits of the City Council and Westminster Pension Fund be noted.

5. INTERNAL AUDIT & COUNTER FRAUD SUMMARY MONITORING REPORT JANUARY – FEBRUARY 2012

- 5.1 Chris Harris, Associate Director RSM Tenon, introduced the report which set out the internal audit and counter fraud work carried out during the period January – February 2012. Members were informed that two AMBER RAG status audits were issued in the period relating to the council tax system and CRB checks for contractors. In both these AMBER RAG audit cases, weaknesses were identified and recommendations issued accordingly. In respect of the CRB checks audit, Mr Harris reported that a follow up review had been undertaken and all of the recommendations made to address the weaknesses were found to have been implemented.
- 5.2 On the issue of housing fraud investigations Mr Harris highlighted that, in a landmark case for the Council, an ex-tenant was successfully prosecuted under Section 3 of the Fraud Act and ordered to pay the Council over £7K in respect of the profit they had made by sub-letting their Council owned property and sentenced to 16 weeks in prison.
- 5.3 **RESOLVED:** That the internal audit and counter fraud work carried out during the period be noted.

6. FINANCE (PERIOD 11) & BUSINESS PLAN EXCEPTION PERFORMANCE REPORTS

- 6.1 John Ogden, Head of Financial Management and Control, introduced the finance section of the report and highlighted the key messages for Period 11 (February 2012) across the areas of Revenue, Redundancy and Change Costs, Capital Expenditure, Debt Analysis, the Savings Programme and Reserves:

Mr Ogden reported the following:

- **Revenue Expenditure:** Projected full year position is an under spend of £10.4M, with in-period improvements in the area of Housing; lower than expected expenditure in Temporary Accommodation payments; and an improvement in the Parking position due to higher than anticipated casual income levels. This is an improvement of £2.4M compared to Period 10.
- **Reserves:** forecast of £17M - £19M closing reserves for 2011/12.
- **Redundancy and Change Costs:** Forecasts for change and redundancy remain at circa £10M, unchanged from Period 10. The financial position on redundancy and change costs will be validated as part of the year-end close process to determine the proportion of CLG allowable capitalisation that can be used. This can be used against statutory redundancy costs only and exact figures are currently being examined.
- **Debt Analysis:** An improvement debt decrease by £6.3M from £93.5M in Period 10 to £87.2M in Period 11. Debt is quite heavily provisioned at approx 82% (£71.2M) and is high enough to protect against most financial risk in debt. As such there is not likely to be any significant impact on

Revenue should it be written off. A report is currently being prepared which proposes the write-off of very old Parking debt. Corporate Finance is actively working with Finance Lead Business Partners to carry out an extensive review of the overall debt position.

- **Capital Expenditure:** Service Areas projecting a net capital outturn of £33.1M and an underspend of £6.3M to Budget of £39.4M (excluding HRA). The £6.3M consists of £0.7M net underspend and £5.6M of slippage of which the major elements are: £2.9M relating to BSF and School Schemes; £1.2M relating to Property and £0.6M relating to Libraries.
- **Savings Programme:** Continued good progress made in terms of achievement against the 2011/12 Saving Programme. Just 1% (£0.5M) was categorised as “Red” in the SEB area which relates to branding income. Good progress also made towards the 2012/13 Savings Programme. In Period 11 the 12/13 “Red” risk rated savings reduced by £3.7M to £3.9M due to major improvements in the area of City Management (£3.7M).

6.2 Nick Byrom, Performance Business Analyst, introduced the performance section of the report and explained that in place of the normal quarterly monitoring report submitted to the Committee at each meeting, Members were provided with two business plan performance exception reports on the subjects of Serious Youth Violence levels in Westminster and the impact of the local housing allowance caps on homelessness. These reports were brought to the Committee for Members to investigate, with Service Area representatives present, these two specific performance issues which had been flagged-up as potential concerns by Mr Byrom at previous meetings.

Serious Youth Violence Levels in Westminster

- 6.3 Members heard from Adam Taylor, Assistant Commissioner for Community Safety, who provided the Committee with more detail in respect of the reasons behind the apparent increase in Serious Youth Violence and the steps that the Council is taking with its partners to address this. Mr Taylor explained that, when measured by victim count, Serious Youth Violence has seen a significant increase of 36% (from 252 youth victims in 2010 to 342 in 2011), particularly in respect of robbery. This level has been maintained through-out the year but is starting to see an improvement as year-end approaches. The impact of this increase has seen Westminster move from 18th place in terms of most offences in London (out of 32 London boroughs) in 2009/10 - rising to 6th place currently. This move represented a huge shift in performance compared to other London boroughs.
- 6.4 Mr Taylor reported that, in terms of geographical location, there has been a disproportionate increase in offences in the North of the borough compared to the increases in the Centre (West End for example) and the South. However, three main areas of concern were identified as: the West End night time economy centred around licensed premises; the Little Venice/Edgware Road hot spot – particularly in respect of the rivalry between youths from these two areas; and the gang culture issue in the Queen’s Park/Westbourne/Harrow

Road area. He noted that the Safer Westminster Partnership have devoted a significant amount of its 2011/12 and 2012/13 budgets to tackle Serious Youth Violence but a key financial concern remains the lack of sustainable funding for this area of work.

6.5 Mr Taylor highlighted some of the actions the Council is taking to address and mitigate Serious Youth Violence in the borough, such as the Your Choice Strategy which has been developed over the past 12 months to provide a comprehensive programme of prevention and intervention activities. This programme has four components:

- Improving the way the Safer Westminster Partnership identifies young people who are involved in gangs and Serious Youth Violence;
- Improving the Safer Westminster Partnership's ability to share information with other agencies, particularly the Metropolitan Police;
- Improving programmes for early intervention, such as the Metropolitan Police's initiatives aimed at schools and, linked to this, improving the level of services to be able to effectively intervene; and
- Improving the enforcement action taken against those individuals who continue to offend and refuse to engage with the Safer Westminster Partnership.

Members noted that the effectiveness of any programme of this kind can only be determined through a robust evaluation of detailed data collected over the long-term. Mr Taylor reassured the Committee that the Your Choice programme will run for a period of 3 – 5 years and be subject to a detailed evaluation over this timeframe before the results are used to inform future policies.

6.6 The Committee heard that the Safer Westminster Partnership is also improving its activities in respect of 'best practice' visits to other London Boroughs such as Brent, Waltham Forest and Hackney, to learn about the work being undertaken there with a view to improving strategies at Westminster. Officers have also visited Strathclyde in Scotland where a comprehensive programme of work has been undertaken to tackle the serious gang problem in the area.

6.7 In response to a question from Members regarding the work the Council is undertaking to specifically make contact with younger children in an effort to deter them from entering 'gang culture', Mr Taylor provided details of the 'Growing into Gangs and Violence' prevention programme which is currently running in primary and secondary schools in the North of the borough. He explained that the transition stage between primary and secondary schools is a particularly risky period where children may become initially involved in gang culture. The Growing into Gangs and Violence Programme therefore targets pupils at this stage and educates them about the dangers of gang culture, bringing-in ex-gang members to speak to them about the issue. Mr Taylor informed Members that, where the programme has run and been embedded into the curriculum of schools in North Westminster, it has been positively received and improved relations between the schools and the Safer Westminster Partnership. The Partnership is now actively building relations with

schools elsewhere in the borough, such as Pimlico, to ensure that the programme is incorporated into the curriculum for the 2012/13 school year.

- 6.8 The Committee heard that the Metropolitan Police have launched a refocused gangs command which is expected to stipulate consistent standards and minimum resource requirements in the borough to tackle gang and youth violence. The Safer Westminster Partnership propose to combine these resources into an Integrated Gangs Unit modelled on the approach employed in Hackney that has contributed to a 29% reduction in Serious Youth Violence in the borough.
- 6.9 The Committee explored whether the increase in youth (particularly gang-related) violence in the borough has been fuelled by the drug trade or ethnic frictions between groups of residents who congregate in the same areas and escalate rivalries to the point of serious violence. Mr Taylor informed Members that no data has been collected by the Safer Westminster Partnership which suggests that the increase in Serious Youth Violence is a direct result of the drugs trade; however, there is evidence to suggest that many of the gangs in the borough are involved in the drugs trade as a component of their activity. Similarly with the issue of ethnic tension in parts of the borough, no evidence has been received to suggest a correlation between rivalries of an ethnic nature and a significant increase in Serious Youth Violence – although it may be a factor.
- 6.10 The Committee discussed youth (particularly gang-related) violence within the in Westbourne Ward and the Edgware Road/Little Venice area, which had escalated over the last year, and the specific tensions between certain schools and estates. Members noted the importance of youth outreach work in addressing these problems.

Impact of the Local Housing Allowance Caps on Homelessness in Westminster

- 6.11 Greg Roberts, Supporting People and Homelessness Strategy Manager, presented the second performance exception report which examined the potential impact of the recent changes to local housing allowance caps, including potential effects on housing demand and Temporary Accommodation (TA) provision. Mr Roberts explained that local authorities have a statutory obligation to provide housing under homelessness legislation, where the applicant is homeless, is in priority need and has a local connection. The majority of accommodation provided is social housing; however, the demand for social housing in Westminster has continued to outstrip the supply of available accommodation to let. This has been the case particularly for units of two bedroom or larger. When the supply of suitable affordable accommodation is not available, the Council is required to procure TA to provide housing until affordable housing is available.
- 6.12 Mr Roberts informed the Committee that, although applications from households, who are either homeless or threatened with homelessness, had increased during 2011/12, the levels are still lower than those observed in previous years. The reasons for homelessness in the borough have remained largely the same; however, the principal increase has been a result of the loss

of private rented sector tenancy. Mr Roberts further informed the Committee that the loss of this private rented sector tenancy is correlated with the anticipated introduction of caps on Housing Benefit levels.

6.13 Mr Roberts reported the Council's response to the issue of caps on Housing Benefit levels, including the instigation of a steering group chaired by the Strategic Director of Housing, Regeneration and Property, with a senior membership from Adults Services and Children's Services as well as Benefits Services. The function of this group has been to ensure that all households are informed of the caps, the options open to them and the support available, identify vulnerable households through for example the updated Discretionary Housing Payment (DHP) policy and developing protocols for its use. It is envisaged that this group will continue to oversee the Council's response to the benefit changes.

6.14 In order to deliver the level of support necessary to tenants affected by the caps the Housing Options Service has been restructured, making use of additional revenue grant funding made available by CLG for councils to respond to the introduction of the Housing Benefit caps. This funding can be used to work with landlords to negotiate lower rents and help tenants to remain in their homes wherever possible, provide case work assistance to households moving out or moving into the borough and cover additional Temporary Accommodation procurement costs. The Council has also received an increased allocation of Discretionary Housing Payment (DHP) from central government in order to top up Housing Benefit payments for vulnerable benefit claimants.

6.15 In the ensuing discussion Members considered the following:

- the levels of Housing Options resource provision available to deal with the anticipated increase in applications;
- the process of negotiating lower rents with landlords and the complexity of the process;
- the increased pressure which has been placed upon Bed & Breakfast usage as a result of the increase in homelessness and the procurement of emergency accommodation;
- the checks undertaken by the Council to ensure the suitability and sustainability of private rented sector accommodation; and
- the money ring-fenced for the purposes of DHP and the possibility of requesting an increase in DHP Panels in the future, should the increase in applications continue into the long-term.

6.16 RESOLVED: That the content of the reports and the actions being taken in respect of the issues outlined in the reports, be noted.

7. TERMINATION OF MEETING

7.1 The meeting ended at 9.15pm.

CHAIRMAN _____

DATE _____