



City of Westminster

# Committee Agenda

Title: **Audit and Performance Committee**

Meeting Date: **Wednesday 6 September, 2023**

Time: **6.30 pm**

Venue: **18th Floor, 64 Victoria Street, London, SW1E 6QP**

Members: **Councillors:**

Aziz Toki (Chair)  
Paul Fisher  
Alan Mendoza  
Jessica Toale

**Independent Person:**

Mark Maidment



**Members of the public are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda**

**Admission to the public gallery is by ticket, issued from the ground floor reception from 6.30pm. If you have a disability and require any special assistance please contact the Committee Officer (details listed below) in advance of the meeting.**

**If you require any further information, please contact the Committee Officer, Clare O'Keefe, Lead Policy and Scrutiny Advisor.**

**Email: [cokeefe@westminster.gov.uk](mailto:cokeefe@westminster.gov.uk)**

**Corporate Website: [www.westminster.gov.uk](http://www.westminster.gov.uk)**

**Note for Members:** Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

## **AGENDA**

### **PART 1 (IN PUBLIC)**

**1. MEMBERSHIP**

To note any changes to the membership.

**2. DECLARATIONS OF INTEREST**

To receive declarations by Members and Officers of the existence and nature of any pecuniary interests or any other significant interest in matters on this agenda.

**3. MINUTES**

To approve the minutes of the meeting held on 24 July 2023.

**(Pages 5 - 18)**

**4. MATTERS ARISING AND WORK PROGRAMME 2023/24**

To discuss any matters arising from the previous meeting, including new or unresolved matters and shape the Committee's work programme for the municipal year 2023/24.

**(Pages 19 - 30)**

**5. QUARTER 1 PERFORMANCE REPORT**

To receive the performance updates at Quarter 1 and indicate any areas where more information or clarification is required.

**(Pages 31 - 52)**

**6. QUARTER 1 FINANCE MONITOR**

To monitor the City Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves.

**(Pages 53 - 82)**

**7. GENERAL PROCUREMENT UPDATE**

To update the Committee on the Council's Procurement service.

**(Pages 83 - 96)**

**8. EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS ANNUAL AUDIT 2021/22**

**(Pages 97 - 100)**

To review the External Audit Certification of Claims and Returns Annual Audit 2021/22.

**9. EXEMPT REPORTS UNDER THE LOCAL GOVERNMENT ACT 1972**

**RECOMMENDED:** That under Section 100 (A) (4) and Part 1 of Schedule 12A to the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following item(s) of business because they involve the likely disclosure of exempt information on the grounds shown below and it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

<u>Item No</u>	<u>Grounds</u>	<u>Para. of Part 1 of Schedule 12A of the Act</u>
10	Financial Information	3

**10. CONTRACT AND SUPPLIER PERFORMANCE REPORT**

**(Pages 101 - 112)**

To review a report on the Council's contract and supplier performance.

**Stuart Love  
Chief Executive  
29 August 2023**

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CITY OF WESTMINSTER

## MINUTES

### Audit and Performance Committee

#### MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Monday 24th July, 2023**, Rooms 18.01-03, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Councillors Paul Fisher, Alan Mendoza, Jessica Toale and Aziz Toki (Chair).

**Independent Persons Present:** Mark Maidment.

**Also Present:** Stella Abani (Director of Economy and Skills), Jake Bacchus (Director of Finance), Joanne Brown (Public Sector Audit Partner, Grant Thornton), Angela Flahive (Head Safeguarding Review and Quality Assurance), David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance), Andy Hyatt (Tri-Borough Head of Fraud), Jeffrey Lake (Deputy Director Public Health), Moira Mackie (Head of Internal Audit), Clare O'Keefe (Lead Policy and Scrutiny Advisor), Mo Rahman (Head of Strategy and Performance), Neetu Singh (SFM Accounts and Capital), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Gareth Wall (Bi-Borough Director of Integrated Commissioning), Sarah Warman (Strategic Director of Housing and Commercial Partnerships) and Claire Weeks (Head of Operational People Services).

#### 1 MEMBERSHIP

- 1.1 The Committee welcomed Mark Maidment to the membership of the Committee as an Independent Person.
- 1.2 The Committee noted that there were no apologies.

#### 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 23 February 2023.

### 3.2 **RESOLVED:**

That the minutes of the meeting held on 23 February 2023 be signed by the Chair as a correct record of proceedings.

## 4 **MATTERS ARISING AND WORK PROGRAMME 2023/2024**

4.1 There were no matters arising since the previous meeting.

4.2 The Committee noted that there may need to be an extraordinary meeting after its meeting on 24 October 2023 to review the Audited Accounts and Final Statement of Accounts. The Committee understood that this may be necessary due to the meeting on 24 October already having a number of substantial items scheduled, and it would also safeguard against any delays by the external auditors or resulting from national context.

### **ACTION:**

4.3 That a range of dates for the extraordinary meeting will be shared with the Committee.

## 5 **22/23 YEAR END PERFORMANCE REPORT**

5.1 The Committee received an overview of the 2022/23 Year End Performance Report from Mo Rahman (Head of Strategy and Performance). The Committee understood that the report covers the fourth quarter of the year 2022/23 and included the main achievements, issues and challenges reported by directorates and also set out, via Key Performance Indicators (KPIs), how the Council is performing against its targets. The Committee noted that housing management performance will be looked at closely over the next reporting year and the data which will be sent to the housing regulator will also be shared with the Committee.

5.2 The Committee was disappointed that 24 KPIs failed to meet the yearend target, which is slightly increased from last year. The Committee suggested it would be helpful to receive a summary of key targets which have been missed at the outset of the report. The Committee also stated that some of the KPIs can be difficult to monitor if timeframes are not clear and ambiguity around whether issues will be reported back to the Committee.

5.3 The Committee queried the missed yearend targets which were deemed 'of most concern' and the rationale behind this. The Committee was informed that this definition concerned being consistently offtrack quarter on quarter and a clear area of focus for the directorates to improve on. The Committee raised concern that Children's Services had three missed yearend targets which were deemed 'of most concern' (percentage uptake of free early education funded placements for 3- and 4-year-olds, percentage of care leavers (aged 17-24) in Education, Employment or Training and percentage of children achieving a Good level of development). The Committee noted that whilst some of the data should be considered in the context of lowering birth rates and census data not corresponding with current data, improvement

plans are in place to address the areas, which includes dedicated resources for care leavers. The Committee was informed that it would receive an in-depth written response on the improvement plans. The Committee noted that the other issues 'of most concern' had improved since the last quarter.

- 5.4 The Committee also raised whether the targets set for directorates such as Children's Services are unrealistic. The Committee welcomed ambitious targets, especially when understanding that Children's Services performs better than other boroughs, but there seemed a lack of confidence whether the targets are actually achievable. The Committee was informed that the targets since the quarter four reporting period had been adjusted so they are based on current data and there have already been improvements in quarter one. The Committee was pleased to note that a rationale for KPI target setting would be provided. The Committee highlighted that there was confusion regarding the school-related missed KPIs and the mitigations for these in the report, notably numbers 1 and 3 (percentage of children achieving a Good level of development and percentage of schools rated by Ofsted as good or outstanding), where the commentary does not include tangible mitigations. It was confirmed that the Committee will receive an adjusted commentary for those KPIs.
- 5.5 The Committee was provided with feedback on the next stage of the Mental Health Reablement Service which detailed that it has worked effectively as a pilot so far and is one of the few services of its type in the country. The Council hopes to extend the pilot and is primarily looking for it to be delivered and funded by the NHS with ongoing input from the Council.
- 5.6 The Committee noted the backlog of stage two complaints in the Housing Service and enquired about the timeframe for dealing with this as well as improving response rates in the future. The Committee was informed that complaints is a key priority area and there is a programme of work to ensure that the backlog is cleared, the quality of responses are good and learning of complaints will be embedded in the service. The Committee was pleased to note that since the yearend report was compiled, the responsiveness of complaints has significantly improved.
- 5.7 The Committee queried whether the Council has responsibility for those tenants living in temporary accommodation outside of the borough who suffer from damp and mould in their homes. The Committee understood that it is the Council's responsibility and is developing a damp and mould policy for its own housing stock, which has been discussed with the Cabinet Member, with consultation due imminently and best practice in mind. A damp and mould policy for temporary accommodation is also being drafted but has not been presented to the Cabinet Member yet. The Committee was advised that both policies will be submitted to a future Committee meeting.
- 5.8 The Committee noted that temporary accommodation is a clear risk to the Council and enquired about the Council's approach to mitigate this. The Committee was informed that temporary accommodation is the single biggest issue in terms of cost and managing demands, with an overspend of £8 million in 2022/23 and over 3,000 families needing temporary

accommodation. This is due to a combination of overarching pressures, including: demand increase, unit costs and supply. The Committee noted that mitigations can go some way to help the situation but there is a long way to go to bring the issue back in hand and officers are actively working to manage this.

- 5.9 The Committee expressed concern about the degrees of sensitivity concerning the missed targets, especially when considering the '226 Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety'. The Committee noted that the performance of this service areas was now in line to meet targets but more information on this specific target will be provided to the Committee. The Committee also requested more information on the missed target regarding number of Homes in Multiple Occupation (HMO).
- 5.10 The Committee queried the aspirations put forward by the People Services directorate which include 30 percent of Global Majority and 50 percent of women employees in senior leadership roles. Whilst the report notes that the yearend targets were missed, the Committee was informed that the targets were hoped to have been achieved and there is a great deal of work being done both internally and externally to achieve these targets. During the response being given, the Committee noted that there were technical difficulties so a written response was requested.
- 5.11 The Committee raised concerns regarding the new risk highlighted that the Council may not be able to deliver all Climate Action Plan commitments if additional funding could not be found. The Committee enquired whether anything needed to be done to support the range of climate action programmes. The Committee noted that there are key things to undertake to meet the 2030 and 2040 targets and the entire capital programme was carbon assessed as part of the budget setting process for 2023/24 to help quantify the issue. The Committee also understood that there is a Climate Emergency Delivery Board which has oversight of the main climate action programmes and scrutinises the project management of these. Furthermore, there is also a Change Board which is attended by the Executive Leadership Team and serves as an escalation point where programmes failing to meet targets are examined.
- 5.12 The Committee understood that the Pimlico District Heating Unit is huge part of the challenge, especially in terms of understanding the funding required, and a huge part of the solution to achieving climate commitments. The Committee was informed that an outline business case for this is being drafted; the Committee recommended that this be presented to the relevant Policy and Scrutiny committee as soon as practicable. The Committee noted the lack of progress made on the mitigation of this risk, especially in terms of sourcing funding. The Committee was informed that resourcing for officers to seek funding is being explored in a way that extends existing roles in the same funding-finding space to ensure that this exercise is cost effective and adds value.



## **RESOLVED:**

- 5.13 That the Committee noted the performance updates at Quarter Four.

## **ACTIONS:**

- 5.14 That future quarterly Performance Reports will include a summary of key targets which have been missed at the outset of the report.
- 5.15 That the Committee will receive in-depth written response from Children's Services on the improvement plans for the three missed yearend targets deemed 'of most concern' (percentage uptake of free early education funded placements for 3- and 4-year-olds, percentage of care leavers (aged 17-24) in Education, Employment or Training and percentage of children achieving a Good level of development)
- 5.16 That the Committee will receive a written response on the rationale behind Children's Services KPI targets.
- 5.17 That the Committee will receive an adjusted commentary on the missed KPIs for Children's Services, especially points 1 and 3 (percentage of children achieving a Good level of development and percentage of schools rated by Ofsted as good or outstanding).
- 5.18 That the Committee will receive the draft damp and mould policies when they have been developed.
- 5.19 That the Committee will receive details on the '226 Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety' missed target.
- 5.20 That the Committee will receive information on the missed target concerning number of HMO.
- 5.21 That the Committee will receive a written response on the missed yearend targets for 30 percent of Global Majority and 50 percent of women employees in senior leadership roles and the positive action to achieve these.
- 5.22 That the outline business case for the Pimlico District Heating Unit be presented to the relevant Policy and Scrutiny committee as soon as practicable.

## **6 YEAR END FINANCE REPORT**

- 6.1 The Committee received a summary of the 2022/23 Year End Finance Report from Jake Bacchus (Director of Finance). The Committee was informed that the paper was approved by Cabinet in July and is brought to the Committee for noting.
- 6.2 The Committee was pleased to note that the General Fund, despite challenges in 2022/23, including inflation being at a 40-year peak, ended the year with an underspend of nearly £3 million. The positive movement has been driven by continued improvement to commercial waste income, beyond what was already a reasonable assumption, as well as interest earnings. The Committee noted that the £11 million overspend on inflation will be passed through the Medium-Term Financial Plan (MTFP) budget for the next year.
- 6.3 The Committee understood that the Housing Revenue Account (HRA) budgeted a net nil borrowing requirement on the 2022/23 capital programme

and ended the year with a surplus of £5 million which is mainly attributed to the Greater London Authority (GLA) grant in respect of the Ebury regeneration having a positive impact on interest earnings.

- 6.4 The Committee was informed that in terms of capital, the Council continues to face challenges in terms of slippage, which is primarily attributed to delays, including delays in the electric waste fleet delivery, but those delays have been resolved. In terms of the HRA, slippage occurred in respect of Ebury due to the ambitious timescales which have since been reviewed.
- 6.5 The Committee remarked on the overspend in Children's Services and whether it was likely to be a recurring issue. The Committee was informed that it will continue to be a financial challenge, especially considering the demand for Short Breaks and Special Education Needs (SEN) transport which has not abated post-COVID. The Committee was pleased to note that work was ongoing on SEN transport and a review of Short Breaks has been commenced by Children's Services. The Committee also queried the Council's experience compared to other local authorities and noted that benchmarking on Short Breaks data will be shared with the Committee.
- 6.6 The Committee also commented on the difficulty when facing the challenge of homelessness and the burgeoning costs associated with this. The Committee understood that the Homelessness Prevention Grant has not been factored into the MTFP because the funding is not guaranteed for the future and therefore it is more appropriate to view it as a grant to support a one-off investment. The Committee noted that a London-wide response is necessary to tackle the issue of homelessness.
- 6.7 The Committee queried whether there are plans in place to boost income streams in areas such as Major Planning Applications and parking. The Committee understood that since COVID-19, the planning income streams have not recovered and additional pressures have been put into the 2023/24 MTFP as a result of the challenge. The Committee noted that this appears to be a long-term trend and queried whether there would be any substantial changes to planning policy to reflect this. The Committee was informed that national policy drives planning policy and the Committee would receive information on this, including timeframes and fees. The Committee also highlighted that it would be useful to receive information on what constitutes as 'major', 'minor' and 'other' in respect of planning applications and a breakdown of these to help monitor the levels.
- 6.8 The Committee noted that in terms of boosting income for parking, this is moving in a positive direction which is reflected in the assumptions in the MTFP as it is hoped that the adverse variance would probably reduce somewhat in 2023/24 because of an increase in activity. The Committee was pleased to note that income from pay-for-parking, residents' permits and suspensions are increasing. However, the Committee expressed surprise regarding the high level of marshal-issued Penalty Charge Notices (PCNs) which has resulted in the reported overspend being mitigated by the over-recovery and queried the assumptions on this. The Committee requested more information on this additional income activity to determine why more are

being issued and in what areas of the City. This is especially in light of ward Councillors receiving more queries from residents about this.

- 6.9 The Committee raised a query regarding the challenge of inflation and how the Council is meeting this challenge. The Committee noted that it is not known what inflation will be but the 2023/24 MTFP is proactive, rather than reactive, and there is an opportunity to get on the front foot with a series of blended positions.
- 6.10 The Committee requested clarity on the purposes of the Market Sustainability and Improvement Fund and Discharge Fund grants from central government. The Committee understood that the grants are in response to the challenges faced by social care and the NHS which include: who is used to deliver care, the salaries to deliver that care and the fair cost of this. The Committee was informed that the Market Sustainability and Improvement Fund's designated conditions are homecare agencies and registered bed-based care providers. The Discharge Fund focuses on blending how decisions on discharges are processed between the local authority and NHS.
- 6.11 The Committee queried the overspend in the Public Protection and Licensing service and understood that this is due to an overarching review of the service determining that the anticipated savings could not to be achieved without having a detrimental impact on the service. The savings therefore have been brought back into the MTFP. The Committee also requested detail on income shortfalls from a number of income streams including Massage, Street Trading, Advice Giving and Inspection Services.

**RESOLVED:**

- 6.12 That the Committee noted the outturn position for 2022/23.

**ACTIONS:**

- 6.13 That the Committee will receive benchmarking data with other local authorities on Short Breaks and SEN transport costs.
- 6.14 That the Committee will receive information on national planning policy, including any potential changes, timeframes and fees as well as information on other local authorities, especially neighbours to Westminster.
- 6.15 That the Committee will receive definitions of 'major', 'minor' and 'other' in respect of planning applications and a breakdown of these, including the differences between residential and commercial applications.
- 6.16 That the Committee will receive more information on parking income, particularly the issuing of marshal-issued PCNs; why more are being issued and in what areas of the City.
- 6.17 That the Committee will receive detail on income shortfalls from a number of licensing income streams including Massage, Street Trading, Advice Giving and Inspection Services.

## **7 INTERNAL AUDIT ANNUAL REPORT**

- 7.1 The Committee heard an overview of the Internal Audit Report from Moira Mackie (Head of Internal Audit). The Committee noted that audit progress reports are presented to the Committee regularly and this yearend report contains the work that has been completed, with particular reference to the amount of school audits, and those audits which have been completed in the last quarter of the year. The Committee was informed that some of the audits coming through in the last quarter show a few limited assurances but there is confidence that the recommendations will be acted upon.
- 7.2 The Committee understood that the report gives an overview of internal controls and feeds into the Annual Governance Statement, which is part of the accounts, and anything significant is brought out in the accounts.
- 7.3 The Committee was pleased to note that the report gives a positive opinion, with a majority of the audits receiving satisfactory or substantial assurance opinions. The Audit team do not base the opinion only on the audits carried out especially as some services are provided by external entities who have their own controls which the Council is provided assurances on.
- 7.4 The Committee queried how plans are drawn up which aim to mitigate limited assurance levels in service areas and was informed that audit planning is proactive and balanced across risk. The Committee was pleased to note that services engage well and are transparent when identifying challenges or risk. Services feel that the work done by audit is a positive undertaking to improve services and controls, especially after changes to the service is made. The Committee also discussed how the audit outcomes this year is roughly in line with last years, which is positive assurance. The Committee also spoke about the recommendations which come with the various audit levels.

### **RESOLVED:**

- 7.5 That the Committee noted the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control environment and considered whether there are any areas the Committee would like to explore further.

## **8 COUNTER FRAUD END OF YEAR REPORT**

- 8.1 The Committee received a summary of the Counter Fraud End of Year Report from Andy Hyatt (Tri-Borough Head of Fraud). The Committee understood that the report provides an overview of activities that have been undertaken by the Fraud team and the figures and narratives provided in the report highlight that activity undertaken aligns with the Council's Anti-Fraud and Corruption policy.
- 8.2 The Committee noted that despite tenancy fraud being an ongoing risk, there have been some good successes last year and the number of properties recovered has increased. Moonlighting is an emerging fraud risk which has been seen across other local authorities; the Committee was pleased to note

that it has not been identified in the Council but officers are monitoring and undertaking activities to counteract this specific risk including working across London. Overall, the Committee noted, assurance is provided as the Fraud team are doing as much as possible with limited resources to emphasise the perception of being detected to deter fraud being committed.

- 8.3 The Committee enquired about the new risk of moonlighting and what specific procedures are in place at the Council to capture instances of this and deter the activity. The Committee noted that policies are in place to ensure that officers are giving 100 percent of their time to the Council, especially senior officers who are not expected to have second jobs, whereas in other local authorities, fraudsters have circumvented the controls. The Committee also understood that the Council is in negotiation with a number of the main agencies and staff providers across London with whom it is connected, as well as the London Fraud Hub, to compare data with the aim of identifying anomalies and therefore potential fraudsters. The Committee requested a copy of the policy and procedures aimed at identifying potential fraudsters, in collaboration with various agencies, including the London Fraud Hub.
- 8.4 The Committee requested clarity on the Council's actions to deter those who may be tempted to engage in tenancy fraud. The Committee was informed that a large part of this is increasing the perception of detection and having a presence in the community; officers go out into the borough, knock on doors and undertake as many visits and resident checks as possible. The Committee noted however that this is resource intensive and the Fraud team are working with Housing Services to target specific areas of the City. The Committee also understood that it is not only about finding fraud but also providing assurance by checking if a tenant is living at the address they are meant to; the team do receive positive feedback from residents by doing this. The Committee noted that press releases are also an effective and positive way of deterring fraud.
- 8.5 The Committee queried how often the Whistleblowing policy is revised and whether there are feedback loops for staff members to feed into the policy. The Committee was informed that the policy comes annually to the Committee and any changes, particularly that to best practice, and member feedback are incorporated into the policy. Furthermore, the policy aims to make it as easy and as safe as possible for staff to report instances in recognition of feedback received and have set up an independent line which protects staff identities.
- 8.6 The Committee raised concerns about the potential for mistakes when investigating tenancy fraud and how officers ensure investigations are proportionate and focus on legitimate cases. The Committee was pleased to note that information is corroborated as much as possible to ensure information is genuine. Furthermore, assurance is also provided by the training of officers, regular case reviews, and the limited number of complaints received by the service. The Committee was informed that positive outcomes include: court case prosecutions, recoveries and interventions.

- 8.7 The Committee was also pleased to note that Westminster is perceived to be a respected local authority in the counter-fraud field. The Committee noted that the Fraud team is undertaking benchmarking across London, especially to determine levels of resources as tenancy fraud is particularly resource intensive.
- 8.8 The Committee understood that the level of fraud investigations is roughly the same as the previous year. The Committee stated that it is useful to have an overview of three years of data and queried the decrease of Right to Buy fraud and the increase in tenancy fraud. The Committee was informed that this is due to applications for Right to Buy decreasing and understood the notional value attributed to this compared to tenancy fraud.

**RESOLVED:**

- 8.9 That the Committee noted the content of the report.

**ACTION:**

- 8.10 That the Committee will receive a copy of the policy and procedures aimed at identifying potential fraudsters, in collaboration with various agencies, including the London Fraud Hub.

**9 REVIEW OF DRAFT STATEMENT OF ACCOUNTS**

- 9.1 The Committee received an in-depth overview of the draft 2022/23 Statement of Accounts paper from Jake Bacchus (Director of Finance). The Committee was informed that the statutory deadline for the 2022/23 accounts reverted back to its pre-COVID position of 31 May. The 2022/23 accounts were published by the Council on 16 June however as the decision was taken to focus on quality to ensure that the accounts felt as true and fair as they could be before publishing. The Committee noted that confidence in this decision was given after the national statement made by the Chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA) which recognised that quality should override timelines. The Committee was informed that the public inspection period started on 19 June and there has not been any objections to date.
- 9.2 The Committee noted the strengthened balance sheet position for the 2022/23 accounts and that substantial parts of the accounts include: the outturn, a 100+ percent funded position on the pension fund, increased general fund long-term loans due to forward borrowing plans coming into fruition, and phasing out of compensation in the form of Section 31 grants in respect of compensation for loss of business rates earnings during COVID-19.
- 9.3 The Committee was disappointed to note that the 2021/22 accounts opinion could not be signed off at this meeting and requested that a deadline of 31 July 2023 be given. The Committee however understood part of this was due to the sector-wide issue around the pensions triennial valuation, which feeds through into both the 2021/22 and 2022/23 accounts, and the issues with the timing of the report from the actuary, leading to a delayed signing off of the 2021/22 accounts. The Committee noted that the Council received a revised

pensions liability report reference the 2021/22 financial statements and noted that the triennial valuation outcome had not had a material impact on the pension numbers and disclosures in 2021/22. As a result, the external auditors aimed to complete this piece of work by 31 July 2023 in order to sign off on the 2021/22 accounts: resourcing issues had resulted in this not being completed by the time of the meeting. The Committee was pleased to note that the auditor's unqualified opinion still holds, so work still to be undertaken will focus on tidying up and closing off the audit file to be in a position to sign off the 2021/22 accounts by 31 July.

- 9.4 The Committee noted that the external audit sector's resources are a national problem and enquired whether Grant Thornton's resources are robust enough to both close off the 2021/22 accounts and have the 2022/23 accounts ready by the October deadline. The Committee was reassured by Grant Thornton that another manager will be pooled to support the closing off of the 2021/22 accounts to enable the current team to focus on 2022/23 and not have a negative impact on the delivery of this. The Committee raised concerns over the 2022/23 accounts, especially in light of the Council's reputation of always signing off accounts in good time. The Committee was again reassured that an approach will be taken across the Finance and Grant Thornton teams to reduce bottlenecks, by sharing the load as much as possible, and refreshing the substantive process. The Committee noted that one of the main challenges faced is the collection fund which is subject to a 'hot review' to ensure the quality of work submitted to the auditors is as high a quality as possible and give an extra layer of due diligence. The Committee was informed that capital, debtors, creditors and the collection fund are all key areas of focus.
- 9.5 The Committee asked for clarity on the improved funding position in regards to the pension fund as performance across the asset classes in the fund over the year did not seem to reflect this position. The Committee was informed that the net asset overall performance increased mainly as a result of marked outperformance from a diversification of assets into areas including: renewable energy infrastructure, standard infrastructure, private debt and affordable housing. The Committee understood that the Fund's global equities manager had been slow to react post-COVID despite having a stellar performance during the pandemic itself.
- 9.6 Officers stressed that the change in liability valuations resulted from increased interest rates. Interest rate fluctuation leading to significant volatility in valuations contrast with relatively predictable pensions cash outflows into the future. The Committee was informed that the current methods of liability valuation were the best applicable in terms of the actuarial approach.
- 9.7 The Committee also raised the issue of risks in the accounts and referred to significant borrowing and the prudence of the Minimum Revenue Position (MRP) policy. The Committee understood that the MRP is continually reviewed. The forward borrowing schedule includes two loans drawn down which will have increased long-term borrowing, has been blended across the general fund and HRA, and helps to fund the capital programme. The Committee was pleased to note that the Council is confident in its ability to

repay loans principal and interest as well as the MRP provision. Furthermore, the Council is confident that it is applying the MRP regulations in the way they are meant to be applied.

- 9.8 The Committee put on record that the accounts are presented well and clearly and commended the team of Finance officers at the Council for this.

**RESOLVED:**

- 9.9 That the Committee approved the draft 2022/23 statement of accounts subject to the public inspection period and the external audit currently underway.
- 9.10 That the Committee approved the draft Annual Governance Statement included in the statement of accounts subject to the public inspection period and the external audit.

**ACTION:**

- 9.11 That the external auditor be given a deadline of 31 July 2023 for the 2021/22 accounts to be signed off.

**10 EXTERNAL AUDITOR'S AUDIT PLAN**

- 10.1 The Committee received a brief introduction of the External Auditor's Audit Plan from Jake Bacchus (Director of Finance). The Committee understood that this is an extension of the previous item (Item 9) and noted that it is Grant Thornton's approach to providing a good quality audit in good time, with all the fullness of the sign off process due in October.
- 10.2 The Committee heard a fuller summary of the paper from Joanne Brown (Public Sector Audit Partner, Grant Thornton). The Committee accepted the apology from Grant Thornton for the lateness of the paper. The Committee understood that the paper contained the audit plan for the financial year 2022/23 and documents a combination of responses Grant Thornton have received from management to support the audit planning and process, including key areas of judgement within the accounts. The Committee noted that in terms of the pension fund audit, they are still in the process of concluding this planning; this plan will be produced in early August and Grant Thornton intend to carry this out as soon as possible so they will be in a position to sign both Council and pension fund audits in October.
- 10.3 The Committee was also informed that the plan sets out Grant Thornton's responsibilities as auditors and sets out the Council's responsibilities which includes the production of the financial statements, the quality of working papers as well as the information to support the accounts.
- 10.4 The Committee noted that the plan highlights the approach to setting the materiality at a group and council level as well which includes specific audit risks and the planned response to those risks. The Committee was informed that the key risks include: management override of controls, valuation of investment property, valuation of land and buildings and valuation of pension



fund net liability. The Committee also noted that all of the risks from the prior year have been pulled through and, this year, also includes the valuation of the collection fund with no other significant changes.

- 10.5 The Committee queried why the materiality of the Council had changed and how this was calculated. The Committee understood that maximum materiality is 1.5 percent of gross expenditure. Grant Thornton reflected that the level of risk and complexity of the Council in comparison to other audited bodies meant it would not be appropriate to continue at the same level of materiality, leading for it to be lowered to 1.3 percent. The Committee noted that overall materiality and performance materiality is reflected upon annually.
- 10.6 The Committee stated that knowledge of collection funds is niche and held a detailed discussion on Grant Thornton's levels of expertise and confidence of their judgments in this area. The Committee noted that collection funds is a high risk area and Grant Thornton follow up directly with experts who model this and the underlying data for collection funds. The Committee understood that officers at the Council did not have views that differed from the experts brought in by Grant Thornton for the 2021/22 accounts and who, having undertaken this exercise, now have a better understanding of the subject area. The Committee was pleased to note that this subject area is not underestimated in its complexity and methodology and issues are discussed early on.
- 10.7 The Committee raised a query on the contract held with Grant Thornton and understood that the Council contracts with Public Sector Audit Appointments (PSAA), a subsidiary of the Local Government Association, every five years and are assigned an audit firm by the PSAA. The Committee noted the positive history with Grant Thornton but did state the risks in a positive relationship and queried whether the Council can contract outside of the PSAA and requested further information on this.
- 10.8 The Committee expressed concern again on the resourcing issues faced by Grant Thornton, especially in regard to the 2022/23 accounts. The Committee noted that Grant Thornton have a resourcing plan and team in place to comfortably deliver the 2022/23 audit in time for the October deadline; that team is of sufficient experience, capability and has the benefit of continuity of working with the Council. The Committee asked if officers had identified a main contributing factor for any potential delay to the audit and was informed that it would likely be the collection fund provision but that communication between both the Council team and the team at Grant Thornton was key. The Committee noted that the Director of Finance expressed a particular request that the methodology to be used by Grant Thornton for reviewing the collection fund be the subject of early discussion with officers.

**RESOLVED:**

- 10.9 That the Committee approved the 2022/23 audit plan for Westminster City Council.
- 10.10 That the Committee considered the audit risk assessment for Westminster City Council.

10.11 That the Committee noted Grant Thornton will present the Pension Fund audit plan and risk assessment at the next Committee date.

**ACTION:**

10.12 That the Committee will receive information on the Council's contracting with the PSAA for an audit firm and alternative approaches.

**11 ANNUAL REPORT OF THE COMMITTEE**

11.1 The Committee received an overview of the report from Clare O'Keefe (Lead Policy and Scrutiny Advisor) who informed the Committee that the Annual Report of the Audit and Performance Committee is a new initiative born out of the 2019 Review of Effectiveness which recommended that the Committee should consider providing an annual report to Full Council on its work and performance during the year.

**RESOLVED:**

11.2 That the Committee approved the content of the report.

The meeting ended at 20:58.

**CHAIR:** \_\_\_\_\_

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



## Audit and Performance Committee Report

<b>Date:</b>	6 September 2023
<b>Classification:</b>	General Release
<b>Title:</b>	<b>2022/2023 Work Programme</b>
<b>Report of:</b>	Head of Governance and Councillor Liaison
<b>Wards Involved:</b>	N/A
<b>Report Author and Contact Details:</b>	<b>Clare O’Keefe</b> <a href="mailto:cokeefe@westminster.gov.uk">cokeefe@westminster.gov.uk</a>

### 1. Executive Summary

- 1.1 This report requests the Committee Members to consider the Work Programme for the 2023/2024 municipal year attached at Appendix 1 and to confirm the agenda items for its next meeting on 24 October 2023.

### 2. Recommendations

It is recommended that the Committee:

- 2.1 Agree the agenda items for its next meeting on 24 October 2023, as set out in this report and Appendix 1; and
- 2.2 Consider items for the future Work Programme for 2023/2024.

### 3. Selecting items for the Work Programme

- 3.1 The draft Work Programme for 2023/24 is attached at Appendix 1 to the report. The scheduled meetings for the next municipal year are:
- 24 October 2023;
  - 2 November 2023;
  - 28 November 2023;
  - 27 February 2024; and
  - 16 April 2024.
- 3.2 Members’ attention is drawn to the Terms of Reference for the Audit and Performance Committee (attached to this report as Appendix 2) which may

assist the Committee in identifying issues to be included in the Work Programme.

3.3 As members are aware, the Work Programme will be reviewed at each meeting of the Committee and items can be removed or added as necessary.

3.4 Members also may wish to suggest items for inclusion in the Work Programme, subject to the Committee's Terms of Reference, attached as Appendix 2.

#### **4. Task Groups**

4.1 There are no Task Groups operating at present.

#### **5. Monitoring Actions**

5.1 The actions arising from each meeting are recorded in the Action Tracker attached as Appendix 3. Members are invited to review the work undertaken in response to those actions.

#### **6. Resources**

6.1 There is no specific budget allocation for the Audit and Performance Committee.

**If you have any queries about this report or wish to inspect any of the background papers, please contact Clare O'Keefe.**

[cokeefe@westminster.gov.uk](mailto:cokeefe@westminster.gov.uk)

Appendix 1: Work Programme  
Appendix 2: Terms of Reference  
Appendix 3: Action Tracker

## Work Programme 2023/24 – Audit and Performance Committee

<b>ROUND 4</b> <b>24 October 2023</b>		
<b>Agenda item</b>	<b>Purpose</b>	<b>Officer</b>
Annual Complaints Report	To consider the Corporate Complaints Annual Report.	Zoe Evans (Complaints and Customer Services)
Internal Audit Progress Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes Moira Mackie (Internal Audit)
Mid-Year Counter Fraud Report	To oversee and monitor the success of the Counter Fraud Service.	David Hughes Andy Hyatt (Corporate Anti-Fraud Service)
Treasury Management Strategy Outturn 2022/2023	To note the annual treasury management final outturn 2021/22.	Gerald Almeroth Jake Bacchus (Finance) Phil Triggs (Treasury)
Treasury Management Strategy Mid-Year Review	To review the Treasury Management Mid-Year Strategy.	Phil Triggs (Treasury)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year.	Clare O’Keefe (Lead Policy and Scrutiny Advisor)

<b>EXTRAORDINARY MEETING</b> <b>2 November 2023</b>		
<b>Agenda item</b>	<b>Purpose</b>	<b>Officer</b>
Audited Accounts and Final Statement of Accounts	To receive and review the audited Statement of Accounts for the Council and the Pension Fund following a public inspection period of the accounts.	Gerald Almeroth Jake Bacchus (Finance) Phil Triggs (Treasury)

<b>ROUND 5</b> <b>28 November 2023</b>		
<b>Agenda item</b>	<b>Purpose</b>	<b>Officer</b>
Q2 Year End Performance Report	To monitor the quarterly performance results.	Pedro Wrobel Mo Rahman (Performance)
Q2 Finance Monitor	To monitor the City Council’s financial	Gerald Almeroth

	position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves.	Jake Bacchus (Finance)
External Auditor's Annual Report	To review the External Auditor's Annual Report and management response to recommendations.	Gerald Almeroth Jake Bacchus (Finance)
Work Programme 2023/2024	To review the work programme for the 2023/ 2024 municipal year.	Clare O'Keefe (Lead Policy and Scrutiny Advisor)

<b>ROUND 6</b> <b>27 February 2024</b>		
Agenda item	Purpose	Officer
Q3 Year End Performance Report	To monitor the quarterly performance results.	Pedro Wrobel Mo Rahman (Performance)
Q3 Finance Monitor	To monitor the City Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves.	Gerald Almeroth Jake Bacchus (Finance)
Ethical Standards Report	To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the City Council.	Parveen Akhtar / Joyce Golder / David Hughes / Lee Witham
Internal Audit Progress Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes Moir Mackie (Internal Audit)
Internal Audit Plan 2024/25	To review and comment on the draft audit plan for 2024/25.	David Hughes Moir Mackie (Internal Audit)
External Audit Plan	To receive an overview of the planned scope and timing of the statutory audits of the City of Westminster and the Westminster Pension Fund.	Gerald Almeroth (Finance) Phil Triggs (Treasury)

Work Programme 2023/2024	To review the work programme for the 2024/ 2025 municipal year.	Clare O’Keefe (Lead Policy and Scrutiny Advisor)
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<b>ROUND 7</b> <b>16 April 2024 – TBC</b>		
<b>Agenda item</b>	<b>Purpose</b>	<b>Officer</b>

Unallocated:

Review of the Effectiveness of the Audit Committee	To consider the outcomes of the review and identify any areas for improvement.	David Hughes Moira Mackie (Internal Audit)
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## **AUDIT AND PERFORMANCE COMMITTEE**

### **COMPOSITION**

4 Members of the Council, 3 Majority Party Members and 1 Opposition Party Member, but shall not include a Cabinet Member.

### **TERMS OF REFERENCE**

#### Audit Activity

1. To consider the head of internal audit's annual report including the auditor's opinion on the Council's control environment and a summary of internal audit and anti-fraud activity and key findings.
2. To consider reports, at regular intervals, which summarise: the performance of the Council's internal audit and anti fraud service provider/s audits and investigations undertaken and key findings progress with implementation of agreed recommendations
3. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
4. To consider specific reports as agreed with the external auditor.
5. To comment on the scope and depth of external audit work and to ensure it gives value for money.
6. To liaise with the Audit Commission over the appointment of the Council's external auditor.
7. To comment on the proposed work plans of internal and external audit.

#### Regulatory Framework

8. To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
9. To review any issue referred to it by the Chief Executive or a Director, or any Council body.
10. To monitor the effective development and operation of risk management and corporate governance in the Council.
11. To monitor Council policies on 'Raising Concerns at Work', the Council's complaints process and the Antifraud and Corruption Strategy; specifically the effectiveness of arrangements in place to ensure the Council is compliant with the Bribery Act 2010.
12. To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
13. To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

14. To consider the Council's compliance with its own and other published standards and controls.
15. To maintain an overview of the arrangements in place for maintaining High Ethical Standards throughout the Authority and in this context to receive a report annually from the Director of Law and the Chief Finance Officer.

#### Accounts

16. To review the annual statement of accounts and approve these for publication. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
17. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

#### Performance Monitoring

18. To review and scrutinise the financial implications of external inspection reports relating to the City Council.
19. To receive the quarterly performance monitoring report and refer any issues which in the Committee's view require more detailed scrutiny to the relevant Policy and Scrutiny Committee.
20. To review and scrutinise personnel issues where they impact on the financial or operational performance of the Council including but not limited to agency costs, long-term sickness, ill health early retirements and vacancies; and
21. To review and scrutinise Stage 2 complaints made against the City Council and monitor progress.
22. To consider and advise upon, prior to tender, the most appropriate contractual arrangements where a proposed contract has been referred to the Committee by the Chief Executive.
23. To maintain an overview of overall contract performance on behalf of the Council.
24. To review and scrutinise contracts let by the Council for value for money and adherence to the Council's Procurement Code.
25. To review and scrutinise the Council's value for money to Council tax payers.
26. To scrutinise any item of expenditure that the Committee deems necessary in order to ensure probity and value for money.

#### Staffing

27. To advise the Cabinet Member for with responsibility for Finance on issues relating to the remuneration of all staff as necessary.
28. In the course of carrying out its duties in respect of 27 above, to have regard to the suitability and application of any grading or performance related pay schemes operated, or proposed, by the Council

**Appendix 3 - ACTION TRACKER**  
**Audit and Performance Committee**

23 February 2023		
Agenda Item	Action	Status/Follow Up
Item 4 Quarterly Performance Report	That the Committee will be provided with a further top-level briefing on the City Survey from the Strategic Performance Manager.	Complete
	That the Executive Director for Growth, Planning and Housing will provide further detail for a future meeting on the Council's response to mould and damp in residents' homes.	Complete
Item 5 Ethical Standards Report	That the Director of People to bring the full report on staff survey results to Committee.	Complete
	That the review of the Councils anti-fraud and corruption statement will be shared with the Committee by the Director of Law and Governance.	Complete
Item 3 Q3 Finance Monitor	For the Head of Parking to bring a report to the next Committee detailing the current and previous history of residents registering a domestic vehicle.	Complete

24 July 2023		
Agenda Item	Action	Status/Follow Up
Item 4 Matters Arising and Work Programme	That a range of dates for the extraordinary meeting will be shared with the Committee.	Complete
Item 5 22/23 Year End Performance Report	That future quarterly Performance Reports will include a summary of key targets which have been missed at the outset of the report.	This was agreed at the meeting
	That the Committee will receive in-depth written response from Children's Services on the improvement plans for the three missed yearend targets deemed 'of most concern' (percentage uptake of free early education funded placements for 3- and 4-year-olds, percentage of care leavers (aged 17-24) in Education, Employment or Training and percentage of children achieving a Good level of development)	In progress
	That the Committee will receive a written response on the rationale behind Children's Services KPI targets.	In progress

	That the Committee will receive an adjusted commentary on the missed KPIs for Children's Services, especially points 1 and 3 (percentage of children achieving a Good level of development and percentage of schools rated by Ofsted as good or outstanding).	In progress
	That the Committee will receive the draft damp and mould policies for both its own housing stock and that for temporary accommodation when they have been developed.	In progress
	That the Committee will receive details on the '226 Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety' missed target.	Complete
	That the Committee will receive information on the missed target concerning number of HMO.	Complete
	That the Committee will receive a written response on the missed yearend targets for 30 percent of Global Majority and 50 percent of women employees in senior leadership roles and the positive action to achieve these.	Complete
	That the outline business case for the Pimlico District Heating Unit be presented to the relevant Policy and Scrutiny committee as soon as practicable.	Complete – the P&S team have noted this.
Item 6 Year End Finance Report	That the Committee will receive benchmarking data with other local authorities on Short Breaks, including SEN transport costs and costs.	In progress
	That the Committee will receive information on national planning policy, including any potential changes, timeframes and fees.	In progress
	That the Committee will receive definitions of 'major', 'minor' and 'other' in respect of planning applications and a breakdown of these.	In progress
	That the Committee will receive more information on parking income, particularly the issuing of marshal-issued PCNs; why more are being issued and in what areas of the City.	In progress
	That the Committee will receive detail on income shortfalls from a number of income streams including Massage, Street Trading, Advice Giving and Inspection Services.	In progress
Item 8 Counter Fraud End of Year Report	That the Committee will receive a copy of the policy and procedures aimed at identifying potential fraudsters, in collaboration with various agencies, including the London Fraud Hub.	Complete
Item 9 Review of Draft Statement of Accounts	That the external auditor be given a deadline of the end of the month for the 2021/22 accounts to be ready.	Complete – this was given at the meeting.
Item 10 External Auditor's Audit Plan	That the Committee will receive information on the Council's contracting with PSAA for an audit firm and alternative approaches.	In progress



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City of Westminster

## Audit and Performance Committee Report

<b>Meeting:</b>	<b>Audit and Performance Committee</b>
<b>Date:</b>	<b>Wednesday 6th September 2023</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>Quarterly Performance Report</b> Quarter 1 (April – June) 2023/24 Performance Report
<b>Wards Affected:</b>	<b>All</b>
<b>Key Decision:</b>	<b>No</b>
<b>Financial Summary:</b>	<b>Not applicable</b>
<b>Report of:</b>	<b>Pedro Wrobel, Executive Director for Innovation and Change</b>

# 1. Executive Summary

This performance report summarises the council's performance and progress at the end of the quarter 1 (April 2023 - June 2023). It presents the latest cumulative results available for each key performance indicator (KPI) and highlights key areas of achievement, risk, and issues at the end of June 2023.

The council set out its ambitions for residents and the City in its Fairer Westminster strategy. The strategy outlines the outcomes we want to deliver for our communities in five key strategic themes. This helps us prioritise and focus our activities where they will make the most difference to improve the quality of life for all and support a thriving local economy.

Over this quarter, we have delivered some important projects and initiatives and made some significant improvements across a range of services. This is why we monitor the performance and delivery of the council - to ensure we are making a positive difference, and delivering the outcomes set out in the Fairer Westminster strategy. Section 3 of this report highlights some of those achievements. We also present information on our key performance indicators, with most of them on track for achieving their annual targets at this stage.

To ensure we are driving positive improvements in our housing services, from next quarter we will begin reporting progress and performance for a new Housing and Commercial Partnerships directorate. For context, social housing providers this year have started operating under a new performance framework overseen by the housing regulator. The council will be required to report against various service quality metrics annually. The service is already collecting data aligned to these new requirements, and we will provide a half-year update in the quarter 2 report. Additional KPIs for this service area are still being finalised, so we will continue reporting housing performance as part of the Growth, Planning and Housing directorate this quarter. Some KPIs currently in Finance and Resources will also move to the new directorate. Therefore, this will be the last quarter where Housing and Commercial Partnerships KPI data is reported under the previous directorate structures.

In preparation for this new financial year, we have completed the annual cycle to review and refresh the KPIs and targets included in this report in consultation with services. We provide narrative on all the KPIs that are currently off track against their target and will continue to monitor our most challenging areas closely and implement appropriate action to mitigate these. We make sure that we use our performance information to inform our strategy and priorities and take data-driven decisions. All of these details on our Key Performance Indicators can be found in Section 6 of the report.

At the end of quarter 1, 62 (80%) of KPIs with a target are currently on track to meet their annual target, with 13 (17%) appear at slight risk of missing target with only two (3%) assessed as off track against their annual target level. In terms of assessing the KPIs most at risk of missing target by yearend, we often have a better sense of this by quarter 2, the half year period.

Reoffending of young people known to our Youth Offending Team is 22.5% above target at quarter 1. This is a small cohort so fluctuations in performance can be large quarter on quarter. There has been an operational focus on intra-gang tensions and reducing risk of retaliation. There are daily intelligence briefings taking place enabling us to identify young people who may be at risk of retaliation or becoming caught up in further incidents.



Freedom of Information request performance has improved by 3 percentage points but still 8 percentage points below target. A new process for ensuring responses that require multiple directorate input has been put in place as this was an issue previously that often led to delays in responding to requests within the statutory response period.

In addition, one Public Health KPI that failed to meet its yearend target for 2022/23. This is reported 3 months in arrears and so the information was not available in the yearend position in the previous report. The percentage of opiate drug users that left drug treatment successfully who do not re-present to treatment within 6 months was 0.5 percentage points below minimum target levels. This is a commissioned service, and our provider experienced a 32% reduction in referrals compared to the previous year. To address this for 2023/24 they have put a 'numbers in treatment' plan and a marketing strategy to address this and this is anticipated to improve performance over the year ahead.

**The report covers:**

- Headline achievements from around the council and summary overview of KPI performance.
- Information on issues, risks, and potential pressures and their impact on the council. And updates on the mitigating actions that are underway to manage these risks.
- Key Performance Indicators (KPIs) and targets used to track performance of key council services.

## **2. Recommendations**

- Committee to note the performance updates at quarter 1.
- Committee to indicate any areas where they require more information or clarification.

## 3. Quarterly Performance Report

### Headline Achievements

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This section highlights the Council's headline achievements at the end of quarter 1 2023/24. These will be achievements by exception drawn from delivery against key initiatives, and projects and programmes.

#### Health, Care and Wellbeing

##### **Ethical Care Charter**

The Council signed UNISON's Ethical Care Charter on 5 May 2023 at an event attended by Christina McAnea, General Secretary of UNISON. Westminster is the thirteenth London council to have signed the Charter. It publicly demonstrated the Council's commitment to the Charter and the actions arising from it. The Charter was introduced to 'establish a minimum baseline for the safety, quality and dignity of care' by ensuring good conditions for people working in the homecare sector. The Council will regularly assess its progress to ensure that it continues to be sustainably compliant, and to identify areas that will benefit from further improvement.

##### **Care Home Open Week**

Adult Social Care and Health supported and promoted events happening in the borough as part of Care Home Open Week. The week is organised by Care England, and it aims to encourage greater community engagement in care homes, show what care homes can offer, showcase the care sector's career opportunities and increase appreciation for care sector professionals. Cllr Butler-Thalassis attended Beachcroft House's Sports Day Event at Paddington Recreation Ground on 26 June 2023 to highlight the importance of care home staff's high-quality care and tireless commitment to residents, and the significance of community engagement.

##### **Launch of We Got U, U Got This Mental Health Campaign**

'We Got U, U got This' is an emotional wellbeing and mental health promotional campaign created by and for local young residents in Westminster and Kensington and Chelsea. The campaign went live in May, and aims to promote local services, particularly our early intervention offers and to empower our young residents to access support as appropriate. Whilst the campaign is still underway for another month, we are already seeing successes: Our target of 2,000 unique visitors to the webpage has already been met.

The average time spent on the webpage is 6x longer than the researched average time spent on webpages, and above the average across council webpages. Through Social Media channels (Facebook, Instagram, Twitter, Next Door, Google Search, Youtube and TikTok), we have amassed over 36.5k and 40.3k impressions across all social media channel. In the first two weeks, the first video shared on social media reached over 3.4k people.

#### Children and Families

##### **Black and Blue project**

In partnership with the Paul Canoville Foundation, set up by an ex-professional footballer to support young people facing adversity, the Council's Archives, Children's Services, Public Health and local schools launched the Black and Blue project, an education and drama project supporting year 6 pupils. The project covers topics such as racism, mental health, drugs awareness, overcoming adversity and role models. Paul was the first black footballer

to play for Chelsea FC and has an inspiring story to tell and to learn from. The project launched at Chelsea FC, Stamford Bridge on 29<sup>th</sup> June 10-12:30 with 100 children attending from four schools. All Westminster Primary schools will be offered the programme.

### **Holiday Activity and Food programme**

This May half term, 1,250 children benefitted from Westminster's additional Holiday Activity and Food offer, enjoying over 4,100 meals. A diverse array of activities was on offer, ranging from sports (Football, Basketball, Table Tennis etc) and multi-sports camps, to music, arts and crafts, cooking, adventure play and gardening. A survey was carried out, with 114 responses from parents/carers and their children. Results were very positive, with 100% of respondents saying that they would return to the provision, and 95% of the children and young people said that they learnt something new and made new friends. The May Half Term Holiday provision offer was generously jointly funded by Grosvenor Estates. The Council is continuing to work in partnership with Grosvenor to explore future support on joint priorities.

### **School Superzone**

The Council was successful in its School Superzone bid for £30,000 from the Greater London Authority to support a partnership centred around Edward Wilson School in Westbourne to improve health and wellbeing. The Superzone will focus on increasing active travel, improving road safety around the school and improving personal safety and increasing access to and use of local green spaces. The next step is to work with the partnership group to agree an action plan. The group includes the school and the Council's parks, leisure and community safety teams. The partnership group will also link with the North Paddington Programme to ensure work is joined up for maximum impact.

## **Community Safety, Licensing and Enforcement**

### **Parking contract**

Several parking-related contracts were successfully relet for 1 April, including Technology, Back Office, People & Resources, CCTV, Relocations, and Cashless services. These contracts separate out several services previously delivered by sub-contracting relationships enabling the Council to gain direct control of these support functions to support improved service delivery and greater bespoke functionality. This has facilitated greater value and ensured opportunity to choose "best-in-class" providers. While initial changes to scope and function of contracts have been limited to ensure smooth transition, Officers have worked to ensure that contract specifications are future-proofed to support delivery of a wider range of Council functions including the potential to make more effective use of on-street staff beyond their specified service areas.

## **Environment**

### **Electric Refuse Vehicles**

Westminster City Council and Veolia have launched the UK's largest electric refuse collection fleet. The 45 new zero-emission trucks will be powered by energy generated from the waste they collect. The vehicles will be housed in a specially designed depot at Landmann Way, near Bermondsey with smart charging infrastructure, ensuring they are always ready to go when needed. The investment of £20m in the new fleet will benefit residents by reducing vehicle noise, cutting air pollution, and drastically reducing the council's carbon emissions by over 2000t CO<sub>2</sub>e per annum. Westminster will gradually replace its entire 80-strong truck fleet with electric vehicles, making this the biggest decarbonisation programme of its kind by a UK local authority. Lead-in time for these vehicles is significant and so this will take time to replace the entire fleet. The new fleet is a major step forward in Westminster's commitment

to reducing its environmental impact and providing cleaner, quieter, and more sustainable waste collection services for residents, businesses, and visitors.

### **Net Zero Living**

It was announced on 24 May 2023 that our grant bid to Innovate UK's Net Zero Living: Fast Followers programme had been successful. The formal grant offer letter was received on 21 June and our confirmed grant supported project went live on 1 July 2023. The grant of £300,000 will support the work of the Westminster Retrofit Task Force, which is being led by the Design, Conservation & Sustainability Team. The funding will allow the recruitment for a 2yr period of a Lead Retrofit Innovation and Delivery Officer, whose sole task will be to support delivery of the task force's workstreams. We are about to go out to recruit to this post and a condition of the grant is that the post is filled by 30 September.

### **Citizen's Climate Assembly**

Our Citizens' Climate Assembly was delivered over June and July, bringing together a randomly selected but representative group of 47 residents to consider the question: 'How can we overcome the main barriers to Westminster becoming a net zero city by 2040 together? How do we ensure this is delivered in the fairest way?'. Participants heard from a series of expert speakers to understand the context of climate change in Westminster and explore some of the barriers and opportunities for local climate action. Following this, participants developed their recommendations with the help of external experts before presenting these back to the assembly organisers. Following the completion of the Assembly weekends, a full report of the Assembly process and formal recommendations will be produced and presented at Full Council at the meeting on 20<sup>th</sup> September 2023.

### **Customer and Digital**

#### **My Westminster Digital Portal**

Recently, we have improved our online application for Free School Meals function by actively promoting pupil premiums and improved accessibility standards reflecting to the diverse needs of our customers. As a result of this we have seen a 50% decrease in the time taken to complete an online application and a 33% decrease in manual intervention from the back-office team (down from 90% pre-Phase 2 to 57% after). There has also been a 58% decrease in the number of applications requiring more information. The process review to streamline back-office workflow has resulted in a 46% decrease in time taken to process a paper application.

#### **Full Fibre Broadband delivery**

In February of this year, Westminster City Council hit 80% full fibre coverage according to data from Think Broadband ([Broadband Coverage and Speed Test Statistics for City of Westminster \(thinkbroadband.com\)](https://www.thinkbroadband.com/city-of-westminster)). This is a significant increase from February 2022 where full fibre coverage was only 61.6%. Access to a reliable internet connection has become a necessity for most people which is why ensuring that businesses and residents have access to world class connectivity is so important. The rollout of full fibre broadband is laying a foundation that will allow exploration of smart city applications such as air, traffic, and noise monitoring. The continued work towards improving connectivity in Westminster is supporting the Council's Fairer Westminster strategy as well as the new Fairer Economy plan to improve connectivity across the city through the deployment of more full fibre connectivity.

## **Communities**

### **Windrush 75th Festival**

On the 22nd June to mark the 75th anniversary of the arrival of the Empire Windrush to the UK, the Council supported by the Unions and a number of external partners held Westminster Windrush Film Festival & Cultural Festival at Picture House Central for 300 residents and staff. The event compared by Juliette Alexander with great performances from Yaa Centre, Peter Straker and St Peters COE primary School, Omar, Janet Kay MBE and Carroll Thompson. The feedback from residents attending the event was extremely positive.

### **Virtual Libraries**

We have recently completed our Virtual Library Programme which promotes online and digital services, as well as recreating resident interactions with library staff and each other. The programme aims to coordinate our services to meet local communities' specific needs and is aligned to delivering a Fairer Westminster. The deliverables were primarily to enhance library website inclusivity and engagement by redesigning library pages with improved information architecture and encourage utilisation of library services on various platforms, specifically increasing the uptake of eBooks. So far, we have seen a 37% increase in unique visits to the library website and a 43.3% increase in uptake of borrowed eBooks. Through improved use of social media and promotion platforms there was an increase in attendance both in person and virtual. Library Events attendance has more than doubled (139% increase) from 27,856 in 2021/22 to 66,629 over 22/23.

## **Business and Economy**

### **Responsible Procurement and Commissioning Strategy launch**

On 18th April we launched our new version of the council's Responsible Procurement & Commissioning Strategy in Grand Junction based at St Mary Magdalene Church. Over 200 suppliers and council officers were in attendance and contract managers came to support, as did theme leads for key areas such as climate emergency, social value, employment & skills and modern slavery. The commitment of attendees to deliver this new strategy was demonstrated by 'star supplier spotlights' where eight of the council's contractors who have delivered social value and sustainability initiatives presented work they had undertaken for Westminster Council and its residents. Suppliers showed the scale of what this strategy can achieve with examples ranging from sports sponsorships, apprenticeships, education and training initiatives for young residents to zero carbon technologies for paths and roads.

### **Fairer Economy Plan**

The Fairer Economy Plan was launched on 20 June which aims to provide more opportunity through an ambitious set of commitments to reform the economy in centre of the nation's capital. Investing in high streets, providing job training for local people and helping small businesses with the cost of going green are at the heart of a new blueprint for creating Westminster's fairer, inclusive and more sustainable economy. Key elements include:

- The launch of the first ever social impact report as part of the council's commitment to ensuring the companies which provide services to the City Hall also benefit Westminster's wider community. The report was launched at the Responsible Business Network on 12<sup>th</sup> July by Cllr Barraclough – summary findings and the report: <https://www.westminster.gov.uk/fairer-economy/social-value-year-end-report>
- North Paddington Creative Enterprise Zone – WCC led a successful bid alongside local creative and cultural partners such as The Avenues Youth Project, Carnival Village Trust, Grand Junction, The Octavia Foundation and The Rebel School to receive mayoral designation for North Paddington as a Creative Enterprise Zone. Creative Enterprise

Zones are designated areas where artists and creative businesses can find permanent affordable space to work; are supported to start-up and grow; and where local people are helped to learn creative sector skills and access pathways to employment. We were successfully awarded £170,000 of funding to create a local capital grant scheme for creative and cultural organisations to reduce emissions). The announcement event was co-hosted with the GLA and marked a major milestone for the programme. The event showcased creatives that have and will benefit from the Creative Enterprise Zone programme. A further 2 new accredited Zones were announced at the event bringing the total to 12 across London.

### **High Streets Programme**

Our High Streets programme was launched in June with engagement activities until August 2023. This engagement exercise will help to determine priorities for the City Council's £10m investment in the high streets around Paddington and Bayswater (Hyde Park, Lancaster Gate and Bayswater Wards). Amongst the activities, there are 3 weeks of in person engagement on pop-up hubs, in person and online surveys and site visits.

## **Housing & Built Environment**

### **Housing Services Centre**

On 5 June the Council opened the first of four new Housing Service Centres on Bruckner Street at the Mozart Estate in Queen's Park Ward. This will allow residents to drop in and speak face to face with the Housing Team on the issues that matter most to them, such as repairs, or receiving advice on paying their bills. Three further facilities will be rolled out in Pimlico, Bayswater and Soho in the coming months. Through the initiative the Council is making it easier for local tenants and leaseholders to work with the Housing Team by bringing their Housing officers closer to them.

### **Support for Rough Sleepers**

We have successfully secured in partnership with Camden Council additional funding through DLUHC of £3.5m over 2 years to extend and enhance services for those sleeping on our streets. The benefits of funding joint services include efficiency of process; a joint and consistent approach to supporting rough sleepers across Westminster and Camden; reducing unnecessary contacts with clients; a collective approach to data and information; and greater efficiency of advice and assessment systems with a single purpose to enable effective and sustained move-on outcomes for each person.

The funding will be used to extend the successful delivery of our St Giles assessment and triage beds into January 2025. Both Westminster and Camden experience a considerable level of "flow" to our streets from elsewhere in the UK and internationally, this lower support accommodation offer provides the opportunity to work with individuals, linking into employment, training and move on into longer term options. We will also develop and deliver a joint enhanced Severe Weather Emergency Protocol offer from Winter 2023, which will be delivered through a partnership approach including, faith and volunteer partners, homelessness charities, and commission and local authority services, across both boroughs. The accommodation offer will enable our services to keep those most at risk safe, triage need whilst individuals are stable in the provision, and then refer into appropriate next step solutions such as assessment centres, supported pathways or reconnection as appropriate.

### **Development Schemes**

On 23rd June, the Ashbridge street development scheme reached practical completion, providing 26 new social rent homes. In addition, the Luton Street and Fisherton Street development scheme won the 'Built Environment Award' at the Better Society Awards in May

2023. The scheme won the award in a category for schemes that contributed to making the environment a better place, in terms of accessibility, use of sustainable materials or energy efficiency. Ebury Bridge won the Planning Award (Affordable Housing Category) and Top Prize Editors Choice, whilst 300 Harrow Road also won the Local Authority Building Control Award. At the end of May, we achieved vacant possession for Ebury Phase 2 with demolition works to start later in the year.

### **Church Street Development**

The Planning (Major) Applications Sub-Committee's decision to grant permission on 28 March 2023 for the regeneration of Church Street Sites A, B and C, subject to receipt of the Mayor of London's Stage 2 response and completion of a legal agreement to secure a significant package of planning obligations. The GLA Stage 2 response on behalf of the Mayor was subsequently received and planning permission was issued following completion of the legal agreement on 30 June 2023. The hybrid permission will deliver much needed estate regeneration around Church Street, deliver up to 1,120 new homes with 50% being affordable, improved facilities for the market, and a replacement library.

## **Public Affairs and Council matters**

### **Supplier Charter and Ethical Procurement policy**

The Supplier Charter, previous known as the Supplier Code of Conduct, is a set of requirements on the technical and professional ability of contractors to deliver and report on our responsible procurement objectives. The Ethical Procurement Policy now forms a part of our standard terms and conditions and covers workers' rights, pay and conditions including issues such as zero hours contracts and union representation. At launch, some of our key suppliers signed up to the Supplier Charter and Ethical Procurement Policy on the day, volunteering to abide by these new responsible procurement commitments as part of their existing contracts, with more following suit after the event.

### **Modern Slavery Statement 2022/23 published**

The council has published a new Modern Slavery Statement 2022-23 which describes the council's current due diligence procedures, designed to prevent the recruitment of trafficked people or those working under forced labour conditions, or their involvement in our supply chains. Significant progress has been made over the last year with key strategic suppliers signing up to the Supplier Charter (which includes modern slavery requirements), assessed external frameworks to ensure they include modern slavery and risk assessed of our top 56 live contracts. Over the next year we will be monitoring delivery of requirements set out in the Supplier Charter, tailoring contractual requirements and completing supply chain risk assessments.

## 4. PRESSURES AND RISKS

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This section presents the top pressures and risks facing the council and the City at the end of quarter 1 2023/24. The first part of the section focusses on contextual challenges as identified by council Directorates or through analysis of our operating environment. The second part of the section presents the current top risks as reported by Directorates and recorded on the council's Corporate Risk Register.

### **Pressures**

#### **Gordon Hospital Closure**

In March 2020, Central and North West London NHS Trust (CNWL) temporarily closed the Gordon Hospital, which was the only in-patient psychiatric care service for residents in need of specialist mental health provision. The reason given for the temporary closure was COVID-19 related concern. Patients were moved to other out-of-borough hospitals, and some were discharged back into the community.

The closure has left Westminster with no registered care in-borough mental health service provision. There is a further impact on hospital capacity for mental health issues where supported accommodation and out-of-borough service users remain longer in inappropriate settings such as Accident and Emergency departments. Officers have attended workshops with CNWL about the Gordon's closure and reviewed CNWL's proposed model of care. It has still not held a consultation on the closure. This will likely formally commence in Autumn 2023. It has been made clear to CNWL's senior leaders that keeping the Gordon Hospital open or replacing acute inpatient beds in Westminster must be included in the consultation options. On 29 June 2023, Cllr Butler-Thalassis held a community event to discuss the Gordon Hospital's closure with residents and a way forward.

#### **Increased pressure in Children's Social Care**

As a result of increased complexity and need within our communities, there is heightened pressure on our frontline Children's services. This sustained pressure is an enduring challenge that we continue to monitor closely. The numbers of children who are on Child Protection plans continues to be higher than it was pre-pandemic (56 Child Protection plans in March 2020 compared to 70 at the end of May 2023). Frontline practitioners are reporting that the children and families they are working with are struggling because of increased emotional wellbeing and mental health difficulties exacerbated by the cost-of-living crisis and this is impacting upon family functioning and stress levels.

#### **Drop in School Attendance**

There has been a drop in school attendance from pre-covid levels in Westminster schools. There has been a fall in attendance for all Westminster primary schools; which is a position mirrored across inner London, which has seen a drop by approximately 2%, and the national figure has fallen by almost 3% compared to the previous year. The latest published data shows Westminster secondary schools' attendance (for Autumn and Spring terms combined) in 2021/22 was 92.8%, which was above National (91.4%) but below Inner London (93.2%).

Primary schools are also reporting increasingly challenging behaviours post-pandemic. This is supported by the latest published suspensions data, which shows that Westminster primary schools had 78 suspensions in the academic year 2021/22 (autumn and spring terms only); this is a significant increase on the previous year (23 in 2020/21) although this was during Covid. The 2021/22 figure is above inner London but just below national averages. We work closely with schools to reduce exclusions and suspensions and have a robust trauma- informed offer to improve behaviour in schools.

Our Early Help's School Inclusion programme works intensively with pupils at risk of exclusion in primary and secondary schools and works to address the underlying reasons for



challenging behaviours. The aim of the interventions is to bring about positive, sustainable, systemic change- both at home and in school to support inclusion and engagement in learning. The team also train staff in whole-school trauma- informed approaches to addressing challenging behaviours. So far, several schools have undertaken this whole school training and have embedded a systemic, trauma informed approach to behaviour management.

### **Serious Youth Violence and Knife Crime**

Knife crime has not returned to pre-Covid levels but continues to be a real concern. Gang tensions continue, particularly in the north of the borough. Tragically, on 19th June, a 17-year-old boy was fatally stabbed in St Mary's Churchyard, churchyard walk – close to Westminster College. This came just days after a 16-year-old boy was stabbed in Queens Park.

The recent stabbing has created significant distress with local families, across schools and the community and with our staff. The IGXU continues to provide support and use specialist knowledge and experience to break down the influence of the gangs and to divert children away from this activity. A range of interventions across the VCS, police and the LA continue to be expanded and strengthened.

### **Temporary Accommodation**

Sourcing good quality private sector accommodation that is affordable to households on low incomes is very challenging, whether to prevent homelessness or to meet the council's statutory obligations to provide suitable temporary accommodation (TA) for individuals to find homes.

The high demand for TA from households in housing need is being seen across all authorities in London. This has led to significant spending pressures on TA, which have arisen from a combination of supply and demand and the gap between costs and government funding. The Homelessness Prevention Grant is no longer sufficient to cover the full costs of TA (including management). Private landlords are exiting the market due to factors such as higher interest rates, and the eviction of households is leading to increased homelessness.

The costs of existing TA are also increasing, again reflecting the housing market and the challenges of sourcing sufficient TA is leading to increased use of overnight accommodation (hotels and apartments) to compensate. The Council is committed to sourcing additional properties through the expanded TA purchases and working with existing and new suppliers of TA to source additional properties, although the housing market across London as a whole remains very challenging.

### **Recruitment issues with technical roles in digital services and transformation**

As part of building technology capability into Westminster, we look to hire competent and capable people with the skills we need to build a Fairer Westminster. However, we are competing in a global marketplace for talent. Westminster's standard salary bands and responsibility grading system has hampered efforts to be competitive on the open market for hiring talent, with some roles being left vacant after 6 months of recruitment. The impact of this is that either work is delayed, or we hire temporary workers who have day rates that can equate to double what it would cost the council if we hired at market rates (and 3 times the advertised banded salary).

Where we have managed to hire, we have frequently had to recruit into the top of the salary bands. This creates problems later with regards to career development and retaining talent. If we were to follow the pay element of the current banding system, many of our technical band 4 roles would need to sit within bands 5 and 6. We have started conversations with People Services and the use of market-based salary supplements is not favourable at scale. So, we have proposed that we have a separate grading and reward system for technical roles, so we

can hire and retain technical talent which is in high demand.

Attracting and retaining the best creative technical people to build great technology services for Westminster is important and will create a leaner and more agile council. There are also opportunities to invest in our communities by making technical trainee posts available. This is part of our longer-term strategy to have a stream of creative talent being trained up as the next generation of Digital and Innovation. However, we need experienced staff in post to train them.

## TOP RISKS

This section highlights the council-wide risks identified by Directorates currently scoring 12 or above on the council's Risk Register. Risks are scored from a minimum of 1 to a maximum of 25 for the most serious risks. The section is divided into two parts; 1) New risks – risks of 12 or above that have been identified over this quarter and 2) Significant risks scoring 12 and above that have previously been reported to Committee and are being monitored corporately.

### 1) New risks reported this quarter

<b>STRATEGIC RISK: Uncertainty regarding future government funding</b>		<b>Score</b>
		<b>25</b>
<b>Impact</b>	There is great uncertainty due to the proposed implementation of changes to the local government funding arrangement through the Fair Funding Review and the implementation of the 2021 Census Data. It is yet unclear when these changes may be implemented and the size of impact on Westminster. For planning purposes, it is assumed that these changes would be implemented in 2025/26 and an estimated impact of a loss of funding of £9m has been included within the Council's Medium Term Financial Plan. However, this is a risk that the impact could be worse than anticipated.	
<b>Link to Council Outcomes</b>	The potential impact of this risk on our ability to deliver council outcomes is high as funding and budget is required to deliver or invest in our frontline services and improvement programmes.	
<b>Mitigation</b>	Medium Term Financial Planning which reviews the Council's financial position over the next three years to ensure the Council are pro-active in finding savings, and therefore ensuring financial resilience.	

<b>STRATEGIC RISK: Cost of Living Crisis impact in Corporate Property areas of remit</b>		<b>Score</b>
		<b>25</b>
<b>Impact</b>	Cost of living crisis given economic backdrop and high inflation - Rising cost in a number of areas affecting both income achieved from tenants, cost of contracted provision and work/scheme costs from construction and repair. a) not enough companies responding to tender opportunities and b) high costs from those who do. Rising cost in a number of arrears affecting both income achieved from tenants, cost of contracted provision and work/scheme costs from construction and repair.	
<b>Link to Council Outcomes</b>	Cost of living pressure is having a significant effect on residents, especially those on low incomes which in turn is expected to reduce disposable incomes and could reduce high-street spending. There is a risk that some tenants of our corporate portfolio begin to struggle to pay their bills and we see an increase in vacant properties.	
<b>Mitigation</b>	<ol style="list-style-type: none"> <li>1. Look at lengths of contracts to mitigate short term price rises.</li> <li>2. Procure early in contracts</li> <li>3. Work with the market</li> </ol>	

<b>STRATEGIC RISK: 24/7 support for critical Authority systems</b>		<b>Score</b>
		<b>12</b>
<b>Impact</b>	Systems are only supported 9-5 Monday to Friday. There is a risk to services if outages occur out of hours. Out of hours cover for existing services using existing internal/external teams. Reduced out of hours cover leading to increased business impact of out of hours service outages. Lack of appropriate resilience in place for critical authority systems.	
<b>Mitigation</b>	Since the disaggregation, we have continued the Bi-Borough Business Continuity Team which deals with all outages, given that the boroughs have shared services and platforms. This includes the Agile Service Manager, Agilisis and key members of Kensington and Chelsea and Westminster. When there is an outage, this group is contacted to resolve issues. 24/7 support in Azure/Cloudreach project. Investigating enhanced support for critical applications out of hours. Work progressing to add resilience to services. Review our out of hours arrangements.	

<b>STRATEGIC RISK: Supply chain disruption</b>		<b>Score</b>
		<b>12</b>
<b>Impact</b>	Failure of suppliers to provide good and services impacting on our ability to deliver essential services or resulting in non-compliance of contractual obligations or legal obligations or financial loss due to supply Chain disruption caused by any of the following or a combination: Performance failure, Going into administration/bankruptcy, Industrial action, Protests/Demonstrations, Reputation damage and such like.	
<b>Mitigation</b>	Council's Procurement Code in place and Bi-borough Contract Management Framework being rolled out. Legal/finance and commercial scrutiny of all new contracts >£100k and Performance Monitoring (Quarterly Survey's) in place. Periodic Financial Checks/Enhanced Financial Checks Pre/Post Contract award. Contract segmentation now applied to all contracts covering risk and value. Supplier Charter launched for new procurements which includes requirement for supply chain prompt payment. Updates and improvements being made to the Contract Management Framework that will help to address issues and improve the way that key risks are monitored and mitigated wherever possible.	

<b>STRATEGIC RISK: Cyber security – threat prevention</b>		<b>Score</b>
		<b>12</b>
<b>Impact</b>	Overall risk is high due to inherited infrastructure estate being partially monitored and not configured correctly. This requires an in-depth review to improve. The organisation's capability to response to cyber-attacks could be improved to increase our ability to respond to a significant event.	
<b>Mitigation</b>	We are investigating how we can make better use of existing tools, whilst investigating better toolsets to implement. IT is undertaking an in-depth review to improve. We have hired cyber security consultants to review our capabilities and make recommendations to improve our security posture.	

## 2) Significant risks previously reported to Committee

<b>STRATEGIC RISK: Interest Rate changes</b>				<b>Current Score</b>
				<b>16</b>
<b>Previous scores</b>	<b>Q1 2022/23</b>	<b>Q2 2022/23</b>	<b>Q3 2022/23</b>	<b>Q4 2022/23</b>
	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>Impact</b>	There will be a large level of outperformance on the Council's cash earned vs budget due to several rate rises in 2022/23 with a further rise still expected by markets. Rates are expected to remain at these levels throughout 2023/24 but cash levels are forecast to deplete by 2024/25.			
<b>Mitigation</b>	The Council has a number of options available to it to mitigate these risks. The level of external borrowing has for some considerable time been significantly below the Council's capital financing requirement (CFR), meaning that the "cost of carry" has not eroded the income earned as a result of taking out long term loans. With regard to external borrowing, the Council has also managed to secure several longer-term loans at very competitive forward rates of interest. These future rate loans have helped to cushion the impact of interest rate rises throughout the year.			

<b>STRATEGIC RISK: Health protection Incidents including infectious disease outbreaks e.g. pandemic flu, legionella outbreaks and extreme weather</b>				<b>Current Score</b>
				<b>16</b>
<b>Previous scores</b>	<b>Q1 2022/23</b>	<b>Q2 2022/23</b>	<b>Q3 2022/23</b>	<b>Q4 2022/23</b>
	-	-	<b>16</b>	<b>16</b>
<b>Impact</b>	Risk of mortality or adverse health implications for residents as well as economic, social and political disruption. Summer period increases risk of high heat stress on vulnerable residents especially those living with pre-existing conditions e.g. cardio-vascular disease.			
<b>Mitigation</b>	Local Outbreak Management and wider business continuity and emergency plans refreshed. Plans aligned with UK Health Security Agency and regional health protection. Health protection / immunisations campaigns conducted in response to seasonal and emerging threats. Incorporating learning from independent COVID-19 review into outbreak management plan. Living with Covid Plan framework developed. Pan London approach to supporting sexual health services respond to MonkeyPox. Refresh pandemic flu plan. Refreshing plans periodically and in response to emerging threats			

<b>Construction Industry pressures impacting forthcoming procurement</b>				<b>Current Score</b>
				<b>20</b>
<b>Previous scores</b>	<b>Q1 2022/23</b>	<b>Q2 2022/23</b>	<b>Q3 2022/23</b>	<b>Q4 2022/23</b>
	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Impact</b>	The construction market continues to be highly challenging. We are experiencing continued pressure on pricing, programmes and scheme viability positions. Over the next 3-6 months, this risk is likely to affect procurement across the Church St and Ebury Bridge schemes and may impact the ability to successfully secure partners for both schemes. As we embark on major procurements this may result in significant financial impact and affect the viability of future phases.			
<b>Mitigation</b>	Monthly monitoring and review practices enables visibility and assessment of risks, and of contractual and commercial positions. Value engineering and additional grant opportunities are being explored. External consultants appointed to independently review commercial submissions and vfm			

<b>Building Regulations - Part B &amp; Draft Building Safety Bill</b>	<b>Current Score</b>
Part B has been re-written following an independent review of the building regulations and fire safety following Grenfell. It has far reaching impact across the Council with the requirements for safety cases for Council and private sector properties.	<b>15</b>

Previous scores	Q1 2022/23	Q2 2022/23	Q3 2022/23	Q4 2022/23
	15	12	12	15
<b>Impact</b>	<p>The Bill now has Royal Assent. The buildings "in scope" has been extended to cover many more of the properties within Westminster. The new bill sets requirements for competence and resource of the local Building Control team. Westminster has 12% of the National inscope buildings. There is a high call on local authority resources to inspect buildings and legal responsibility for licensing of buildings. There is an estimated requirement for 25-30 Level 6 Qualified Surveyors required for Westminster (LABC figures) and the team currently has 4. There is significant shortage of staffing in the market and recruitment of more junior staff to be upskilled will be required.</p>			
<b>Mitigation</b>	<p>The proposed Career Development Framework (CDF) needs to be established and recruitment authorised. 4 surveyors (incl 1 agency) have passed new Local Authority Building Control (LABC - the national representative association) competency exams. Currently developing 2 Senior surveyors who may be able to fill principal posts. WCC has signed up to the LABC Quality Management System. We are looking to recruit 1 Fire Engineer post, 1 Quality and Regulations Manager and 2 Principal Surveyors.</p> <p>Heads of London Borough Building Controls are approaching the London Mayor to consider a Pan London arrangement for BSB related work.</p>			

## 6. Key Performance Indicator results by Directorate

These are KPIs that have been selected by directorates to help us track how well the council is delivering on its core and statutory services.

<b>RAG Status</b>	Currently off-track to meet target at yearend	<b>Trend</b>	↑	KPIs have improved compared to last quarter
	On track to meet yearend target		↓	KPIs have moved in a negative direction compared to last quarter
	At risk of meeting target at yearend		→	KPIs have stayed the same compared to last quarter
	N/A – No target set (monitoring metric)		N/A	KPIs that do not lend themselves to comparison as metric is new for 2023/24

Targets with an asterisk\* are cumulative, annual targets.

### ADULT SOCIAL CARE

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	RAG
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Targets with an asterisk\* are cumulative, annual targets.

KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
1	% of carers (caring for an adult) who have received an assessment or review of their needs	92.6% (1,094/1,182)	92%*	36.4% (347/954)	N/A	
2	% of adult social care service users receiving an annual assessment or review of their care needs	96.5% (2,654/2,749)	95%*	19.7% (543/2762)	N/A	
3	No. of new permanent admissions to residential and nursing care of people aged 65 years and over (by yearend)	120	122*	24	↑	
4	% of people in receipt of reablement packages that maximises independent living and reduces or eliminates need for an ongoing care package	80.3% (875/1,089)	80%	82.8% (130/157)	↑	
KPIs WITHOUT A TARGET LEVEL						
5	Number of hours volunteered by Community Champions	N/A	N/A	2,203	N/A	

### PUBLIC HEALTH

\* Public Health – Please note that Public Health indicators have delayed reporting cycles.

KPI Description	YE 21/22	Target 2022/23	YE 22/23	DoT	RAG
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Targets with an asterisk\* are cumulative, annual targets.

KPIs THAT FAILED TO MEET TARGET LEVELS						
1	% of opiate drug users that left drug treatment successfully who do not re-present to treatment within 6 months	8.8%	7.03-11.84%	6.6%	↓	
<b>Service Commentary/Mitigation</b> Provider experienced a 32% reduction in referrals compared to the previous year. "They have a 'numbers in treatment' plan and a marketing strategy to address this. The plan involves targets of 1,592 'adults in structured treatment' for 2023/24 and 1,685 for 2024/25.						
KPIs THAT MET ANNUAL TARGET						
2	Total no. of smokers (per annum) successfully completing 4 week quits after approaching NHS stop smoking services help you quit	1083	1000*	1236	↑	
3	% of NHS health checks offered	N/A	20%	29.9	N/A	

# CHILDREN'S SERVICES

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	RAG	
<i>Targets with an asterisk* are cumulative, annual targets.</i>						
<b>KPIs THAT ARE OFF TRACK TO MEET TARGET LEVELS</b>						
1	% of young people that were known to the Youth Offending Team and were continuing to re-offend	N/A	15%	37.5%	N/A	
<p><b>Service Commentary/Mitigation</b> – This is a small cohort so fluctuations in performance can be large quarter on quarter. This quarter's performance relates to 18 children who re-offended over the reporting period. In the last quarter, there has been an operational focus on intra-gang tensions and reducing risk of retaliation. There are daily intelligence briefings taking place between local policing and IGXU – enabling us to target young people who may be at risk of retaliation or becoming caught up in further incidents. There have been a range of safeguarding and diversionary interventions with specific young people who are considered high risk. Officers are submitting a bid to the Violence Reduction Unit for Critical Incident Funding. It is intended this be split between preventative activities with a targeted cohort of young people over the summer holidays and also to fund a community outing for families in the area promoting engagement.</p>						
<b>KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS</b>						
2	% of primary school vacancies (surplus school places) across Westminster	25.9%	15%	26%	→	
<p><b>Mitigating action:</b> The amalgamation of St Stephens and St Mary Magdalene's C of E Primary Schools will help reduce the increasing surplus capacity in Westminster primary schools and associated budget challenges. This is part of a wider action plan to reduce Pupil Admission Numbers that is being monitored by the schools Forum termly. We continue to offer support to our schools around budget monitoring, finance, and governance.</p>						
3	% of children achieving Good Level of Development at the end of the early years foundation stage	65.9%	68%	66%	↑	
<p><b>Service Commentary:</b> Please note these are annual from Summer 2022, when 793 of 1204 pupils assessed. The 2023 EYFS Profile assessment are currently being collected.</p>						
<b>KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS</b>						
4	% uptake of free early education funded placements for 3 and 4 olds	80%	82%	80%	↑	
5	% of schools rated by Ofsted as good or outstanding.	93%	95%	94.7%	↑	
6	% of Looked After Children in care for more than 2.5 years and of those, have been in the same placement for at least 2 years	73.3%	75%	75.9%	↑	
7	% of care leavers (aged 17-24) placed in accommodation suitable for their needs (for children not homeless or in prison)	94.3%	94%	93.4%	→	
8	% of care leavers (aged 17-24) in education, employment or training (EET)	68.8%	75%	73.4%	↑	
9	% of referrals to children's social care that are within 12 months of an earlier referral (re-referrals)	16.5%	15%	15%	↑	
10	% of Education and Health Care Plans completed within 20 weeks (excluding exceptions)	100%	100%	100%	→	
11	Attainment 8 score - average score obtained by a student for their best 8 GCSE results.	57.3	58	57.3	→	
12	% satisfaction rate of library visits (virtual and physical visits)	N/A	75%	91%	N/A	
13	% of children re-registered on a protection plan within 2 years	0%	2.5%	0%	→	

## ENVIRONMENT, CLIMATE AND PUBLIC PROTECTION

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	R AG	
<i>Targets with an asterisk* are cumulative, annual targets.</i>						
<b>KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS</b>						
1	% increase in number of volunteers involved in our Night Stars Programme	N/A	25%	6%	N/A	
<b>Service Commentary:</b> Processes are being established for the vetting of the Safe Haven spaces before they are agreed and advertised. Volunteer recruitment for Night Stars is increasing and there will be a big push in the Autumn aimed at targeting university students.						
2	Household waste recycled (%)	23%	25%	23.4%	↑	
<b>Service Commentary:</b> Litter and waste from commuters and visitors is included in this calculation so performance will increase as weather gets colder and less littering occurs. Roll-out of household food waste service still in progress with new 'on demand' collection service being launched in August for West End, St James and Marylebone wards						
<b>KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS</b>						
3	Cycle Parking - Number of cycle parking infrastructure installed (Stands/Hangars)	N/A	250/60 by yearend	0/0	N/A	
4	% of total licences issued within 28 days from the publication date of the Licensing Sub-Committee decision	83%	80%	90%	↑	
5	% of licensed premises that are safe and well managed following a single inspection	98%	90%	91% (162/178)	↓	
6	No. of Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety	375	375*	113	↑	
7	% of missed bin collections per 100,000	3%	3%	3%	→	
8	% of streets in Westminster that pass the street score survey for litter	98%	95%	97%	↓	
9	% of urgent lighting defects returned to service within agreed service levels	98.4%	98%	99%	↑	
10	% of carriageway and footway defects repaired or made safe within target timescales	99%	98%	100%	↑	
11	No. of vulnerable residents supported to continue living in their homes	1026	500*	234	↓	
12	% of all high-risk food premises inspected (rated category A-B)	100%	100%	100%	→	
13	Ratio of public EV charging places to Resident ECO Permits held	1:3.16	1:8.0	1:3.2	N/A	
14	Number of Houses in Multiple Occupation (HMOs) improved	132	200*	88	↓	
<b>KPIs WITH NO TARGET OR DATA AVAILABLE AT Q1</b>						
15	% of women accessing specialist domestic abuse services who report a reduction in abuse	98% (152/155) (Q4 94%)	80%	93%	↓	



## FINANCE AND RESOURCES

[Please note from next quarter some KPIs will be aligned to a new directorate covering Housing and Commercial Partnerships].

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	R AG	
<i>Targets with an asterisk* are cumulative, annual targets.</i>						
<b>KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS</b>						
1	% of Stage 2 complaint responses despatched within 20 working days	47%	75%	58%	↑	
<b>Service Commentary:</b> Response times have been impacted by recent changes at ELT level which has led to delays in Director sign –off.						
2	% of High Value Suppliers rated at Good or Satisfactory by contract managers	92%	90%	82%	↓	
<b>Service Commentary:</b> 17 completed out of 42. Many contract managers have quarterly meetings later in the month so only a third of high value suppliers have been reviewed for Q1.						
3	Housing Revenue Account (HRA) Rent arrears	98.18%	98.5%	96.25%	↓	
<b>Service Commentary:</b> The service aims to support tenants. Tenants may be referred to external agencies to provide support and advice and assess benefit eligibility if they are experiencing financial difficulty. The rent support fund of £1m, has so far awarded £349k to date.						
<b>KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS</b>						
4	% of unpaid sundry debt (raised by invoice on IBC) over 30+ days	10.2%	16%	10%	↑	
5	% of Council Tax Collected	93.56%	93%*	36.75%	↑	
6	% increase in total income generated from the council's investment portfolio per annum	21%	2%	26%	↑	
7	% of Business Rates Collected (National Non-Domestic Rates)	95.54%	95%*	34.18%	↑	
8	Time taken to process benefit claims and benefit changes of circumstance (days)	10	9	9	↑	
9	% of calls answered by Customer Contact Centre (Normal hours)	N/A	90%	96.6%	N/A	
10	% of calls answered by Customer Contact Centre (Out of hours)	N/A	90%	91.7%	N/A	
11	% of invoice payments made to creditors within 30 days	98.5%	95%	98.5%	→	
12	Carbon savings achieved from portfolio of companies receiving pension fund investments compared to the 2018/19 baseline	69%	75%	75%	↑	
13	% of premises with access to full fibre broadband in Westminster	80.3%	85%	80.7%	N/A	
14	% of contract awards (over £100k) to Small Enterprises or Voluntary and community social enterprises	37%	25%	64%	N/A	
15	% of contracts (over £100k) with Responsible Procurement commitments (e.g. to reduction to carbon footprint, waste etc.)	81%	90%	93%	N/A	

## GROWTH, PLANNING AND HOUSING

[Please note from next quarter some KPIs will be aligned to a new directorate covering Housing and Commercial Partnerships].

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	R AG	
<i>Targets with an asterisk* are cumulative, annual targets.</i>						
<b>KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS</b>						
1	% of residents satisfied with anti-social behaviour case handling (on housing estates) by the council	66%	65%	58%	↓	
<b>Service Commentary:</b> This is a relatively small survey where satisfaction tends to fluctuate from month to month. We have received 36 responses this year so far.						
2	Average % reduction in operational carbon emissions target from major development beyond baseline building regulations requirements	N/A	60%	54.4%	N/A	
<b>Service Commentary:</b> This KPI requires review to take account of the impact of the new 2021 Building Regs.						
<b>KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS</b>						
3	No. of cases of homelessness prevented (Defined as outcomes from a combination of Housing Solutions and Shelter work)	651	545*	163	↓	
4	% of calls answered by the Housing Customer Services Centre within 30 seconds	74%	70%	75%	↑	
5	% of tenants satisfied with the housing repairs service	77%	77%	80%	↑	
<b>Service Commentary:</b> As part of our housing improvement programme we are working with our repairs contractors to improve the reliability and quality of our repairs service over the course of the year.						
6	Voids brought back to use with improved energy efficiency	113	80*	29	↑	
7	No. of residents supported into jobs through the Westminster Employment Service (WES)	319	500*	59	↓	
<b>Service Commentary:</b> Anticipated target levels are expected to be met and numbers are anticipated to significantly increase as in the upcoming quarters.						
8	% of Westminster residents supported into jobs through WES who are sustained in employment for a minimum of 6 months	47%	45%	62%	↑	
9	Westminster residents supported into work focused training and skills opportunities	396	670*	159	↑	
10	Of the residents securing employment through WES, the number of residents securing employment at or above London Living Wage.	151	190	42	↑	
11	% of Businesses actively engaged and/or contributing financially or in kind (or amount of contributions (£) from business to support our communities, residents and young people.	N/A	50.5%	48.5%	N/A	
12	No. of businesses receiving meaningful business support	2,975	2,000*	716	↓	
13	% planning appeals determined in favour of the council (Excluding telephone boxes)	69%	65%	67%	↓	
14	% of 'major' planning applications determined within 13 weeks i.e. larger scale development (Development greater than or equal to: – 10 residential units; or – 0.5 hectares site area (residential) or 1 hectare (non-residential); or – gross floorspace of 1,000 sq m).	85.2%	70%	100%	↑	

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	RAG	
<i>Targets with an asterisk* are cumulative, annual targets.</i>						
15	% of 'non-major' planning applications determined within 8 weeks (development of land which is non-major development)	76.8%	75%	74.5%	↓	
16	No. of affordable Housing units delivered by the end of the year (WCC only)	422	250*	251 (Projected YE)	↑	
17	Total affordable housing starts for the year (WCC only)	N/A	150	152	N/A	
18	No. of social housing units delivered by the end of the year (WCC only)	110	215*	216	↑	
19	Total social housing starts for the year (WCC only)	N/A	120	121	N/A	
20	No. of intermediate housing units delivered by the end of the year (WCC only)	N/A	35	35	N/A	
21	Total intermediate housing starts for the year (WCC only)	N/A	30	31	N/A	

## INNOVATION AND CHANGE

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	RAG	
<i>Targets with an asterisk* are cumulative, annual targets.</i>						
<b>KPIs THAT ARE OFF TRACK TO MEET TARGET LEVELS</b>						
1	FOIs responded to in line with statutory deadlines (targets based on ICO guidance)	82% (79% Q4)	90%	82%	↑	
<b>Service Commentary/Mitigation:</b> This is an improved position on Q4 last year and this reflects process improvements which have been put in place, most notably around FOIs which fall between multiple departments.						
<b>KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS</b>						
2	Subject Access Request responded to in line with statutory deadlines (targets based on ICO guidance)	65% (Q4 74%)	90%	87%	↑	
<b>Service Commentary/Mitigation:</b> This is a significantly improved position on last year and reflects an increased focus on SAR performance which is directly within the control of the central team (as opposed to FOIs for which the management is dispersed across the council). Within this quarter, the trend is also upwards with 95% of requests in June being responded to in time.						
3	No. physical activity providers that have been awarded the Active Westminster mark	60	70	59	↓	
<b>Service Commentary/Mitigation:</b> In addition to those holding an Active Westminster Mark, there are a further 13 organisations currently working towards achieving their accreditation.						
<b>KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS</b>						
4	Committee agendas published in line with statutory deadlines	99.3%	100%	100%	↑	
5	No. of parks and open spaces awarded with green flag status	29	28	29	→	
6	No. of visits to outdoor learning services	23,973	23,000*	8,091	↑	
7	Total participation in play, physical activity, leisure and/or sport facilities and activities	3.96m (86%)	4.6m*	1.62m	↑	
<b>KPIs WITH NO TARGET OR DATA AVAILABLE AT Q1</b>						
8	No. of Westminster Connects volunteers (and total hours) to help their communities	1,120 (17,113 hours)	1,200 (18,000 hours)*			

## PEOPLE SERVICES

KPI Description	Yearend 2022/23	Target 2023/24	Quarter 1 2023/24	Trend	RAG	
<i>Targets with an asterisk* are cumulative, annual targets.</i>						
<b>KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS</b>						
1	% of Global Majority employees in senior leadership roles (band 5 and above)	28%	35%	28% (59/214)	→	
<b>Service Commentary/Mitigation:</b> Continuing with initiatives such as Positive Action and monitoring career progression in order to increase Global Majority representation in senior leadership roles. 7 new Global Majority recruits in Q1 to senior leadership roles.						
2	% of women in senior leadership roles (band 5 and above)	48%	54%	49% (104/214)	↑	
<b>Service Commentary/Mitigation:</b> Slightly improved from previous quarter but metric is relatively slow to change as recruitment can only be undertaken where posts become vacant.						
<b>KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS</b>						
3	% of workforce that are Temporary Agency Contractors	8%	8%	6%	↑	

### 7. Financial Implications

N/A

### 8. Legal Implications

N/A

### 9. Carbon Impact

N/A

### 10. Equalities Impact

N/A

### 11. Consultation

N/A

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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## City of Westminster

<b>Decision Maker:</b>	<b>Audit and Performance Committee</b>
<b>Date:</b>	<b>06 September 2023</b>
<b>Classification:</b>	<b>General Release</b>
<b>Title:</b>	<b>2023/24 Quarter 1 Financial Monitoring</b>
<b>Wards Affected:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>No</b>
<b>Financial Summary:</b>	<b>The report summarises the Council's 2023/24 Quarter 1 financial position</b>
<b>Report of:</b>	<b>Gerald Almeroth, Executive Director – Finance and Resources</b>

### **1. Executive Summary**

- 1.1 This monitoring report presents the Council's summarised 2023/24 Quarter 1 financial position and that any known and significant factors up until the report submission have been considered in the forecasts together for the remainder of the year. The forecast has been based on activity trends and analysis to date.

#### **Revenue Summary**

- 1.2 The forecast General Fund revenue outturn is a projected overspend of £3.258m (1.7% of net budget £193.611m). The Housing Revenue Account (HRA) is projecting a balanced outturn position at Quarter 1.

#### **Capital Summary**

- 1.3 The Quarter 1 Capital Programme forecast position is £56.144m gross expenditure underspend and £33.781m net variance. Further details are included in section 16 of this report.

## **Savings**

1.4 Savings achieved year to date are now reported as £2.235m; with 98.4% of savings (£21.909m) either on target to be achieved in year or achieved (£21.559m).

## **2. Recommendations to Audit and Performance Committee**

2.1 That Audit and Performance Committee notes the current monitoring and forecast position at Quarter 1 for 2023/24.

### 3. Revenue Budget Overview

3.1 In March 2023 Full Council approved the 2023/24 budget which included £25.907m of savings and £34.188m of investment and pressures to the General Fund. As at Quarter 1 of the 2023/24 financial year the General Fund revenue position is reporting a forecast overspend of £3.258m against a budget of £193.611m.

3.2 Primarily this is due to the following reasons:

- Temporary Accommodation (TA) adverse variance which is experiencing high demand combined with a significant squeeze on available supply.
- Finance and Resources favourable variance due to interest earnings – the projected return on cash balances is driven by higher average interest rates and higher average balances than anticipated when budget setting.
- Children’s adverse variance on short breaks/family services – the short breaks overspend relates to the service needing to run across two sites until works at the Tresham site are complete (scheduled to be completed by March 2024). The family services variance is due to increasing demand in relation to families with no recourse to public funds.

3.3 The Housing Revenue Account (HRA) is projecting a balanced outturn at Quarter 1. The rental income forecast is currently running below budget, although this is due to an expectation in the business plan that new build units will be handed over in 2023/24 (for which the in-year timing may slightly differ). This is offset by underspends elsewhere (staff).

3.4 Table 1 summarises the Quarter 1 General Fund position.

**Table 1 - Revenue Finance Position and Forecast – Quarter 1 Financial Year 2023/24 (£m)**

Executive Directorate	2023/24 Budget £m	2023/24 Forecast £m	2023/24 Variance £m	Risks Identified £m	Opportunities Identified £m	Projected Variance inc Opps and Risks £m
Adults Social Care	53.025	53.025	-	3.100	(1.000)	2.100
Public Health	(1.141)	(1.141)	-	-	-	-
Growth and Planning	4.387	5.987	1.600	-	-	1.600

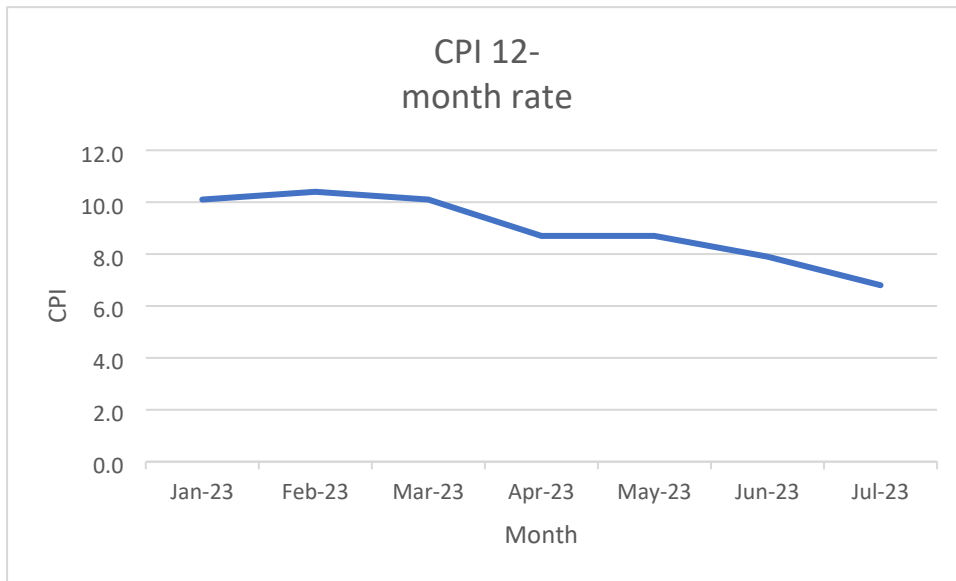
Housing and Commercial Partnerships	26.756	36.300	9.544	3.281	-	12.825
Finance and Resources	10.073	0.528	(9.545)	0.120	(3.500)	(12.925)
Corporate Items	40.753	40.753	-	-	-	-
Environment, Climate and Public Protection	(3.400)	(3.080)	0.320	1.500	(0.500)	1.320
Children's Services	40.396	41.735	1.339	1.150	-	2.489
Innovation and Change	19.464	19.464	-	0.500	(0.200)	0.300
Other Corporate Directorates	3.298	3.298	-	-	-	-
<b>NET CONTROLLABLE BUDGET</b>	<b>193.611</b>	<b>196.869</b>	<b>3.258</b>	<b>9.651</b>	<b>(5.200)</b>	<b>7.709</b>

## Inflation

3.5 The biggest threat to the Council's financial position this year continues to be inflation which has remained higher in recent months than originally forecast. Although it is worth noting inflation has steadily fallen and currently stands at 6.8% at July 2023. At Quarter 1 pay and contract inflation pressures are now reported at £19.853m. This increase is predominately due to additional contract inflation requests from suppliers.

- **Pay:** The Council budgeted for 5% for 2023/24 pay inflation. The 2023/24 pay award is still under negotiation with Local and Central Government. The Government announced that public sector workers (including teachers, nurses, doctors and police) will be given a pay rise of at least 6%. It is currently estimated that each additional 1% would equal a £1.4m unbudgeted pressure for the Council.
- **Non-Pay:** Services continue to work closely with suppliers to reduce the impact of non-pay contract inflation where possible. Pressures remain across all services that need to be reflected across all service budgets.





### Medium Term Financial Plan Monitoring – Savings

- 3.6 In March 2023 Full Council approved the 2023/24 budget which included £25.907m of savings.
- 3.7 Details of progress against approved savings are outlined in the commentary for each directorate in the table below. Where savings are not on track, the directorates continue to consider mitigations to bring the budget back on target for this year. Of the savings, 98.4% are either achieved or on target.
- 3.8 Further information relating to reprofiled and unachievable savings, as well as the mitigating actions being taken can be found in Appendix 1.

**Table 2 - Approved Savings Progress (£m)**

Executive Directorate	Saving Achieved £m	Part Achieved/ On Track £m	Part or Completely Reprofiled £m	Part or Completely Unachievable £m	Total £m
Adult Social Care	140	1,815	-	-	1,955
Children's Services	190	1,568	-	-	1,758
Environment, Climate and Public Protection	1,233	10,420	-	-	11,653
Finance and Resources	-	3,778	-	-	3,778

Growth and Planning	-	850	-	-	850
Housing and Commercial Partnerships	75	415	-	100	590
Innovation and Change	397	478	-	-	875
Other Corporate Directorates	200	-	-	-	200
<b>Total</b>	<b>2,235</b>	<b>19,324</b>	<b>-</b>	<b>100</b>	<b>21,659</b>

## **General Fund Revenue Summary**

### **4. Adult Social Care (ASC) £nil variance forecast**

- 4.1 Adult Social Care is forecasting a break-even budget position against a net budget of £53.025m.
- 4.2 There are several challenges that are a continuation from last year. Increased cost pressures from greater complexity in care needs across homecare, placements, and hospital discharge. Demand continues to increase within homecare with an upturn in the number of clients anticipated and hours of care prescribed. The budget assumed a total of 1,210 clients during the year, however the current forecast is at 1,319 which is 109 or 9% above those budgeted.
- 4.3 The forecast position captures the additional government funding linked to discharge and one-off grant funding from North West London Integrated Care Board (NWLICB) £1m to cover the cost of hospital discharge. Financial pressures will be exacerbated in future years if the additional funding is not available.
- 4.4 The position is reporting a possible financial risk of £3.1m linked to demand led services where anticipated expenditure across placement and packages could be higher than forecast due to an increase in care provision focused on maintaining independence. This risk is just a supplement and does not form part of the overall reported financial position. The directorate will continue to keep this risk under review.

### **Public Health £nil variance forecast**

- 4.5 Public Health is forecasting a break-even position. The department has made a commitment to invest in cross-council initiatives and public health interventions which address health inequalities in the local population. This programme will target key vulnerable groups to offer increased resilience and support with mental health and wellbeing.
- 4.6 The expenditure commitments are captured within the forecast outturn position. Of the commitments projected, some projects are cross-council initiatives and will demonstrate alignment with Fairer Westminster.

### **5. Growth and Planning Overspend £1.600m**

- 5.1 The Directorate is reporting an overspend of £1.600m against the approved net budget of £4.387m.

## Planning

- 5.2 The overspend is a result of income levels in Planning remaining below the budgeted level (with the projection staying consistent with the 2022/23 levels, although there has been a drop-in activity relating to major developments). Planning fee income remains challenging to forecast as it is variable and highly dependent on demand driven by national and regional economic conditions. Budgets will be monitored closely during the year to see if there are any savings to be found elsewhere but it will be difficult to mitigate £1.6m.
- 5.3 The table below shows a comparison of activity levels for planning and pre-planning applications:

**Table 3 - Activity Levels for Planning and Pre-planning Applications**

	2022/23	2023/24	
	Quarter 1	Quarter 1	Change
Major	7	1	-86%
Minor	737	727	-1%
Other	1,204	1,321	10%
Pre Apps	241	190	-21%

## Economy

- 5.4 Another key area of focus in quarter 1 has been the external funding projection for the Economy service. The service is projecting to spend £4.900m in 2023/24 but only £1.893m of funding is supported directly by the General Fund. The remainder comes from external sources that are pursued throughout the year (e.g. grants, S106, etc). The service needs to secure an additional £2m of funding for 2023/24 to break even and several potential sources have been identified for progression in the next quarter.

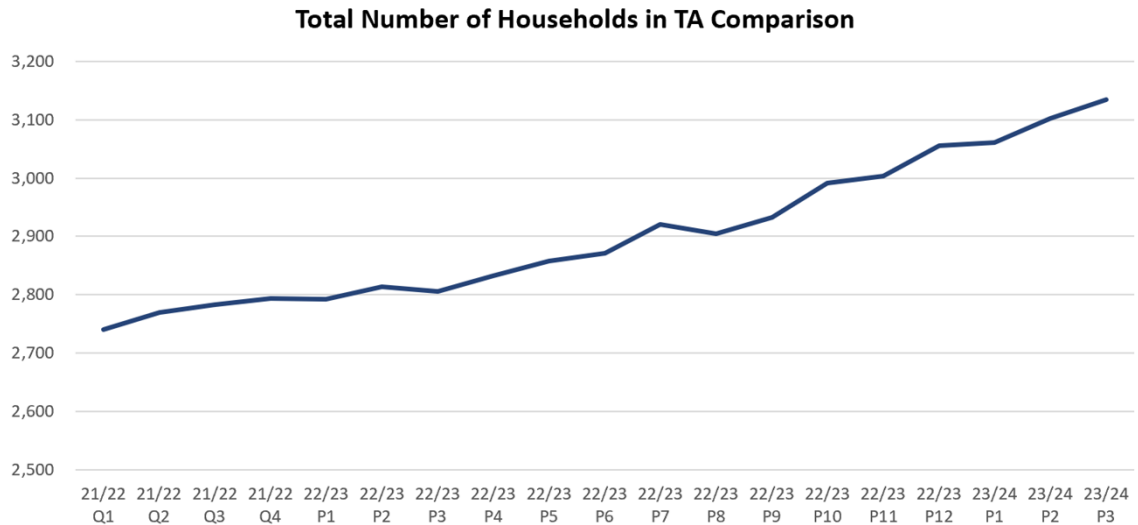
## 6. Housing and Commercial Partnerships **Overspend £9.544m**

- 6.1 The Housing General Fund budget is projecting a pressure of £9.544m at quarter 1. This is entirely driven by spend on Temporary Accommodation (TA) which is experiencing high demand combined with a significant squeeze on available supply. Risks totalling £3.281m have been identified, which relates to inflation on contracts and TA supply arrangements.

## Temporary Accommodation (TA)






### Demand

- 6.2 The service has experienced a sharp increase in demand for TA over the past 12 months, with numbers rising to over 3,100 versus 2,800 at the end of the first quarter in in 2022/23 as shown in the chart below:



- 6.3 High-cost provision This increase is being compounded by a shortage of TA supply that is forcing the service to utilise increasing levels of emergency accommodation (in the form of hotels). Existing landlords are also experiencing higher costs and, in some cases, exiting the TA market altogether. This means that existing lease arrangements in the Private Rented Sector (PRS) are also being re-negotiated and costs are on an upwards trajectory. The average weekly cost for providing temporary accommodation (i.e. the difference between the cost of supply and the rent recoverable) has risen from £97 in 2022/23 to £128 at the end of Quarter 1. This represents a 32% increase. This is a trend that is being experienced by many other local authorities in London.
- 6.4 Current mitigations include speeding up the number of acquisitions but given the general turbulence in the market (interest rates, inflation, personnel and material scarcity (for refurbishment) driving up costs and creating delays, there is significant risk attached to current and future delivery performance.
- 6.5 The graphic below shows the increase in the number of individuals currently being housed in temporary accommodation.

### Total Number of Households in TA Comparison

	March 2022	March 2023	Increase / Decrease		June 2023
Emergency	530	683	29%		757
Leased	2,077	2,125	2%		2,115
TA IBB	106	129	22%		139
TA OBB	120	119	-1%		123
Total	2,833	3,056	8%		3,134

## 7. Finance and Resources Underspend £9.545m

7.1 At quarter 1 the Directorate is reporting a favourable variance of £9.545m against the approved net budget of £10.073m.

### *Corporate Property*

7.2 Corporate Property is not reporting any variances, risks or opportunities at Quarter 1. Commercial Property income is on target as at end June 2023, 40 units (both General Fund and Housing Revenue Account) were vacant but of these 30 were not being marketed due to regeneration requirements, 3 were under offer and 7 being marketed. 28 day investment income collection rates for April 2023 were 95.13% compared with 87.39% in April 2022.

### *Finance/Treasury and Pensions*

7.3 Treasury and Pensions is forecasting a favourable variance of £9.545m in Quarter 1. The projected return on cash balances of £36.083m against an adjusted budget of £22.834m is driven by higher average interest rates and higher average balances than anticipated when budget setting.

7.4 The level of interest earnings and interest payable is subject to how interest rates move during the year and the rate of expenditure within the capital programme. A prudent position has been built into the current forecast for this area.

7.5 Finance is showing a net opportunity of £3.380m. This follows the latest valuation requirements and procurement process there is a pressure of up to £0.120m per annum identified. This is offset against a further £3.500m favourable return on cash balances, which is being driven by increasing interest rates.

7.6 In addition to this contract inflation pressures are being monitored; in particular: Hampshire IBC £0.110m and pending LA pay awards. Insurance Premiums

increases of 13.5% £0.770m which can be partly mitigated through Insurance reserves this year.

### ***Digital and Innovation***

- 7.7 There is a risk that salaries cannot be fully capitalised at the level budgeted, this is being monitored closely.

### **8. Environment, Climate & Public Protection                      Overspend £0.320m**

- 8.1 At quarter 1 there is a reported variance of £0.320m against the approved net budget of (£3.400m).

#### ***Parking***

- 8.2 There is a £1.900m underspend relating to Concessionary Fares. This charge from TfL is driven by activity two years prior and is therefore still reflecting lower journey volumes due to the pandemic.
- 8.3 Another key variance includes Pay to Park which is £1.000m under budget. Transaction volumes in Quarter 1 are at 96% of those seen last year (1.35m 2023/24 Quarter 1 vs 1.42m 2022/23 Quarter 1), leading to a shortfall to date of £0.384m. Average value per transaction is 5.8% higher than Quarter 1 last year following fee increases, however changing behaviours and the continued move to less polluting vehicles have dampened the effect of that increase.
- 8.4 One-off Parking Contracts (£0.500m) overspends are forecast that result from the contract transition; primarily extra back-office resource is required due to higher contact volumes following the change of user experience, and longer handling times for migrated PCN cases.
- 8.5 Another key variance includes £0.425m suspensions income under budget. Suspensions income is £0.405m behind profile at Quarter 1. This income stream is unpredictable and this trend will be monitored to inform the next budget, however other income streams with similar drivers are also seeing lower activity. The forecast therefore reflects the year-to-date position and a further £0.500m potential shortfall has been included as a risk.
- 8.6 £0.025m smaller movements, including £0.150m in PCN income above budget, where high contravention rates support continued additional enforcement on street, and reduction of £0.125m of other parking incomes.

### ***Public Protection and Licensing (PP&L)***

- 8.7 There is £0.500m risk relating to PP&L licensing income. As at Quarter 1 there are a number of income sources with a risk of under achievement. Licensing Act 2003, Street Litter & Waste FPNs, Street Trade Licences and Massage & Special Treatments have seen a decline in income generation post covid as a result of lower footfall and a decline in business operators. Therefore, the risk of under achievement amounts to £0.400m (£0.050m, £0.150m, £0.100m, £0.100m respectively).
- 8.8 Pre-Planning Advice and Pre-Application Advice currently also have very low demand levels, not yet returning to pre-pandemic levels, thus, a risk of income under achievement has been recognised (£0.100m).

### ***Waste and Cleansing***

- 8.9 There is a £0.320m overspend in Waste and Cleansing. The majority (£0.210m) consists of additional costs in the cleansing service including the hire of ULEZ compliant waste vehicles and gritters.
- 8.10 The remainder of the overspend is due to an income shortfall in the Public Conveniences service which despite mitigation has resulted in a £0.110m variance. The Public Conveniences Renovation Programme should enable the income position to be recovered in the future, but not in this financial year.
- 8.11 There is a £0.500m risk relating to Waste Disposal Costs, this is due to increasing tonnage collected and the fall in income raised from the sale of recyclable material, disposal costs will potentially overspend by £1m this year. A one-off reserve of £0.500m will partially offset this adverse variance in this year should it be required.
- 8.12 Commercial waste income is currently above budget. Prices were increased this year and the impact on sales income will be monitored to see if it continues to exceed the higher budget. If it does continue, then the opportunity of £0.500m will be included into the forecast position.

## **9. Children's Services Overspend £1.339m**

- 9.1 As at quarter 1, children's services are forecasting an overspend of £1.339m.

### ***Family Services***

- 9.2 Increasing demand in relation to families with no recourse to public funds (NRPF) have resulted in pressure on the budget with a total forecast overspend of £0.370m. In addition, numbers of families being supported by has increased. The Council was providing support to 28 families with NRPF in June, an increase of two since February. Staffing pressures due to difficulties in recruiting into social work teams and the use of agency staff have resulted in a £0.300m pressure.



- 9.3 Funding received from health for the joint funding of placements with health needs is at risk of not achieving the budgeted income target. The family services income budget was increased in 2023/24 by £0.650m with the expectation that placements that had been self-assessed to have a health need would be joint funded through the ICB. This has not been the case and the Council is in mediation with the ICB, but to date no new cases have been funded for this year, resulting in a risk that there will be a shortfall of £0.650m.
- 9.4 There is a risk that the trend in increasing numbers of looked after children and the limitations in the placement market that are driving prices up could result in a worsening of the forecast position for looked after children by up to £0.500m.

### ***Education***

- 9.5 The Short Breaks service continues to have a pressure of £0.635m. Part of the overspend relates to the service needing to run across two sites until works at the Tresham site are complete. The Tresham refurbishment is scheduled to be completed in March 2024 and then the overspend will be reduced. The service is currently being reviewed and opportunities for cost reductions and cost avoidance will be sought through this process.

### ***Libraries and Archives and Registrars***

- 9.6 Registrars income is overachieving against their income target by £0.186m due to increased volumes. This is offset by a shortfall on the libraries income target of £0.140m.

## **10. Innovation and Change**

### **£nil variance forecast**

- 10.1 At Quarter 1 Innovation & Change is currently reporting a nil variance against the approved budget of £19.464m.

### ***Sports, Leisure and Active Communities***

- 10.2 There is an ongoing review of some recharge budgets in Communities and income budgets in Sports, Leisure and Active Communities with any variances to be reported in Quarter 2. There is currently a reported opportunity in contract income from Sports, Leisure and Active Communities of £0.200m. The Directorate intend to pick this up as a savings opportunity through the MTFP process.

**11. Other Corporate Directorates** **£nil variance forecast**

11.1 At quarter 1 the Directorate is reporting a nil variance against the approved budget of £3.298m. There are no reported risks or opportunities.

**12. Housing Revenue Account** **£nil variance forecast**

12.1 The Housing Revenue Account (HRA) is projecting a balanced outturn at quarter 1.

12.2 The rent forecast is currently running below budget, although this is due to an expectation in the business plan that new build units will be handed over in 2023/24 (for which the in-year timing may slightly differ). Inflation has been projected in the housing repairs forecast and is offset against the inflation contingency that is currently being held. Finally, the HRA continues to project an underspend on staff costs due to vacancies across the structure. Many of these are in the Major Works team but are not having a detrimental effect on the planned capital outturn. Some of the vacancies will also be used to offset initiatives being developed by the Corporate Housing Improvement Programme (CHIP).

**13. Council Tax and Business Rates collection**

13.1 As at June 2023 Council Tax collection rate to date is 36.8% which is 2.1% higher than the same month last year.

13.2 The Business Rates collection rate for June 2023 is 34.2%, which is 2.7% higher than the same month last year.

	<b>June 2023 Collection Rate</b>	<b>June 2022 Collection Rate</b>	<b>June 2021 Collection Rate</b>	<b>June 2020 Collection Rate</b>	<b>June 2019 Collection Rate</b>	<b>2023 vs 2022 Difference</b>
<b>Business Rates</b>	34.20%	31.50%	25.50%	26.70%	34.10%	2.70%
<b>Council Tax</b>	36.80%	34.70%	35.60%	35.30%	38.10%	2.10%

13.3 By way of comparison, collection rates for business rates have almost returned to pre-pandemic levels (June 2019 collection rate), while Council Tax remains below at the Quarter 1 comparator position.

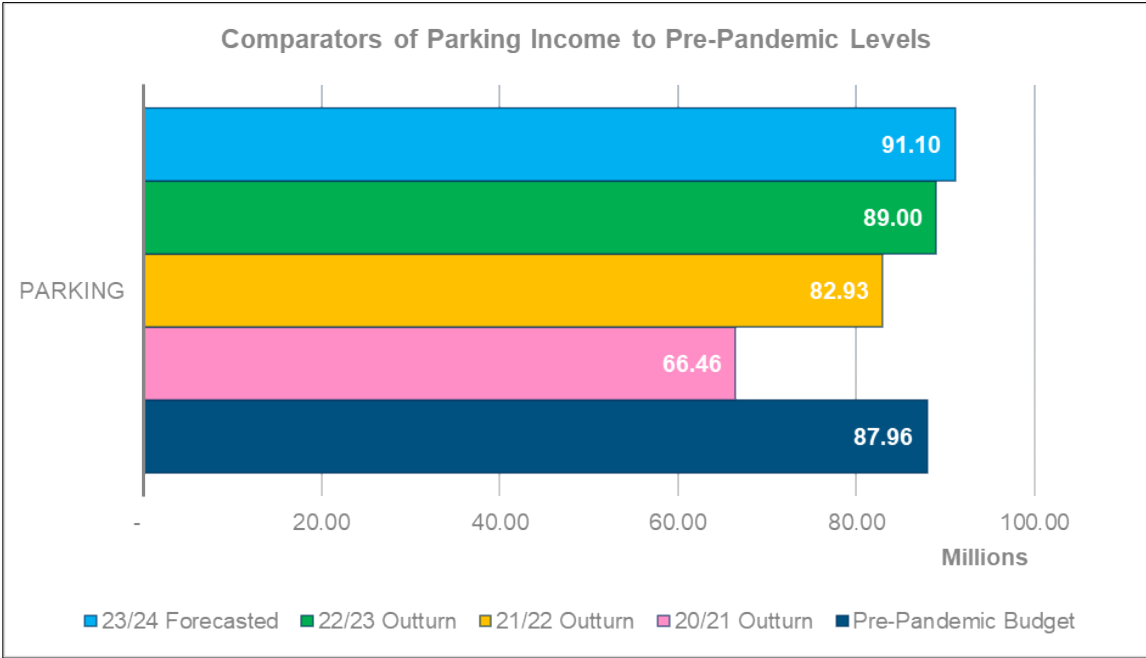
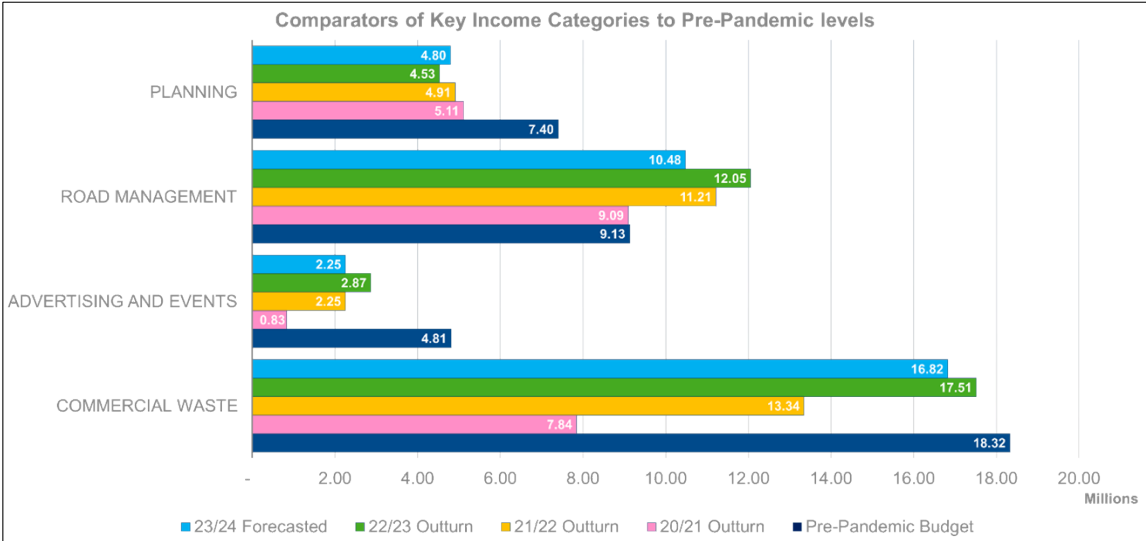
## 14. Fees and Charges

14.1 The Council has a 2023/24 Fees and Charges income budget of £183.576m. As at Quarter 1, it is forecast to have an adverse variance of £2.251m. This is reported as variances in the relevant directorate commentary above.

14.2 This is mainly due to the following income streams:

- Planning forecasts an adverse variance of £1.600m as activity remains significantly below pre-pandemic levels and only 1 major application was received in Quarter 1 compared to 7 in 2022/23.
- Paid for Parking forecasts an adverse variance of £1.000m. Transaction volumes in Quarter 1 are at 96% of those seen last year (£1.35m 2023/24 vs £1.42m 2022/23), and while the average value per transaction is higher than last year (£6.23 2023/24 vs £5.89 2022/23), the increase is not as high as the overall percentage applied through fees and charges, as a result of changing behaviours and continued move to less polluting vehicles.
- Parking Penalty Charge Notice Marshals forecasts a favourable variance of £0.800m as continued high contravention rates support continued additional enforcement on street, leading to an increased PCN income forecast.

14.3 The key income streams are summarised in the graphs below. The graphs show indicative forecasts for the full year and compares these with prior years and pre-pandemic budgets.



## 15. Capital Budget 2023/24

- 15.1 The Quarter 1 Capital Programme forecast position is a projected £56.144m gross expenditure variance and £33.781m net variance. It should be noted that the budget figures include 2022/23 re-profiling, which was approved by Cabinet on 10 July 2023.
- 15.2 The table below summarises the Council's budget and forecast position at Quarter 1 on the 2023/24 capital programme.

**Table 4 – Capital budget and forecast position 2023/24**

ELT Directorate	2023/24 Expenditure Budget £m	2023/24 Expenditure Forecast £m	2023/24 Expenditure Variance £m
Adult's Services	16.794	10.995	(5.799)
Children's Services	6.578	6.448	(0.130)
Growth, Planning & Housing	108.961	99.288	(9.674)
Environment, Climate and Public Protection	134.071	113.657	(20.414)
Finance and Resources	58.296	54.000	(4.296)
Innovation & Change	6.698	7.423	0.725
Westminster Builds	28.987	12.430	(16.557)
<b>Total Expenditure</b>	<b>360.384</b>	<b>304.241</b>	<b>(56.144)</b>

Capital Financing	2023/24 Budget £m	2023/24 Forecast £m	2023/24 Variance £m
External Funding	(58.132)	(52.683)	(5.449)
S106 and CIL	(32.633)	(15.720)	(16.913)
Capital Receipts	(28.589)	(28.589)	-
Borrowing	(241.030)	(207.249)	(33.781)
<b>Total Financing</b>	<b>(360.384)</b>	<b>(304.241)</b>	<b>(56.144)</b>

- 15.3 The most significant expenditure variances are explained in the table below.

**Table 5 – Key Capital Schemes 2023/24**

Project	2023/24 Variance to Budget £m	Comments
<b>Westminster Builds</b>	(16.557)	The forecast represents capital interest on the Jubilee scheme (a property acquisition project) as well as the acquisition loan for 300 Harrow Road and tranche B (part of the development) of West End Gate. Original budget assumed more acquisitions for WHIL (e.g. Westmead) and investment in Ebury Phase 2 that are no longer planned for this financial year, a result of the truly affordable strategy as the strategic priorities of the Council have changed, resulting the council retaining social units.
<b>Oxford Street Programme</b>	(5.174)	The approved budget was indicative while the new business case for Oxford Street was completed. Stage 1 and Stage 2 costs for Oxford Street Programme and Oxford Circus have now been forecast as well as additional internal costs. There is also £2.000m forecast spend for Wigmore and Mortimer Street within this forecast.
<b>District High Streets</b>	(2.932)	Forecast spend this year is focused on community engagement, design and internal costs. Delivery costs will be incurred from 2024/25 onwards, hence the slippage position at Quarter 1. The programme will deliver improvements to targeted Westminster High Streets, with the intention of delivering three key aims: connected communities; vibrant and resilient high streets; sustainable and safe places.
<b>Queensway Streetscape Improvement</b>	(1.500)	The Whiteley's development on the Queensway North project is taking longer to complete than initially programmed - it will be complete in January 2024. At this point, the scheme will be able to begin its latter design stages with remaining budgeted reprofiled to 2024/25.

<b>Strand Aldwych</b>	(1.891)	The meanwhile element of the scheme was completed in December 2022, however final costs are still being agreed which have been included in the expenditure forecast. The remaining unspent budget includes £1m provision in 2023/24 for the permanent scheme which is unlikely to commence this year and will be reprofiled into 2024/25 pending further decisions on the permanent scheme.
<b>Regent Street (Permanent Scheme)</b>	(1.619)	The scheme is going out to consultation shortly- this is later than originally planned. As a result of this - the initial planned programme of works has been delayed.
<b>Connaught Village Green</b>	(1.588)	The scheme is currently on hold whilst feedback raised through the resident consultation are resolved. As a result, Stage 2 will start early 2024/25 which has led to a knock-on delay with the planned programme of works.
<b>Royal Albert Hall Hostile Vehicle Mitigation</b>	(1.326)	This scheme was finished in September 2022 and is expecting to underspend by £1.3m.
<b>Victoria Place Plan</b>	(1.311)	The focus on this financial year will be on Planning and Technical design mainly in Lillington and Longmoore which will involve significant community engagement.
<b>Westminster Cathedral Development</b>	1.400	The scheme is currently showing an overspend, however budget will be moved from SEN High Needs to meet this anticipated additional spend. Following the vacation of Westminster Cathedral School as a result of its amalgamation with St Vincent de Paul School, the Council has agreed with the Diocese of Westminster to take a lease of the School from the RC Diocese and adapt the building for use by College Park Special School and the Short Breaks Service. The works comprise changes to the internal layout, access control systems, works to the perimeter, and changes to the toilets.
<b>Seymour Leisure Centre New Build</b>	1.479	Work has started earlier than originally planned and therefore the budget will be reprofiled into this financial year (from 2024/25). The project is a comprehensive refurbishment of the leisure centre.
<b>Total</b>	<b>(31.019)</b>	

15.4 As can be seen in the table above, 11 projects contribute to the majority of the expenditure variance. By way of comparison there are over 250 projects in the 2023/24 capital programme, and therefore, just 5% of the projects are causing 54% of the expenditure variance.

**16. Housing Revenue Account**

16.1 The HRA capital budget and forecast position at Quarter 1 is summarised in the table below. It should be noted that the budget figures include 2022/23 re-profiling, which was approved by Cabinet on July 10 2023.

**Table 6 – HRA Capital Budget and Forecast**

HRA Capital Programme	2023/24 Budget (£m)	2023/24 Forecast (£m)	2023/24 Variance (£m)
Housing Planned Maintenance	60.796	60.605	(0.191)
Housing Regeneration	102.848	121.954	19.105
Other Projects	5.881	3.789	(2.092)
<b>Total Capital Expenditure</b>	<b>169.526</b>	<b>186.348</b>	<b>16.822</b>

16.2 HRA is forecasting an in-year variance of £16.822m higher than budget. This is generally due to accelerated programmes of delivery combined with increased construction costs for some schemes. Some of the key variances on individual projects are set out in the tables below:



**Table 7 – Key variances within HRA Planned Maintenance:**

Planned Maintenance	2023/24 Variance to Budget (£m)	Comments
Major Works – Fire Safety	6.790	The increased in-year projection is primarily driven by changes in the scope of works for some schemes (incl. Little Venice Towers where the scheme is now much more comprehensive and Devonshire where a roof replacement is now necessary). Across the fire safety programme there are additional H&S works required that are outside of the planned programme (partly driven by the new legislation).
Asset Management & Condensation	0.157	Forecast increase due to agency staff covering vacancies which is driving up levels of capitalisation.
Domestic Heating and Hot Water	0.498	Forecast increased due to works at Fingest House which are outside of the planned work programme for the current year. This includes the supply and installation of electric boilers and electricity upgrades to the 24 properties.
Mechanical Services	0.281	The increase in forecast is due to cost inflation on materials.
Delivery Adjustment	(9.459)	Each element of the programme has an agreed schedule of projects and cashflows that have been reviewed in detail with contractors. In order to maximise delivery, the service deliberately over-programmes versus the financial allowances made in the business plan (based on historic analysis which indicates a high probability of delays for a proportion of the programme). To project the impact of this, a delivery adjustment is applied to the overall programme (in lieu of knowing which projects might be affected at this early stage of the year).

Other Schemes	(1.542)	Includes minor favourable variances across Minor Works, PDHU, Climate Action and Major Works.
<b>TOTAL</b>	<b>(0.191)</b>	

**Table 8 – Key variances within HRA regeneration and development:**

<b>Project</b>	<b>2023/24 Variance to Budget</b>	<b>Comments</b>
Ebury - Phase 2	5.524	Early demolition and design costs based on new programme included in forecast and reprofiled from 2024/25.
Ebury	4.152	There is an increased contract cost of £3.5m on the whole project which has been included in a deed of variation. Remaining variance relates to works being brought forward from 2024/25 due to faster delivery.
Churchill Gardens (Pimlico or Darwin house/Balmoral)	3.479	Increased contractor sums mean the scheme has a higher delivery cost. Value engineering has been undertaken and the final contract signed (therefore this adverse variance has been fixed). Additional budget approval will need to be sought through budget setting.
Carlton Dene	2.082	Increase in forecast for 2023/24 due to contracts being awarded earlier than anticipated (meaning no impact on the overall scheme cost). This will likely lead to VFM in future years as some aspects of the stage 2 costs have been agreed as part of stage 1 contract.
Queens Park Court	1.491	Forecast increase due to accelerated progress made on site by the contractor compared to the estimated scheme programme. Costs to the overall programme should not be higher than the original projection.
<b>TOTAL</b>	<b>16.729</b>	

## 17. Subsidiaries Overview

17.1 This report provides a financial overview of the wholly owned Westminster Builds, Westminster Community Homes (WCH) and Westminster Communications (WestCo) up to June 2023/24.

### Westminster Builds

**Table 9 – Westminster Builds P&L Summary 2023/24**

<b>P&amp;L Summary £000's</b>	<b>Actual YTD £'m</b>	<b>Budget YTD £'m</b>	<b>Variance YTD £'m</b>	<b>Year End Forecast £'m</b>	<b>Full Year Budget £'m</b>
Total Income	276	253	23	1,173	1,150
Total Expenditure	(75)	(97)	21	(336)	(357)
<b>Operating Surplus/(Deficit)</b>	201	156	44	837	793
Net Interest	(174)	(191)	17	(884)	(900)
<b>Profit/(Loss) Before Tax</b>	26	(35)	61	(47)	(107)

17.2 The profit for Quarter 1 is £26k which is £61k higher than budget. The full year forecast is a loss of (£47k) against a budget of (£107k). This forecast will be reviewed at Quarter 2. The Quarter 1 operating surplus variance of £44k is due to:

- £23k higher than forecasted income following bank interest not budgeted for, offset by lower than forecasted rent following the delay in acquiring the 8 units at West End Gate phase 2.
- £21k lower than forecasted expenditure mainly due to lower than forecasted audit and accountancy fees and staffing costs as well as reduced housing expenditure following the delay in the West End Gate phase 2 acquisition.

## Westminster Community Homes

**Table 10 – Westminster Community Homes P&L Summary 2023/24**

<b>P&amp;L Summary £000's</b>	<b>Actual YTD £'m</b>	<b>Budget YTD £'m</b>	<b>Variance YTD £'m</b>	<b>Year End Forecast £'m</b>	<b>Full Year Budget £'m</b>
Total Income	0.948	1.211	(0.263)	3.793	4.844
Total Expenditure	(0.809)	(0.879)	0.069	(3.238)	(3.515)
<b>Operating Surplus/(Deficit)</b>	<b>0.139</b>	<b>0.332</b>	<b>(0.194)</b>	<b>0.555</b>	<b>1.329</b>
Net Interest	(0.077)	(0.077)	0.000	(0.308)	(0.308)
<b>Profit/(Loss) Before Tax</b>	<b>0.216</b>	<b>(0.499)</b>	<b>0.714</b>	<b>0.863</b>	<b>(1.994)</b>

17.3 WCH is still finalising their audit process and are subject to minor change

### Westco

**Table 11 – Westco P&L Summary 2023/24**

<b>P&amp;L Summary £000's</b>	<b>Actual YTD</b>	<b>Budget YTD</b>	<b>Variance YTD</b>	<b>Year End Forecast</b>	<b>Full Year Budget</b>
Total Income	0.626	0.950	(0.324)	0.976	3.800
Total Expenditure	(0.676)	(0.877)	0.201	(0.901)	(3.508)
Operating Surplus/(Deficit)	(0.050)	0.073	(0.123)	0.075	0.292
Net Interest	-	-	-	-	-
<b>Profit/(Loss) Before Tax</b>	<b>(0.050)</b>	<b>0.073</b>	<b>(0.123)</b>	<b>0.075</b>	<b>0.292</b>

17.4 Whilst the operating deficit as at quarter 1 of £0.050m is disappointing, the monthly trend is showing an upward trajectory and the company is confident that by year end the deficit will turn into a £0.075m profit. The pipeline of new business is healthy and will be closely monitored monthly and the company is currently going through a roots and branch review of all its contracts, processes and controls.

17.5 As the Company goes through the root and branch review things may change and forecasts updated but at this point it is envisaged that this, together with the effects of the changes made to the business model at the back end of 2022/23 will result in an operating surplus by year end.

## 18. Financial Implications

18.1 The financial implications are set out the main body of the report.

**19. Legal Implications**

19.1 There are no legal implications arising from this report.

**20. Carbon Implications**

20.1 There are no direct carbon implications arising from this report.

**If you have any queries about this Report or wish to inspect any of the  
Background Papers, please contact:**

**Jake Bacchus ([jbacchus@westminster.gov.uk](mailto:jbacchus@westminster.gov.uk))**

**Appendix 1 - Part or Completely Unachievable Savings**

<b>ELT</b>	<b>Saving Name</b>	<b>Saving Description</b>	<b>2023/24 Agreed Saving</b>	<b>Mitigating action for unachievable or non-delivery; comment</b>
Housing and Commercial Partnerships	Procurement Service Review	Review of management staffing levels.	100	Options being explored with the service.

## **Appendix 2 – Schools Forecast**

- 1.1 The Bi-Borough Schools' Finance team provides support to 38 maintained schools and nurseries in the borough of Westminster.
- 1.2 Schools in Westminster face a number of challenges, particularly, primary schools with falling rolls. Based on the October 2022 pupil census, there is a 25.7% surplus capacity across all Westminster primary schools; this is an increase 10.5% in 5 years from 15.0% in 2017.

### **Dedicated Schools Grant**

- 1.3 Westminster City Council receives an allocation of Dedicated Schools Grant (DSG) from the Education and Skills Funding Agency (ESFA) to fund-maintained schools and academies and items of central expenditure. The DSG finances schools, central services, early years and high needs expenditure. In addition to the DSG, mainstream schools will be allocated additional funding through the mainstream schools additional grant (MSAG) in 2023/24. Schools will have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures. The DfE intend to incorporate the MSAG into core budget allocations from 2024/25. The DfE have also recently announced a teachers' pay additional grant (TPAG) to fund 3% of the 2023 teachers' pay award. This will be allocated to schools from September 2023.
- 1.4 The Schools' Block of the DSG which provides most of the schools' funding is £125.4m for 2023/24, a reduction of £1.0m (0.8%) from 2022/23 due to a reduction in pupil numbers, and the Mainstream Schools Additional Grant (MSAG) brings an additional £4.4m; the total grant allocation therefore comes to £129.8m, an overall increase in funding of £2.386m (2.7%) with per pupil funding increasing by 6.4%. However, this is set against a background of teacher pay awards not being fully funded alongside rising energy and contractual costs.
- 1.5 The formula to determine the DSG is mainly based on pupil numbers. With Westminster's pupil numbers falling across primary schools, this means that although the rate of funding per pupil has increased, the overall level of funding is decreasing in local primary schools. This is creating a sustainability challenge for several small schools in Westminster.
- 1.6 The DSG reserve balance was £1.100m as at March 2023. This is the net result of an in-year underspend in 2022/23 of £2.267m which cleared the DSG deficit of £1.167m from prior years.

## Schools with Deficit Balances

- 1.7 There were 15 schools with deficit balances at 31st March 2023 compared to 11 at 31 March 2022. Of the 11 in deficit at 31 March 2022, 1 school delivered an underspend in the year to get back to an overall surplus and another school closed following amalgamation in September 2022. Deficit schools are all RAG rated as red to highlight the urgent need for a sustainable position to be maintained in order to return to a balanced budget position. Per Table 12, collectively, these schools had an aggregate deficit of £2.607m at 31 March 2023. Monthly reporting to the LA is compulsory for schools with recovery plans in place and monitoring reports are being actively pursued.
- 1.8 Eight schools now have a licensed deficit recovery plan in place and revisions to five plans have been requested following review and analysis. The remaining school, St Stephen's, is amalgamating with St Mary Magdalene's from September 2023 and their deficit will not be recovered. This deficit will be chargeable to the Council and not the DSG and this liability is currently forecast to be £398k.
- 1.9 A further school is expected to be in deficit following a pension liability that has been discovered and for which discussions are on-going with the school.

**Table 12 – Schools requiring licensed deficit recovery plans**

School Name	Licensed Recovery Plan
All Souls' CE Primary School	Yes
Burdett Coutts CE Primary School	Yes
George Eliot Primary School	No
Robinsfield Infant School	No
Soho Parish CE Primary School	Yes
St Barnabas CE Primary School	No
St George's Hanover Square	No
St Luke's CE Primary School	Yes
St Mary Of The Angels Catholic School	Yes
St Matthew's CE Primary School	No
St Peter's Eaton Square CE School	Yes
St Saviour's CE Primary School	Yes
St Stephen's CE Primary School	N/A - Amalgamation
St Vincent De Paul Catholic School	Yes
<b>Total Number of Schools in Deficit</b>	<b>14</b>
<b>Expected to be in deficit following revision:</b> Our Lady of Dolours	No
<b>Revised Total Number of Schools in Deficit</b>	<b>15</b>



## Schools at Risks – risk rating and reserves balances

- 1.10 Schools RAG rated red have no reserves or a deficit balance and require a deficit recovery plan. A financial adviser is supporting schools with deficits in their production of robust deficit recovery plans and is also reviewing those at risk of going into deficit.
- 1.11 Schools with amber RAG ratings are at risk of future financial difficulty due a low (<£50k) balance and/or their reserves having reduced by prior or in year deficits to the extent that a further reduction of similar magnitude would result in a deficit balance within 2 years and so need to take action to reverse the trend.
- 1.12 These schools have also been offered support with financial management, ranging from cross-departmental training delivered to staff and governors (involving School Standards and Finance colleagues) to assistance with producing recovery plans and budget monitoring and requests received vary according to the school's needs.
- 1.13 Green RAG rated schools have enough reserves to cover a future in year deficit equal in value to a current year deficit, should this occur.
- 1.14 Table 13 shows a summary of the RAG rating and school balances for both 2022/23 outturn and 2023/24 forecast

**Table 13 – RAG Ratings and Balances Summary**

RAG Rating	2022/23 Outturn	2022/23 Balance (surplus) / deficit	2023/24 Forecast	2023/24 Forecast Balance (surplus) / deficit
Red	15	(2,607)	14	(2,719)
Amber	7	165	8	153
Green	17	5,924	16	4,794
<b>Total</b>	<b>39</b>	<b>3,482</b>	<b>38</b>	<b>2,228</b>

### School Forecasts

- 1.15 Schools' balances at the start of 2023/24 were £3.622m and the forecast year end schools balances total £2.228m. Deficit schools are required to provide monthly updates, with other schools providing quarterly finance reports.
- 1.16 At the time of preparing this report, the deadline for returns from non-deficit schools had only just been passed. Finance is following up with the non-compliant schools including escalating to Headteachers.

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## City of Westminster

<b>Meeting or Decision Maker:</b>	Audit & Performance Committee
<b>Date:</b>	6 September 2023
<b>Classification:</b>	General Release
<b>Title:</b>	Procurement and Commercial Services Annual Update
<b>Wards Affected:</b>	N/A
<b>Policy Context:</b>	The Council spends over £600 million each year on third party contracts. Procurement and contract management are therefore key enablers to delivering a Fairer Westminster and ensuring maximum value for Westminster and its residents and partners from its supply chain. This includes using our significant spend to influence and create positive action on tackling the climate emergency, contributing to local and national economic recovery, leveraging community benefit, and driving forward greater diversity and inclusion.
<b>Cabinet Member:</b>	Councillor Boothroyd
<b>Key Decision:</b>	N/A
<b>Financial Summary:</b>	N/A
<b>Report of:</b>	Sarah Warman, Strategic Director Housing & Commercial Partnerships

## **1. Executive Summary**

- 1.1 This is an annual report to the Committee, which provides an update on the procurement and contract management activity at Westminster, including:
- progress of the procurement transformation programme
  - a retrospective view of how well the Council is complying with its procurement policy
  - an update on the priorities from last year including those helping to deliver a Fairer Westminster
  - new priorities for the forthcoming year
  - an overview of upcoming procurement activity.
- 1.2 It seeks to ensure that the Committee has the information and data it needs to carry out its obligation to maintain oversight of procurement and contract activity at the Council.

## **2. Recommendations**

- 2.1 It is recommended that the Committee notes the contents of this report and provides feedback on whether it meets their needs, as well as suggesting any changes or additional content they would like to see in future annual reports.

## **3. Reasons for Decision**

- 3.1 N/A – this report is for update only and no decision is required.

## **4. Background, including Policy Context**

### Procurement Service transformation

- 4.1 Procurement and Commercial Services (P&C) are entering the second phase of the Transformation Programme. The first phase consisted of implementation of the revised Target Operating Model which has been in place since April 2020 with the management team recruited by March 2021. An update on the four specialisms within the team is below:
- Business Partners – provide commercial support to business areas and develop robust forward pipelines. The three Heads of Commercial and Senior Commercial Specialists each support different areas of the council and the function continues to receive positive feedback from stakeholders.
  - Tendering Services – manage tendering activity for high value and more complex procurements. We use a survey at the end of tenders to measure stakeholder satisfaction with the support from Tendering Service, with scores averaging 4.8 out of 5.
  - Policy, Performance and Systems – providing systems, data, policy, governance, and monitoring effectiveness of the procurement policy.

Over the last year there has been a focus on improving data on compliance and key Fairer Westminster deliverables.

- Responsible Procurement and Supplier Relationship Management – providing dedicated support for contract managers and monitoring supply chain risk to now overseeing the delivery of the new Responsible Procurement and Commissioning Strategy.

- 4.2 In phase 1 of the transformation journey recruitment and staff development was a key priority. Last year we reported the significant progress made in moving from a third permanent staff to over 90% permanently recruited. Procurement workforce is traditionally a white, male industry and early in our recruitment journey we saw a pay gap emerge. In December 2021 we had a 26% ethnicity pay gap and a 12% gender pay gap.
- 4.3 To address this, we focused on two areas. Firstly, we wanted to grow our Procurement 'brand' so we could attract talent from elsewhere, concentrating on how we recruit and the impression we make to candidates. We have recruited a talented and diverse team with a good reputation in the sector. Secondly, we prioritised growing and developing our staff. Last year nine staff members undertook MCIPS, the public procurement professional qualification and five staff members have had band 5 or 6 acting-up opportunities.
- 4.4 As of May 2023, we do not have a gender and ethnicity pay gap. Over the next year we are looking to expand opportunities for people new to procurement. We seek to encourage procurement as a career for younger residents focusing on band 2 and 3 posts and tripling the number of apprentice opportunities in the service.
- 4.5 Phase 2 of the transformation has begun, involving further process improvements to enable the team to be as effective as possible and become a 'best in class' procurement function. We also are looking to take further steps to support the delivery of a Fairer Westminster, such as embedding resident feedback in tenders, building on the good work in the current Church Street and Speech and Language Therapy tender processes. We will be playing a leading role in increasing spend with, and support for, small, local, diverse and mission-led organisations. The priorities for this year are included in section 7.

#### Tenders over the last year

- 4.6 In the last 12 months, 41 Invitation to Tenders valued over £100,000 were released by the Council. Key services procured include:
- Speech and Language Therapy (SALT) - Provides life-changing treatment, support and care for children and young people who have difficulties with communication. This procurement was run with young person and service user involvement throughout the process including within the evaluation element. We worked with the service to ensure the responses were suitable and utilised innovative methods allowing

the young people to provide their feedback. This was extremely successful, and we will use this approach in more of our tender activities.

- Parking - The two major parking contracts were disaggregated, procuring them separately as part of a wider service redesign to deliver a new operating model. As part of this procurement, we had a savings commitment of £500,000 in 2023/24 which was delivered through this process. In addition to the savings achieved, this procurement also saw the suppliers signing up to deliver significant social value.
- Westmead Redevelopment – This scheme will deliver 65 new homes, 121 cycle spaces and accessible parking on the former care home site at Tavistock Road. The tenure is 100% affordable, bringing an additional 34 social units and 31 intermediate units to the borough. The construction will deliver high environmental standards for enhanced energy efficiency in the building and units.
- Community Equipment - A framework was procured for two thirds of London boroughs. The tender included significant elements on recycling and reducing landfill, with the target of most of the service to be carbon neutral during the lifetime of the contract. The new contractor will have fully electric fleet on day one of the contract.

## **5. Compliance Reporting**

5.1 At contract award stage, the Procurement team tracks via Key Performance Indicators (KPIs) how well the Council is complying with four key areas of its own procurement policy:

- Supplier commitment to paying Living Wage
- Supplier commitment to deliver Responsible Procurement outcomes
- Signed contracts in place prior to purchase orders being raised
- Exceptions to policy – recording situations where competitive selection of suppliers has not been conducted and value for money may therefore not have been demonstrated.

### Exceptions to policy

5.2 The Council's Procurement Code requires that contracts valued above £100,000 are awarded via a competitive process. Occasionally, business risks or urgency mean that this is not possible, and a contract must be awarded directly to a supplier without competition. In these cases, a 'waiver' from the requirements of the Procurement Code must be requested, which requires approval from the Executive Director of the requesting Directorate, and the Director of Commercial Partnerships. This year we have also extended the waiver process to record where suppliers are working without a signed contract in place, which represents a risk to the council.

- 5.3 During the last 12 months, a total of 70 waivers were requested, an average of 5.8 per month. This represents a decrease compared to the monthly average of 6.3 per month during the previous period. Of these waivers, 61 related to non-compliant direct award of contracts without competition, half of which also involved suppliers having started work without a signed contract in place. Business Partners continue to work in partnership with the Directorates to reduce the need for waiver requests, through:
- sharing monthly data on policy exceptions and suppliers without a contract
  - development of a detailed pipeline
  - earlier engagement and improved forward planning of procurement activity by service areas to reduce the need for non-compliant direct award of contracts in future.

#### Living Wage commitments

- 5.4 As part of its Living Wage accreditation (which was first awarded in 2019 and must be re-affirmed annually), the Council's contracts must obligate suppliers to pay the Living Wage. New contracts include this requirement as standard, whereas for extensions and renewals of existing contracts, the provisions are negotiated where possible. Some existing contracts do not contain provisions which allow the Council to insist upon this, and for these contracts Living Wage will not be mandated until the contract is retendered or renegotiated.
- 5.5 During the last 12 months, 100% of contracts awarded contained a commitment to pay Living Wage. This is an improvement compared to 97% during the previous 12-month period. Every contract awarded since October 2021 has included Living Wage, which is the result of increased focus on this area in the Council's procurement and commercial governance processes and in its Responsible Procurement & Commissioning Strategy.

#### Responsible Procurement commitments

- 5.6 The Procurement Code requires that new contracts contain responsible procurement commitments by the supplier, which are allocated a minimum of 10% of the marks in evaluating supplier bids. We are working with service areas to increase this percentage where appropriate to 20%, with an ambition to increase this further to a minimum of 20-30% by 2025/26. Responsible Procurement commitments are recorded in the contract. New contracts include this requirement as standard, whereas for extensions and renewals of existing contracts, the provisions are negotiated where possible.
- 5.7 The process for identifying Responsible Procurement commitments in contracts has changed from April 2023, recorded as the contract is executed rather than at contract award report stage. This provides further opportunity for contracts to deliver meaningful responsible procurement objectives. The measurement for the last three months uses a different approach to the first 9

months, and the percentages cannot be combined as they use differing underlying data sets; therefore, two separate averages are shown for this KPI.

- 5.8 During the first 9 months of this period, 81% of contracts awarded contained such commitments; during the last 3 months of this period, 93% of contracts awarded contained such commitments. Both figures represent an improvement compared to 71% during the previous period. Alongside the new strategy we have introduced additional checkpoints during the procurement process, to ensure Responsible Procurement commitments are ambitious and robust. This includes a focus on external frameworks where Responsible Procurement commitments are not robust enough to meet the council's requirements, and on directly awarded contracts where we do not have the leverage of a competitive tender.

#### Purchase Orders Raised Without a Valid Contract in Place

- 5.9 The Council's Financial Regulations and Procurement Code require that a signed contract must be in place before any purchase orders (POs) are raised or payments made to the supplier. Procurement approval is mandatory for purchase orders valued at over £100,000. POs raised without a supporting contract are rejected or require an exemption to be approved by both the relevant directorate's Executive Director and the Executive Director of Finance & Resources.
- 5.10 During the last 12 months, a total of 69 non-compliant POs were raised, an average of 5.8 per month, the same figure as during the previous period. The reasons for non-compliance include POs raised against contracts which have expired; POs raised when there is no contract in the system; or the total value of the PO exceeds the total contract value. These are then investigated with the relevant service area, with the aim of putting a contract in place as soon as possible.

## **6. Priority Areas over last year**

- 6.1 This section reflects on the priorities stated in last year's Audit and Performance report:

#### Responsible Procurement

- 6.2 On 18 April 2023, we officially launched the [Responsible Procurement and Commissioning Strategy \(RPC\)](#), after approval by Cabinet last December. The strategy realigned the previous version, launched a year earlier, to the new 'Fairer Westminster Strategy'. The launch of the strategy took place at Grand Junction in Paddington, with over 200 suppliers and council officers in attendance. Contract managers across various functions came to support, as did theme leads responsible for key areas such as climate emergency, social value, employment & skills and modern slavery. One of the most impactful sessions at the launch event was the presentation of eight supplier-led spotlights, which illustrated how suppliers large and small can deliver social



value and responsible business. Feedback from the event was universally positive and ten of our key strategic suppliers covering construction, highways, waste and housing have agreed to voluntarily adhere to the Supplier Charter and Ethical Procurement Policy requirements. Between them, their existing full contract values are worth over £1 billion.

6.3 Three key documents accompany this new strategy and can be found at the bottom of [our webpage](#) under 'our publications':

- The Modern Slavery Statement describes the council's current due diligence procedures, designed to prevent the recruitment of trafficked people or those working under forced labour conditions, or their involvement in our supply chains. It also sets out our action plan to increase levels of due diligence in procurement and contract management. The council has made great progress in this area as reflected in our revised statement published at the end of June.
- The Supplier Charter, previous known as the Supplier Code of Conduct, is a set of requirements on the technical and professional ability of contractors to deliver and report on our responsible procurement objectives. This is a very significant step for providers delivering wide ranging Responsible Procurement.
- The Ethical Procurement Policy now forms a part of our standard terms and conditions and covers workers' rights, pay and conditions including issues such as zero hours contracts and union representation.

6.4 After the successful launch of the new strategy, we have some additional capacity for delivery. The new focus on Community Wealth Building and broadening of target suppliers led to a successful bid from the UKSPF (UK Shared Prosperity Fund for 'levelling up'), administered on behalf of the Government by the GLA. This will fund the development of a small, local business directory and new capacity to help engage with, upskill, train and facilitate new target organisation entrants into our own supply chain and those of our existing contractors. These target supplier organisations include smaller, local businesses, those that support the local social economy (including social enterprises and VCSEs), women-led, global majority-led, disabled-led and other minority-led businesses, cooperatives, municipally owned companies.

6.5 Key elements of delivery also include:

- Fully integrate Responsible Procurement into contract management and monitoring with technical support provided to contract managers and suppliers via Contract Management framework.
- Implementing the increased weighting for responsible procurement within tenders to up to 30%.
- Roll out of Ethical Procurement Policy, Supplier Charter and enhanced modern slavery due diligence.
- Development of Fair Tax pledge liaising with providers.

- Strengthen commitments on tackling climate emergency – working with suppliers to reduce carbon associated for council projects with new specific commitment to baselining and reducing scope 3 (indirect, including supplier-related) emissions.

- 6.6 We recognise the importance of measuring our own team’s performance in terms of implementing RPC, as well as the performance of our suppliers and the impact they are making on our resident and business communities. A new internal KPI which we are now reporting on as part of the Fairer Westminster Delivery Plan is percentage by value of contract awards which are made to SMEs and VCSEs. The target is 25% and from April to June 2023 the figure achieved is 61%. The team will also collate P&CS performance indicators on:
- % RPC weighting attributed in tenders (mandatory between 10-30%)
  - % relevant tenders with carbon reduction commitments
  - % relevant tenders with modern slavery due diligence requirements
  - % relevant tenders requiring social value outcomes

#### Systems & Data

- 6.7 In last year’s report we stated that a new cloud-based eSourcing procurement and contract management system was being implemented. Unfortunately, significant weaknesses were identified with the proposed system, and the decision was taken in March 2023 not to progress with implementation, and instead to commence a re-tender for another system. Our requirements have been updated to reflect lessons learned from the previous procurement and these will shortly be re-presented to the market.
- 6.8 The new tendering system will be utilised for all procurement activity and act as a crucial tool for pipeline development and resource allocation. This will be a significant improvement on the current system, allowing us more flexibility, with the opportunity to streamline processes, reduce duplication and formalise contract management across the Council. This system will underpin the work being undertaken to develop into a best-in-class procurement function. We are expecting to identify the preferred system by October 2023.
- 6.9 We have continued to develop the capabilities of the council’s existing eProcurement platform, including:
- Introducing new fields to easily capture data on suppliers’ Responsible Procurement commitments within the Supplier Charter
  - Developing a simple ‘Request for Quotation’ workflow, to enable the new Buying Team to easily use the system for lower value procurement activity
  - 47 new users across WCC (plus a further 18 in RBKC/external bodies) have been trained to use the current system

- 6.10 Significant effort has gone into developing the procurement data analysis function this year, to provide greater insight for directorates into their commercial activity. Key developments have included:
- Developing data to enable regular monitoring of spend, expiring contracts and financial risk.
  - Analysis of purchase order usage and patterns, which will be shared with directorates in the coming months to enable better insight and improved risk management.
  - Developing interactive 'Power BI' dashboards for spend and for missing contracts, which will allow users across the council to 'self-serve' to answer questions about their contracts.
  - To allow us to directly link council spend to our contracts we have successfully piloted use of the eStore in two service areas.

#### Policy & governance

- 6.11 Continuous improvements have been made to commercial governance, including updated, simplified governance templates & guidance, which ensure that risks involved in procurements are more clearly articulated and the Council's decision makers are fully informed. Risk management processes have been enhanced with the further development of a Procurement Risk Log and a monthly leadership review of all open governance actions across the team, to ensure timely resolution.
- 6.12 Training sessions have been delivered to increase awareness of the Council's Procurement Code and governance processes, as well as sessions for the Procurement team on Responsible Procurement; Construction Contracts; tendering processes; Risks in the Procurement Process; Governance; Evaluation and Moderation; Stakeholder Management; Data Protection; Freedom of Information; and Equalities Impact Assessments.

#### Contract Management

- 6.13 The accompanying Annual Contracts Review provides more detail on our approach to improving consistency of contract management across the council. This continues to be a priority and a development area for our service.

### **7. New Priority Areas for the Coming Year**

- 7.1 P&C has an overarching service plan focusing on people and culture; our processes; delivering Fairer Westminster and enhancing our strategic offering. Delivery of Responsible Procurement and Commissioning remains a priority as referenced above. Some of the other key elements are described below:

## Transforming Public Procurement regulations

- 7.2 Public procurement is currently governed by various pieces of legislation, including the Public Contracts Regulations 2015 and Concessions Contracts Regulations 2016. In 2024, the government plans to replace the existing legislation with a new regime. The Procurement Bill is currently progressing through Parliament and is expected to come into force in October 2024. The government has committed to a notice period of at least six months, to allow public contracting authorities to prepare for the new legislation. To ensure a successful roll out and implementation of the new Legislation across the council, a steering group has been established to oversee the implementation, with representatives from key council functions.

### Introduction of Buying Team

- 7.3 In February 2023 Cabinet agreed to fund a new Buying Team. This team will be responsible for procuring works or services with a value between £25,000 and £100,000. The main aims of the team are:
- Increase the number of local, SME and minority led businesses and organisations in our supply chain (a Fairer Westminster priority)
  - Deliver value for money through competition
  - Ensure compliance with the procurement code and relevant legislation
  - Reduce officer time spent on obtaining quotes and processing orders
- 7.4 The team will consist of one Commercial Manager, three Senior Commercial Officers (one funded by UKSPF funding) and a Commercial Officer. Recruitment is completed with all of the new team place by October. A cross-departmental working group is developing a mobilisation and communication plan to ensure a smooth transition to this new operating model.

### Refining the Insourcing Framework

- 7.5 P&C has played a leading role in developing and implementing an Insourcing Framework for the council. Our Insourcing framework is an organisational approach which has been designed to be proportionate and grounded in sound analysis and the consideration of risk. The framework is overseen by an officer group which has been in place for the last eight months. The group meets monthly with members from finance, legal, HR, policy including an economist and all directorates. This group provides a steer on an 'initial checklist', which is a tool used to assess whether insourcing should be considered. This year the group will see full options appraisals to determine whether insourcing is a viable option, as well as more initial checklists.

## **8. Procurement & Commercial Services Forward Plan**

- 8.1 Listed overleaf are the major procurement projects taking place over the next two years:

<b>Directorate</b>	<b>Project name / Description</b>	<b>New service start date</b>
Adults & Public Health	<b>Home care</b> - Outcome based home care service with technology underpinning geographical based service model	December 2024
Adults & Public Health	<b>Older People's Preventative Day Services</b> - A range of preventative services for Care Act eligible and residents below threshold to promote independent living	October 2024
Adults & Public Health	<b>Learning Disability Housing Care and Support</b> - Proposed single framework for housing support services for residents with learning difficulties	October 2024 (option to extend 6 months)
Children's Services	<b>Schools Capital Projects</b> - Strategic professional services contracts and project design/build contracts as required.	Various
Environment, Climate & Public Protection	<b>Highways contractor re-procurement</b> - Delivery contracts in relation to highways services are due to expire in 2026.	April 2026
Environment, Climate & Public Protection	<b>Cashless parking</b> - Collection of cashless payments for on street parking with current contract ending March 2024	March 2024 (option to extend 6 months)
Environment, Climate & Public Protection	<b>Waste Collection and Cleansing Services</b> – Current contract is being extended to allow time to acquire land to assist with a re-procurement	September 2027
Environment, Climate & Public Protection	<b>Public conveniences - operation and maintenance</b> - To operate and maintain on street public conveniences to ensure cleanliness and public safety.	May 2024 (option to extend 6 months)
Finance & Resources	<b>Huguenot House Development partner</b> - In the event a decision is taken to develop the site at Huguenot House.	Late 2024
Finance & Resources	<b>Facilities Management contracts</b> - All facilities management requirements related to the operational portfolio of property assets	May 2024
Growth & Planning	<b>Ebury Phase 2 &amp; 3</b> - Phase 2 build / main contractor contract; Phase 2 professional services for quantity surveying; Phase 3 Demolition for phase 3 to commence	Early 2024
Growth & Planning	<b>Church St – Site A</b> – Delivery Partner for Site A (with options for site B & C)	Award late 2023 / early 2024
Growth & Planning	<b>291 Harrow Road</b> - Cost Consultant, Engineers, Architects, Main Contractor	Throughout 2024
Housing & Commercial Partnerships	<b>Supported accommodation pathways</b> - To include young people, rough sleepers and women's services	April 2024

Housing & Commercial Partnerships	<b>Street outreach</b> - Front-line response to working with people sleeping rough, engaging with individuals on the streets and supporting rough sleepers into accommodation	June 2024
Housing & Commercial Partnerships	<b>Housing Solutions</b> - Statutory housing and homelessness duties, the allocation of social housing and homeless prevention functions	October 2024
Housing & Commercial Partnerships	<b>Housing Term Contracts</b> – Specialist contracts for different disciplines of work to maintain the housing stock	June to November 2027
Innovation & Change	<b>Westminster Advice Partnership</b> - Advice services to support residents with claiming benefits, debt problems, housing applications and challenges, and planning applications.	September 2025
People Services	<b>Agency Contract</b> - Temporary agency workers	May 2024

## 9. Financial Implications

- 9.1 No specific financial implications arise from this report. However, all contract awards will need to consider the financial impact, including budgetary limits, value for money, inflationary increases, links to the MTFP and align to the financial regulations. (Kim Wreford, 14th August 2023).

## 10. Legal Implications

- 10.1 There are no legal implications arising directly from this report. Legal Services will continue to support Procurement & Commercial Services with implementing the new procurement regime, and the major projects set out in section 8.1 of the report. (Kar-Yee Chan, 9th August 2023).

## 11 Carbon Impact

- 11.1 P&CS has successfully integrated responsible procurement requirements into all supplier selection criteria, these include tailored requirements to baseline, report and reduce carbon emissions.
- 11.2 In parallel to this the team has developed a reporting protocol or "Supplier Charter for carbon reporting", which has been presented to and consulted with London boroughs, the GLA functional bodies and other public sector entities including BEIS and CCS. This also includes requirements to baseline, report and reduce emissions.
- 11.3 We are starting work to pilot the charter requirements with suppliers we have established relationships with, to test the concept before launching and encouraging all London public sector entities to start using this harmonised system.

- 11.4 We have made good progress on integrating responsible procurement measures into our refreshed Contract Management Framework, which will go live in September 2023 and are continuing work on baselining carbon emissions amongst our highest carbon-intensity contractors, many of which have now signed up voluntarily to the requirements set out in our Supplier Charter.
- 11.5 There are also now systematic checks in place to ensure that bidders for construction projects as well as other relevant contracts are being made aware of the councils net zero carbon targets and Climate Action Plan as well as the Code of Construction Practice.
- 11.6 Recruitment for a Sustainable Procurement Officer that will help develop sustainability criteria and drive pilot projects is now live and we anticipate having an individual in post by October 2023

## **12 Equalities Impact**

N/A – this report is for update only, no decision is required.

## **13 Consultation**

N/A – this report is for update only, no decision is required.

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

Caron Smith, Head of Procurement: Policy, Performance & Systems

Contact Details: [csmith@westminster.gov.uk](mailto:csmith@westminster.gov.uk)

## APPENDIX 1: Procurement Key Performance Indicators July 2022 – June 2023

KPI Definition	Target	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Average This period	Average Previous period	Trend
Awarded Contracts with Responsible Procurement Commitments	<b>90%</b>	50%	89%	75%	75%	83%	88%	83%	90%	81%	100%	50%	100%	<b>81% - 93% (*see note below)</b>	80%	Improving
Awarded Contracts paying Living Wage	<b>100%</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	<b>100%</b>	91%	Improving
Purchase Orders Raised Without a Contract	<b>N/A</b>	14	3	2	4	2	3	6	4	5	4	15	7	<b>5.8 per month</b>	5.8 per month	No change
Exemptions from Procurement Code (Waivers)	<b>N/A</b>	7	7	8	4	4	2	5	13	6	2	7	5	<b>5.8 per month</b>	6.3 per month	Improving

*\* The process for identifying Responsible Procurement Commitments in contracts was changed after the first 9 months of this 12-month period, and the percentages cannot be combined as they use differing underlying data sets, therefore two separate averages are shown for this KPI. See sections 5.9 and 5.10 of this report for further detail*





City of Westminster

## Audit and Performance Committee Report

<b>Decision Maker:</b>	Audit and Performance Committee
<b>Date</b>	6 September 2023
<b>Classification:</b>	General Release
<b>Title:</b>	External Audit Certification of Claims and Returns Annual Audit 2021/2022
<b>Financial Summary:</b>	There are no direct financial implications arising from the report.
<b>Report of:</b>	<b>Director of Revenues &amp; Benefits</b>

### 1. Executive Summary

- 1.1 There is an annual external review of the grants that the City Council claims through a grants certification process. This report provides a summary of the review of the Housing Benefit Subsidy claim for 2021/22.

### 2. Recommendation

- 2.1 That the report is noted.

### 3. **Grant Thornton Annual Review**

3.1 The City Council is responsible for compiling grant claims and returns in accordance with the requirements and timescales set by central government.

3.2 Grant Thornton, as the Council's external auditor, annually review the grants the City Council claims through a grants certification process.

3.3 There are three returns / claims separately reviewed by Grant Thornton in relation to the 2021/22 financial year:

- Housing Benefit subsidy claim (£176 million)
- Teachers' Pensions return.
- Pooling of Housing Capital Receipts return

The Teachers Pension, and the Housing Capital receipts returns are both reviewed by Grant Thornton purely from an assurance perspective. A report is only raised to committee if a significant problem is detected during these two reviews. No problems were found for the 2021/22 financial year.

3.4 This year's audit results were once again good, with only minor issues being identified relating to subsidy claimed on locally agreed War Pensions disregards, and a legacy check on earned income calculations. The few errors found have resulted in minor recalculations between cells within the subsidy claim. The War Pensions subsidy issue resulted in a £0.75p error being detected, resulting in a one-pound adjustment to the subsidy claim (the £0.75p error figure was rounded up to £1.00) .

3.5 Due to the very complex nature of earned income assessments most local authorities will uncover some errors during the auditing process. This has been the case with Westminster, however steady progress has been made in this area. No errors were found during initial testing, and just one error (a small £5 overpayment error) found in the enhanced testing required for types of error found in last year's return. This small error did not affect the bottom-line amount of subsidy claimed.

3.7 The nature and complexity of the Housing Benefit scheme linked to the volume of claims (currently 16,427 housing benefit cases in WCC) means that the vast majority of local authorities will have some errors identified during their annual subsidy claim audit. Whilst the audit can be considered as a good outcome, the Council should continuously try to improve its position and as such the following additional measures are being maintained and/or introduced for the 2022/23 and future subsidy claims:-

- Continued checks of the subsidy cells that can be reviewed in late March before the subsidy claim is submitted, including 100% checks on manual adjustments.
- Changes to the process in which all claims which include a War Pension are now updated. 100% of these claims are now reviewed and

adjusted manually, instead of being allowed to go through automated updating.

- A rolling review of work practices and in-year checking procedures to help identify and correct errors to insure even greater accuracy of future subsidy claims.

#### **4. Financial Implications**

- 4.1 It is important that grant claim requirements are complied with as they affect funding sources and funding assumptions in the City Council's business plans.
- 4.2 The bottom-line adjustment to the Council's Housing Benefit subsidy claim for 2021/22 was a one-pound adjustment, and the Council's claim of £175,945,351 should be met in full by the Department for Work and Pensions (DWP).
- 4.3 The overall fee for certification of the Council's claim was £39,000 which is an increase of £3000 from last year. It is understood that this increase was due to increased testing required to meet DWP testing requirements.

#### **5. Legal Implications**

- 5.1 As this report comes as part of the annual review by external auditors there are no direct legal implications arising from it.

**If you have any queries about this report please contact: Martin Hinckley on 0207 641 2611 or at [mhinckley@westminster.gov.uk](mailto:mhinckley@westminster.gov.uk)**

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## City of Westminster

<b>Meeting or Decision Maker:</b>	Audit and Performance Committee
<b>Date:</b>	6 September 2023
<b>Classification:</b>	The report is General Release however Appendix 1 will be declared exempt from publication as the business to be transacted involves the disclosure of information as prescribed by paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972, as amended, in that they contain information relating to the financial or business affairs of any particular person (including the authority).
<b>Title:</b>	Annual Contracts Review 2022/23
<b>Wards Affected:</b>	All
<b>Policy Context:</b>	The Council spends over £600 million each year on third party services and contracts. Procurement, commercial activities, and contract management are therefore key enablers in ensuring the delivery of maximum value for Westminster and its residents and partners.
<b>Cabinet Member:</b>	N/A
<b>Key Decision:</b>	N/A
<b>Financial Summary:</b>	N/A
<b>Report of:</b>	Sarah Warman, Strategic Director Housing and Commercial Partnerships

## **1. Executive Summary**

- 1.1 This report is the third Annual Contracts Review for consideration by the Audit and Performance Committee, covering the period 2022/23. In the last report, published in November 2022, we reported on the performance of contracts and compared them to National Audit Office (NAO) best practice guidelines. This report follows a similar format addressing contractual performance over the last year but also outlining developments in our approach to improve contract management across the council.
- 1.2 Contract Management in any organisation is very important, but particularly so for the council given the amount the council spends on contracts and the direct impact on residents and workforce. Research shows poor contract management can waste around 9% of spend per annum<sup>1</sup>. The new 'Transforming Public Procurement' new legislation, likely to be introduced in October 2024, will require publication of supplier performance on our top contracts. Good contract management drives high quality service delivery, improving value for money and maximising outcomes for residents.
- 1.3 Day-to-day operational contract management is undertaken by contract managers within the directorates, with support and guidance provided by a specific team in Procurement and Commercial services. We have reviewed the support provided to contract managers to date, and we will be launching a refreshed Contract Management Framework and new approach to training and supporting contract managers in October 2023 to enhance the support available to them.
- 1.4 In preparation for this annual review we have measured contractual performance via feedback from contract managers, again using a set of operating principles based on NAO good practice to measure against. Principles of good contract management such as consistency and value for money have been applied to the council's largest 44 major suppliers and contracts (Platinum and Silver), which account for almost 75% of the council's total third party annual spend. The survey results show several areas of strength and consistency and a relatively stable position for our main contractors.
- 1.5 However, our work with contract managers has highlighted areas that need to be enhanced, either through training or better systems support, to improve the consistency of contract management. The new Contract Management Framework will guide this improved approach.

## **2. Recommendations**

- 2.1 It is recommended that the Committee note the contents of this report and provide feedback on whether it meets their needs, as well as suggesting any changes or additional content they would like to see in future reports.

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<sup>1</sup> Source: UK based World Commerce and Contracting

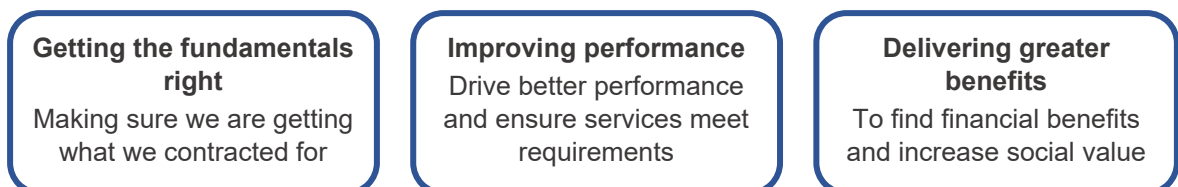
### 3. Reasons for Decision

N/A

### 4. Contract Management Approach at WCC

#### Overall context of Procurement Transformation & Contract Management

- 4.1 The Procurement Bill (which is based on the 'Transforming Public Procurement' Green Paper), is reaching the final stage of its journey through Parliament. Once finalised, we will have six months to prepare before the legislation comes into effect with current estimates that we would need to fully comply with these laws by October 2024. Clause 52 of the Bill requires that every contract with a value of over £5 million has at least three Key Performance Indicators, with some exceptions such as frameworks and concession contracts. Linked to the inclusion of KPIs are the new provisions in Clause 71 of the Bill which require that, at least every 12 months, performance against the contracted KPIs is assessed by the contracting authority and the results published. Currently, precise publication requirements have not been released, nor is it clear whether procurement portals will be set up to process KPI results into the form required.
- 4.2 Considering this new legislative context and Westminster's annual spend of £630m with external suppliers and third parties last year, it is essential we maximise value for the Westminster pound against the Fairer Westminster objectives. Set against difficult national economic conditions we also need to ensure we are being proactive in supporting our local economy and being mindful of proactively using any levers we have such as prompt payment, regular financial checks and our responsible procurement policies.
- 4.3 We are learning from other public bodies, working with Local Partnerships since July, who are adapting tools for us developed from the cross Whitehall initiative the Contract Management Pioneer Programme (CMPP). Work has already commenced with a sample of contracts being initially reviewed. It has become evident that various examples of high-quality contract management exist within the organisation, however there is opportunity to share this good practice more widely, and embed it across all Council departments.
- 4.4 There are three pillars of work involved, as set out below:



#### Getting the fundamentals right

- 4.5 This pillar centres on raising awareness of the importance of contract management. The main method of achieving this will be through training for

contract managers at different levels operating across diverse sectors. We have developed an 'Introduction to Contract Management' e-learning module, which covers key principles. This training deck has been refreshed to include enhanced sections on health and safety, safeguarding and Responsible Procurement. We delivered two contract management training sessions in July with over 50 contract managers in different parts of the council, which were well received. The sessions have proved particularly useful for those staff with contract management responsibilities as part of their role, who have limited contract management experience. Also, for the more experienced contract managers, having the opportunity to share knowledge and discuss approaches with other contract managers is mutually beneficial.

- 4.6 As part of the Contract Management framework refresh, a range of resources will be made available for contract managers to help them with their role. We will look to increase support for contract managers as well as providing specialised sessions for officers managing complex contracts.

#### Improving Performance

- 4.7 A key part of the framework will be the standardisation of some elements of contract management across the council to improve consistency. It is recognised that contracts managed by different directorates vary significantly, but tools and templates can be made accessible and easily tailored towards the specifics of each contract. The new framework will signpost the support available at each stage of the contract management cycle. Structured 'deep dives' into a service's commissioning and contract management practices and customs across the council have proved useful elsewhere. This allows for continued analysis and improvement of contract management practice.
- 4.8 Another element of improving performance is the use of data and insights. This will enable more detailed corporate oversight of contracts and allow us to benchmark against other authorities. An oversight group for contracts across the council will be established to drive this forward. This group could be complemented by service-based groups, potentially linked to existing directorate Procurement Boards, which were established in 2021. The forthcoming Transforming Public Procurement legislation, if agreed, will require KPI reporting for contracts over £5 million. A consistent corporate approach to performance measurement will be essential to support this, as will an effective Contract Management system.. Ideally, this system will be linked to our E-tendering portal.

#### Delivering greater benefits

- 4.9 By driving change based on data and evidence, we will establish a baseline of measures of success linked to Fairer Westminster priorities. This will include enhanced Responsible Procurement measures such as carbon reduction and modern slavery due diligence. It will build on the Responsible Procurement and Commissioning Strategy and social value facilitation undertaken by the Responsible Economy team. We will demonstrate efforts made by suppliers



as well as success, and showcase effective approaches. Dashboard reports and case studies will be compiled for the Oversight group.

- 4.10 A theme running through Fairer Westminster is ‘where our residents are at the heart of our decision-making, feel listened to and can work with us to shape the future of our city’. To deliver greater benefits we need to integrate resident feedback into the contract management process, and ensure the perspectives, needs, and preferences of our residents are reflected. The team has been working with the Communities department to develop best practice examples, guidance and templates for planning effective resident engagement as part of the Contract Management Framework.

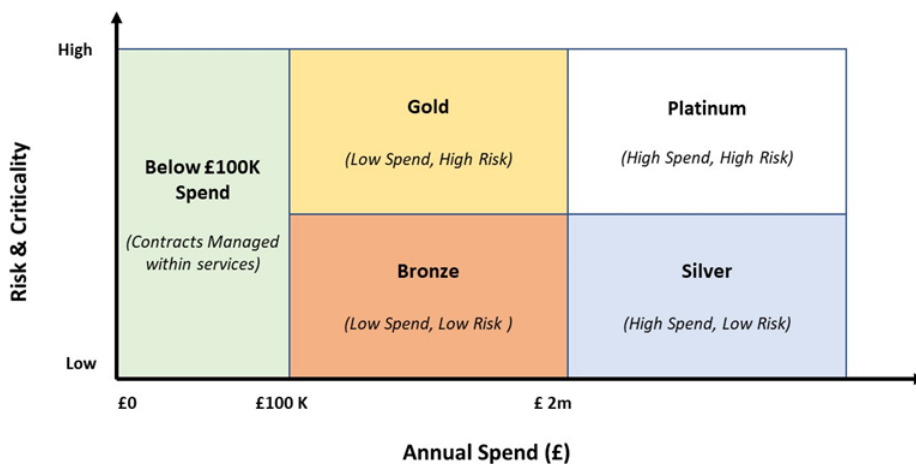
Contract Management Framework refresh launch

- 4.11 The results of the work with Local Partnerships will be a refreshed Contract Management Framework, launched in October 2023. The new framework will set out key principles and a consistent approach to contract management activity, proportionate to risk with information and tools about how to leverage optimum contract and supplier performance at each stage of the contract management cycle.

**5. Contract performance 2022/23**

Supplier Segmentation

- 5.1 In line with the current Contract Management Framework, supplier contracts are categorised into one of five designated groups according to value and risk. This guides the level and intensity of contract management required and ensures the council can allocate resources, skills and governance proportionately taking account of commercial impact, contract and risk:



Higher Criticality/Risk:	Medium Criticality/Risk:	Lower Criticality/Risk:
High (>£100k) commercial impact, significant public/customer or market visibility or loss of critical functions/systems.	Limited (<£100k) commercial impact, limited negative reputational or political impact; functions/systems impacted, but restored within 2 days	Negligible commercial impact (< £10K); No external visibility and no critical effect; negligible dependency on supplier

- 5.2 WCC's 2022-23 third party expenditure was £631m (£25K+ suppliers only) with the majority of the spend concentrated in the Platinum and Silver groups, where over 73% of spend falls to only 44 suppliers:

Classification	No. of suppliers	12 Months' Spend	% Share
Platinum	24	£ 382,756,191	60.6%
Silver	20	£ 82,159,458	13.0%
Gold	57	£ 36,150,215	5.7%
Bronze	313	£ 97,539,732	15.4%
Below £100k	582	£ 33,228,047	5.3%
<b>Grand Total</b>	<b>996</b>	<b>£ 631,833,643</b>	<b>100%</b>

#### Results from survey of Platinum & Silver Supplier Contract Managers

- 5.3 We reviewed the performance and outlook of the 44 Platinum and Silver suppliers, via their Contract Managers, through four quarterly surveys covering 2022/23. The contract managers were asked to rate their suppliers on the quality of their performance. 96% of suppliers are performing well or satisfactorily, and generally meeting standards. While there may be operational issues in some cases, these are managed and resolved through regular dialogue with suppliers.

Directorate (as of 2022/23)	Good - meets or exceeds requirements	Satisfactory - generally meets but some minor issues	Poor - falling short of requirements though not critically	Unsatisfactory - often falling short of requirements sometimes critically	Grand Total
Adults Services	22	34	3		59
ECM	15	5	0		20
Finance & Resources	16	20	1	1	19
GPH	30	21	2		53
<b>Grand Total</b>	<b>83</b>	<b>80</b>	<b>6</b>	<b>1</b>	<b>170</b>
<b>%</b>	<b>48.8%</b>	<b>47.1%</b>	<b>3.5%</b>	<b>0.6%</b>	<b>100%</b>

- 5.4 Within the responses provided across the quarterly surveys, four of the council's top suppliers were rated as Poor or Unsatisfactory in their day-to-day operational performance. Information on each of these is given in Appendix 1 (restricted document). One of the themes for suppliers falling short of requirements relates to changes in supplier staff (e.g. managers) or staff shortages within the specific sectors; more information is provided below. Although contractual issues do vary, the matters are addressed by the contract manager, directly in most instances. Resolutions have been found via corrective action planning and escalation both within the Council and the supplier.
- 5.5 During discussions at the Council's Performance Board, there was an interest in discovering whether there were potential staff retention and recruitment issues within the workforce of our Platinum suppliers. Procurement supported the Board by sending a brief survey to the key contract managers. The results

of the survey highlighted that there are some issues within staff recruitment which may start to impact on the service provision. We are investigating this further with relevant contract managers.

- 5.6 Contract managers were asked to state how they viewed their suppliers' performance during the quarter four of 2022/23. Of the 44 suppliers surveyed, Contract Managers rated 5 as 'Improving' their current delivery during the next quarter. 3 suppliers (also rated as currently poor) may be at risk of deteriorating services. There are active steps in place to manage their performance, with escalation routes and review meetings taking place regularly. The other suppliers are rated as stable in their outlook.

### Risk Management

- 5.7 Through the Risk Governance Forum, we maintained a regular review of any issues that might affect suppliers. Primarily we focused on risk of financial insolvency using tools such as CreditSafe, and our own monitoring tools. During 2022-23, only a handful of suppliers were flagged to be at potential risk, mainly due to them not reporting their annual statements to Companies House on time. Whenever a supplier we use is flagged as a risk we contact the contract manager to further understand and mitigate the risk.
- 5.8 Our Platinum suppliers, through enhanced checks, have been shown to be stable over the last year. The suppliers that have been flagged as at financial risk are with smaller contracts, with the impact of inflation a factor. Finance have supported contract managers with inflation requests, particularly for contracts that do have inflation clause built in. The Risk Governance Forum will continue to meet six-weekly with Procurement and Finance working together to provide information for contract managers about their suppliers that may be at risk.

### Responsible Procurement

- 5.9 As part of the Responsible Procurement & Commissioning Strategy launch in April, targeted engagement sessions were held for existing contractors on the council's new Supplier Charter and Ethical Procurement Policy. This included training sessions on more complex requirements related to modern slavery due diligence within supply chains, and methods of carbon baselining, reporting and reduction. Following the launch, 12 key suppliers, which between them constitute 40% of current spend, have voluntarily signed up to these commitments, which now form part of all new procurement exercises. This gives us a useful framework to increase collaboration and continuous improvement with our strategic partners on all elements of contract management, but especially responsible business practices.
- 5.10 GPH Economy & Skills' Social Value team have established relationships with strategic contractors to facilitate the delivery of social value offered during tendering exercises. The Responsible Procurement function fed into the recently published Fairer Economy Plan and the council's first [Social Value](#)

[Year End Report \(22/23\)](#), which demonstrated the depth and breadth of impact our contractors make within our communities.

- 5.11 Our teams work side by side to tailor our social value approach according to sector, skills and capacity. Together we leverage, help deliver and track skilled volunteering, sponsorship, donations, employment and training opportunities and spend with local SMEs by our strategic contractors. Our teams have worked closely to launch a Social Value Consultation Panel to engage resident-facing colleagues across the council and ensure that interests of all residents are met. We have jointly presented progress on various Economy & Employment workstreams of the Future of Westminster Commission.
- 5.12 Modern Slavery: The council's second [Modern Slavery Statement \(22/23\)](#) was published on 3 July this year, describing the significant progress made by the team to date and setting out a refreshed action plan for 23/24. Extensive work has been undertaken with contract managers responsible for those contracts at highest risk of modern slavery and exploitation (MS&E) in the supply chain. A total of 34 contract managers were engaged with, which represents 98% by spend of our high-risk contracts. It included an initial MS&E risk assessment of each contract, detailed evaluation of our contractors' current approaches to due diligence, and a tailored guide for each contractor setting out areas for improvement and evidence of progress required.
- 5.13 This year, we are increasing the contact time with our suppliers, both to communicate requirements and objectives, but also to ensure we are listening to their feedback on the barriers they face. A series of 'deep dive' meetings are being set up with key strategic contractors to run through their approach to responsible business, address existing contractual commitments, and encourage them to improve their performance on areas such as environmental sustainability, workers pay and conditions, dealings with sub-contractors, offering employment opportunities, and delivering community benefit.

## **6. Key actions and next steps**

- 6.1 The following actions will take place in the final two quarters of 2023/24:
- Launch of the Contract Management Framework in October 2023
  - Follow-up with individual teams/departments to promote new the framework and support offered
  - Significantly increased take-up of the recently refreshed 'Introduction to Contract Management' eLearning.
  - Programme of face-to-face and hybrid training for teams across the council
  - Recruit a second Contract Management lead to lead training and provide time-limited support for contract managers of poorly performing contracts
  - Enhance resident feedback about how services are performing for them
  - Pilot new KPI contract management reporting for full roll out by April 2024.

## 7. Financial Implications

7.1 There are no financial implications associated to this report (*Kim Wreford, 14<sup>th</sup> August 2023*).

## 8. Legal Implications

8.1 The legal implications are set out within the body of the report. (*Kar-Yee Chan, 9<sup>th</sup> August 2023*).

## 9. Carbon Impact

9.1 The top ten suppliers we are working with have now disclosed their direct carbon emissions associated with our contracts. We are determining appropriate annual reductions targets for all similar upcoming contracts and running projects which will help us reduce operational and embodied carbon. We are aiming to learn from this collaborative work and roll out effective approaches across other contracts from similar sectors.

## 10. Equalities Impact

N/A

## 11. Consultation

N/A

**If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:**

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## Appendices - Confidential

- Appendix 1: Details of contracts rated unsatisfactory in performance (separate document)



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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