



CITY OF WESTMINSTER

# MINUTES

## Audit and Performance Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Wednesday 14th July, 2021**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Councillors Ian Rowley (Chairman), David Boothroyd, Danny Chalkley and Antonia Cox

**Also Present:** Gerald Almeroth (Executive Director, Finance and Resources), Michelle Badham (SFM Finance, F&R), Ryan Giles (Head of Commercial, GPH), David Hughes (Tri-Borough Director, Audit, Risk and Fraud), Ed Humphreys (Head of Commercial, People Services), Andy Hyatt (Tri-Borough Head of Fraud), Artemis Kassi (Lead Scrutiny Advisor/Statutory Officer), Moira Mackie (Head of Internal Fraud), Nicole Repetto (Head of Procurement, Tendering Service), Annabel Saunders (Director of Operations and Programmes, Children's Services), Rikin Tailor (SFM Head of Corporate Finance, F&R), Sarah Warman (Director of Commercial Partnerships, F&R), Dai Williams (Head of Commercial, ECM).

#### 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 The Committee approved the minutes of meetings on 23 September 2020, 2 December 2020, and 2 March 2021. The Committee issued a point of thanks for the minutes of these meetings.

3.2 **RESOLVED:** The Committee approved the minutes.

## **4 PERIOD 2 FINANCE REPORT**

- 4.1 The Committee received the Period 2 Finance Monitoring Report presented by Gerald Almeroth and Rikin Tailor.
- 4.2 The Committee was advised about income losses and variances, including expenditure variance in Adults Social Care and Children's Services, in addition to slippage seen in the outturn report.
- 4.3 The Committee queried the role of government support in assisting the Council in maintaining balance in its budget. Gerald Almeroth and Rikin Tailor noted that, in drawing up the budget, consideration had been given to the reduction in income due to the COVID-19 pandemic, particularly from the Council's fees and charges income streams. The Committee was advised that the Council's budget had also been drawn up with the knowledge that key government support schemes would end in June, and that the economy had not fully picked up by this point. The Committee also queried what government support would be in place following this point. Gerald Almeroth commented that local government had made a request to MHCLG for continuance of support but that this was not currently in place.
- 4.4 The Committee further queried the underspend forecast for Adult Social Care, and whether this was due to altering numbers of placements or hours of care provided. Gerald Almeroth commented that, during the pandemic, placement numbers had reduced and home care increased, but it was as yet unknown whether these trends would be maintained.
- 4.5 The Committee noted that the eviction ban had ended and queried whether therefore households in Temporary Accommodation (TA) who did not meet homelessness criteria were being evicted. Gerald Almeroth advised the Committee that care would be taken in such cases, especially as non-payment of rent was often down to household circumstances ("can't pay, rather than won't pay"), and that resumption of court activities more widely meant that recovery of rent or housing would be able to resume.
- 4.6 The Committee noted that the report highlighted the Westminster pension fund was again fully funded. Gerald Almeroth noted that the Council element was 85%, with a plan to repay the deficit in full this year.
- 4.7 The Committee discussed the divergence between what was promised and what was delivered in addition to exploring the merits of yearly budget-setting versus longer term budgets (20 to 30 years).
- 4.8 The Committee queried whether the Council's healthy reserve position might be detrimental to appeals for continuation of government COVID grant funding. The Committee heard that local government funding and finance more widely was in a time of great uncertainty, and that rules on local government funding generally applied across the board to all local authorities. However, officers advised that Westminster would continue to make the case for Westminster, given its local economic centres' key role in delivering value back to the national economy. The Committee noted the report.

4.9 **RESOLVED:** That the Committee note the report.

## 5 ANNUAL GOVERNANCE STATEMENT AND DRAFT ACCOUNTS

5.1 The Committee received the draft Accounts and was informed that the annual audit was in progress.

5.2 The Committee was advised that the wider context of the draft Accounts was the context of the COVID-19 pandemic, which continued to have significant impact. Michelle Badham explained to the Committee that the largest variances were due to accounting regulations for the Collection Fund; because of the government COVID grant funding and the timing of the draft, losses for the Collection Fund would not be recognised until next year. As a result, earmarked reserves appeared higher than the previous year by around £444m; debtors and creditors had increased variance, including a £462m increase in debtor balance.

5.3 The Committee heard that the net asset position as of 31 March 2021 was £2.598bn, representing a decrease of £77.2m on the previous year. £197.1m was received for Section 31 grants for Business Rates Relief and would be passed back to Council preceptors, therefore representing an increase in liabilities. A £203.9m increase was explained to the Committee as being due to the Business Rates accounting treatment. Further, long-term assets had increased, including a £103m increase in property, plant, and equipment assets.

5.4 The Committee was advised that the Council's cash balance had reduced by £44m, as cash was being used in money markets for easier access in the uncertain financial climate.

5.5 The Committee queried the deficit in the Pension Fund, but this was explained as an accounting treatment.

5.6 The Committee also queried risks and some aspects of the report's presentation, particularly requesting that context be added for the issues around the reduced Sports and Leisure contract across the COVID-19 pandemic, as well as clarity around Westminster Builds names to avoid confusion. The Committee noted the report.

5.7 **RESOLVED:** That the Committee note the report.

## 6 ANNUAL OPINION

6.1 The Committee received the annual Internal Audit opinion. The Committee was advised that this was an overall positive opinion, indicating that the Council's governance, risk management and internal control systems in the areas audited were adequate, and that the Council generally had effective internal control systems, with 95% of audits receiving a positive (substantial or

satisfactory) assurance opinion. It was highlighted to the Committee that there was one limited assurance audit, reported to the Committee in December 2020, which related to Direct Payments in Adult Social Care. Officers advised the Committee that follow-ups had indicated progress, with a medium-priority recommendation yet to be addressed by Adult Social Care.

- 6.2 The Committee queried the levels of improvements to reporting. Moira Mackie commented that improvements were to speed of delivery and presentation of reporting.
- 6.3 The Committee also queried the issue of Direct Payments in Adult Social Care, and whether this was related to the COVID-19 pandemic. Moira Mackie confirmed that this aspect of the audit had begun prior to the pandemic, and care was taken during the pandemic to work with the service to address any related weaknesses as the audit progressed.
- 6.4 The Committee further queried the reporting on the Hampshire County Council Managed Service (“IBC”), and its equivalence to an audit. Moira Mackie confirmed that it was possible for Internal Audit to audit whether the IBC system was being used properly by staff and managers, including reporting of staff absences and financial transactions, in line with the Council’s own policies and procedures. However, the Committee was advised that Hampshire County Council had responsibility for auditing the IBC system itself, and this included review of the processes and controls for the system by Hampshire County Council’s external auditor reviews. The Committee heard that this relied upon the individuals being compliant with local controls (a “self-service model”) and that the audit processes only reviewed specific points and processes.
- 6.5 The Committee noted that, regarding schools, 40% of schools had no wellbeing policy at the time of audit. The Committee queried whether mental health could be integrated into the broader consideration of wellbeing in schools. Moira Mackie commented that she would bring this to the attention of the relevant people in other departments, who were best placed to assist schools to improve on this aspect.
- 6.6 The Committee queried some of the terminology used with regard to assurance, when compared with the schools reporting, including whether schools could be considered “satisfactory” considering that many were noted to be, for example, not reviewing their information security and health and safety policies. Moira Mackie noted that these specific policies were chosen as part of the thematic review audit work, as these were not usually examined. She also commented that some Westminster schools had not felt they had time to respond, considering the review of such policies as being under school governors’ remit. The Committee noted the low response rate and highlighted the importance of schools being fully audited and being compliant. The Committee also noted the importance of governance in Ofsted’s assessments of schools. The Committee’s concerns were emphasised around consistency of reporting by schools in certain areas, including risk assessments and child injury incidents. The Committee recommended a more complete investigation of these concerns by the

relevant Executive Director and Cabinet Member and referred the issue to Scrutiny.

- 6.7 **RESOLVED:** That the Committee receive an update at its next meeting and also refer these concerns to the Business and Children's Policy and Scrutiny Committee for further investigation at its next meeting.

## 7 ANNUAL FRAUD REPORT

- 7.1 The Committee received the Annual Fraud report. It was noted that the pandemic context had presented significant barriers to much routine anti-fraud work, in particular with respect to fraud regarding council housing tenancies, preventing inspections of council housing to verify occupier identities. The pandemic's halting of court operations had caused backlogs in cases regarding residents' and blue badge parking fraud, although these were now beginning to progress through courts. Overall, output was halved for the reporting year. The easing of pandemic restrictions had permitted resumption of routine anti-fraud activities, and although significant backlog remained, work had begun to clear it.
- 7.2 The Committee reiterated prior concerns regarding the adequacy of Council resourcing to identify and address fraud relating to the government business support grants during the pandemic. Andy Hyatt explained that the relevant Council teams had assessed that, with more than eight thousand Westminster businesses supported from these grants, only twenty-five cases were actively being pursued relating to grants being inaccurately distributed to businesses, and of those only four were fraud (with the remainder being errors in information provided to the Council). Andy Hyatt commented that, in comparison to the furlough scheme and bounce-back loans, which had been administered centrally and were widely reported to be subject to considerable levels of fraud, the business grants scheme was less susceptible to fraud as it was the responsibility of local authorities. The Committee heard that Westminster City Council's local awareness, data, intelligence, and oversight had allowed for robust verification and checking processes to be put in place early to minimise fraud.
- 7.3 **RESOLVED:** That the Committee note the report.

## 8 PROCUREMENT REPORT

- 8.1 The Committee received a report on changes to the Council's procurement model, which the report noted oversees procurements over £100,000 in value. The Committee was advised that current Westminster City Council spend on services and contracts fulfilled by external parties exceeded £500million each year, and that the changes to the procurement model aimed to deliver improved value for this spend.
- 8.2 Sarah Warman, Director of Commercial Partnerships, provided the Committee with further information. Sarah Warman advised the Committee that a

permanent procurement team had been recruited to deliver the changes in line with the procurement code and improved ways of working with other Council departments.

- 8.3 The Committee queried whether there was opportunity to improve on the to-date figure of £2.1million savings on contracts. Sarah Warman commented that these savings were being monitored as part of recent work incorporating an initial savings tracker, and that workshops were imminently to take place to identify further savings. Sarah Warman further advised the Committee that, in terms of increasing value from suppliers, key commitments such as environmental approaches and diversity and inclusion were to be part of future work in this area with suppliers.
- 8.4 The Committee asked why some contracts were out-of-scope for the London Living Wage. Sarah Warman offered to share the criteria that determine scope; this was welcomed by the Committee.
- 8.5 The Committee also queried the service's target for satisfaction scores as measured by its surveys. Sarah Warman noted that this was a new initiative and was establishing a baseline. Sarah Warman further emphasised to the Committee that the aim would be a high figure, likely with variation across Council departments with suppliers, and that a figure below 80% would likely be a cause for concern.
- 8.6 The Committee questioned whether £10,000 was an appropriate lower limit for contracts awarded via procurement processes, or if full procurement for lower-value contracts might cause drain on resources. Sarah Warman commented that, although the bulk of efforts would be focused on high-value contracts, it was considered important to ensure that best practice was implemented for procurement across lower-value (i.e. below £100,000) contracts as well, to improve engagement with and understanding of good procurement practice.
- 8.7 The Committee asked about the quality, effectiveness, and efficiency of data gathering, monitoring, and utilisation. Sarah Warman noted that the range and variety of data was broad, owned by many different Council areas, and the quality of the information entered into systems was key to a good quality dataset. Sarah Warman also noted that, at the time of the meeting, contract data and spend data were not aligned, although the aim was to change that with a new contract management system due for implementation in Spring 2022. The Committee was advised that a contract register was being built across the Council to allow more oversight of the spend, but that lower-value contracts were a challenge as they were dispersed across the Council.
- 8.8 The Committee queried aspects of the Council's approach to achieving social value, including its definition, and whether true value would be achieved if price was not the foremost consideration, given that money was required for a wide range of services provided by the Council to vulnerable people. Sarah Warman noted that social value was just one aspect of procurement; she agreed that clarity on social value as a concept was important, as well as

monitoring of providers' delivery on social value obligations and impact, to ensure that the Council delivered on commitments to residents.

- 8.9 The Committee also queried whether the Procurement team had a wide enough skillset to procure the wide variety of programmes and contracts required by the Council, drawing a contrast between small contracts and large Capital Programme contracts. Sarah Warman noted that efforts had been made to recruit a team with an appropriate range of skills to deliver best practice in procurement. Further, the Committee was advised that efforts were being made to reduce reliance on interim staff and recruit permanent staff to roles with input into the Capital Programme. The Committee noted the report and also noted that a further report relating to procurement would be coming to its September meeting.
- 8.10 **RESOLVED:** That the Committee note the report.

## **9 WORK PROGRAMME**

- 9.1 The Committee discussed its upcoming Work Programme for the remainder of the municipal year.
- 9.2 The Committee noted a recent report from the Public Accounts Committee on the future of local authority auditors, which considered that the reliance on a small number of auditors put the market at risk. It was further noted that this was a national issue, and that relatively few auditors were in the local authority audit market at all as it had become unprofitable for audit firms, with the consequence that only 45% of audits had been completed nationally by the previous year's deadline. The Committee queried the resilience of its own external auditors against the prevailing market pressures. Gerald Almeroth expressed his confidence in Grant Thornton to complete Westminster's audit by the September deadline.
- 9.3 The Committee discussed the search for an independent member to complement the current Committee membership. David Hughes advised the Committee that advertisements were being placed for an Independent Member for the Committee.
- 9.4 The Committee also discussed the agenda items proposed for its 29 September meeting, including immunisations update, Officers' remuneration and gifts, and Public Health Funerals. The Committee suggested that the agenda for its meeting of 29 September appeared overcharged. The Committee agreed that further discussions be held offline.
- 9.5 **RESOLVED:** That the work programme report be noted.

The Meeting ended at 20:21

**CHAIRMAN:** \_\_\_\_\_

**DATE** \_\_\_\_\_