



CITY OF WESTMINSTER

# MINUTES

## Audit and Performance Committee

### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Wednesday 1st December, 2021**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

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

**Also Present:** Jake Bacchus (Director of Corporate Finance, F&R), Nick Byrom (Strategic Performance Manager, I&C), Mathew Dawson (SFM, Treasury and Pensions, F&R; virtually), Kumbirai Dzumbunu (Strategic Workforce Data Lead, People Services), Zoe Evans (Complaints and Customer Manager, F&R), Bernie Flaherty (Executive Director, Adult Social Care and Public Health), Ian Heggs (Bi-Borough Director of Education, Children's Services; virtually), Martin Hinckley (Director of Revenues and Benefits), David Hughes (Tri-Borough Director, Audit, Risk and Fraud; virtually), Andy Hyatt (Tri-Borough Head of Fraud; virtually), Debbie Jackson (Executive Director, Growth, Planning and Housing), Alex Juon (Head of Service South and West; virtually), Artemis Kassi (Lead Scrutiny Advisor/Statutory Officer), Moira Mackie (Head of Internal Audit), Raj Mistry (Executive Director for Environment and City Management; virtually), Mo Rahman (Head of Strategy and Performance, I&C), Anna Raleigh (Director of Public Health), Sophie Shore (Director of Strategy and Intelligence, Innovation and Change), Rikin Tailor (SFM Head of Corporate Finance, F&R), Phil Triggs (Tri-Borough Director of Treasury and Pensions) and Neil Wightman (Director of Housing; virtually)

## 1 MEMBERSHIP

- 1.1 Councillor Danny Chalkley sent apologies.
- 1.2 Councillor Barbara Arzymanow attended as substitute for Councillor Danny Chalkley.

## 2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

### **3 MINUTES**

3.1 The Committee approved the minutes of its meeting on 29 September 2021.

3.2 **RESOLVED:** That the Committee approve the minutes of 29 September 2021.

### **4 FINANCE AND PERFORMANCE MONITORING REPORT**

4.1 The Committee received the Finance and Performance Monitoring Reports, which were introduced by Jake Bacchus.

#### **Finance Monitoring Report**

4.2 Jake Bacchus summarised the Finance Monitoring Report, noting it was the year mid-point report outlining the position for the General Fund and the Housing Revenue Account (HRA).

4.3 The Committee heard that at the end of September 2021, Westminster City Council had a forecast revenue overspend of £4.6 million, driven by lowered commercial waste income and parking income, although parking income was noted to be improving in comparison to its previous positions throughout the COVID-19 pandemic period.

4.4 Some of the overspend was also attributable to spending pressures, including reduction in funding for care leavers requiring increased spend in Children's Services, as well as SEND transport and short breaks, mirroring the picture nationally.

4.5 A £2.7 million revenue underspend was forecast for the HRA, mainly attributable to staffing and an imminent restructure.

4.6 The General Fund reported a £33 million capital underspend, reduced from £100 million in the previous year, and approximately £50 million in the year prior to the pandemic. The causes of the underspend included slippage in planned capital works and regeneration programmes.

4.7 The HRA reported a £26 million capital underspend, reduced from £68 million in the previous year.

4.8 Regarding the Spending Review, the Committee heard that Westminster City Council anticipated learning its settlement amount imminently, and the Finance and Resource team would prepare an update for the next Audit and Performance Committee meeting regarding this. It was believed that the increase in funding would be approximately 3% in real terms of Core Spending Power year-on-year, which was expected to be largely allocated to adult social care funding reform.

4.9 The Committee raised a query about the timing of the upcoming Business Support Function Review (BSFR). The Committee was informed by Jake

Bacchus that more information would be available at the next Committee meeting as a decision had very recently been made and consequently the BSFR was being reworked.

- 4.10 The Committee queried the Adult Social Care underspend in the context of a reported increase in demand. Bernie Flaherty confirmed that the budget for Adult Social Care had been very volatile, that there had been a substantial increase in residential care demand, and that although there had been an increase in home care demand, this was not yet to expected levels. Bernie Flaherty explained that there had been changes in regulations concerning patient discharge, and that the health service had been better supporting patient discharge from hospital with grant funding, which had helped with Council care spend. She also explained that there had been significant savings made by reducing staffing in adult social care, including agency staffing.
- 4.11 The Committee asked about Temporary Accommodation (TA), concerning a review of the use of social housing stock which was void due to regeneration programmes. Debbie Jackson explained that some void social housing was let for TA on a case-by-case basis.
- 4.12 The Committee questioned the overspend for Westminster Builds including out-of-borough schemes and investment acquisitions. Debbie Jackson explained that this was due to acquisitions at Farm Street, Parsons North, and West End Gate. The Committee heard that Cabinet had not approved Westminster Builds' involvement in out-of-borough schemes, requesting instead that the focus be on delivery of homes in Westminster. Regarding out-of-borough housing, the Committee queried how acquisition of out-of-borough properties for TA was funded. It heard that there was existing provision in the Capital Budget for financing acquisitions through borrowing, delivering longer-term net savings through reduction in emergency TA costs.
- 4.13 The Committee questioned the Council Tax and National Non-Domestic Rates (NNDR) arrears and collection rates. Martin Hinckley explained that, although the Covid19 pandemic had meant that the Council was prevented for a period of time from initiating recovery proceedings, it was anticipated that Council Tax arrears would yet be collected over time. It was noted that the 9% reduction in NNDR income included a large number of businesses in insolvency proceedings or administration, so this may not be recovered.
- 4.14 The Committee was informed that Planning income (chiefly from pre-applications and major applications) was significantly reduced, with applications at around 50% of pre-pandemic levels.
- 4.15 The Committee requested information about upward pressure on spend for passenger transport for SEND children. Ian Heggs explained that there were increased requests for Education, Health, and Care Assessments for disabled children, and some of these assessments when finalised revealed requirements for passenger transport. This was noted to be a national issue rather than a local one.

4.16 There was discussion about how the impact of COVID-19 had been accounted for overall in the figures presented to the Committee. Rikin Tailor explained that the process had taken the impact of the pandemic into account whilst producing budgets, resulting in reduced variances.

#### Performance Monitoring Report Q1

4.17 The Committee was presented with a brief overview of the 2021/22 Q2 Performance Report by Mo Rahman.

4.18 The Committee queried whether the Department for Education's closure of the Sir Simon Milton UTC was forecast to have an impact on training and skills opportunities in Westminster. Ian Heggs confirmed that Westminster City Council would prefer to be able to provide high-quality technical training opportunities at the UTC site, and the DfE was investigating possibilities for alternative providers.

4.19 The Committee questioned some of the missed targets described in the monitoring report. These included new permanent admissions to adult residential and nursing care, and the surplus of school places as well as schools in deficit.

4.20 The Committee was informed that new guidance introduced by NHS England, Discharge to Assess, was a significant change from the previous model of assessment by a specialist social care team based in hospitals. This team previously carried out assessments of care needs prior to discharge, to ensure a well-planned discharge with appropriate care arrangements for the patient, ideally at home. Discharge to Assess required hospitals to focus on quick discharges, which meant that social care teams had been unable to provide the previous level of support to allow patients to return home. Many of these patients were therefore discharged by health service staff into residential care facilities, and it frequently proved difficult for Adult Social Care to support a return home after a period in residential care. This was a key driver for the increased new permanent admissions to residential care. The health service had provided funding, but this was due to end in March 2022, and therefore this was noted as a key risk.

4.21 The school places surplus was noted as following a trend with fewer families living in inner London boroughs. The Committee heard that the Council was supporting Westminster schools to reduce the number of school places available by reducing form entries, and was supporting a marketing programme for Westminster schools.

4.22 The Committee asked whether the waste contract was due for retendering or whether it would be extended, as its present arrangement had been in place for fifteen years. Raj Mistry confirmed that the contract with Veolia had been extended until 2024, with investment in food recycling and electric waste vehicles, as well as improvements to recycling options for residents. A new tender was anticipated to include these improvements, and would go live at the end of the current extension period.

- 4.23 The Committee asked when Westminster City Council could expect data from the 2021 Census. Sophie Shore confirmed that this was expected in the Spring, and that there had been discussion with the Office for National Statistics regarding this.
- 4.24 The Committee was provided with an update by Raj Mistry regarding the flash flooding of North Westminster in July 2021 and the extraordinary meeting of the Finance, Smart City and City Management Policy and Scrutiny Committee on 30 September 2021. The Council's Environment and City Management directorate had inspected its gullies and drainage across the area and found no issue. The Committee heard that Thames Water was carrying out its own inspections on a wider scale in preparation for a Section 19 report, which Raj Mistry anticipated would be provided to the Council in Q1 2022.
- 4.25 The Committee observed that the risk score for increased inflationary costs of materials seemed low, given the upward pressure which the increased costs were placing on overall budgets. Debbie Jackson agreed to review the risk scoring. Housing repairs were noted as being below target, and this was explained as being due to a backlog accumulated during the pandemic, which was improving. The Committee noted the reports.
- 4.26 **RESOLVED:** That the Committee note the reports.

## **5 INTERNAL AUDIT MONITORING REPORT**

- 5.1 The Committee received the Internal Audit Monitoring report, introduced by David Hughes and Moira Mackie.
- 5.2 Two school audits had completed and the schools had been given positive assurance in this report.
- 5.3 The Committee asked about the advisory report for Investment Property Management, which contained two high-priority recommendations. Moira Mackie explained that a new system had been introduced and that there had been changes within the contractor managing the Council's portfolio.
- 5.4 The Committee was advised that there was considerable work in progress as detailed in the meeting report pack. The Committee noted the report.
- 5.5 **RESOLVED:** That the Committee note the report.

## **6 INTERNAL AUDIT CHARTER**

- 6.1 The Committee received an update from David Hughes and Moira Mackie on the refreshed Internal Audit Charter and was informed that this had been drafted to provide greater context to and information about the role of Internal Audit, and to ensure the Council's continued compliance with audit requirements. The Committee noted the report.
- 6.2 **RESOLVED:** That the Committee note the report.

## **7 MID-YEAR COUNTER FRAUD MONITORING REPORT**

- 7.1 The Committee received the Mid-Year Counter Fraud Monitoring Report by David Hughes and Andy Hyatt, and it was noted that the increase in live parking fraud cases was due to the operation of courts following the pandemic, allowing cases to be brought forward.
- 7.2 The Committee suggested publicising some fraud cases for deterrent purposes. Andy Hyatt informed the Committee that the Council's fraud team was due to appear on a television programme explaining one of their completed investigations. Further, the fraud team had explored with the Council's Communications team the possibility of publicising some other cases.
- 7.3 Committee Members commented that they had directly encountered cases of housing fraud when visiting properties owned by Registered Providers, and requested confirmation of the process by which this could be reported. It was confirmed that the Council's fraud team would take any housing fraud reports to the Registered Providers. Additionally, the team regularly conducted cross-checking exercises matching data and intelligence on tenants and properties. The Committee was assured that the Council's fraud team ensure the anonymity of those reporting concerns about housing fraud.
- 7.4 The Committee asked for more information regarding fraudulent applications for the pandemic business support grants. Andy Hyatt explained that Westminster had been in a better position to prevent fraud than many other London boroughs due to its existing intelligence and links with businesses based in Westminster, and the fraud team had found that some of the ineligible applications were mistaken, due to a change in circumstances, rather than deliberate attempts at fraud. The Committee was reassured that, of the cases confirmed as fraud and investigated with a view to prosecution, the money disbursed was clawed back. Martin Hinckley advised that if the Council made an overpayment in good faith, then it was protected. The Committee noted the report.
- 7.5 **RESOLVED:** That the Committee note the report.

## **8 REVIEW OF ANTI-FRAUD POLICIES**

- 8.1 The Committee received for review and approval a report by Andy Hyatt on the Council's updated Anti-Fraud Policies.
- 8.2 The Committee questioned whether Westminster's approach to Planning might be used to support anti-money laundering efforts, owing to the potential use of the property market to launder large sums of money. The Committee heard from Andy Hyatt that it was the responsibility of regulated sectors involved in property sales and development to report suspected money-laundering activity to the relevant agencies. The Committee was advised that where reports were made, they might be used by these agencies as part of a wider picture of intelligence but might not necessarily be used to halt a purchase or development. The Committee also heard that the fraud team had

provided training for Planning officers on actions that could be taken to report suspicions.

8.3 The Committee welcomed the inclusion of modern slavery as an aspect of the Fraud Response Plan. The Committee approved the report and updated Anti-Fraud policies.

8.4 **RESOLVED:** That the Committee approve the updated policies.

## **9 VERBAL UPDATE**

9.1 Further to discussions in previous Audit and Performance Committee meetings and a referral by the Committee to the Business and Children's Policy and Scrutiny (P&S) Committee, the Committee was provided with a verbal update from Moira Mackie on Health and Safety in Schools.

9.2 The Committee noted that the response rate to the Council's questionnaire to schools had been low and queried its impact. Moira Mackie explained that the Council was only responsible for policies in Westminster's community schools (13 schools), whereas academies and faith schools must set policies themselves via their governors. However, during the pandemic, the Council had provided guidance to all schools in Westminster regarding COVID-19.

9.3 Following the referral from this Committee, the issue of school health and safety had been discussed by the Business and Children's P&S Committee at its meeting on 7 October 2021 and that consequently some actions had been taken. The Audit and Performance Committee was advised by Ian Hegggs that discussions at the Business and Children's P&S Committee meeting had been helpful and that work was being done with Health and Safety colleagues. The Committee heard that the Council had again made the e-volve platform available to community schools to allow them to submit risk assessments and was in discussions to make this platform available to all of Westminster's schools.

9.4 The Committee was further advised by Moira Mackie that this piece of work had been a "one off" thematic review, which would likely not be revisited, and that a thematic review on understanding VAT was in progress. The Committee noted the update.

9.3 **RESOLVED:** That the Committee note the update.

## **10 RE-TENDER OF EXTERNAL AUDIT CONTRACT**

10.1 The Committee received for review and approval a report on the re-tender of the Council's external audit contract from Jake Bacchus and heard that this would be going to Full Council in March.

10.2 The Committee was informed by Jake Bacchus that, although there were a variety of possible recommendations, the likely recommendation would be for Westminster City Council to participate in the Public Sector Audit Appointments Limited (PSAA) national collective scheme for procurement of

an appropriate external auditor. The Committee was reminded that, under the PSAA scheme, the Council's external auditors were Grant Thornton. The Committee discussed the issues with the contract scheme generally, including quality and timeliness and how it was increasingly difficult for the signing off of the accounts to be completed by 1 September. The Committee approved the report.

- 10.2 **RESOLVED:** That the Committee approve the report on the Re-Tender of the External Audit Contract.

## **11 CORPORATE COMPLAINTS**

11.1 The Committee received a report by Martin Hinckley on the Annual Review of complaints received about Council services. It was noted that the context of complaints received was the COVID-19 pandemic, the restrictions resulting from which had prevented some of the Council's work being carried out, including non-urgent housing repairs. The Committee observed that there were some areas where no pre-pandemic comparator was provided and that it was therefore difficult to understand the figures in context.

11.2 Housing was noted as a significant source of complaints. The Committee commented that residents may find themselves in a position where making a complaint "unblocked" an ongoing issue, and that this may be true across social care services as well as housing. The Committee noted the Annual Complaints Review report.

- 11.3 **RESOLVED:** That the Committee note the Annual Complaints Review.

## **12 TREASURY MANAGEMENT MID-YEAR STRATEGY**

12.1 The Committee received a report on the Treasury Management Mid-Year Strategy Review from Phil Triggs and Mathew Dawson.

12.2 The Committee discussed inflationary pressures and interest rates, and their potential impact on the Council's capital and financial capacity.

12.3 The Committee raised the issue of the Council's large planned Capital Programme and its proposed financing through borrowing, and what the likely effect of interest rate rises would be. The Committee heard that the Council's borrowing rates were linked to gilt yields when agreed, and current rates were low at 1.34% down from 2.00% six months prior.

12.4 Jake Bacchus confirmed that some decisions had been made to use cash balance where suitable, which had been agreed by Cabinet in July 2021. There was discussion about use of reserves if appropriate.

12.5 The Committee suggested that there may be a point for review of the Capital Programme to ensure security of Council finances.



12.6 The Committee heard that Westminster's debt portfolio was proportionately low, especially when compared to other London boroughs, and that credential indicators were under review. The Committee noted the report.

12.7 **RESOLVED:** That the Committee note the review report.

### **13 COUNCIL STAFF REMUNERATION**

13.1 The Committee received a report on Staff Remuneration as part of its review of the Council's pay schemes, as per the Constitution. The Committee observed that Executive Directors and other senior staff, including the Head of Human Resources and the Chief Executive, were not present at the meeting. The Committee elected to discuss the topic of remuneration with a view to having questions answered at the Committee's next meeting.

13.2 The Committee noted that Westminster City Council's Gender Pay Gap was increasing year-on-year, with a relatively low proportion of women in senior roles. Kumbirai Dzumbunu explained that this was due to an increase in women in posts paid at Bands 1-3, the lower-paid bands in the Council.

13.3 The Committee queried the number of contractors on rates over £600 per diem, and observed that most of these were in the Finance and Resources department. The Committee requested more information and asked whether these contractors were delivering discrete task-and-finish pieces of work or whether they were working on ongoing projects. Kumbirai Dzumbunu stated that the highest-paid contractors were due to finish their work by March 2022, that they worked two days per week, and that one was working for a bi-borough service.

13.4 The Committee asked whether Council staff was returning to the office at that time, and whether the organisation was encouraging staff to return to the office. Bernie Flaherty stated that in some areas up to 60% of staff were office-based, and that there was considerable communication with staff in a variety of different formats to encourage staff to come back to the City and serve residents.

13.5 The Committee asked about the robustness of management structures and processes, as well as recruitment, in light of the findings of the Business and Children's Policy and Scrutiny Committee at its extraordinary meeting on 27 October 2021 to scrutinise the Marble Arch Mound and the Westminster City Council Internal Review. The Committee noted that those findings had indicated that the highest-paid member of staff in the Council did not have the requisite skills to perform the role for which he had been hired (delivery of the Oxford Street District programme including the Marble Arch project).

13.6 The Committee also noted the commitment of senior leadership to ensure that Westminster City Council's workforce was representative of the City, and requested information about how this representativeness was defined and the labour market from which staff was recruited.

- 13.7 The Committee queried how career trajectories were managed within the organisation, how staff were selected for promotion and how this was checked.
- 13.8 Referring again to the Marble Arch Mound findings, the Committee asked what skills mapping was conducted by the Council to ensure the appropriate skills utilisation in posts, The Committee considered that a person's ability to "sell themselves" well at interview may not be an indicator of ability to carry out a role, and that those with specific ability and operational skills may not necessarily sell themselves well.
- 13.9 The Committee asked whether the Council made the most of existing staff resource, posing the question of whether it was appropriate to hire contractors if existing staff could be upskilled to fulfil those needs. There was a further query by the Committee as to the measurement and profile of skills gaps within the organisation, particularly within the current context and changes to the labour market. The Committee requested more information on this.
- 13.10 The Committee also requested information about the Council's use of training and apprenticeship schemes, such as the national apprenticeship scheme and the National Graduate Development Programme. Information was also requested as to how they were managed in the organisation, the costs and benefits of the schemes, and in which areas people were being trained.
- 13.11 The Committee queried the methodology used to calculate the ethnicity pay gap, noting that a pay gap reported across the organisation as a whole may not be as useful as a pay gap reported by pay band, which could reflect wider demographic changes over time. The Committee referred to Simpson's paradox and highlighted the importance of ensuring veracity in pay gap reporting, in order to develop accurate plans and policies aimed at addressing those gaps. The Committee requested pay gap reporting by band or by grouping, noting the potential risk of false conclusions, and queried conclusions from the calculations, which in fact indicated that there was potentially a pay gap based on hierarchy. The Committee requested information by grade and by function. Bernie Flaherty noted the complexity and stated that there would be a revised report produced for the Committee's next meeting.
- 13.12 The Committee requested a more comprehensive report including answers to questions asked. The presence of the Head of HR and the rest of the Executive Leadership Team was requested at the subsequent meeting for more complete discussion of the issues raised. The Committee suggested that input from Pedro Wrobel (Executive Director for Innovation and Change) and the Strategy and Intelligence team would be useful to review the analysis. The Committee deferred the report to its February meeting.
- 13.13 **RESOLVED:** That the Committee receive a revised report on staff remuneration from People Services to discuss with ELT at the February Audit and Performance Committee meeting.

## 14 WORK PROGRAMME

- 14.1 The Committee received a report on the work programme from Artemis Kassi.
- 14.2 The Committee considered suitable items for the future work programme. The Committee noted the unallocated items on its work programme and requested a report on performance of the Basic Command Unit from the Metropolitan Police Service at the February meeting. The Committee was advised that a report on Immunisations from NHS E had been commissioned and was in progress, and that officers would be canvassed to identify items which needed to come to the February meeting.

**15 ANY OTHER BUSINESS**

The Meeting ended at a 20:48.

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

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