



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a virtual meeting of the **Audit and Performance Committee** held on **Thursday 18th June, 2020**.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd, Danny Chalkley and Richard Elcho

Also Present: Gerald Almeroth (Executive Director of Finance & Resources), Phil Triggs (Tri-Borough Director of Treasury & Pensions), Rikin Tailor (Head of Corporate Finance), Gareth Wall (Director of Integrated Commissioning), Paul Dossett (Grant Thornton), Kevin Goad (Director of City Highways), Neil Wightman (Director of Housing), Stephen Muldoon (Director of Commercial and Financial Management), Andrew Tagg (Director of Operations and Programmes) and Ama Ackom-Mensah (Deputy Head Of Corporate Finance)

1 MEMBERSHIP

1.1 There were no changes to the membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 2019-2020 ANNUAL ACCOUNTS AND OUTTURN

3.1 The Committee considered a report setting out the Council's 2019/20 outturn position for revenue and capital for the General Fund (GF) and Housing Revenue Account (HRA). In addition, the report also provided a summary of the pension fund and the Council's treasury management for the year. The Committee also considered the 2019/20 statement of accounts and a summary of these accounts. It was noted that the statement of accounts were currently at the draft stage with an audited version of the accounts due to be presented to the Committee at its July 2020 meeting for final sign off. This would be after the public inspection period which was due to end on 1 July 2020.

3.2 Gerald Almeroth (Executive Director of Finance & Resources) and Rikin Tailor (Head of Corporate Finance) provided the Committee with a detailed commentary of the following key sections of the financial statements.

- The Committee was informed that the General Fund revenue position had seen a net outturn of £530,000 underspend compared to a Period 10 (January 2020) forecast underspend of £2.643m. It was explained that the majority of this movement was due to income losses as a result of the covid-19 pandemic. The revenue underspend would increase the Council's general reserves to £63.306m which would assist the Council's financial resilience, especially to deal with the financial pressures that would result from covid-19.
- It was explained that the HRA revenue outturn was a surplus of £131,000, against a budgeted surplus of £9.793m. HRA revenue balances had increased by the surplus to £17.365m.
- The general fund capital outturn represented a gross expenditure underspend of £71.527m against budget. This compared to a gross expenditure budget of £235.211m. The HRA capital outturn had a variance of £31.721m against a budget of £149.854m.
- The total value of the Pension Fund as at 31 March 2020 was £1.324bn. This was made up of investments in various assets – 66% equities, 23% bonds, 10% property, 1% infrastructure.

3.3 The Committee held a detailed discussion on the report and noted that the accounts were currently at the draft stage. A concern was raised over the capital programme which was experiencing delays and represented a significant underspend. The Committee commented that this appeared to be a generic issue which had occurred before and questioned if there were linkages between capital programme execution issues and revenue issues. In response it was explained that there was a significant underspend in capital schemes however the majority of the slippage only related to a few large schemes which accounted for 60% of the total slippage in the programme leading to this variance.

3.4 The Committee discussed elements of the general fund revenue underspend and the reasons for the number of variations. It was explained that in terms of capital schemes causing delays in revenue, medium term financial planning had been undertaken including an assessment into how the capital programme fed into that in order to put in an allowance around timings for capital schemes. If there were delays in certain capital schemes and the Council was due to get a saving these and any revenue implications related to the capital scheme would not be recognised until the year after that capital scheme was completed. Therefore, it would be able to budget for such a scenario well in advance. In terms of the HRA and the major works income the Council was not able to bill leaseholders for major works until the work had been completed. The delay in these works had meant that the income would not be received in the year it was expected but would be received going forward however later than planned.

- 3.5 In response to a question over the size of the pension fund the Committee was pleased to note that as of 21 March 2020 the pension fund had a 97.2% funding level.
- 3.6 The Committee held further detailed discussions on the report. The Chair expressed concern over what appeared to be a persistent issue in regard to the capital programme execution and the current amount of slippage. In addition, some of the variances in the revenue areas was queried and it was suggested more information was required on the reasons behind why they were occurring. It was requested that the Committee receive a formal response to these concerns raised.

RESOLVED: That the draft 2019/20 statement of accounts subject to the public inspection period and the audit currently underway be approved.

ACTIONS:

1. An update be provided on the capital programme execution and the current amount of slippage. This to include details of how the current underspend compares to the previous five years.
2. In the revenue outturn more it was requested that further information be provided with regard to the waiver of the Westco contribution due to covid-19, leading to a £300,000 income loss for the Council.
3. In terms of commercial waste, it was expected that this service would be affected by the covid-19 pandemic and it was requested that the commercial activity assessment being undertaken be shared with the Committee when completed.

4 TREASURY MANAGEMENT STRATEGY OUTTURN 2019-2020

- 4.1 Phil Triggs (Tri-Borough Director of Treasury & Pensions) presented the Council's Annual Treasury Management Outturn Report for 2019/20 as required by the regulations issued under the Local Government Act 2003.
- 4.2 The Committee noted that the Council had complied with all elements of the Treasury Management Strategy Statement (TMSS) apart from one instance (already reported in the 2019/20 mid-year review) which arose because of exceptional banking receipts which were received too late to be moved from the bank until the following day. This resulted in funds in excess of the strategy limit set for the Council's current bank account on one occasion.
- 4.3 The Committee was also informed that on the 30th October 2020, the Council had breached its authorised overdraft limit by £47.4m at its clearing bank Lloyds. This arose from a failure of HSBC bank to repay £49.2m requested from the Council's HSBC call account.
- 4.4 Further updates were provided to the Committee regarding investments and the Council's arranged forward borrowing loans totalling £400m for 2019/20.

With regard to the forward loans it was confirmed that the fee payable to the Council's treasury consultant was £300,000 which had come from the overall treasury budget. The Committee was interested to learn more about these loans and the consultancy fee and requested a note be circulated providing further information.

- 4.5 The Committee held detailed discussions on the Council's treasury investment position and interest rate received. It was noted that local authorities formed a significant proportion of the organisations that the Council was lending to. It was explained that local authorities were preferred as a counter party due to none ever having gone into administration, however a diversified portfolio of counter parties was maintained.
- 4.6 Members were interested to learn more about what future planning assumptions had been made in regard to the interest rate. The Committee was provided with details of how as a result of the impact of the covid-19 pandemic a revision had been made to the budget for 2020/21 for investment income as a result in the reduction in the yield received. The situation would continue to be monitored but it was suggested that as a result of the impact of covid-19 it was a reasonable assumption that interest rates would remain low.
- 4.7 **RESOLVED:** That the annual treasury management final outturn 2019/20 be noted, including the cases of non-compliance.

ACTIONS: The Committee requested a note be circulated providing further information on future loans and the £300,000 consultancy fee payable to the Council's treasury consultant.

The Meeting ended at 7.52 pm

CHAIRMAN: _____

DATE _____