



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Wednesday 29th September, 2021**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

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

Also Present: Stuart Love (Chief Executive), Gerald Almeroth (Executive Director, Finance and Resources), Jake Bacchus (Director of Corporate Finance, F&R), Joanne Brown (Grant Thornton), Bernie Flaherty (Executive Director, Adult Social Care and Public Health), Laurelin Griffiths (Grant Thornton), David Hughes (Tri-Borough Director, Audit, Risk and Fraud), Debbie Jackson (Executive Director, Growth, Planning and Housing), Artemis Kassi (Lead Scrutiny Advisor/Statutory Officer), Moira Mackie (Head of Internal Audit), Raj Mistry (Executive Director, Environment and City Management), Sarah Newman (Executive Director, Children's Services), Rikin Tailor (SFM Head of Corporate Finance, F&R), Lee Witham (Director, People Services), and Pedro Wrobel (Executive Director, Innovation and Change).

1 MEMBERSHIP

1.1 There were no changes to membership.

2 DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3 MINUTES

3.1 The Committee approved the minutes of its meetings on 17 June 2021 and 14 July 2021.

4 AUDITED ACCOUNTS AND STATEMENT OF ACCOUNTS

- 4.1 The Committee received the audited Statement of Accounts and Pension Fund report for the financial year ending 31 March 2021, and the reports of Grant Thornton, the Council's external auditors.
- 4.2 The Committee was provided an overview by Gerald Almeroth (Executive Director, Finance and Resources) who highlighted that, as a result of the audit, there had been some revisions to the draft accounts previously presented to the Committee in July. The Committee was advised that the recommendation was for agreement of the accounts and audit reports.
- 4.3 Gerald Almeroth noted that the Value for Money conclusion was on a different timescale and would be expected prior to the end of November 2021.
- 4.3 Jake Bacchus (Director of Corporate Finance) commented on the audit process, explaining there had been improvements to methodology including around valuations, the accuracy of which was considered particularly important as Westminster City Council had sizeable infrastructure assets. The Committee heard that historical audit recommendations had also been addressed, and the internal controls had been improved. The accounts were therefore considered robust.
- 4.4 Joanne Brown (Audit Partner, Grant Thornton) introduced the audit finding reports for the Council and its Pension Fund. The anticipated opinion was unmodified, subject to any upcoming concluding matters. Joanne Brown commented that the readiness of the accounts was reflective of the level of work put into those accounts by Council officers, and that Westminster was in a small minority of local authorities whose accounts were ready at this stage. She thanked officers for being receptive to feedback and implementing changes.
- 4.5 Laurelin Griffiths (Grant Thornton) explained that the regular Pension Fund audit was generally a smooth procedure and that this audit had been no different. The Committee was advised that the Council's Audit Findings Report had seen outstanding items addressed, and that final quality reviews were proceeding. The Committee also heard that this report included new significant risks, regarding revenue and expenditure recognition – which were noted as being risks for local authorities generally, not specifically Westminster, and were a result of the COVID-19 pandemic's impact on funding and expenditures.
- 4.6 The Committee discussed charges relating to new investments for the Pension Fund and observed that the audit fee was yet to be confirmed. Gerald Almeroth and Joanne Brown confirmed that the fee was at that time disputed with the Public Sector Audit Appointments (PSAA) as the authority which appointed auditors for local authorities.
- 4.7 The Committee queried the significance of the reclassification of Luton Street Development LLP as a joint venture. This was confirmed as being significant in terms of difference in technical changes to accounting processes, but

because no cost changes resulted from the reclassification, the change represented no overall significance in terms of costs to the Council.

4.8 **RESOLVED:** That the Committee note the accounts and audit report.

5 **FINANCE AND PERFORMANCE BUSINESS PLAN MONITORING REPORT**

5.1 The Committee received the Finance and Performance Monitoring Reports, which were introduced by Gerald Almeroth.

Finance Monitoring Report

5.2 For the Finance Report, it was noted that the Revenue budget (General Funds) showed a deficit of £3m against a £182m net budget; and that this was largely because of a shortfall in income resulting from the COVID-19 pandemic, though easing of pandemic restrictions had facilitated an increase in some income lines. The Committee was advised that difficulties forecasting budgets remained, but that clearer views were expected.

5.3 The Committee heard that no variations were reported on the Housing Revenue Account (HRA), though an underspend of £16m was noted for the general capital programme budget, overall £3m against a budget of £273m. For the Housing capital budget, an underspend of £31m was noted as due to issues with regeneration schemes, against a £197m budget.

5.4 The Committee complimented officers on ensuring that so few budget items were in shortfall given the impact of the COVID-19 pandemic. The Committee queried how the reduction in Government grants would have an impact on Council finances, and Gerald Almeroth confirmed that it remained of concern and that Westminster City Council had written to Government to request an extension. However, he advised that this request was not expected to be granted.

5.5 The Committee commented that the Environment and City Management Community Services spend was significantly down and queried why this was the case. Raj Mistry explained that this was due to the pandemic and connected to reduced use of leisure centres and of the Sayers Croft facility usually used by Westminster schools.

5.6 The Committee enquired about the underspend in the Public Health budget related to reduced numbers of health checks and commented that this would be of concern in terms of disease prevention and early detection.

5.7 The Committee queried the circa 200 Westminster tenants in Temporary Accommodation (TA) whose homelessness applications had been refused. Debbie Jackson (Executive Director, Growth, Planning and Housing) explained that these tenants were to be moved out of TA in stages over the coming seven-month period, being supported to move into settled accommodation. There was an additional query from the Committee regarding the Government's Homelessness Prevention grant funding and whether it

would adequately cover costs associated with TA. Gerald Almeroth commented that, in previous years, the entirety of the grant funding had not been used, meaning that there was a reserve to assist in managing fluctuating pressures on homelessness prevention.

- 5.8 The Committee noted in relation to the Westminster Employment Service that in previous years where a service had been funded externally, if external funding ceased, the service stopped. Debbie Jackson stated that the service contributed to reduction in demand elsewhere, and its funding was therefore being reviewed.
- 5.9 The Committee requested information about the HRA underspend. Debbie Jackson stated that the Housing staffing restructure meant that posts were vacant and agency staffing had been used, but that this had clearly not managed to cover all the gaps, although she was hoping the service would stabilise and fill posts. Debbie Jackson commented that they had been intensively interviewing in recent weeks.
- 5.10 The Committee queried the Oxford Street piazza scheme's lack of inclusion in forecast spend; Debbie Jackson confirmed that any Oxford Street District spending was included in the discrete Oxford Street District budget, currently £150m.
- 5.11 The Committee noted that the 300 Harrow Road scheme was not using funding from the Affordable Housing fund, so clarity was requested from Debbie Jackson on whether it would still include affordable housing. Debbie Jackson reverted to Gerald Almeroth, who commented that the Affordable Housing fund was still being used but was being applied differently through Westminster Builds.
- 5.12 The Committee questioned why the temporary structure of the Marble Arch Mound had been funded from Council Capital Budget, and whether the internal review report on the issues regarding the Marble Arch Mound would be made public. Gerald Almeroth explained that the Marble Arch Mound, since it would only be available to the Council for fewer than twelve months, would not be able to be considered for accounting purposes as a capital asset. He advised the Committee that the £150m budget provision for the Oxford Street District budget would partly be used, with some allocation as revenue spend. Stuart Love (Chief Executive) stated his intent that the internal report in its entirety would be published, with the exception of specific names of contractors and those involved in staff disciplinary processes. Stuart Love confirmed that, other than those items, there was nothing in the draft report that he considered should be confidential.
- 5.13 The Committee commented, regarding the capital versus revenue aspect of budget spend, that clarity was required on this with regard to the Marble Arch Mound, because the Committee had repeatedly been assured that the expenditure would come from capital budget, yet the Marble Arch Mound was not a capital asset. The Committee questioned whether this would be explained in the internal review report into the Marble Arch Mound. Stuart Love commented that the internal report would not necessarily consider this

distinction, but that there was a difference between two Cabinet Member Reports from March 2021 and May 2021 regarding the Marble Arch Mound financing, which would be covered in the internal review report. Stuart Love stated that the bulk of the Marble Arch Mound costs would be accounted for as revenue, not capital.

- 5.14 The Committee further queried whether £150m was still an appropriate sum to allocate for the regeneration of the Oxford Street District, given the time that had elapsed between the figure being profiled and the current date, and the changed needs during this time. Stuart Love confirmed that this figure would be revisited in light of the pressures of the COVID-19 pandemic. The Committee questioned whether the Council should drive the regeneration of the Oxford Street District or instead act as facilitators for the private sector to lead regeneration, as it may be considered that the private sector had the appropriate skills and expertise, in addition to the ability to take risks which may not be appropriate for the Council to take.

Performance Monitoring Report Q1

- 5.15 The Committee was presented with a brief overview of the 2021/22 Q1 Performance Report by Mo Rahman. It was noted that there were a number of new Key Performance Indicators (KPIs), particularly for Finance and Resources around procurement.
- 5.16 The Committee heard that key achievements in the report included continued delivery of statutory services throughout the pandemic context and securing funding for vulnerable younger adults to support them into housing and employment.
- 5.17 The Committee also heard that key pressures noted in the report included poor mental health amongst residents, high youth unemployment, low uptake of the flu and COVID-19 vaccines, upcoming increased costs for materials for works, and increased pressure on SEND services.
- 5.18 The Committee commented that reported COVID-19 infections remained low in Westminster despite low vaccination rates locally. Committee members raised the possibility of residents being vaccinated outside the City, for example at second home locations or at boarding schools, and how this could be reflected in reporting, as well as accuracy of the infection rate as reported.
- 5.19 The Committee asked about confidence in national census responses being representative of local population figures, referring to a past national census having under-counted Westminster's population by as much as one third. Pedro Wrobel (Executive Director, I&C; attending virtually) commented that, because of the circumstances and date (during the COVID-19 pandemic) on which the census was carried out, an inaccurate population estimate was expected. Pedro Wrobel stated that there was an ongoing dialogue with the Office for National Statistics regarding this and expected challenge to the results of the census.

- 5.20 The Committee queried whether there was an updated estimate of the number of jobs which Westminster City Council's al fresco dining scheme was likely to have helped preserve. Mo Rahman commented that he would revert to the Committee regarding this.
- 5.21 The Committee enquired whether there was an estimated forecast of the impact of the Ultra-Low Emissions Zone (ULEZ) scheme on parking revenue in Westminster from October 2021. Raj Mistry (Executive Director, Environment and City Management) commented that this forecasting had not been carried out as it was difficult to predict how ULEZ would impact behaviour.
- 5.22 The Committee raised concerns about the City's youth unemployment figures and commented that these figures were worrying.
- 5.23 The Committee queried why the draft Building Safety legislation was flagged as a risk from Q1 2020-21 when it was not expected to be implemented until 2023 at the earliest, and why it appeared any associated risk was not being managed down and thus reducing.
- 5.24 The Committee asked why Children's Services no longer used the KPI of children who had been on a child protection plan being re-referred within 24 months of being removed from the plan, as it considered this a useful metric of the effectiveness of intervention. Mo Rahman confirmed this KPI had been removed in the current and previous reports but could be reinstated per the Committee's request.
- 5.25 The Committee repeated a query from a prior meeting concerning how risk scores were calculated and again requested if guidance could be provided regarding their meaning in context.
- 5.26 **RESOLVED:** That the Committee note the reports.

6 INTERNAL AUDIT MONITORING REPORT

- 6.1 The Committee received the Internal Audit Monitoring report, introduced by Moira Mackie (Head of Internal Audit).
- 6.2 The Committee enquired about resourcing for the Council's Food Safety team, and whether it was sufficient given Internal Audit's findings regarding the weaknesses in the Food Safety service. Raj Mistry stated that he had reviewed the Food Safety service, set targets, and recruited more Environmental Health Officers (EHOs), as well as planning procurement for a new IT system with guidance from the Food Standards Agency. He also advised the Committee that new businesses were being prioritised for inspections. The Committee queried whether so-called "dark kitchens" for food preparation were inspected. Raj Mistry stated that many were, as their locations were known, and that, although resourcing for their inspections had been an issue, the increased numbers of EHOs had assisted with this.

6.3 The Committee thanked Internal Audit officers for the report.

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

7 VERBAL UPDATE

7.1 The Committee received a verbal update from Moira Mackie (Head of Internal Audit), who explained that, following concerns raised at the previous Committee meeting, she had liaised with Children's Services, Property, and Health and Safety to investigate issues previously raised as a result of the Internal Audit thematic review into schools. The Committee was advised that Ian Heggs (Bi-Borough Director of Education) would be presenting a report to the Business and Children's Services Policy and Scrutiny Committee at its meeting in October. Moira Mackie advised the Committee that members would receive an update at the December meeting following the scrutiny committee referral.

7.2 **RESOLVED:** That the Committee note the verbal update.

8 POLICY ON COUNCIL OFFICERS RELATING TO GIFTS AND HOSPITALITY

8.1 The Committee received a report about Council policy on officers relating to gifts and Hospitality from Lee Witham (Director, People Services). Lee Witham explained to the Committee that the policy had been clarified and re-launched. As a result of this re-launch, Council officers would only be permitted to accept minor gifts of token value, such as pens or notebooks, and hospitality could only be accepted if it were to take place in a venue within the City of Westminster, of modest value, and related to an event that contributed to relationship-building that had no connection with procurement or contracts. Lee Witham advised the Committee that the previous policy had been considered unclear and had incorporated management sign-off, whereas the new policy was considered clearer and placed responsibility on any individual officers who chose to accept any gifts or hospitality.

8.2 **RESOLVED:** That the Committee note the updated policy.

9 WORK PROGRAMME 2021/2022

9.1 The Committee received a report on and discussed its future Work Programme for the remainder of the municipal year, with a focus on its December meeting.

9.2 The Committee discussed the agenda items proposed for its 1 December meeting, including the twice-yearly Performance Report, immunisations update, and Officers' remuneration.

9.3 **RESOLVED:** That the work programme report be noted.

10 **PROCUREMENT CONTRACT PERFORMANCE**

10.1 The Chairman, Cllr Ian Rowley, advised the Committee that, in light of information before the Committee, Agenda Item 10 concerned matters under Section 100 (A) (4) and paragraph 3 of Part 1 of Schedule 12A to the Local Government Act (1972) (as amended). Agenda Item 10 featured a report, the contents of which were public, and an appendix, the contents of which were private.

10.2 The Chairman asked members to note the report and appendix, and invited the Committee to vote to conduct this portion of the meeting in private. Following this voting, the Committee unanimously voted to hold this portion of the meeting in private session. The Chairman directed the meeting to be conducted in private.

10.3 **RESOLVED:** That the Committee note the report and conduct this portion of the meeting in private session.

The Meeting ended at 20:19.

CHAIRMAN: _____

DATE _____