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City of Westminster

Committee Agenda

Title:	**Audit and Performance Committee**
Meeting Date:	**Tuesday 28th November, 2023**
Time:	**6.30 pm**
Venue:	**Rooms 18.06-08, 18th Floor, 64 Victoria Street, London, SW1E 6QP**
Members:	**Councillors:** Aziz Toki (Chair) Paul Fisher Jessica Toale Alan Mendoza

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
Corporate Website: 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)

7. Q2 YEAR END PERFORMANCE REPORT **(Pages 157 - 180)**

To monitor the quarterly performance results.

Stuart Love
Chief Executive
20 November 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 **Tuesday 24th October, 2023**, 18.01-03, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Barbara Arzymanow, Paul Fisher, Iman Less, and Aziz Toki (Chair).

Independent Person Present: Mark Maidment.

Also Present: Jake Bacchus (Director of Finance), David Bello (Biborough Mental Health Head of Service), Zoe Evans (Complaints and Customer Manager), Ian Heggs (BiBorough Director of Education), Andy Hyatt (Tri-Borough Head of Fraud), Moira Mackie (Head of Internal Audit), Clare O'Keefe (Lead Policy and Scrutiny Advisor), Patrick Rowe (SFM Treasury and Pensions), Visva Sathasivam (BiBorough Director of Social Care), Sam Sheppard (Finance Graduate Trainee), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Sarah Warman (Strategic Director of Housing and Commercial Partnerships).

1 MEMBERSHIP

1.1 The Committee noted that Councillor Alan Mendoza sent apologies and Councillor Barbara Arzymanow was present as substitute.

1.2 The Committee noted that Councillor Jessica Toale sent apologies and Councillor Iman Less was present as substitute.

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 6 September 2023.

RESOLVED:

3.2 That the minutes of the meeting held on 6 September 2023 be signed by the Chair as a correct record of proceedings.

4 MATTERS ARISING AND WORK PROGRAMME 2023/24

4.1 The Committee noted that Grant Thornton, the Council's external auditors, have not been able to meet the deadline for the extraordinary meeting which had been arranged for 2 November 2023 to receive the Audited Accounts and Final Statement of Accounts. The Committee expressed disappointment at another delay by Grant Thornton, despite the assurances they gave to the Committee in July and the excellent progress showed in the weekly meetings Council officers had with them. The Committee was reassured to note that Council officers are working hard to resolve this.

4.2 The Committee was reminded that, in accordance with paragraph 19 in the Terms of Reference, the Committee can refer issues to Policy and Scrutiny for more investigation if it feels there are matters of significant interest, risk or pressure that scrutiny could look at in more depth.

ACTIONS:

4.3 That the extraordinary meeting scheduled for 2 November 2023 for the Audited Accounts and Final Statement of Accounts will be cancelled and the item added to the existing meeting on 28 November 2023.

4.4 That the Chair of the Audit and Performance Committee, on behalf of the Committee will write a letter to Grant Thornton.

5 ANNUAL COMPLAINTS REPORT

5.1 The Committee received a brief overview from Zoe Evans (Complaints and Customer Manager) of the Annual Complaints Review for the 2022/23 year.

5.2 The Committee queried the recommendations made by the Local Government and Social Care Ombudsman (LGSCO) and how they had been formed. The Committee understood that the LGSCO covers all Council services apart from housing management complaints. The Committee was disappointed to note that it took seven months to complete service improvement recommendations for one case and another took six months. The Committee did note however that these cases were due to new Council policy needing to be created and officers are doing what they can to prioritise the implementation of recommendations.

5.3 The Committee asked for clarity around the Housing Service managing their own Stage 2 complaints when other departments do not and whether it is best practice for teams to investigate Stage 2 complaints made against their own service. The Committee understood that housing management complaints account for a large volume of the corporate complaints and that a bespoke team had been established within the Housing Service to address this. The team do have a line into the Corporate Complaints team to ensure that the complaints received are adequately managed.

5.4 The Committee acknowledged the Housing Service's drive to apply rigour to complaints and resident satisfaction; this includes embedding learning, ensuring timely responses and driving improvement across the Service. The Committee noted that the Housing Improvement Plan was initiated in March 2023 which comprises of different work streams examining every part of the Service, reflecting on resident and staff experiences, responding to the changing national and local landscape and a dedicated officer was recruited to oversee this work. The Committee also discussed the housing complaints figures, acknowledged that the recent spike has coincided with the Compensation Policy consultation and understood that whilst in the national context the Council is not an outlier but it is also not where it would like to be.

5.5 The Committee asked whether there was a strategy in place to address performance in responding to Stage 1 complaints. The Committee was informed that performance is currently at 65 percent and the Corporate Complaints team are investigating services where performance is low, including Public Protection and Licensing, Highways, Planning and Housing Services. The Committee was pleased to note that whilst services are encouraged to take ownership of complaints and their response performance, the Corporate Complaints team do provide tools and support to help services improve. The Committee noted that the Corporate Complaints team is adequately resourced.

5.6 The Committee noted that Waste Service and Council Tax complaints have both increased by 35 percent, and, whilst this is attributed to the post-pandemic recovery process, queried the difference in levels before the pandemic. The Committee also questioned the nature of the waste complaints, as well as outcomes and causes of complaints generally across the Council's directorates.

5.7 The Committee queried the timeliness of the Adult Social Care Customer Engagement team responding to complaints (64 percent) and the controls being put in place to address this. The Committee was informed that the 20-day (as opposed to the 10-day) deadline performance is much higher. The Committee recognised that some complaints are extremely complex in nature and require coordination with other partners. The Committee noted the aim of the Adult Social Care Customer Engagement team to increase performance to 80 percent by working with service heads and service users to do this but noted that this is ambitious considering the complexity of cases.

5.8 The Committee held a detailed discussion on addressing allegations of maladministration. The Committee noted that a consultation on a damp and mould policy is due to be launched which will also help raise awareness that residents should contact the Council with issues as early as possible. In terms of allegations of maladministration generally, the Committee understood that legacy cases are still due to be coming through as a result of the Ombudsman's backlog in caseload. The Committee noted that there are now five cases for this current year, which all date back to previous years. The Committee suggested that the relevant teams work with the Communications team to ensure that residents know action is being undertaken.

5.9 The Committee understood that repairs account for around 65 percent of complaints and is a particular area of focus for scaled improvement, especially as most Ombudsman report cases relate to repairs. The Committee noted the

Housing Service is committed to reconnecting with residents and has started this work by keeping them informed, putting residents at the centre and considering their lived experiences and will continue on its journey to developing more resident focused engagement work in the coming months. The Committee also noted that the key message for the Repairs team is getting things done right in the first place, and where this doesn't happen then prompt resolutions, listening and embedding learning in day-to-day work should be practiced.

5.10 The Committee stated that it welcomed the refreshed view the Housing Service provides towards responding to complaints: getting it right in the first place is crucial. The Committee noted that the sophistication of analysis of the complaints data should perhaps be improved, especially in regard to the 10-working days deadline, and consideration should be given to extending the 10-working days to curtail escalation and this could be reported separately.

5.11 The Committee also stated that the results from the LGSCO should be shared with the relevant Policy and Scrutiny Committee as an opportunity for greater scrutiny.

RESOLVED:

5.12 That the Committee reviewed and noted the information about complaints set out in the Annual Complaint Review 2022/2), the Local Government and Social Care Ombudsman Annual Letter/Review, and the draft Housing Ombudsman Landlord Performance Report for 2022/23.

ACTIONS:

5.13 That the Committee will receive information relating to the Waste Service and Council Tax complaints which have both increased by 35 percent, and the levels of both of these areas before the pandemic.

5.14 That the Committee will receive information relating to the nature of the complaints received by the Waste Service.

5.15 That increasing the sophistication of the complaints data analysis should be considered to reflect the nuance and complexities of the 10-working day deadline.

5.16 That the results from the LGSCO will be shared with the relevant Policy and Scrutiny Committee as an opportunity for greater scrutiny.

6 TREASURY MANAGEMENT STRATEGY OUTTURN 2022/2023

7 TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW

7.1 The Committee agreed to take both the Treasury Management Strategy Outturn 2022/2023 and the Treasury Management Strategy Mid-Year Review items together.

7.2 The Committee received a summary from Phil Triggs (Tri-Borough Director of Treasury and Pensions) on the Treasury Management Strategy Outturn 2022/2023 and the Treasury Management Strategy Mid-Year Review. The Committee noted the backdrop of significant global events occurring over the 18-month period of which the two reports cover.

7.3 The Committee noted that the 2022/2023 Treasury Management Strategy Outturn has seen significant increases in income to the Council from various avenues, including new external loans feeding into the treasury process. The Committee understood that the Council started the year with £454m cash and ended with £837.8m and noted the breakdown of the investment of these funds. The Committee was pleased to note the additional due diligence applied before agreeing loans to other UK local authorities considering the number of Section 114 notices submitted across the country.

7.4 The Committee was informed that the total investment income, which started with a low budget of £2m in 2022/23, and the outturn for the year which was just over £28m and which is mainly attributed to the significant increase in interest rates over this time period. The Committee noted the total borrowing position which had moved to just over £400m and the first notice received from a counterparty of Lender Option Borrower Option (LOBO) loans, which will reduce the overall level of LOBO exposure. The Committee also understood that the some of the forward interest rate loans agreed in 2019 have now been paid into the Council's funds.

7.5 The Committee noted that treasury management activity, including capital expenditure and borrowing, are all compliant with the Council's approved treasury management practices and Prudential Indicators.

7.6 The Committee was informed that the 2023/2024 Treasury Management Strategy Mid-Year Review covers the first six months of the current financial year 2023/24. The Committee noted that the Council started with a cash level of £837.8m, which has risen subsequently to over £1bn. The Committee understood that the rise in interest rates has contributed to a significant increase in investment income compared with the prudent forecast given for the whole year 23/24 and the current, significant yields on the investment balances.

7.7 The Committee noted the total amounts for external borrowing have been received which has moved the total amount of borrowing at present to just under £600m. The Committee noted the position of UK interest rates and that the Council's treasury management practices are compliant.

7.8 The Committee questioned the Council's position if interest rates change significantly during the term of its loans and was informed that all the loans have interest rates that are fixed and both the lender and borrower are bound by the terms.

7.9 The Committee queried the frequency of scenario planning and stress testing by the Treasury Management team and whether control systems have been updated after recent significant global events. The Committee understood that the Treasury team monitors cash flow carefully and cash planning takes into consideration the optimum times to borrow, when loans need to be repaid to external parties. Interest yields are also closely monitored.

7.10 The Committee recognised that, while there have been no local authorities who have defaulted on their debts at present, the number of local authorities across the country issuing Section 114 notices is growing, with more expected in the future. The Committee was pleased to note that the Treasury Management team undertakes careful due diligence to provide assurance of the security of the investments undertaken and the Council's overall financial position.

7.11 The Committee stated that the performance in investments is expected to be at least £18.668m above budget for the financial year 2023/24 and queried the hidden risks which may arise and affect this in the latter part of the year. The Committee was informed that the high interest rate level is advantageous to the Council, which would continue to be beneficial if it both remains the same or continues to rise. The Committee also queried the nature of investments and noted that they are with a range of counterparties over various time periods.

7.12 The Committee held a detailed discussion on the Council's forward borrowing transactions and noted that the treasury management position is reviewed alongside the capital strategy and borrowing capacity. The Committee understood that, with regard to the Council's capital strategy, officers are applying more discipline around new proposals to ensure that the capital finance position plateaus in around ten years' time. The Committee noted the Council recognises that there will be a large finance repayment due but this is in response to basic local authority expenditure such as regeneration schemes and there are significant cash balances to help with a sustainable capital programme.

7.13 The Committee queried the Council's forward cash flow position, levels and impact on budget assumptions. The Committee was pleased to note the confidence officers have in the models for cash flow forecasting as well as the drivers of future cash balances going forward and knowing the areas for improvement. The Committee also noted the factors contributing to the increases in the Council's cash balances as well as the average periods to redemption in the long term borrowing portfolio.

7.14 The Committee was given assurance on the due diligence carried out before investing in UK banks with the Council investing in only top-rated, secure banks. The Committee also understood the minimal risks posed by the overseas banks the Council invests with in comparison to UK banks.

RESOLVED:

7.15 That the Committee noted the annual treasury management final outturn 2022/23; and

7.16 That the Committee noted the annual treasury mid-year review 2023/24.

ACTIONS:

7.17 That the Committee will receive pension fund information in the Audited Accounts and Final Statement of Accounts at its next meeting on 28 November 2023.

8 INTERNAL AUDIT PROGRESS REPORT

8.1 The Committee received a brief overview from Moira Mackie (Head of Internal Audit) of the content of the Internal Audit Progress report. The Committee noted that it is a brief report due to the early stage of the year and the significant amount of work still to be undertaken. The Committee understood that there have been three audits completed, one of which was a request from the Housing Service and not on the original audit plan. The Committee received an update on those audits in progress.

8.2 The Committee commented that there are many audits in progress and whether the Audit team have enough resource in place to ensure it can carry out the work it has planned to. The Committee was pleased to note that the Audit team has recently increased in size, and also has access to external resources, such as qualified staff from external organisations. The Committee was informed that the Audit team benefits from good cooperation across teams across the Council.

8.3 The Committee queried the input to recommendations, how they are developed, and the Audit team's satisfaction that they are best practice. The Committee was informed that areas of weakness, such as controls, are identified by the Audit team who then work with teams to improve specific processes and controls. The Committee noted that the scope and areas to focus on are agreed with the services when audits are planned, and services may identify areas for review where there are known weaknesses and gaps.

8.4 The Committee held a detailed discussion on the audit carried out on the Millbank Estate Management Organisation (MEMO). The Committee noted that the Audit team are flexible with their planning which is why they were able to add this audit into the planned programme of work: the Housing Service requested that the Audit team investigate the processes of the organisation to see if it was viable for the Council to step in and help them at a difficult time. There is a similar case with Torridon Estate Management Organisation and assurances which need to be provided. The Committee queried if the recommendations for the MEMO went far enough and understood that the opinion will not change, and the service is working through the recommendations. The Committee noted that the resource requirement to investigate EMOs is significant but the key point is to look from the Council's perspective and provide assurance to the Council.

8.5 The Committee understood that the details given on the completed Registrar Service audit were deliberately laid out in vague terms in the report due to sensitivities and was informed that a plan has been put in place for the implementation of the recommendations.

8.6 The Committee queried the schools listed in the planned audit programme and noted that there is a five-year cycle of audits at schools, which can be shorter if there is an issue with the school.

RESOLVED:

8.7 That the Committee considered the results of the internal audit work carried out during the period.

9 MID-YEAR COUNTER FRAUD REPORT

9.1 The Committee received a summary from Andy Hyatt (Tri-Borough Head of Fraud) on the mid-year report on counter fraud activity across the Council. The Committee noted the inclusion of the Regulation of Investigatory Powers Act 2000 (RIPA) and details of the law. The Committee was pleased to receive the results of a recent inspection which praised the Council for its comprehensive and relevant policies, well laid out guidance, well managed training programme and concluded that the Council is in a strong compliance position. The Committee understood that whilst RIPA isn't used often by the Council as it is a last resort, it is good and useful feedback to receive as it gives the Council confidence and assurances that it has the right processes in place to be compliant.

9.2 The Committee noted that positive outcomes of tenancy fraud in this half year have increased from 12 to 21 and the notional value has more than doubled compared to last year and queried what could be attributed to this, and whether similar results would be seen through the rest of the year. The Committee was informed that the Counter Fraud team have received a number of good quality referrals from colleagues in the Housing Service, who have been out in the communities and engaging with residents; increased quality of referrals leads to better outputs. The Committee was pleased to note that the Counter Fraud team are hoping to surpass the yearly target especially in terms of investigative actions resulting in the return of keys and vacant possession where the Council can obtain control without legal action and ensure properties are promptly reallocated. The Committee acknowledged that the team are facing county court backlogs in caseloads, especially when considering repossession and this is lengthy and costly.

9.3 The Committee held a detailed discussion on high and low risk fraud where high risk fraud activity has dropped in terms of fraud proved, and low risk has increased. The Committee understood that a national fraud initiative has helped with the low risk increases in proven fraud cases as data matching across different systems has helped to update the Council's records, and trends in the low risk fraud space are likely due to internal and regular data matching exercises which work well for that type of fraud. The Committee was informed that a business case for obtaining more resource to engage in data matching has been agreed.

9.4 The Committee noted that data matching is less effective when identifying instances of high risk fraud and the service is more reliant on tipoffs rather than proactive work. The Committee stated the benefits of being proactive rather than reactive and understood that in terms of the high risk fraud additional assurance can be gained via the Council's membership of the London Fraud Hub where services can use the Hub to check applications when they come in, and the Council is looking to embed this in various processes across the organisation.

9.5 The Committee raised the significant issue of short-term lets, especially AirBnb, and fraud in relation to this. The Committee noted that the Council has a dedicated short-term let team relating to private properties and the Counter Fraud team look at short-term lets in terms of social housing. The Committee was disappointed to learn that proving short-term let fraud in social housing is difficult and resource-intensive, and organisations like AirBnb can be challenging to work with to obtain data but understood that it is a significant concern the Counter Fraud team. The Committee noted that housing legislation needs to be brought up to date as it currently allows too many loopholes.

RESOLVED:

9.6 That the Committee noted and considered the content of the report.

The meeting ended at 20:25.

CHAIR: ______________________ **DATE** ___________________

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City of Westminster

Audit and Performance Committee Report

Date:	28 November 2023
Classification:	General Release
Title:	**2023/2024 Work Programme**
Report of:	Head of Governance and Councillor Liaison
Wards Involved:	N/A
Report Author and Contact Details:	**Clare O'Keefe** **cokeefe@westminster.gov.uk**

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 27 February 2024.

2. Recommendations

It is recommended that the Committee:

2.1 Agree the agenda items for its next meeting on 27 February 2024, 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:

- 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

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

Work Programme 2023/24 – Audit and Performance Committee

ROUND 6 27 February 2024		
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
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)
Internal Audit Plan 2024/25	To review and comment on the draft audit plan for 2024/25.	David Hughes Moira 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)

ROUND 7 16 April 2024 – TBC		
Agenda item	**Purpose**	**Officer**

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

	24 July 2023	
Agenda Item	Action	Status/Follow Up
Item 5 Year End Performance Report	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
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.	Complete
	That the Committee will receive definitions of 'major', 'minor' and 'other' in respect of planning applications and a breakdown of these.	Complete
	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.	Complete
	That the Committee will receive detail on income shortfalls from a number of income streams including Massage, Street Trading, Advice Giving and Inspection Services.	Complete
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

	6 September 2023	
Agenda Item	Action	Status/Follow Up
Item 4 Matters Arising and Work Programme	That the Lead Policy and Scrutiny Advisor will liaise with officers regarding the calendar of meetings for 2024/25 to ensure the meetings are effective.	Complete
	That the Committee will receive an update the Mental Health Reablement Service.	Complete
Item 5 22/23 Year End Performance Report	That the Committee will receive information on the range of offences committed by the young people known to the Youth Offending Team.	Complete
	That the Committee will receive information on how many, if any, of the young people known to the Youth Offending Team were involved in the "Oxford Circus JD robbery" incident in August 2023.	Complete

	That the Committee will be kept updated on the review into the Council's Risk Management Strategy at relevant stages.	Officers agreed to consider this at the meeting and will be followed up at a later stage.
	That the risks presented in future Performance Reports will be proportionate and that the Risk Management Strategy review will also consider this.	Officers agreed to consider this at the meeting and will be followed up at a later stage.
	That the Committee will receive a breakdown of the demographic of Night Stars volunteers.	Complete
	That the outcome of the High Streets Programme consultation will be shared with the Committee when appropriate.	In progress
Item 6 Year End Finance Report	That officers will consider a target percentage for variance and slippage on Capital programmes.	Officers agreed to consider this at the meeting and will be followed up at a later stage.
Item 10 Contract and Supplier Performance Report	That officers will consider taking the information relating to Clause 52 of the Procurement Bill (the KPIs for each contract over £5m) to Audit and Performance when appropriate.	Officers agreed to consider this at the meeting and will be followed up at a later stage.

	24 October 2023	
Agenda Item	Action	Status/Follow Up
Item 4 Matters Arising and Work Programme	That the extraordinary meeting scheduled for 2 November 2023 for the Audited Accounts and Final Statement of Accounts will be cancelled and the item added to the existing meeting on 28 November 2023.	Complete
	That the Chair of the Audit and Performance Committee, on behalf of the Committee will write a letter to Grant Thornton.	Complete
Item 5 Annual Complaints Report	That the Committee will receive information relating to the Waste Service and Council Tax complaints which have both increased by 35 percent, and the levels of both of these areas before the pandemic.	Complete
	That the Committee will receive information relating to the nature of the complaints received by the Waste Service.	Complete
	That increasing the sophistication of the complaints data analysis should be considered to reflect the	Officers agreed to consider this at the meeting.

	nuance and complexities of the 10-working day deadline.	
	That the results from the LGSCO will be shared with the relevant Policy and Scrutiny Committee as an opportunity for greater scrutiny.	This was agreed at the meeting and will be followed up at a later stage.
Item 6/7 Treasury Management Strategy	That the Committee will receive pension fund information in the Audited Accounts and Final Statement of Accounts at its next meeting on 28 November 2023.	Officers agreed this at the meeting.

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City of Westminster

Audit and Performance Committee Report

Date:	28 November 2023
Classification:	General Release
Title:	2022/23 Annual Accounts
Wards Affected:	All
Fairer Westminster Summary	The accounts detail the Council's financial performance for 2022/23. Included in audited accounts is the Narrative Report and Annual Governance Statement.
Financial Summary:	This report presents the external auditor's Audit Findings Reports for both the main accounts and the pension fund
Report of:	Gerald Almeroth, Executive Director – Finance & Resources

1. Executive Summary

1.1 The Audit and Performance Committee reviewed the draft statement of accounts at its meeting on 24 July 2023. Since then, the Council's external auditors Grant Thornton have undertaken their audit of both the Council's accounts and Pension Fund. At the 24 July Audit Committee and subsequent correspondence with committee members, Grant Thornton committed to produce their audit report on the accounts at November's committee.

1.2 At the time of publishing this covering report, Grant Thornton still has some review items outstanding that they expect to close off by 28 November committee date. This report provides an overview of the work completed and the expected final position by 28 November.

1.3 The Council had a public inspection period of the accounts from 19 June to 28 July 2023. There were no objections raised during this inspection period.

1.4 The Audit Findings Reports set out the changes made to the accounts since the draft set of accounts were published in July 2023.

1.5 The changes to both sets of accounts are outlined as follows:

- Appendix 1 – main accounts: appendix D: Audit Adjustments
- Appendix 2 – pension fund: B: Audit Adjustments

2. Recommendations

2.1 That Audit and Performance Committee notes the expected unmodified (i.e., unqualified) opinion of both the Council's accounts and pension fund report.

2.2 That Audit and Performance Committee considers the findings outlined in Grant Thornton's Audit Findings Reports (AFR) of both the Council's Statement of Accounts and Pension Fund report (Appendices 1 and 2, respectively).

2.3 That Audit and Performance Committee approves the adjustments outlined in both AFRs that will be reflected in the final audited sets of 2022/23 accounts.

2.4 That Audit and Performance Committee delegates any residual matters relating to the audit of the accounts and Pension Fund report to the Section 151 Officer.

3. Background

3.1 The Accounts and Audit (Amendment) Regulations 2021 state that the draft accounts must be published by 31 July 2023, with Council's accounts sign-off by external audit by 30 September 2023. The September deadline was brought forward from the 30 November deadline for the 2021/22 accounts by central government in line with the normal deadlines prior to the pandemic.

3.2 Westminster City Council has a record of meeting these audit deadlines with an unqualified opinion. However, as is reflected across England, Westminster has suffered from the significant delays in the completion of audit work which has led to an audit opinion that has been issued after 30 September deadline.

3.3 As at 16 November, only seven out of 228 English authorities that had published their draft accounts have had them finalised. A further 79 authorities have still to publish their draft 2022/23 accounts.

3.4 In July, the Department for Levelling Up, Housing and Communities (DLUHC) announced a range of proposals to address the backlog of local audits in England. These included setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term. While Westminster isn't expecting to be directly impacted by these measures (by way of not experiencing a backlog presently), the Council should get the benefit of a clearer planning and resourcing timetable in future (by way of comparison, only 35% of 2021/22 accounts have been finalised to date).

3.5 Lee Rowley MP, the local government minister at the time, outlined the proposals in a letter, which stated that subject to the conclusion of appropriate details, the proposals will be implemented by the end of this year. Lee Rowley was replaced last week by Simon Hoare MP, although the sector expects the proposals developed to still be taken forward.

3.6 The AFRs are submitted here with "unmodified" opinions, which is the first stage of the certification process. The term unmodified is the equivalent of unqualified and can be read as a set of accounts that are a true and fair assessment of the Council's finances.

3.7 Grant Thornton's Value for Money (VfM) work is still ongoing but will not detract of the sign-off of the accounts. The VfM report for 2021/22 and 2022/23 are being performed concurrently and will be presented to this committee in February. Westminster does not need to perform a Whole of Government (WGA) return as it is below the National Audit Office's materiality threshold. The final certification will be issued at the completion of the VfM work.

3.8 The draft accounts and outturn position for 2022/23 were presented to the Committee on 24 July 2023. The audit process is intended to ensure that there are no material misstatements in the accounts and the audit is directed towards forming and expressing an opinion about the financial statements that they provide a true and fair view. An additional check (called a "hot review") has been undertaken for 2022/23 which added another layer of assurance on the quality of the accounts although this has led to some delays to finalise the opinion.

3.9 A set of audited accounts is an important assurance for the public in that the financial affairs of the Council are being managed appropriately. Similarly other bodies such as private finance lenders to the Council use audited sets of accounts as a way of gaining an independent view to support their risk rating assumptions. The audit of the accounts has not led to any changes to the outturn as presented in July. Any changes outlined in the AFRs have been accounting or classification issues. The key changes are outlined in the sections below:

Main Accounts (AFR Appendix 1)

3.10 During the audit process some adjustments have been made to the statement of accounts and these are outlined in the Audit Findings Report

(AFR) Appendix 1: D Audit Adjustments. These adjustments have had no impact on the bottom line and impact classification on the balance sheet (i.e. statement of financial position). The key findings are:

- A movement of £4.5m from cash to debtors relating to a Corporate Property contract

- Incorrect elimination of the inter-company balances.
  Group Balance sheet Debtors and Creditor. This impacted the Group statements and not the Council's accounts.

- Incorrect classification of the Inventory held by Westminster Community Homes (WCH) and the resultant, incorrect adjustment of the accounting policy. The Council has always (and believes rightly) accounted for WCH assets as inventory as this stock is being held to pass to Westminster. However, GT's audit team believes that it should be accounted as dwellings and have documented it as such.

3.11 Appendix 1: D of the AFR (page 34 - 39), has noted some more minor classification or disclosure changes to be made to the final audited statements. These are higher than usual due to this year's additional "hot review". All recommendations from last year's accounts have been addressed.

3.12 At the time of writing, there remains a final audit review point regarding the amortisation of a pension upfront payment that the Council was audited on in 2018/19. In that financial year, the Council gained legal advice on its ability to make an £80m upfront payment to clear its pension deficit. This was approved legally and, after numerous review points with the Audit Partner at the time, the audit signed-off, both in regard to the legality of the payment and for the amortisation 13-year period. It was – and remains to be – an important value for money transaction that has reduced the Council's pension liabilities. The "hot review" for 2022/23 has reopened this treatment, despite Grant Thornton approving it at the time. The Council continues to be proactive in its approach to resolve this issue ahead of 28 November Committee.

Pension Fund report (AFR Appendix 2)

3.13 The Pension Fund AFR is outlined in Appendix 2: Audit Findings Report (Pensions) 2021/22. As part of the 2022/23 audit process, the external auditors undertook additional testing to gain assurance that the Pension Fund accounts reflected a true and fair view of the financial transactions of the Fund during the year. Testing was undertaken specifically around the Pension Fund's internal controls, testing on material account balances, as well as high risk items such as fraud risk, management override of controls and level 3 investments.

3.14 Audit adjustments are outlined in Appendix 1: B of the Pension Fund AFR (Page 22-24). There were no material adjustments required while there are some items unadjusted as they were below GT's materiality threshold.

4. Objections

4.1 The auditors have not received any objections in relation to the 2022/23 statement of accounts.

5. Conclusion

5.1 Grant Thornton are expecting to issue unqualified/unmodified opinions on both the main accounts and pension fund, subject to completion of final review points noted in both AFRs.

5.2 Final certification will be given once the Value for Money assessment is finalised. The accounts themselves can be formally approved at the 28 November 2023 Audit and Performance Committee.

5.3 The audited accounts provide further assurance of the Council's strong financial position and that its resources provide resilience against the uncertainty of the current financial landscape and gives some medium-term protection against any changes in core funding arising from future local government settlements. Reclassification of earmarked reserves fall under s151 officer delegated responsibilities and reflect the Council's resource requirements to fund the capital programme and manage risk.

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

BACKGROUND PAPERS:

Appendix 1: Audit Findings Report (Council) 2022/23

Appendix 2: Audit Findings Report (Pensions) 2022/23

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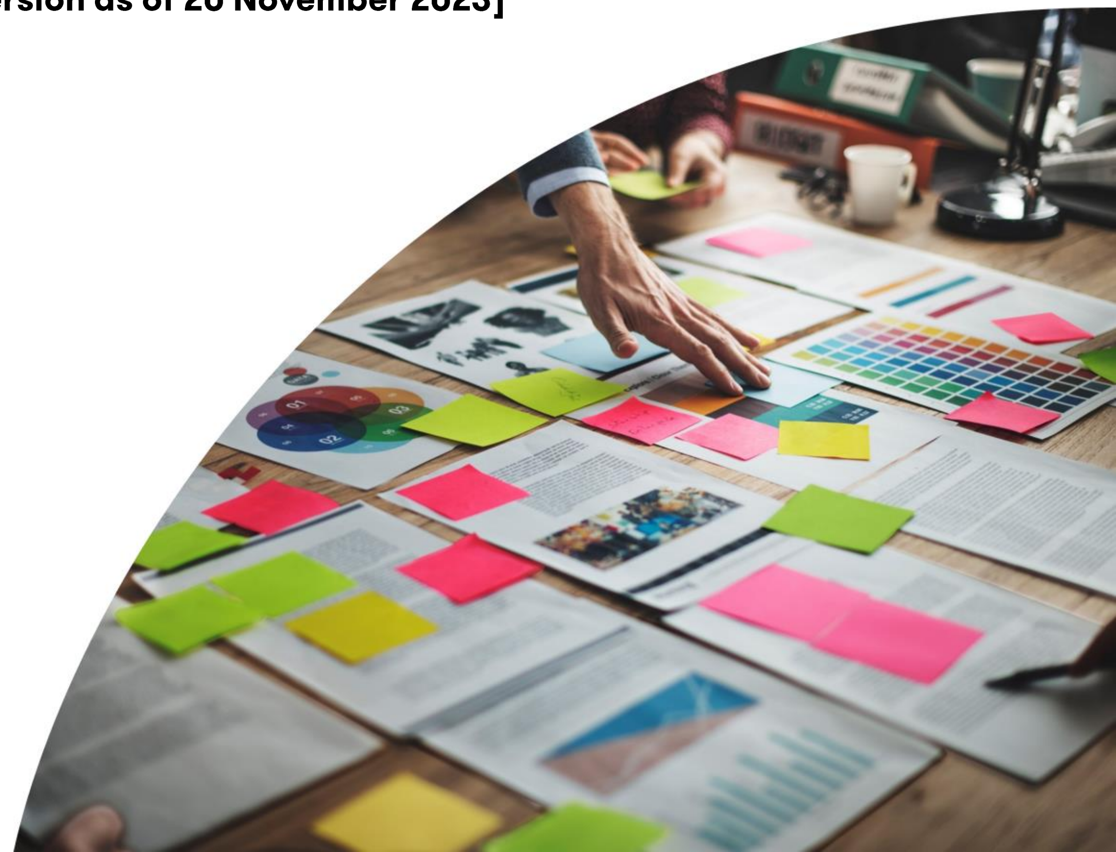
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
This draft has been created from the template dated DD MMM YYYY

The Audit Findings for Westminster City Council

Year ended 31 March 2023

For Audit and Performance Committee 28 November 2023 [version as of 20 November 2023]



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Performance Committee.

Name: Joanne Brown
For Grant Thornton UK LLP
Date: 28th November 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Westminster City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was carried out remotely during July-November 2023. Our findings are summarised on Section 2 of this report as well as Appendix B to E. To date, we have identified one adjustment to the financial statements that remains unadjusted to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our audit work is in progress subject to the following areas of audit testing being finalised;

- collection fund
- other information [review of the Annual Governance Statement and front-end narrative to ensure it ties to the financial statements which we will do in the final version].

In addition to the above items, there are other audit areas that are currently undergoing the audit review process, and additional audit queries may arise as a result. We would like to highlight some of these key areas where the review process is still ongoing:

- Pension Liabilities (amortisation of upfront payments)
- Consolidated [Group] financial statements – Final review.
- Disclosure checklist and confirmation layout and accounting entries are consistent with the CIPFA Code of Practice.

Once matters listed above are finalised, the following concluding procedures will be completed:

- review of the final set of financial statements; and
- receipt of management representation letter (see appendix G)

Management have been provided with a progress tracker detailing the status of the audit testing and review stages conducted to date.

Our anticipated financial statements audit report opinion will be unmodified [SUBJECT TO CONCLUSION OF WORK OUTLINED ABOVE].

Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix H to this report. We expect to issue our Auditor's Annual Report by February 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements . It is important to note that the reporting of the VFM arrangements will be a joint report of the financial years 2021-22 and 2022-23.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our risk assessment procedures regarding the Council's arrangements to secure value for money has not identified any risks of significant weaknesses in arrangements. However, our work is underway and an update on the value for money arrangements will be provided to the Audit and Performance committee when completed.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.
We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in February 2024.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. In undertaking our work, for 2022-23 we were also concluding our work on 2021-22 which did lead to an elongated timeline, compared to what was originally planned. Westminster, as a large London Borough has a degree of complexity, in accounting and the subsequent audit work required, which can lead to delays. In addition, notwithstanding that, we have had a period of absence in the audit team which has required work, to be re-documented, for the purposes of our audit file, for 2021-22.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 1% of local government bodies had received audit opinions in time to publish their 2022/23 accounts by the extended deadline of 30 September and the situation has deteriorated since. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their continued support in working with us on the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. For Westminster City Council, we note that the Council has complied with its prudential indicators for external borrowing in the current year and does not envisage difficulties for the future as per the cabinet report- Treasury Management Strategy Statement for 2022/23 to 2026/27.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Performance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not altered the audit plan communicated to the Audit and Performance Committee in July 2023.

Conclusion

The audit of your financial statements is currently being finalised. We will conclude on the audit opinion, once outstanding queries– as detailed in page 3 of this report are completed. To date, we have not identified any significant matters that could impact our audit opinion. We plan to sign the 2022-23 audit report [opinion] following the Audit and Performance Committee on 28 November 2023 on receipt of the final financial statements, with the adjustments posted.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff to date.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels have been revised due to the actual gross expenditure changing significantly from that anticipated at the planning stage resulting in a review of the appropriateness of the materiality figure.

We set out in this table our determination of materiality for Westminster City Council and group.

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	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	£14,500,000	£14,400,000
Performance materiality	£10,150,000	£10,080,000
Trivial matters	£725,000	£720,000
Materiality for Senior Officer's remuneration	£20,000 (per officer)	

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Presumed risk of fraud in revenue recognition ISA (UK) 240	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In our Audit Plan we reported that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and its subsidiaries, we had determined that the risk of fraud arising from revenue recognition could be rebutted,. Our assessment remains consistent with that reported in our Audit Plan. Although not deemed a significant risk, we have undertaken sufficient audit testing to obtain assurance that revenue disclosed in the financial statements is materially correct.	Group and Council
Risk of fraud related to expenditure recognition PAF Practice Note 10	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered. Having considered the risk factors relevant to Westminster City Council and the nature of the expenditure at the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. Our assessment remains consistent with that reported in our Audit Plan. Notwithstanding our assessment that there isn't a fraud risk, we have tested all material expenditure streams and have not identified fraud in expenditure recognition from our audit testing.	Group and Council
Management override of controls ISA (UK) 240	We have • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.	Group and Council

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£84.4m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the pension fund net liability as a significant risk.	For this significant risk, we: • updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of the City of Westminster Pension Fund and London Pension Fund Authority as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the Fund and the fund assets valuation in the Fund's financial statements. Our audit work on this area is significantly progressed. We are currently reviewing management's assessment of the use of 13 years for the amortisation of upfront payment with our financial reporting specialists. We will update the committee by a verbal update upon reaching a conclusion. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.	Council

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings including Council dwellings	For this significant risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • focused testing on managements impairment assessment, valuations based on historic data and where no inspections have been undertaken. Testing will also focus on any assets that have had a change in use in the year. • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end. We did have difficulty in obtaining supporting evidence used in the valuation calculations, where information was held for a period, and archived. We note, in this instance three of eight requests were delayed due to the need to access archived files. The archived files were subsequently accessed, and testing concluded.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of Investment Properties	For this significant risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • wrote to the valuer to confirm the basis on which the valuations were carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, which will include engaging our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations; • focused our testing on the yield rates used by the valuer; and • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.	Group and Council
Valuation of Collection Fund Appeals Provision	For this significant risk, we: • updated our understanding of the processes and controls put in place by management to ensure that the provision is not materially misstated and evaluate the design of the associated relevant controls, • reviewed management's expert Analyse Local. • challenged management on the key assumptions used in the Appeals Provision. • performed a sensitivity analysis and reviewed other industry benchmarks to determine the provisions reasonableness. • reviewed the accuracy of the data sent to Analyse Local. Our audit work on this area is in progress. There are currently no significant matters to draw to the attention of the Audit and Performance Committee in respect of the identified risk. This conclusion is subject to the completion of the remaining audit work in this area.	Council

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment

Land and Building valuations (GF & HRA)
 	
Valuations for 2022-23:
 	
Draft figures-
GF: £572m
HRA: £98m
 	
Expected final figures-
GF: £572m
HRA: £98m
	The Council has engaged Sanderson Weatherall to complete the valuation of these properties. Each year, approximately 20% of assets are subject to a full, formal valuation process on a five yearly cyclical basis. The other 80% are subject to a formal desktop valuation to ensure that the values are updated in line with market movements using indices in accordance with RICS. A small amount (£69m) of very specialized properties are held at DRC and depreciated each year, these are revalued on the five yearly cyclical basis but aren't indexed each year due to their specialist nature.
	
	Other land and buildings formally revalued in 2022/23 comprised £183m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued in 2022/23 are not specialised in nature and are required to be valued at existing use value (EUV) at year end.
	
	The total year end valuation for those other land and buildings revalued (formally or on a desktop basis) was £670m. Management and their valuer have considered available market data, and considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's land and buildings.
		We have:
		• Undertaken risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used.
		• Confirmed that there have been no changes to the valuation method this year.
		• Considered the source of the inherent risk associated with the accounting estimate.
		• Analysed the method, data and assumptions used by management to derive the accounting estimate and validated the sources of the information used by management. In particular, we have:
		    • reperformed a sample of valuation calculations; and
		    • tested the inputs into a sample of valuations to source documentation, with no issues noted.
		• Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council and considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates.
		• Considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment.
		• Confirmed that disclosure of the estimate in the financial statements is considered adequate.
		• Using market data, we assessed the impact of the valuation of the assets subject to a formal desktop valuation. Our estimation showed that these assets were overstated by £1.9m in total. We also assessed the impact of assets not been formally revalued. We estimated that these assets were £5.6m understated. This gives an overall net impact of £3.7m understatement. After having challenged this, we are satisfied that the difference is not an indication of error.
		
		Based on our assessment, the overall understatement indicates that management has adopted a more conservative approach to valuation of Land and Buildings.
			We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Council dwelling valuations Valuations for 2022-23: Draft: £1,624m Expected final figures: £1,624m	The Council owns 12,174 dwellings (as per the valuer's report) and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. In the draft financial statements, the year-end valuation of Council dwellings was £1,624m, a net decrease of £43m from 2021/22 (£1,667m). The Council's valuer carried out a valuation of all council dwellings as of 31 March 2023.	We have: • Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used. • Considered the source of the inherent risk associated with the accounting estimate. • Analysed the method, data and assumptions used by management to derive the accounting estimate, noting some minor differences in, and omissions from, the valuation approach when compared to the prior year. This differences were immaterial to the financial statements. • Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council, and considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment. • Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. • Confirmed that disclosure of the estimate in the financial statements is considered adequate. Our review of the council dwelling valuation estimate has not identified any significant issues. A presentation misstatement was identified in relation of classification of subsidiary properties, the details are set under Appendix B of this report.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment property valuations Valuation for 2022-23: Draft: £505m Expected final figures: £505m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. The year end valuation of the Council's investment property was £505m, a net increase of £42m from 2021/22 (£463m). Management and their valuer have taken into account available market data at 31 March 2023.	We have: • Deepened our risk assessment procedures including understanding processes and controls around the identification and determination of estimates. This included understanding methods, assumptions and data used. • Confirmed that there have been no changes to the valuation method this year. • Considered the source of the inherent risk associated with the accounting estimate. • Analysed the method, data and assumptions used by management to derive the accounting estimate and validated the sources of the information used by management. At the time of writing this report, this detailed testing is ongoing, but no issues have been identified to date. • Confirmed that we have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council and considered whether there are any indications of management bias in determining the estimate and evaluated whether there is any evidence that contradicts management's assessment. • Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates. In particular we have considered movements in the valuations of individual assets and their consistency with indices provided by our auditor's expert, and focussed our detailed testing on those assets where the movement in valuation was outside of our expectations. • Confirmed that disclosure of the estimate in the financial statements is considered adequate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Page 44

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability

Draft: £84m

Expected final figures: £84m</td>
<td>The Council's net pension liability at 31 March 2023 is £84m (PY £561m) relating to the Westminster City Council Pension Fund and London Pension Fund Authority Local Government Pension Schemes. The Council uses Hymens Robertson and Barnet Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 31 March 2022. Given the significant change in value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £532m net actuarial gain during 2022/23.</td>
<td>
• We have assessed the actuaries, Hymens Robertson, to be competent, capable and objective.
• We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for out comparison of actuarial assumptions
<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.75%</td><td>4.75%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>3.30%</td><td>3.15% - 3.30%</td><td></td></tr>
<tr><td>Salary growth</td><td>4%</td><td>2.95% - 4%</td><td></td></tr>
<tr><td>Life expectancy – Males currently aged 65</td><td>22 – 23.2</td><td rowspan="2">The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.</td><td></td></tr>
<tr><td>Life expectancy – Females currently aged 65</td><td>24.5 - 26</td><td></td></tr>
</table>
• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
• We have confirmed there were no significant changes in 2022/23 valuation method.
• We have confirmed that the Council's share of the pension scheme assets is in line with expectations.
</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation	The Council largely acts as the principal and therefore has credited majority of its grants, contributions and donations to the Comprehensive Income and Expenditure Statement. There was one grant (with a value of £3.9m) where the council acted as an agent therefore, the income has not been reflected in the Comprehensive Income and Expenditure Statement.	• We are satisfied that management have effectively evaluated whether the Council is acting as the principal or agent for each relevant scheme, which has determined whether any income is recognised. However, we noted that the agency was incorrectly classified in the financial statements as 'Energy rebate scheme' rather than 'Household Support Fund' . Management have agreed to make the necessary amendments. Refer to Appendix D for more details. • We have evaluated the underlying information used to determine whether there were conditions outstanding (as distinct from restrictions) at the year-end that would determine whether the grant should be recognised as a receipt in advance or income. • We have assessed that management's disclosure of the Council's accounting treatment for grant income in the financial statements is sufficient. Our audit testing identified instances where the council could not provide appropriate supporting documents for a sample of grants classified as 'received in advance'. Management therefore proposed to adjust for these grants. Refer to Appendix D for the audit adjustment. Given the presentational errors identified within Grant income (refer to Appendix D) and the difficult in obtaining sufficient supporting documents for a sample of grants tested. We consider management process as optimistic.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provision for business rates appeals Draft: £131m Expected final figure: £131m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to calculate the level of provision required. This calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.	• We have assessed management's expert, Analyse Local, to be competent, capable and objective. • Analyse Local have used up to date data around outstanding appeals and potential information around un-lodged appeals and historic success rates to form a reliable estimate of the impact on Rateable Values in the future, and timings based on historic observations. • The methodology used is consistent with comparable local authorities who use Analyse Local services and previous years. • The disclosure of the estimate in the financial statements was found to be adequate.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
Minimum Revenue Provision Draft: £25m Expected final figure: £25m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The MRP charge for 2022/23 was £25m, a net increase of £7m from 2021/22 (£18m).	• We are satisfied that the Council's policy on MRP complies with the methodologies permitted in the statutory guidance. • We are satisfied that the MRP has been calculated in line with the Council's policy and statutory guidance. • The Council's policy on MRP was discussed with, and approved by, full council as part of the Treasury Strategy. • We are satisfied that the level of increase in the MRP charge is reasonable in the context of the Council's Capital Financing Requirement and financing.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious

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Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
SAP	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Management override of controls	N/A – No additional procedures where required.

It should be noted that our audit plan originally included other IT applications (e.g., Academy, Northgate, and Orchard) for the purpose of conducting an assessment of IT general controls. However, subsequent evaluation has led us to conclude that these IT applications are no longer in scope for testing, as they are not utilized in areas where we identified significant risks to the financial statement.

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, Equal pay liability and reinforced autoclaved aerated concrete (RAAC) . This is set out at Appendix G of this report.

2. Financial Statements: other communication requirements

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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to banks, financial institutions, property valuers and pension fund authorities . This permission was granted, and the requests were sent. Majority of these requests were returned with positive confirmation, however a few of the requests remain outstanding. Management are following matters up with their relationship managers to ensure requested confirmations are received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Where we have identified issues, this have been communicated to management accordingly. A summary of our findings can be found in Appendix D of this report.
Audit evidence and explanations/ significant difficulties	No significant issues have been noted from the information and explanations requested from management. Where audit evidence/ explanations remain outstanding or issues were identified with the information provided by management, these remain listed in the outstanding items on page 3 of this report.

2. Financial Statements: other communication requirements

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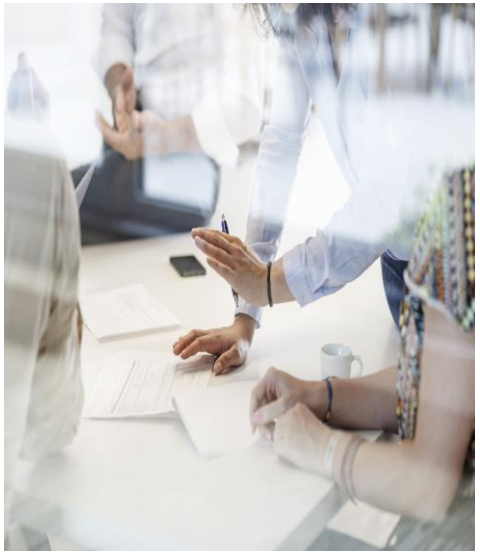
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our audit work in this area is in progress.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. Our audit work in this area is in progress.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. • Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Westminster City Council in the audit report, as detailed in Appendix H, due to incomplete VFM work.

3. Value for Money arrangements (VFM)

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by February 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teacher's Pension	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £231,067 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing benefits subsidy	38,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £38,500 in comparison to the total fee for the audit of £231,067 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooling of Housing Capital Receipts	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £231,067 and relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Performance Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified six recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	**Lack of supporting documents for policies & procedures – Disaster Recovery Plan (DRP).** During our audit of the council's IT environment, we requested for a copy of the disaster recovery plan. We were informed that this service is outsourced to BT, and the disaster recovery plan is included in the service level agreement. Therefore, whilst we acknowledge the existence of a plan, we were unable to verify it.	It is good practice for management to have copies of all key polices and procedures of the council. **Management response** The Digital and Innovation (IT) department accepts this recommendation and will support Grant Thornton during the 2023/24 planning process
Low	**Cut-off date used for bank reconciliation for monies held with third parties** As part of our audit testing of cash balances held with third parties, we noted that the council requested for third parties to report the cash balances they held on behalf of the council as at the 28th March. This was subsequently recorded in the ledger and used as the closing balance in the financial statements. As a result, our testing identified reconciling differences above our trivial threshold when compared to bank confirmations.	It is good practice for balances that feed into the financial statements to be recorded as at the reporting year-end date - 31st March **Management response** Management would expect normally the change in balances between the 27th and 31st March to be below the trivial threshold but this financial year there were significant receipts between the 27th and 31st March. WCC has agreed with the third-party organisation that they will in future report as at the 31st March which will mean that balances will be recorded as at the 31st March. This will ensure the issue is not repeated in future.

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Assessment

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● High	**Declaration of interest forms was not sent to senior management and officers prior to the audit** While conducting our testing of related party transactions, we observed that neither senior management nor officers were asked to provide their year-end declaration of interest for the financial year 2022/23. We note that management subsequently requested for the declaration of interest, we were not able to obtain declarations from 6 Councillors and 1 ELT & 6 senior officer members.	Management should ensure that declaration of interest forms are obtained in line with the Councils practices. **Management response** Management accepts this recommendation and will ensure requests for declarations are issues earlier in the accounts process. This has been the case in the past and 2022/23 was an anomalous oversight.
● High	**Group consolidation** In 2022-23 Management reviewed their approach to the Group accounts and the consolidation process. In undertaking this work it was identified that: • group disclosures had a gap in meeting Code requirements which were updated in the 22-23 accounts [compared to unaudited version] • Differences identified between group closure and the disclosure in the single entity accounts, which should have been aligned prior to publication As a result, there was a movement in the balances and disclosures, in the unaudited accounts to the final accounts. These are captured in Appendix D.	For 23-24 Management should undertake a further review of the group consolidation process, to capture the group position, accurately in the unaudited accounts. **Management response** Agreed, with re-review the process for the 2023-24 accounts.

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Assessment

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Westminster Council's 2021/22 financial statements, which resulted in 2 recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommended that the Council performs a review to identify and remove intercompany PPE additions	We have not identified this issue as part of our audit testing in 2022/23, therefore we are satisfied that it has been appropriately addressed.
✓	We recommended that management should limit the number of people having access to the general ledger.	We note the number on unique IDs have reduced from 800 in 2021/22, to 446 in 2022/23. We note that this number, is not a true journals user listing, as it also includes individuals who can post POs. Westminster continue to explore with Hampshire/IBC the ability for them to extract a list, of those who would be considered “true” journals posters, to support the audit in future years.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Misclassification between Cash and Debtors balance Balance sheet, Note 22 - Cash and cash equivalent and Note 27 – Debtors Our audit testing of cash identified that a balance of £4,543k within the overall Cash balance was in fact a debtor balance and should be reclassified accordingly. Management agreed to make the change. This change will subsequently have an impact on the disclosure within the cashflow statement and financial instruments note.	Nil	(4,543) 4,543	Nil	Nil
Incorrect elimination of the inter-company balances. Group Balance sheet Debtors and Creditor From our reperformance on the Group Consolidation procedures, we identified that the financial statements of Westminster Community Homes disclosed receivable from Westminster Council for £2,236k and a payable amount to Westminster Council for £17,832k. It was noted that the management had eliminated only £12,362k.	Nil	Dr. 3,634 Cr. (3,634)	Nil	Nil
Incorrect classification of the Inventory held by Westminster Community Homes and the resultant, incorrect adjustment of the accounting policy. From our testing of the group consolidation, we identified that the inventory balance of Westminster Community Homes had been classified as a short-term debtor within the group. On further testing, it was identified that those inventories would be sold to Westminster City Council and thus, would be treated as Dwellings under the Group's accounting policy. To reflect the nature of the asset. The amount of £17m was credited from Trade Debtors and was transferred to Property, plant and equipment.	Nil	Dr. Property, plant & equipment 17,000 Cr. Short-Term Debtors (17,000)	Nil	Nil
Overall impact	**Nil**	**Nil**	**Nil**	**Nil**

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D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor finding
Note 10b – Other Employees with Remuneration over £50,000 We identified that two employees who earn above £50k were incorrectly excluded from the disclosure.	Our audit testing identified that two employees who earned above £50,000 were not included within note 10b 'Other Employees with Remuneration over £50,000'. We have recommended that management amend this disclosure to include both employees.
Note 13 – Grant Income Classification error of £7.9million between 'Social Care support Grant' and 'Revenue Support Grant'	Our audit testing identified that note 13, '*Social Care support Grant*' was overstated by £7.9m while '*Revenue Support Grant* was understated by the same amount. inspection of evidence of grant allocation showed that the Social Care support Grant should be disclosed at £17.2m while Revenue support grant should be disclosed at £39.1m.
Note 13 – Grant Income Classification error of £3.9million between Covid related grants 'Energy Rebate Scheme' and 'Household Support Fund'	Our audit testing identified that note 13 Covid Related grant 'Energy Rebate Scheme' was overstated by £3.9m whilst Household Support Fund was understated by the same amount.
Note 18b – Other Property, Plant and Equipment – Movement of Balances in 2022/23	Our audit testing identified an error in the recording on Investment properties in Note 18b where the total balance figure (525,064k) was included as one total revalued amount rather than splitting it into additions (20,066k) and revalued assets (504,998k) in year.
Note 18c - Other Property, Plant and Equipment – Movement of Balances in 2022/23 Correction of opening balance for 'other land and buildings'	Our testing of PPE discovered four assets with a total value of £10.5 million which were not included in the opening balance of 'Other Land and buildings' . Management have agreed to amend the 2021/22 accounts. This will subsequently impact the opening balance of Other Land and buildings by £10.5million. Our testing of PPE also identified that construction of the Harrow Road Nursery was completed in early 2021 however it was still sat with Assets Under construction in the 2021/22 accounts. Therefore, the General Fund Opening balance of other land and building is understated by £2m and the General Fund Assets under Construction opening balance is overstated, since the closing positions were corrected by the Council, management is not adjusting the disclosure.

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure/issue/Omission	Auditor finding
Note 8 – Expenditure and income analysed by nature We identified a classification error between other service expenditure and employee benefits expenses	Our audit testing identified that expenditure amounting to £17.5m was incorrectly classified as other service expenditure as it related to school payroll expenditure codes, this meant that employee benefits expenses were understated, and other service expenditure overstated. We have recommended that management amend this disclosure.
Note 8 – Expenditure and income analysed by nature – Fees, charges and other service income We identified a classification error between Rent and Other income	Our audit testing identified that Initially Avison Young (property management agent) collects income on behalf of the Council. The report they provide contains both GF and HRA rent income. Under our testing on Fees and charges, we selected a sample pertaining to transfer of Rent Income from GF Code to HRA Code. When rent income report is received from Avison Young (property management agent) the amount is originally credited to Rent Income GF Code which includes both GF and HRA rent income earned in year. This is then moved to HRA Codes at the year end. However instead of drawing down the amount to in the Rent Income GF GL codes it was instead drawn down to Other income. Therefore, there is a classification error wherein Other income is understated and Rent income is overstated by 9.1m, but it stays within Fee & charges income note 8. We have recommended that management amend this disclosure.
Note 25 – Calculation of total minimum lease payments for operating leases.	Our audit testing identified variances between GT recalculation of the total minimum lease payments for operating leases (property leases). The variances are per below: Future minimum lease payments: £905,451 understated Future minimum lease payments receivable: £8,520,016 understated This was due to rounding the remaining lease terms for the leases to whole numbers in their lease payments maturity calculation for property leases. We recommend that management performs the calculation on the accurate lease terms with no rounding of the lease length. Management has not made the adjustment in the final set of annual accounts.
Note 32 – Other Non-Cash adjustments (19,630k) to be split to show more detail.	This line item is to be split out due to the balances being material to meet the requirements in IAS1 (26,954k in the movements in valuation of investment property and -8,360k in contributions to/from provisions.
Note 13 Grant Income Classification error between Grant income and fees and charges income	During our review, we identified a classification error between Fees and charges and Grant Income. After conducting further corroboration of the evidence provided for income amounting to £99,785, we found that this pertained to S106 agreement and should have been classified as Grant Income instead of Fees and charges., we extrapolated the error and found it to be £973,169. A recommendation has been made to the management to adjust the disclosure note.

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

Disclosure/issue/Omission	Auditor finding
Note 17 – Comparative figures for Transfers to/from reserves	Our review of Annual accounts identified that the comparative figures for the Transfers to/from reserves per the CIPFA code were not presented. Management has agreed to the disclosure error.
Note 24 – Capital Expenditure and Capital Financing note overstated	Our audit testing of the Capital Expenditure and Financing (CFR) note identified that it is overstated by £5,252k when compared to the balance sheet. As per Code 4.1.4.35 and paragraph 90 of the Prudential Code, the CFR is derived from the balance sheet and therefore should not have a variance.
Note 35 – Entities Controlled or significantly controlled by the Council	Our audit testing of the related party transactions identified that the income outstanding to Westminster City Council from Westminster Community Homes was incorrectly disclosed as £12,962k when this should have been £17,831k (understated by £4,869k) in addition the creditor balance to Westminster Community Homes was disclosed as nil when this should have been 1,235k (understatement). A recommendation is made to the management to adjust the disclosure.
Note 3 – Estimation uncertainty (Business Rates)	Our review of the note identified that the note • Did not provide the carrying amount of the liability that is in the Council's balance sheet to comply with IAS 1. • Did not explain the nature of the assumptions and the sensitivity of the carrying value to the methods, assumptions that underlying the calculation of the provision to comply with IAS 1. A recommendation was made to the management and management agreed to the make amendments to the note by including the carrying amount of the appeals provision and the Council's share of the same and by including +-5% sensitivity and Council's share of the same.
Group Accounts narrative notes	From our review of the Annual accounts, the following errors were identified with respect to the narrative disclosures of the Group: • The profit/loss figures for the subsidiaries were based on the unaudited financial statements and were amended by management on the receipt of audited financial statements. This meant that the profit for Westminster Housing Investments Limited was understated by £3.6m • The narrative did not disclose the intercompany loan from Westminster City Council to Westminster Housing Investments Limited of £33.62m. • The narrative had not included the nature of the joint venture and the results of the same. • The net worth of the subsidiaries in the Going Concern note was disclosed as £23.328m whereas the correct figure was £21.958m. We acknowledge that some of the points raised above were due to the audited accounts not being available at the time of the drafting of the disclosure.

D. Audit Adjustments (continued)

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Impact of unadjusted misstatements

To date, our audit testing has not identified any unadjustment misstatements above our trivial threshold to bring to the attention of the Audit and Performance Committee.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors Our testing of Collection fund creditors – specifically 'Westminster's share of business rates prepayments', found that Westminster's share of the business rate prepayments was understated by £1.4million.	-	DR – Cash 1,425 CR – Creditors (1,425)	-	Not material
Grants received in advance Our testing of Grants received in advance - specifically Cabinet Community Infrastructure Levy (CIL), identified an incorrect refund processed amounting to £489,526 extrapolated to £859,976, leading to overstatement of the balance	Cr – Grant Income 860	Dr – Grants received in advance (860)	(860)	Not material
Overall impact	860	Nil	(860)	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Dr Cash Cr CIES – HB expenditure HB expenditure – difference between accounts and final claim	(773)	773		Timing difference, and not material
Dr CIES – Surplus/deficit on revaluation of PPE Cr PPE Some of Temporary Accommodation (GF) assets that were acquired in past years were recorded at the time in the wrong asset groups, and therefore have been indexed at the wrong amounts in the subsequent years. Difference is £1.7mill overstatement	1,700	(1,700)		Timing difference, and not material
Overall impact	£927	(£927)	£-	

Note

Final prior period unadjusted misstatements will be produced in the final version of this report once 2021/22 audit is signed.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services

Audit fees	Proposed fee	Final fee
Scale fee	£164,254	£164,254
Audit of Group Accounts	£5,260	TBD
Additional audit procedures arising from a lower materiality	£6,575	£6,575
Enhanced audit procedures for Property, Plant and Equipment	£5,260	TBD
Additional work on Value for Money (VfM) under new NAO Code	£20,000	£20,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£6,312	£6,312
Enhanced audit procedures on journals testing	£3,156	£3,156
Additional procedures to address other local risk factors	£10,000	£10,000
FRC response - additional review, EQCR or hot review	£1,500	£1,500
Enhanced audit procedures for Infrastructure	£2,500	£2,500
Enhanced audit procedures for Payroll – Change of circumstances	£500	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750	£750
Increased audit requirements of revised ISAs 315/ 240	£5,000	£5,000
Total audit fees (excluding VAT)	**£231,067**	**TBD**

Our final audit fee for the audit of Group accounts and Property, Plant and Equipment is still to be determined. This is due to the fact that there has been several revisions to the group accounts and at the date of drafting this report, the Final Annual Accounts is yet to be submitted. We are aware that management have revised some elements of the Group Property, plant & equipment. We anticipate that our audit fee will increase as a result of these additional revisions.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Teacher's Pension	10,000	TBD
Certification of Housing benefits subsidy	38,500	TBD
Certification of Pooling of Housing Capital Receipts	7,500	TBD
Total non-audit fees (excluding VAT)	**£56,000**	**TBD**

The above fees are proposed fee as communicated in the audit plan in July 2023. Our work on the said services is being carried out by a separate Grants team and final fee will be communicated upon completion of the work.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

Specific representation may be required on concluding the audit.

G. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square,
London
EC2A 1AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Westminster City Council

Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Westminster City Council and its subsidiary undertakings, Westminster Community Homes Ltd and Westminster Housing Investments Ltd for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of the net pension liability, the valuation of land and buildings, the valuation of investment property, the valuation of council dwellings, depreciation, NNDR appeals provisions, fair value estimates, accruals and credit loss allowances.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for [add estimation] and the following change/s to estimation process was/were made[…]

We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent
b. none of the assets of the group and Council has been assigned, pledged or mortgaged
c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

G. Management Letter of Representation

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards. We confirm that we have complied with all applicable equal pay laws and regulations. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

xvii. We have considered the impact of reinforced autoclaved aerated concrete (RAAC) on our financial statements. We have no knowledge of any material events or circumstances that would require adjustments to be made to our financial statements.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
b. additional information that you have requested from us for the purpose of your audit; and
c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;
b. employees who have significant roles in internal control; or
c. others where the fraud could have a material effect on the financial statements.

xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

G. Management Letter of Representation

Annual Governance Statement

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework, and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxviii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Performance Committee name at its meeting on 2nd of November 2023.

Yours faithfully

Name…………………………….

Position…………………………..

Date……………………………..

Name…………………………….

Position…………………………..

Date……………………………..

Signed on behalf of the Council

H. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report

Independent auditor's report to the members of Westminster City Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Westminster City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow statement, the Housing Revenue Account (HRA) Statement, the Collection Fund Accounts, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Finance and Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Executive Director of Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Finance and Resources with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Annual Accounts, other than the financial statements and our auditor's report thereon . The Executive Director of Finance and Resources' is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Annual Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit ; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Executive Director of Finance and Resources'

As explained more fully in the Statement of Responsibilities within the Annual Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Resources. The Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

H. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government and Housing Act 1989, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012) .

We enquired of management and the audit and performance committee concerning the group and Authority's policies and procedures relating to:

• the identification, evaluation and compliance with laws and regulations;

• the detection and response to the risks of fraud; and

• the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the audit and performance committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected, or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and the recognition of income and expenditure.

We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during audit, particularly those which had an impact on the Comprehensive Income and Expenditure Statement;

- potential management bias in determining the accounting estimates and judgements in relation to:

- The valuation of land and buildings, investment properties and council dwellings;
- The valuation of pension fund net liability; and
- the valuation of national non-domestic rates (NNDR) appeals provisions.

Our audit procedures involved:

• evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,

• journal entry testing, with a focus on journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included manual journal entries, large value journals, journals containing keywords which might indicate fraud, and journals posted by selected named officers.

• challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, council dwellings, defined benefit pensions liability valuation, and national non-domestic rates (NNDR) appeals provisions; and

• assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

H. Audit opinion

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property, council dwellings, defined benefit pensions liability valuation, and NNDR appeals provisions. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's

• understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

• knowledge of the local government sector in which the group and Authority operates

• understanding of the legal and regulatory requirements specific to the Authority and group including:

- the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE

- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

• the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

• the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

• Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

H. Audit opinion

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Westminster City Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature

Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Finsbury Square, London

Date

grantthornton.co.uk

Grant Thornton

The Audit Findings Report City of Westminster Pension Fund

Year ended 31 March 2023

November 2023 [For the Audit and Performance Committee 28 November 2023]

Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Performance Committee.

[TO BE SIGNED WHEN FINALISED]

Name: Jo Brown
For Grant Thornton UK LLP
Date: [DATE OF SIGNING ACCOUNTS]

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the City of Westminster Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during August to November. Our findings are summarised on pages 7 to 12. We have identified no material adjusted differences to the financial statements and therefore the Pension Fund's reported financial position remains unchanged from the published draft financial statements for audit. We have noted two Unadjusted differences and minor disclosure amendments detailed in Appendix B, which reflect the comprehensive set of financial statements produced for audit.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Review of final pension fund accounts and pension fund annual report, in order to ensure consistency. This will include completion of the disclosure checklist.
- Final Engagement Lead and Quality review conclusion
- Receipt of management representation letter
- Confirmation on subsequent events.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. We will confirm, the pension fund accounts we have audited are the same, in the Council 2022-23 financial statements, and the Pension Fund Annual Report. We issue a consistency opinion in this regard.

Our anticipated opinion on the financial statements will be unqualified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund until the Westminster City Council [Administrating Authority] is signed. We anticipate signing both, after the Audit and Performance Committee on 28 November 2023.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. As at 30 September, only 1% of the 2022/23 audits had been concluded and signed. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us. The audit and client teams have worked constructively together to resolve any audit queries and complete the audit by the end of November 2023.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. The triennial valuation undertaken as at 31 March 2022 covers the three financial years to 2025/26. For the Pension Fund, the valuation was undertaken by for and on behalf of Hymans Robertson LLP and showed that the Pension Fund is 128% funded at 31 March 2022. The results of the latest triennial valuation are reflected in Note 16 – Funding Arrangements to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We performed testing of the completeness and accuracy of triennial valuation source data as part of our 2021/22 pension fund audit. This was to support our work by providing assurances to auditors of employer bodies. As part of this work, we tested a sample and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be as discussed with Management, and at the Audit and Performance Committee on 28 November 2023.

As auditor, we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For the Pension Fund, the Audit and Performance Committee fulfils the role of those charged with governance. There is a separate Pension Committee and Pensions Board which consider the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk-based, and in particular, included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.
- Significant risks - those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

a. Presumed risk of fraud in revenue recognition(rebutted)

b. Management override of controls

c. Valuation of level 3 investments

We have not had to amend our significant audit risks as set out in our audit plan. We have, however, revised the Fund Account materiality. This was revised down from the 10% of gross expenditure set out in the plan, to 8%. The revision was made at the conclusion of the 2021/22 audit, following findings arising in respect of pension payments instigated pre-2000 and the availability of records. This is reported in 2021-22 Audit Findings report and again, in this findings report. See materiality on page 6 for further details.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the 28 November Audit and Performance Committee. These outstanding items include:

- Final Engagement Lead and Quality reviews;
- Receipt of management representation letter; and
- Confirmation of subsequent events.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan except for our Fund Account. We have amended this to 8% of expenditure. This has resulted in a decrease in materiality from £8.250 million to £6.623 million.

We set out our determination of materiality for the Pension Fund in this table.

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	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	17,900,000	This benchmark is determined as a percentage of the Net Assets, which has remained at approximately 1.%.
Performance materiality	13,425,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	895,000	This balance is set at 5% of overall materiality
Materiality for fund account	6,623,000	This benchmark is determined as a percentage of Fund expenditure, which has been determined at 8%.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	During the audit, we undertook the following work: ▪ evaluated the design effectiveness of management controls over journals ▪ analysed the journals listing and determine the criteria for selecting high risk unusual journals ▪ identified and tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration ▪ gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence ▪ evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work to date has not identified any issues in respect of management override of controls. We are in the process of undertaking a team look back of the journals tested, as part of our quality review.
Improper revenue recognition (rebutted) Under ISA(UK)240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: ▪ there is little incentive to manipulate revenue recognition ▪ opportunities to manipulate revenue recognition are very limited ▪ the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable. We, therefore, did not consider this to be a significant risk for the Pension Fund when producing our audit plan. We have reconsidered our original assessment as part of our audit work on the Pension Fund's financial statements and are satisfied that this rebuttal remains appropriate.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 Investments (Quarterly revaluation) By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements of £231m on 31 March 2023 (£106m 31 March 2022) . Management utilises the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2023.	We have: • fund managed an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls; • reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the Code are met; • considered the competence, expertise and objectivity of any management experts used; • reviewed the qualification of the expert used to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached; and • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts at the latest date for individual investments and agreeing these to the manager reports at that date. Reconcile those values to the values at 31 March 2023 with reference to known movements in the intervening period. During the testing performed, we identified variances totalling £4.814m between the value of the Level 3 Investments included within the Accounts and the year-end confirmations received from the relevant Fund Managers. These variances were due to the Fund Managers valuations considering more up to date information relating to the value as at 31 March 2023 than was available when the draft Accounts were produced. As these variances are not material, management has decided not to amend the Accounts, and these variances have been reported as an unadjusted misstatement later in the Report. This is consistent with prior year, due to timing of the statements and the production of the accounts. No other issues were identified from the work performed in this area.

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 2 Investments While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.	We: • gained an understanding of the Fund's process for valuing Level 2 investments and evaluated the design of the associated controls; • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; • reviewed the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; • independently requested year-end confirmations from investment managers and custodian; and • reviewed investment manager service auditor report on design effectiveness of internal controls. Our audit work did not identify any issues in respect of the valuation of Level 2 investments.
Contributions Contributions from employers and employees' represents a significant percentage of the Fund's revenue. We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.	We: • evaluated the Fund's accounting policy for recognition of contributions for appropriateness; • gained an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; • tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained. Our audit work did not identify any issues in respect of Contributions.
Pension Benefits Payable Pension benefits payable represents a significant percentage of the Fund's expenditure. We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.	We: • evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; • tested a sample of lump sums and associated individual pensions in payment by reference to member files; and • tested relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. As noted in our 2021/22 Audit Findings Report, we are unable to confirm the completeness and accuracy of payments made to pensioners in payment before April 2000, when the fund introduced electronic scanning of documents. This leads us to record an unadjusted uncertainty in benefits payable (see page 11). Our audit work did not identify any other issues.

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
Actuarial Present Value of Promised Retirement Benefits The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£2.5 billion) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • tested the consistency of disclosures with the actuarial report from the actuary; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Our audit work did not identify any issues in respect of the Actuarial Present Value of Promised Retirement Benefits.
Actuarial valuation of the Fund as at 31 March 2022 The Actuarial valuation of the Fund as at 31 March 2022 (the triennial valuation) will be disclosed within the 2022-23 financial statements as a disclosure note. The valuation of the Fund as at 31 March 2022 is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Fund as a risk of material misstatement.	We: • updated our understanding of the processes and controls put in place by management to ensure that the Fund's triennial valuation is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assessed the accuracy and completeness of the information provided by the Fund to the actuary to estimate the triennial valuation; • tested the consistency of disclosures with the March 2022 valuation report from the actuary; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Our audit work did not identify any issues in respect of the actuarial valuation of the Fund as at 31 March 2022.

2. Financial Statements – other risks

Issue	Commentary	Auditor view
Records for Existing Pensioners The Pension Fund should ensure that sufficient records are held relating to the pension entitlement and calculations of existing pensioners to be able to support these calculations from an audit perspective, and to enable the Fund to deal with any challenges or queries they may receive from the pensioners ourselves.	During our testing of the Benefits Payable balance included within the Accounts, the Fund has encountered difficulties in providing with sufficient evidence to validate elements of the calculation of the pensions currently in payment. Whilst we have been able to obtain sufficient assurance that the balance in the Accounts is not materially misstated, the Fund should ensure that adequate information is in place to support the pensions currently in payment. The issue, as identified and reported in prior year, is in respect of pensions, pre April 2000.	We have raised a recommendation for management in respect of this area, which has been documented within Appendix A. Following the resolution of outstanding testing in this area, we identified an uncertainty in respect of pensions in payment from before April 2000, which was when the Fund introduced the electronic scanning of documents received from Pensioners. The value of this uncertainty at 31 March 2023 is £11.1m (£11.3m as at 31 March 2022), albeit the risk of the Benefits Payable balance being incorrect by even a significant element of this balance is very low due to the nature of the issues identified. We believe the risk of a material misstatement to be low due to: • Existing checks within the pension fund over the legitimacy of pension payments • National Fraud Initiative checks, that would confirm the death of a pensioner • The passage of time, meaning a reducing number of payments will be being made 23 years later

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments (£231.6m)	The Pension Fund holds investments in Pantheon Pooled infrastructure investments totalling £63.7m at 31 March 2023. The Pension Fund also holds an investment in Quinbrook and Macquarie Renewable Infrastructure Funds totalling £56.9 and £28.3 m respectively at 31 March 2023. The Pension Fund also holds investments with the Man Group affordable housing fund totalling £37.9m and with CVC credit fund totalling £44.7m All of these investments are traded on an open exchange/market, but the valuation of the investment is highly subjective due to a lack of observable inputs. Management have reviewed the year end valuations provided by the Fund Managers including the most recent set of financial statements.	Pantheon • Assets are valued at Fair Value in line with the International Private Equity and Venture Capital Valuation ("IPEV") Guidelines. The inputs used to value the investments when using the market approach may include, but are not limited to, prices and other relevant information generated by the market transactions, type of security, size of the position, purchase price, purchases of the same or similar securities by other investors, marketability, foreign exchange rates, degree of liquidity, restrictions on the disposition, latest round of financing data, completed or pending third-party transactions in the underlying investment or comparable issuers, current financial position and operating results among other factors. The underlying investments are all in infrastructure covering energy, telecom, transport, and water and environmental services as well as aerospace and defence, healthcare, technology, information technology, and other government industries. • We have reviewed the Pantheon audited accounts as at 31 December 2022, which received an unmodified audit report. • We have compared the audited financial statements as at 31 December 2022 with the capital statement at the same date which identified differences of £1.85m (overstatement). As this is an estimation uncertainty that is below our materiality levels, no further reporting is required, and we have assurance that the estimation techniques are appropriate. Macquarie Renewable Infrastructure • Assets are valued using a number of complex inputs, some of which are unobservable due to the nature of the investments being undertaken. • We have reviewed the audited financial statements of Macquarie as at 31 December 2022, which received an unmodified audit report. • We have compared the audited financial statements as at 31 December 2022 with the capital statement at the same date which identified differences of £1.68m (understatement) for Macquarie. As this is an estimation uncertainty that is below our materiality levels, no further reporting is required, and we have assurance that the estimation techniques are appropriate. Review of other investment fund accounts identified trivial differences, which have not been reported here. We are satisfied that the estimate is fairly stated. The accounting policies are reasonable and the disclosures within the financial statements are appropriate.	● [Light Purple]

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Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments (£1,770.5m)	The Pension Fund have investments in Pooled Equity Funds, Pooled Bonds Funds, Pooled Multi Credit Funds and a Pooled Long Lease Fund. The underlying investments are traded on an open exchange/market although the pooled valuation of the investment is subjective. The Fund obtains valuations from the fund manager and an independent confirmation from the custodian to ensure that valuations are materially fairly stated.	• We have reviewed the estimation processes for the Level 2 investments and are satisfied that these are in line with our understanding. • We have compared the valuations provided by the fund managers with the custodian and are satisfied that there are no significant differences in the valuations. We identified differences between the last available price for the Fund's Investment held with two funds and the quoted price at year-end. Investment in the Legal & General Global Equity fund had an identified difference of £3.1m and investment in the Aberdeen Standard Pooled property fund had an identified difference of £1.1m. These differences overstate the assets detailed in the pension fund accounts. Refer Appendix B. We are satisfied that the estimate is fairly stated. The accounting policies are reasonable and the disclosures within the financial statements are appropriate.	● [Light Purple]

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Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: Technology infrastructure	Related significant risks/other risks
SAP	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	None identified
Civica UPM (Provided by HCC)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	None identified although as raised in prior year we have recommended the need for a service auditors report [see recommendations]

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund, which is appended to this Report.
Audit evidence and explanations	The client provided a comprehensive set of Pension Fund Financial Statements and were responsive to audit queries raised. All information and explanations requested from management was provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all of the Pension Fund Investment Managers. This permission was granted and all of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. A review of the disclosure checklist is ongoing as per the outstanding item list.

2. Financial Statements: other communication requirements

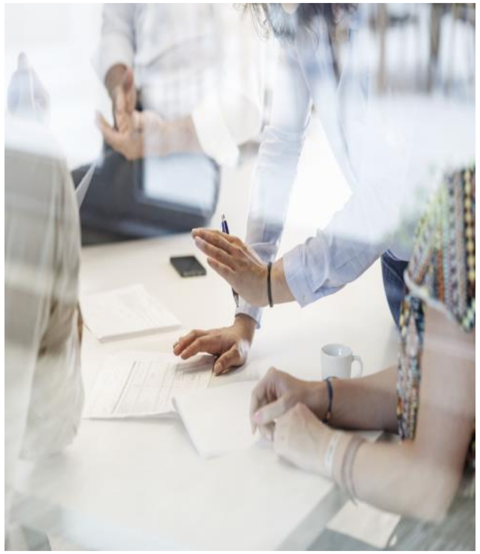
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by City of Westminster Pension Fund (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified.
Matters on which we report by exception	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on the same day we give our audit opinion, subject to review of the final version of this report. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of adjusted misstatements and disclosure amendments

No adjusted misstatements or disclosure amendments have been identified from the work performed on the 2022-23 Accounts, and thus there is nothing further to document here.

Impact of identified unadjusted uncertainties

The following unadjusted misstatements have been identified from the work performed during the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why these items have not been processed.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Variances on Level 3 Investments During our testing of Level 3 Investments, we identified variances between the figures in the Accounts and the Year End Confirmations. These variances totalled **£4.814million** and given their size, the Fund had taken a decision not to amend. These variances have arisen due to additional information being available post year end around the value of these Funds which was not available at the date of accounts preparation. (These again would increase the Net Assets held by the Fund).	Cr Change in Market Value 4,814	Dr Investment Assets 4,814	An increase in Net Assets of £4,814	These movements are immaterial to the Accounts.
Overall impact	4,814	4,814	4,814	

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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Impact of unadjusted uncertainty

The following unadjusted uncertainty has been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why this item has not generated an amendment to the Accounts.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Pricing Variance on Level 2 Investments During our pricing testing, we identified a **£4.2m** variance between the last available price for the Fund's Investment held with Aberdeen, and the quoted price at year end. Whilst we understand this is a timing difference and has arisen because of limitations in our audit procedures in this area, due to the size of the variance we are required to report to management as an unadjusted misstatement.	Dr Change in Market Value 4,200	Cr Investment Assets 4,200	A decrease in Net Assets of 4,200	This difference is due to movements between the transaction date and year end, and thus is not representative of the value at 31 March 2022.
Overall impact	(4,200)	(4,200)	(4,200)	

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted uncertainty

The following unadjusted uncertainty has been identified from the work performed during the course of the audit. The Audit and Performance Committee are asked to note this and Management's responses as to why this item has not generated an amendment to the Accounts.

Detail	Fund Account £'000	Net Assets Statement £' 000	Impact on total movement in Net Assets £'000	Reason for not adjusting
Incomplete Pensioner Records Following the resolution of outstanding testing in this area, we identified an uncertainty in respect of pensions in payment from before April 2000, which was when the Fund introduced the electronic scanning of documents received from Pensioners. The value of this uncertainty is **£11.1m**, albeit the risk of the Benefits Payable balance being incorrect by even a significant element of this balance is very low due to the nature of the issues identified. Also if any of these payments were found to have been incorrect, then these could be potentially recovered by the Fund.	Dr Change in Market Value 11,100 Cr Benefits 11,100	Nil impact on the Net Assets Statement	Nil impact on the total Net Assets	The errors identified are not representative of the wider population.
Overall impact	0	0	0	

C. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit Fees

	Actual Fee 2020/21	Proposed fee 2022/23
City of Westminster Pension Fund Audit fees (excluding VAT)	£48,000	£TBC

Audit fees	**Estimated fee(£)**
Scale fee per PSAA for 2022-23	22,420
Investment valuation	5,036
ISA 540	3,600
ISA 315	3,000
Additional journals testing	2,000
Additional Fees	XXX
Estimated fee	TBC ON CONCLUSION OF THE AUDIT

D. Progress against prior year audit recommendation

We identified the following issue in our 2021/22 audit of the Pension Fund's financial statements, which resulted in one recommendations being reported in our 2021/22 Audit Findings Report; and re-issued in this report as part of the 22/23 audit

Assessment	Issue and risk previously communicated	Management Response and Conclusion Status
● Medium	**Incorrect Treatment of Investment Income** Ensure all balances in the Accounts, where required by the Code, are recorded on an accruals basis to provide an accurate picture of the Fund's position at year end, as well as ensuring compliance with the CIPFA Code of Practice.	**Management Response:** As per the 21-22 management response, management acknowledges that investment income is not accounted for on a full accrual's basis. However, a full year's worth of income is always included within the Accounts, based on actuals for the period from 1 January to 31 December. Actual figures are not available in time for the production of the final accounts. Therefore, it is suggested that the use of actuals for January to December is far more meaningful and the difference is of an immaterial nature. The most recent CIPFA Example Accounts for 2020-21 guidance states the following with regard to distributions from pooled funds: "Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset." WCC Pension Fund investments are all pooled and all distributions are recorded within the accounts on the date they are issued **Conclusion Status :** Completed
● Medium	**Retention of Pensioners Records** Ensure adequate records are held to support all pensions which are currently in payment to enable any queries/challenges to be dealt with in a timely manner.	**Management Response:** Hampshire Pension Services (HPS) retains copies of all pension documents related to interactions that HPS has with members. HPS has records of prior document images that WCC transferred from the previous administrator and these records go back to the early 2000s. What the Fund does not have in full will be documents that relate to some retirements back in the 1990s or prior to this, as these records were held on microfiche, and it was not practical to move every image onto the scanned archive store. The Fund will ask HPS to retain all document images generated going forward for anyone with a pension in payment but cannot recreate documents not currently available. **Conclusion Status :** Complete. We have marked this as complete as although a similar issue has arisen in 22-23, given the age of the records then the potential risk will need to be tolerated, and over time will reduce.

D. Progress against prior year audit recommendation

We identified the following issue in our 2021/22 audit of the Pension Fund's financial statements, which resulted in one recommendations being reported in our 2021/22 Audit Findings Report; and re-issued in this report as part of the 22/23 audit

Assessment	Issue and risk previously communicated	Management Response
● Medium	**Assurance over Outsourced Administration Function** Engage with Hampshire CC to ensure adequate assurance can be provided over the outsourced Administration function, both for the Council and for the purposes of our external audit.	Management Response: The Fund receives monthly partnership reports from Hampshire Pension Services (HPS) that set out details of the administration service in that month. The report includes detailed administration KPIs and updates on work on hold so we know what work we have pending. We are pleased to note that our KPIs remain 100% every month and that the work pending remains approximately one month's worth of cases. We have since gone live, with HPS effectively cleared a backlog of administration cases and have improved our relationship with all our fund employers to such an extent that over 99% of annual benefit statements have been sent out for 22/23. We are satisfied with our administrator's performance on behalf of the Pension Fund. WCC has explored with HPS getting a third-party assurance report on its service. However, the cost for this is significant and for HPS to commit to this they would want all partners, who use the administration service, to agree to fund it, not just WCC. If we are advised in detail as to what our auditor would want a third party to cover in their testing, and if the Fund is provided with assurances that this report would be taken into account with reduced auditor testing for the Fund, then we will discuss with HPS. Now we cannot commit to this as we need to be clear on both the cost and the benefits to the Fund and members. We also need to engage with HPS and its other partners to embed a unified approach to pension fund auditing of administration services. WCC is happy to review with the external auditor providing detailed criteria reference a third-party assurance report. Conclusion Status : In Progress This remains an issue within the 2022-23 audit. We will follow up with management what we believe would be required. Given this is in progress and being actively discussed with management we have not repeated the recommendation in the 2022-23 Action plan.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

E. Management Letter of Representation

Dear Sirs

City of Westminster Pension Fund
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of the City of Westminster Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include […]. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Fund has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the disclosure changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted differences in estimates for Level 2 and Level 3 investments included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

E. Management Letter of Representation

x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

   a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiii. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.

xiv. We have communicated to you all deficiencies in internal control of which management is aware.

xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:

   a. management;

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the financial statements.

xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xx. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

xxi. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

E. Management Letter of Representation

Approval

The approval of this letter of representation was minuted by the Fund's Audit and Performance Committee at its meeting on 28 November 2023.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Fund

F. Draft Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Westminster City Council on the pension fund financial statements of the City of Westminster Pension Fund

Opinion on financial statements

We have audited the financial statements of the City of Westminster Pension Fund (the 'Pension Fund') administered by Westminster City Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Finance and Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Finance and Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Finance and Resources' with respect to going concern are described in the relevant sections of this report.

F. Draft Audit opinion

Other information

The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Executive Director of Finance and Resources' is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Executive Director of Finance and Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts as set out on page 30, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Finance and Resources. The Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Finance and Resources' determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Executive Director of Finance and Resources' is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

F. Draft Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Services Pensions Act 2013, The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of senior officers, internal audit and the Audit and Performance Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the Audit and Performance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Executive Director of Finance and Resources has in place to prevent and detect fraud;
- journal entry testing, with a focus on those journals that have been deemed risky via our assessment based on a range of criteria;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.

F. Draft Audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

- assessing the potential risks of material misstatement, we obtained an understanding of:
- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.
- A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Brown, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date

G. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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City of Westminster

Decision Maker:	**Audit and Performance Committee**
Date:	**28 November 2023**
Classification:	**General Release**
Title:	**2023/24 Quarter 2 Financial Monitoring**
Wards Affected:	**ALL**
Key Decision:	**No**
Financial Summary:	**The report summarises the Council's 2023/24 Quarter 2 financial position**
Report of:	**Gerald Almeroth, Executive Director – Finance and Resources**

1. Executive Summary

1.1 This monitoring report presents the Council's summarised 2023/24 Quarter 2 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.

1.2 It is worth noting that there have been some name changes amongst some of the directorates:

- Growth, Planning and Housing is now Regeneration, Economy and Planning
- Environment and City Management is now Environment, Climate and Public Protection

Revenue Summary

1.3 The forecast General Fund revenue outturn is a projected underspend of £2.420m (1.25% of net budget £193.611m, there was a £3.258m overspend at Quarter 1).

1.4 The Housing Revenue Account (HRA) is projecting an operating deficit of £1.895m at Quarter 2. This is being offset by earmarked reserves that were created in 2022/23 specifically to manage some of the emerging cost pressures.

Capital Summary

1.5 The Quarter 2 Capital Programme forecast position is £106.339m gross expenditure variance and £38.958m financing variance (made up of external funding and S106 and CIL).

1.6 Further details are included in section 15 of this report.

Savings

1.7 Savings achieved year to date are now reported as £2.545m; with 91.2% of savings (£21.909m) either on target to be achieved in year or achieved (£19.984m).

2. Recommendations to Audit and Performance Committee

2.1 That Audit and Performance Committee notes the current monitoring and forecast position at Quarter 2 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 2 of the 2023/24 financial year the General Fund revenue position is reporting a forecast underspend of £2.420m against a budget of £193.611m.

3.2 Primarily this is due to the following reasons:

- Temporary Accommodation (TA) significant adverse variance due to high demand combined with a significant squeeze on available supply.
- Regeneration, Economy and Planning have an adverse variance within Town Planning due to income levels in Planning continuing to drop, with the income projection for 2023/24 now expected to be lower than the 2022/23 outturn.
- 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 within Family Services due to costs in relation to families with no recourse to public funds (NRPF) continue to increase with the Quarter 2. This is due to the increasing cost of accommodation for those families and staffing pressures. Social Care placements that have a health element have been joint funded by the NHS Integrated Care Board (ICB). The ICB have not agreed any new cases for this financial year, resulting in a forecast shortfall.
- Children's adverse variance on short breaks – 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).

3.3 The Housing Revenue Account (HRA) is projecting an operating deficit of £1.895m at Quarter 2. This is being offset by earmarked reserves that were created in 2022/23 specifically to manage some of the emerging cost pressures. Costs are continuing to increase at a faster rate than the CPI allowance that was made in the business plan, with Repairs spend outstripping the existing budget by £3m. The HRA Business Plan anticipated a need for some budget growth in 2023/24 to meet the requirements of the Building Safety Act. However, the recurring annual budget requirement is now estimated to be up to £3m which means that additional growth will need to be built into the HRA Business Plan (with the additional spend in 2023/24 being met from earmarked reserves, as noted above). Finally, the HRA Business Plan includes assumptions about the delivery of new build social units each year in relation to additional rental income, but delivery is slightly behind the assumed profile and this is causing a small adverse variance on rental income. There are several underspends across the HRA that are helping to offset some of these pressures. Further details are included in section 12 of this report.

3.4 Table 1 summarises the Quarter 2 General Fund position.

Table 1 - Revenue Finance Position and Forecast – Quarter 2 Financial Year 2023/24 (£m)

Executive Directorate	Q2 2023/24 Budget £m	Q2 2023/24 Forecast £m	Q2 2023/24 Variance £m	*Q1 2023/24 Variance £m*	Q2 Risks Identified £m	Q2 Opportunities Identified £m	Q2 Projected Variance inc Opps and Risks £m
Adult Social Care	53.025	53.025	0.000	*-*	-	-	0.000
Public Health	(1.141)	(1.141)	0.000	*-*	-	-	0.000
Regeneration, Economy and Planning	4.425	6.625	2.200	***1.600***	0.300	(0.095)	2.405
Housing and Commercial Partnerships	26.756	44.287	17.531	***9.544***	4.082	-	21.613
Finance and Resources	11.499	(11.838)	(23.337)	***(9.545)***	0.220	-	(23.117)
Corporate Items	38.687	38.087	(0.600)	*-*	-	-	(0.600)
Environment, Climate and Public Protection	(3.295)	(3.455)	(0.160)	***0.320***	1.880	(0.250)	1.470
Children's Services	40.396	42.815	2.420	***1.339***	1.130	(0.080)	3.470
Innovation and Change	19.962	19.488	(0.474)	*-*	0.283	(0.100)	(0.291)
Other Corporate Directorates	3.298	3.298	-	*-*	-	-	0.000
NET CONTROLLABLE BUDGET	**193.611**	**191.191**	**(2.420)**	***3.258***	**7.895**	**(0.525)**	**4.950**

Inflation

3.5 Inflation has fallen over recent months and currently stands at 6.7% at September 2023. However, it remains higher than originally forecast and therefore is still an area of concern to the Council's financial position and requires attention. At Quarter 2 pay and contract inflation pressures were reported at £20.274m (£19.853m at Quarter 1). This increase is predominately due to additional contract inflation requests from suppliers.

- **Pay:** The Council budgeted for 5% for 2023/24. The 2023/24 pay award has been agreed by two of the three unions in November and work is underway to clarify the financial impact for the current year, however for Inner London this will be a flat rate payment of £2,352 or 3.88% whichever is greater. It is currently estimated that each additional 1% would equal a £1.4m unbudgeted pressure.

- **Non-Pay:** Services are continuing to work closely with suppliers to minimize the impact of inflation. While some contracts have negotiated lower inflationary increases, there are still pressures across all services that need to be accounted for in their 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, 91.2% 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)

ELT	Saving Achieved	Part Achieved/On Track	Part or Completely Reprofiled	Part or Completely Unachievable	Total
Adult Social Care	300	1,655	-	-	1,955
Children's Services	190	843	25	700	1,758
Environment, Climate and Public Protection	1,233	9,590	830	-	11,653
Finance and Resources	-	3,878	-	250	4,128
Regeneration, Economy and Planning	150	700	-	-	850
Housing and Commercial Partnerships	75	415	-	-	490
Innovation and Change	397	358	-	120	875
Other Corporate Directorates	200	-	-	-	200
Total	**2,545**	**17,439**	**855**	**1,070**	**21,909**

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. However, this is made possible from additional funding £3.5m primarily linked to discharge pressures. In future years, there could be an adverse financial position if the additional funding does not continue.

4.2 The directorate has received £2m Market Sustainability and Improvement Fund - Workforce Fund in September. However, this is largely expected to be passported to care providers to increase social care capacity through increasing social care workforce capacity and retention, reducing social care waiting times and increasing fee rates paid to social care providers.

4.3 ASC continues to experience an 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.

4.4 The number of homecare clients is now 2.2% and the number of hours per month are 1.6% higher than at the start of the year. The overall number of people in long term residential and nursing care are at similar levels to this time last year but due to complexity the cost of care is higher.

Public Health £nil variance forecast

4.5 The overall position is break even as this is a ring-fenced grant. However, in year, £2.125m of strategic investments are now expected to slip into future years which will increase PH reserve balance. Some of this slippage is due to strategic decision to delay, market capacity to undertake some of the projects and longer than expected time to complete full governance.

5. Regeneration, Economy and Planning (REP) Overspend £2.200m

5.1 The directorate is reporting an overspend of **£2.200m** at Quarter 2, which represents an increase of £0.600m since Quarter 1. This is due to income levels in Planning continuing to drop, with the income projection for 2023/24 now expected to be lower than the 2022/23 outturn.

Planning

5.2 If the proposed increase to centrally set planning fees comes in for the final Quarter of the year there is an opportunity for this position to improve by £0.095m. Meanwhile, a risk of £0.300m has been identified within Building

Control as the service gears up for the expected increase in workload linked to the Building Safety Act 2022. It is anticipated that the service will need to expand capacity before it is able to cover increased cost through fees.

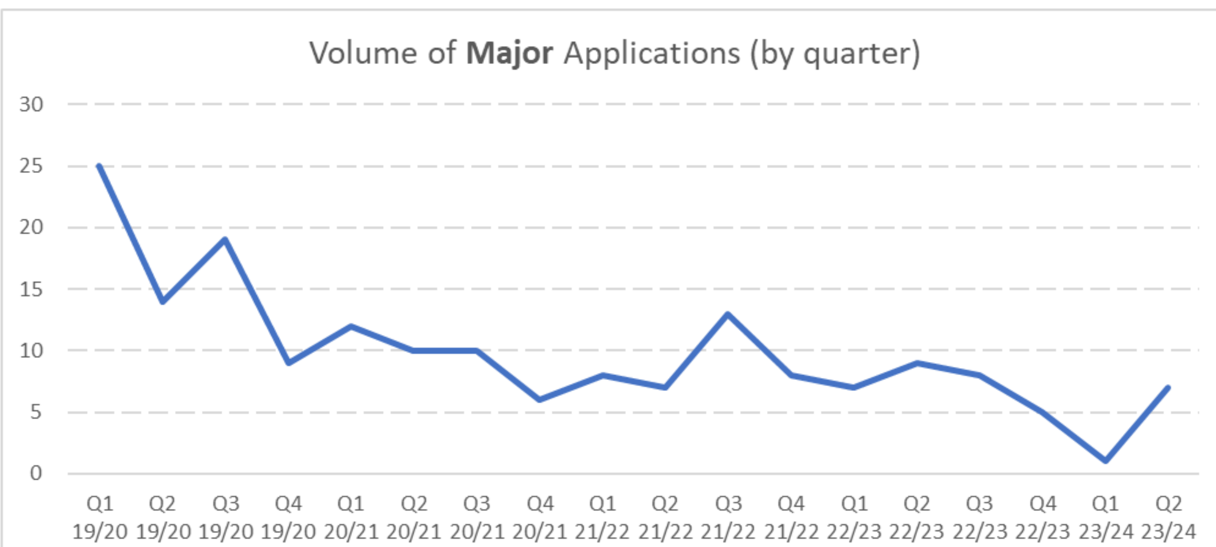
5.3 The total volume of planning applications as at the end of Quarter 2 is broadly consistent with the previous two financial years. However, there has been a material drop off in the volume of Major planning applications which generate the largest share overall fee income.

5.4 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

Application volumes at the end of Quarter 2	2019/20	2020/21	2021/22	2022/23	2023/24
Majors	39	22	15	16	8
Minors	1,448	1,030	1,603	1,524	1,407
Other	3,632	2,408	2,536	2,471	2,592
TOTAL	**5,119**	**3,460**	**4,154**	**4,011**	**4,007**

This is consistent with the general trend over the last 5 years, as shown below:



5.5 Whilst the volume of Major applications has recovered slightly in Quarter 2, the income projection for 2023/24 is now forecast to be lower than 2022/23.

Economy

5.6 Elsewhere in REP, the Economy service is projected to meet its £3.3m external funding requirement for 2023/24. The General Fund supports less than 40% of the overall cost of the service, with the remainder coming from external sources (e.g. grants, S106, etc). The majority of this target has already been identified and there is just £200k remaining.

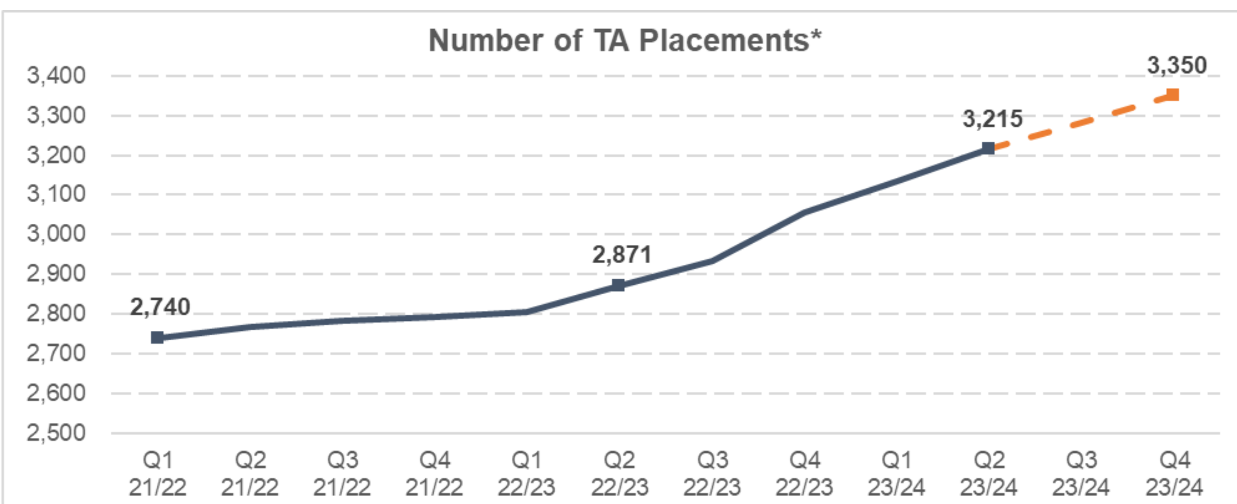
6. Housing and Commercial Partnerships Overspend £17.531m

6.1 The Housing General Fund budget is projecting a budget pressure of £17.531m at Quarter 2 (£9.544m at Quarter 1). This is entirely driven by spend on Temporary Accommodation (TA) which is experiencing a large increase in demand combined with significant increases in the cost of existing stock, reductions in the volume of existing supply and very limited availability of additional properties. Risks totalling £4.082m have also been identified, which relates to inflation on contracts and TA supply arrangements.

Temporary Accommodation (TA)

<u>Demand</u>

6.2 The service has experienced a sharp increase in demand for TA since the beginning of 2022/23. The number of TA placements has risen to over 3,200 versus 2,871 at the end of the equivalent Quarter in 2022/23 (a 12% increase in the last 12 months).

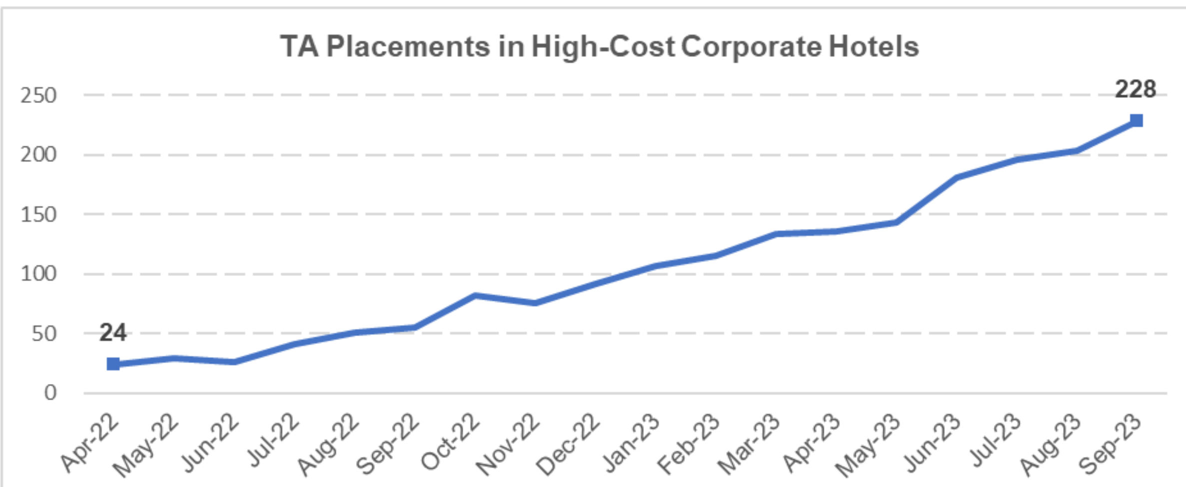


* **Note:** The number of TA placements is a slightly higher measure than the number of households in TA (but more relevant to cost)

WCC TA Placements (by supply type)

	March 2022	March 2023	September 2023 (Q2)	2023/24 Mvmt
Nightly Booked	530	683	825	142
Leased	2,029	2,081	2,064	-17
WCC Owned	274	292	326	34
Total	2,833	3,056	3,215	159

6.3 The supply breakdown in the table above highlights some of the supply challenges facing the Council. The volume of available supply from the private rental sector has decreased by 17 units over the last 6 months which means that the majority of new demand is being met using nightly booked accommodation (which has increased by 21% since March 2023, reflecting the enforced use of commercial hotels and apartments to meet statutory duties). The chart below shows the increase in the use of high-cost corporate hotel bookings since the beginning of 2022/23 which is the largest single driver of the overall increase in TA spend.



High-cost provision

6.4 The other key trend is that existing landlords are experiencing higher costs. In some cases, this is causing them to exit the TA market altogether (as noted in the figures above), but the more general trend is for existing lease arrangements to be re-negotiated to prevent loss of units. Alongside the use of high-cost hotel supply, this is also contributing to the upwards trajectory in the average weekly cost of TA supply.

6.5 The Quarter 2 TA forecast is predicated on some important assumptions (for which any adverse movement would increase the budget pressure):

- Demand increasing to 3,300 households in TA by the end of 2023/24;
- An expectation that c.80% of new demand will be met using hotel provision;
- No further removals of existing PSR supply due to landlords exiting the TA market.

6.6 The Housing service is exploring a number of interventions to contain the projected budget pressure (and ultimately reduce it). A Strategic Lead for TA has been appointed and the delivery of a programme of measures will be managed under the oversight of a new Board. These include:

- Further acceleration of TA acquisitions (with 102 purchases forecast in 2023/24)
- Increased contractor capacity to turn around TA voids
- Alternative procurement arrangements for high-cost provision
- Investment in prevention activity

7. Finance and Resources — Underspend £23.337m

7.1 At Quarter 2 the Directorate is reporting a favourable variance of £23.337m against the approved budget of £11.499m.

Corporate Property

7.2 Corporate Property is not reporting any variances, risks or opportunities at Quarter 2. As at the end of September 2023, 38 units (both GF and HRA) were vacant but of these 28 were not being marketed due to regeneration requirements, two were under offer. One completed in September and 7 were being marketed. 28 day investment income collection rates in August 2023 were 94.07% compared with 88.57% in August 2022.

Finance/Treasury and Pensions

7.3 Treasury and Pensions is forecasting a favourable variance of £23.337m in Q2. The projected return on cash balances of £50m against a budget of £26.283m. This is driven by higher average interest rates and higher average balances than anticipated when budget setting. Inflation has remained relatively high, therefore interest rates have remained high in an attempt to bring inflation under control. This is the driver of high interest earnings. Investment balances are currently £338.5m higher than the balances at March 2023, with an average interest rate of 5.23%. Any additional interest earnings received will mitigate in-year budget pressures across the council as well as being used to support the delivery of the capital strategy.

7.4 Finance is showing a net risk of £0.220m, following the latest external audit valuation requirements and procurement there is a pressure of up to £0.120m per annum identified. In addition to this contract inflation pressures are being monitored particularly relating to Hampshire IBC £0.110m pending LA pay awards and Insurance Premiums increases of 13.5% £0.770m which can be partly mitigated through Insurance reserves and the corporate contract inflation budgets.

Digital and Innovation

7.5 The favourable variance in Treasury & Pensions is offset by an adverse variance in Digital & Innovation of £0.187m largely relating to an increase in contract costs on the Lot 9 contract with BT relating to a technical adjustment (£0.080m), and proof of concept work that was completed relating to Report-It chat-bot and AI discovery.

7.6 There is a risk that salaries cannot be capitalised at the level budgeted, this is being monitored closely. Salaries may be capitalised if they can be directly attributable to the delivery of a capital asset. How the Digital Team delivers its capital programme will inform the level of capitalisable salaries by year-end.

Revenue and Benefits

7.7 Revenue and Benefits is also reporting an unfavourable variance of £0.250m at Quarter 2 due to reduced income levels from cost of collection grant and court costs.

8. Environment, Climate & Public Protection Underspend £0.160m

8.1 At Quarter 2, there is a favourable variance of (£0.160m) against the approved net budget of (£3.295m). This represents an improvement of £0.480m from Quarter 1. Net Risks and Opportunities have increased by £0.630m to £1.630m.

Parking

8.2 Parking continue to report a nil variance at Quarter 2 comprised of offsetting variances. The level of risk has increased by £1.000m from Quarter 1 to £1.500m.

8.3 Paid For Parking is forecast to under recover by £2.800m. Transaction volumes remain below last year (3.03m Quarter 2 2023/24 vs 3.09m Quarter 2 2022/23), and the average value continues to be suppressed by increasing use of less polluting vehicles. The change to an emissions-based charging structure will take place later than had been forecast, resulting in a reprofiling of £0.800m of the associated saving into 2024/25.

8.4 Pressures are reported in other income streams with £0.250m shortfall now forecast in respect of Resident Permits linked to cleaner fuelled vehicle use, and £0.175m reported pressure in Trade Permits and Dispensations, both of which continue to see low volume.

8.5 Suspensions income is £0.300m behind profile at Quarter 2. This is a slight improvement from Quarter 1 position but the income stream is very volatile and other income streams with similar drivers are also seeing lower activity. The forecast of £0.425m shortfall is unchanged from Quarter 1, and there remains a risk of £0.500m further adverse movement. In addition there has been a legal challenge from a customer against charges applied, and a further £0.500m risk is included in respect of that.

8.6 PCN income is forecast to over recover by £4.000m, offsetting other shortfalls. The forecast relates primarily to marshal-issued PCNs where high contravention rates continue to support additional enforcement on street, with £0.100m forecast from additional CCTV PCNs as the rolling programme of camera review and installation anticipates adding further cameras in Q3. £1.060m of additional costs are forecast associated with the increased activity around PCNs.

8.7 Parking report a net underspend of £0.710m. The Concessionary Fares underspend of £1.900m remains as reported at Quarter 1, but is offset by £0.450m one-off overspends due to the contract transition, and £0.740m other overspends which the service is looking to address and avoid recurrence.

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

8.9 An adverse variance of £0.270m is reported at Quarter 2, realising the risk reported at Quarter 1 in respect of Houses in Multiple Occupation (HMO) Licensing, where the increase in fees will take effect from 2026/27 due to the licences being renewable on a 5 year basis.

8.10 PP&L reported a risk of £0.500m at Quarter 1. This has been reduced to £0.130m with the shortfall in HMO income now recognised, and with other income streams such as LA03 currently performing well. Sex shops have seen a decline in income generation post covid as a result of lower footfall and a decline in business operators, giving rise to a risk of £0.030m. Pre Planning Advice and Pre Application Advice currently also have very low demand levels, not yet returning to pre-pandemic levels, thus a risk £0.100m risk of income under achievement has been recognised. The income activity will be monitored during the year.

8.11 ***Waste and Cleansing***

8.12 The service is forecasting an underspend of £0.430m, a favourable movement of £0.750m since Quarter 1. This is mostly due to commercial waste income over-recovering by £1.000m as a result of increased sales. However, this favourable variance is partially offset by a number of overspends.

8.13 Public conveniences is forecasting to overspend by £0.110m due to income under recovery. The planned renovation programme will seek to improve future income by providing more attractive, higher quality facilities less vulnerable to closures and with cashless systems that are predicted to increase usage.

8.14 There are also pressures within the cleansing service that relate to the additional rapid response weekend service to improve cleaning standards across the borough and an additional graffiti team along with other offsetting variances giving an overspend of £0.210m.

8.15 Waste disposal is forecasting an overspend of £0.250m as a result of increasing volumes of commercial waste collected, along with a fall in income generated from the sale of recyclable material (in a volatile market).

8.16 Commercial Waste presented an opportunity of £0.500m at Quarter 1 which has been partially realised. Commercial waste income is currently over-recovering and a forecast of £1.000m has been included, however there is the potential for the over-recovery to be greater than this. Prices were increased this year and the impact on sales income will be monitored to see if income continues to exceed the higher budget. If it does continue then the remaining opportunity of £0.250m will be included into the forecast position.

8.17 Due to increasing tonnage collected and the fall in income raised from the sale of recyclable material, disposal costs will potentially overspend this year. A risk of £0.500m was reported at Quarter 1 and half of this has now been moved to the forecast. A one-off reserve of £0.500m will partially offset the remaining variance in this year. leaving a forecast overspend of £0.250m. Tonnage levels will continue to be monitored.

9. Children's Services Overspend £2.420m

9.1 At Quarter 2 the Directorate is reporting adverse variance of £2.420m against the approved budget of £40.396m.

Family Services

9.2 Increasing costs in relation to families with no recourse to public funds (NRPF) have resulted in pressure on the budget with a total forecast overspend of £0.500m. This is due to the increasing cost of accommodation for these families. 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 Social Care placements that have a health element have been joint funded by the NHS ICB. The ICB have not agreed any new cases for this financial year, resulting in a forecast shortfall of £0.400m. The approach is being challenged but there is a risk that this shortfall increases by a further £0.650m if the situation does not change.

9.4 Registrars income is overachieving against their income target by £0.283m due to increased volume of registrations.

9.5 Funding received from health for the joint funding of placements with health needs is at risk of not achieving the budgeted income target. The income budget was increased in 2023-24 by £0.650m with the expectation that cases that had been self assessed to have a health need would be accepted by the Integrated Care Board (ICB).

Operations and Programmes

9.6 The Short Breaks service continues to have a pressure of £0.791m. 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 due to be completed by January. The service is currently being reviewed and opportunities for cost reductions and cost avoidance will be sought through this process.

Education

9.7 The pressure within Virtual School of £80k, due to overspends on staffing and a reduction in DSG contribution and School Standards of £50k, due to an unachievable savings related to Education Funding and Efficiencies is partly offset by a minor underspend within Transport (-£6k).

9.8 There is a risk that the demand for SEN Transport services increases due to new starters exceeding the estimated number, this is estimated to be up to £0.480m. The actual impact will become clearer in the next month. This is offset by a potential opportunity of up to £0.080m if transport cancellations are higher than the estimated number.

Libraries and Archives

9.9 There is a shortfall on the libraries income target of £0.162m.

10. Innovation and Change Underspend £0.474m

10.1 At Quarter 2 Innovation & Change is currently reporting a favourable variance of £0.474m against the approved budget of £19.962m. There are currently reported risks of £0.283m and a reported opportunities of £0.100m.

City Promotions, Events and Filming

10.2 The net favourable forecast variance includes additional income in City Promotions, Events and Filming of £0.399m, and also within Cemeteries of £0.100m, offset by an underspend on Member Allowances £0.042m, an underspend on salaries across the directorate £0.073m on part year vacancies.

Sports, Leisure and Active Communities

10.3 Communities (£0.233m in Sports, Leisure and Active Communities (SLAC)), relating to staffing £0.197m, a Health and Safety audit of £0.036m in Leisure and a further £0.050m in IT costs in Westminster Connects. There is also an opportunity in SLAC from Cemeteries income of £0.100m.

11. Other Corporate Directorates Underspend £0.600m

11.1 At Quarter 2 the Directorate is reporting a £0.600m underspend against the approved budget of £3.298m, this is due to bad debt provision savings. There are no reported risks or opportunities.

12. Housing Revenue Account £nil variance forecast

12.1 The Housing Revenue Account (HRA) is projecting an operating deficit of **£1.895m** at Quarter 2. This is being offset by earmarked reserves that were created in 2022/23 specifically to manage some of the emerging cost pressures.

12.2 The main drivers of the operating deficit are as follows:

- **Repairs** – Costs are continuing to increase at a faster rate than the CPI allowance that was made in the business plan. This is most keenly felt on quoted works. Repairs spend is outstripping the existing budget by £3m.

- **Health & Safety** – The HRA Business Plan anticipated a need for recurring budget growth in 2023/24 to meet the requirements of the Building Safety Act. There was an expectation that some of the initial activity required to keep the stock compliant could be managed as one-off investment (hence the availability of an earmarked reserve for this purpose). However, the revised estimates have resulted in forecast expenditure of £3.180m for 2023/24, which outstrips the budget growth and creates a pressure. The recurring annual budget requirement is now estimated to be £2.350m which means a lower proportion of the spend can be managed as a one-off and additional growth will need to be built into the HRA Business Plan.

- **Rental Income** – The HRA Business Plan includes assumptions about the delivery of new build social units each year in relation to the additional rental income that they will generate. Two schemes are still due to complete in 2023/24, at Lisson Arches and 300 Harrow Road, adding a combined 137 new social units. The rent projection is based on the current stock baseline and is £700k lower than budgeted. However, if these units can be operational and tenanted by the beginning of 2024 then this budget pressure will reduce by £360k.

12.3 There are several underspends across the HRA that are helping to offset some of the pressures noted above:

- **Borrowing Costs** – The HRA is projecting to borrow £44m at Quarter 2, which means that the borrowing requirement is currently running slightly below the profile set in the Business Plan (due to a more favourable external funding profile). This means that the projected cost of borrowing for 2023/24 is lower than budgeted (although this will correct in later years, as the overall quantum of new borrowing remains the same).

- **Revenue Contribution to Fund Capital** – The HRA budget includes an expected contribution of £2.688m from the revenue budget to fund capital (and reduce borrowing). However, this is a flexible contribution and can be diverted to support revenue activity if there are budget pressures like the ones being experienced in 2023/24.

- **Staff Costs** – the HRA is projecting an underspend on staff costs of roughly £0.7m. This is driven by vacancies and is much lower than in previous years. Recruitment is on-going in a number of areas, particularly in relation to initiatives being driven by the Housing Improvement Programme.

13. Council Tax and Business Rates collection

13.1 As at September 2023 Council Tax collection rate to date is 58.52% which is 1.10% higher than the same month last year.

13.2 The Business Rates collection rate for September 2023 is 57.46%, which is 1.29% higher than the same month last year.

	September 2023 Collection Rate	**September 2022 Collection Rate**	**September 2021 Collection Rate**	**September 2020 Collection Rate**	**September 2019 Collection Rate**	**2023 vs 2022 Difference**
Business Rates	57.46%	56.17%	49.18%	49.81%	59.56%	1.29%
Council Tax	58.52%	57.42%	57.61%	57.27%	62.14%	1.10%

13.3 By way of comparison, collection rates for business rates and council tax remains below pre-pandemic levels (September 2019 collection rate) at the Quarter 2 position.

14. Fees and Charges

14.1 The Council has a 2023/24 Fees and Charges income budget of £183.633m. As at Quarter 2, it is forecast to have an adverse variance of £0.693m. This is reported as variances in the relevant directorate commentary above.

14.2 This is mainly due to the following income streams:

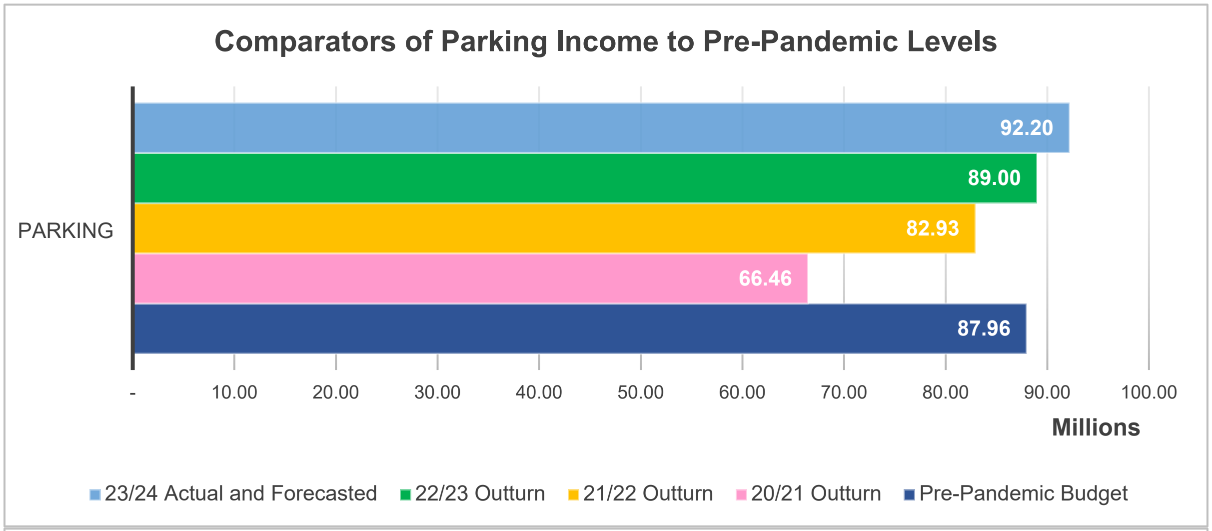
- Parking Penalty Charge Notice Marshals forecasts £3.900m more income than budgeted for as continued high contravention rates support continued additional enforcement on street, leading to an increased PCN income forecast.

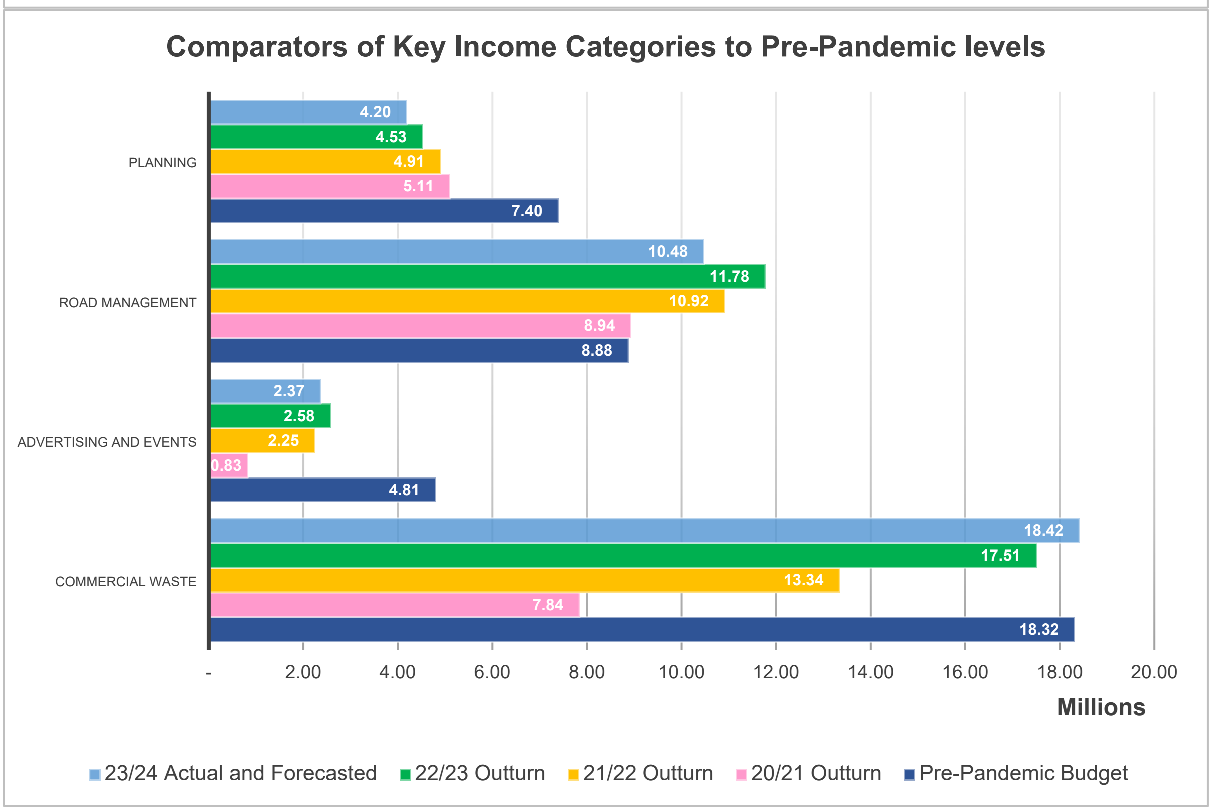
- Paid for Parking forecasts an adverse variance of £2.800m. Transaction volumes are in the region of 97% of those seen last year, and while the average value per transaction remains about 5% higher than last year, the increase is not as high as the overall percentage applied through fees and charges as a result of changing behaviours and a continued move to less polluting vehicles.

- Planning forecasts an adverse variance of £2.200m as activity remains significantly below pre-pandemic levels with only 8 major applications received to date compared to 16 in 2022/23.

- Commercial Waste income is forecasting an over-recovery of £1.000m, with an additional of £0.250m declared as an opportunity. Income is exceeding that from the same period last year by £1.050m and bag sales are higher by 1,575 units (6%) indicating there is ongoing growth rather than the increase being only due to price increases. However the budget is greater this year to reflect recovery from covid along with inflationary increases.

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.


Comparators of Parking Income to Pre-Pandemic Levels
PARKING
92.20
89.00
82.93
66.46
87.96
-
10.00
20.00
30.00
40.00
50.00
60.00
70.00
80.00
90.00
100.00
Millions
23/24 Actual and Forecasted
22/23 Outturn
21/22 Outturn
20/21 Outturn
Pre-Pandemic Budget


Comparators of Key Income Categories to Pre-Pandemic levels
PLANNING
4.20
4.53
4.91
5.11
7.40
ROAD MANAGEMENT
10.48
11.78
10.92
8.94
8.88
ADVERTISING AND EVENTS
2.37
2.58
2.25
0.83
4.81
COMMERCIAL WASTE
18.42
17.51
13.34
7.84
18.32
-
2.00
4.00
6.00
8.00
10.00
12.00
14.00
16.00
18.00
20.00
Millions
23/24 Actual and Forecasted
22/23 Outturn
21/22 Outturn
20/21 Outturn
Pre-Pandemic Budget

15. Capital Budget 2023/24

15.1 The Quarter 2 Capital Programme forecast position is a projected £106.339m gross expenditure variance and £38.958m financing variance (£106.339m including borrowing).

15.2 The table below summarises the Council's budget and forecast position at Quarter 2 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
Adults & Deputy Chief Executive Services	16,795	6,000	(10,795)
Children's Services	6,578	5,846	(732)
Housing & Commercial Partnerships	32,241	56,657	24,416
Regeneration, Economy and Planning	76,721	49,764	(26,957)
Environment, Climate and Public Protection	134,070	84,193	(49,877)
Finance and Resources	58,296	41,963	(16,333)
Innovation and Change	6,698	6,994	296
Westminster Housing Investments Limited	28,987	2,630	(26,357)
Total Expenditure	**360,386**	**254,047**	**(106,339)**

Capital Financing	2023/24 Budget £m	2023/24 Forecast £m	2023/24 Variance £m
External Funding	(57.708)	(41.822)	15.886
S106 and CIL	(33.057)	(9.985)	23.072
Capital Receipts	(28.589)	(11.845)	16.744
Borrowing	(241.032)	(190.395)	50.637
Total Financing	**(360.386)**	**(254.047)**	**106.339**

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
Westminster Housing Investment Limited	(26.357)	The original budget assumed investment in Ebury Phase 2- this is no longer planned for this financial year due to on-site delays. Phase 2 is now scheduled for 2024/25. Furthermore, a £9.000m acquisition at Harrow Road will now be purchased directly by Westminster Builds. The 2023/24 variance has been reported as underspend and the future year budgets have been updated.
Oxford Street	(9.374)	The provisional budget reflected at Quarter 1 has now been refined, this is why there is a variance to budget. The £5.700m forecast reflects the anticipated scheme costs for 2023/24. These include Design Stage 2 at Oxford Street, Design Stage 1 at Oxford Circus and design costs for complimentary streets and Highways enabling costs.
District High Streets	(3.021)	This project requires extensive consultation with the local community to shape the delivery of the programme. As a result, it is still in the design and scope stages. and the £0.411m expenditure forecast is based on these costs plus internal salaries. The remaining budget has been reprofiled to 2024/25 to reflect expected delivery and is likely to be refined further.
Public Conveniences Renovation	(2.874)	Surveys and compliance works have taken place. Costing from partners, including FM Conway are outstanding but expected imminently. The strategy, design and proposed programme of works will then be taken to Capital Reporting Group and the Cabinet Member for approval. Once agreed, it is expected that works will commence this year for the Neighbourhood sites. However, due to the complexities of underground public conveniences, work will commence next financial year with sites being renovated one at time in order to minimise disruption, hence reprofiling to 2024/25.

North Paddington Place Plan	(2.817)	The 1st year programme has now been agreed and spend has been profiled into financial years 2023/24 and 2024/25. The £5.000m per year budget was provisional and the £2.183m forecast is based on expected programme delivery. The remaining £2.817m budget will be slipped to 2024/25 and will fund the 2nd year programme, which is currently in development. Delays can be attributed to the complexities of planning and development within the Council, as there is input from multiple areas.
Electric Street Cleansing Vehicles	(2.500)	The strategy has been approved by the responsible cabinet member and Cabinet Review Group. Purchase orders have been raised for £7.800m of vehicles. It is expected £5.500m will be delivered this financial year with the remainder being delivered early in the next financial year (2024/25). The reprofiling is attributable to delays in planning permission for depot electrical works. This then had a knock-on effect in delaying site works.
Green Spine Phase 2	(2.407)	Phase 2 has been delayed to 2024/25 as the focus is on Phase 1 completion. The Phase 2 budget has been reprofiled into future years to reflect the current delivery expectation.
WEP- The Strand Aldwych	(2.391)	The £2.391m variance includes previously profiled £1.000m of permanent space costs which will be reprofiled to 2025/26 in line with current delivery forecasts as conversations with external partners are ongoing. Approximately £1.391m will be recorded as an underspend against the Meanwhile programme, however, the final amount will be known at Quarter 3 once the final account from FMC have been received.
Landlord Responsibilities	(2.390)	The overall progress on the work programme has been slower than expected due to contractor performance. A main contractor is about to be appointed which will speed up delivery- the variance is reporting as underspend as reprofiling the variance to 2024/25 would result in an undeliverable 2024/25 expenditure budget.

Lisson Grove Programme- General Fund Acquisitions	(2.207)	The scheme is still in the concept design phase, therefore the only related expenditure in 2023/24 relates to legal fees. Expenditure has been reprofiled to 2025/26.
Seymour Leisure Centre New Build	1.479	The original budget assumed that construction would commence at a later date. However, construction has now begun at the site, resulting in a partial reprofiling of the 2024/25 budget to 2023/24.
20 In-Borough Acquisitions for Temporary Accommodation	24.579	In order to reduce WCC's reliance on expensive emergency temporary accommodation provisions, acquisitions have been completed at a faster pace to mitigate these costs. This was part of the Temporary Accommodation strategy to target current pressures. Future year budgets (from 2024/25 and 2025/26) have been reprofiled to 2023/24.
Total	**(30.280)**	

15.4 As can be seen in the table above, 12 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 28% of the expenditure variance.

16. Housing Revenue Account

16.1 The HRA capital budget and forecast position at Quarter 2 is summarised in the table below.

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	60.796	0.000
Housing Regeneration	102.848	141.815	38.967
Other Projects	5.881	3.789	(2.092)
Total Capital Expenditure	**169.526**	**206.400**	**36.875**

16.2 At the end of Quarter 2, the expenditure forecast for the HRA capital programme is £206.400m. This represents additional capital spend of £20.053m in 2023/24 compared to the original budget of £169.525m.

16.3 The majority of this relates to an accelerated spend profile for schemes across the Development programme (i.e. planned future spend has been brought forward). The majority of these schemes remain on budget overall, with some projected increases on larger schemes due to be reviewed as part of the Council's updated capital strategy.

16.4 As a result, the HRA is now projecting a £48m borrowing requirement for 2023/24 versus the £nil expectation that was build into the HRA Business Plan. Part of this variance is driven by the additional £20m of spend noted above, with the remainder driven by external funding slipping into 2024/25. It is worth noting that HRA borrowing profiles have moved since the business plan was last refreshed (with 2022/23 borrowing lower than anticipated and 2024/25 also now expected to be lower). The revenue impact of increased borrowing will therefore be contained.

Table 7 – Key variances within HRA Planned Maintenance:

Component	2023/24 Expenditure Budget £m	2023/24 Forecast £m	2023/24 Variance £m
Electrical & Mechanical Services	6.400	7.729	1.329
Aids & Adaptations	1.800	1.800	0.000
Voids	3.900	8.633	4.733
Fire Precaution Major Works	2.056	9.022	6.966
Major Works	31.384	22.547	(8.837)
Fire Precaution (FST)	1.392	3.113	1.721
Delivery Adjustment	0.000	(5.755)	(5.755)
Other Schemes*	13.864	13.707	(1.570)
Total	**60.796**	**60.796**	**0.000**

16.5 At Quarter 2 there was no variance to the budget.

16.6 There is an increase in the forecast for Fire Precaution activity versus budget of £6.996m driven by an increase in the cost of materials and changes in the scope of works at Little Venice Towers (where all the secondary means of escape staircases and emergency lighting now need to be renewed, along with communal door upgrades).

16.7 The Voids forecast includes an increase of £4.733m versus budget. The service are projecting to complete 480 voids in 2023/24 at an average cost of £16,500. This is a higher volume than included in the budget provision, and the average cost has also risen in the last 18 months due to significant cost inflation.

16.8 There is a decrease in the Major Works forecast of £11.967m. This is due to on-going engagement with leaseholders in relation to estimated bills on a number of projects. The overall status of the Major Works programme is as follows: £20m worth of schemes already underway, £9m at the commissioning stage, and £2m in the process of being scheduled.

16.9 In order to maximise delivery versus available resources, the Planned Maintenance programme has deliberately been "over-programmed" (i.e. more projects were earmarked to be delivered in 2023/24 than the funding allocated in the HRA Business Plan). This means that the impact of the delays on the Major Works programme do not have an adverse impact on planned spend for 2023/24. In addition, the programme is still projected to over deliver by £5.755m (8.7%) at Quarter 2. This could be funded by the HRA if required and helps to ensure that schemes are advanced as quickly as possible. The 2023/24 projection represents a 15% increase on the £52m delivered in the last financial year.

Table 8 – Key variances within HRA regeneration and development:

Top Project	2023/24 Expenditure Budget £m	2023/24 Forecast £m	2023/24 Variance £m
Ebury – Phase 1	49.667	66.167	16.500
Pimilico (Churchill Garden)	1.939	10.489	8.550
Ebury -Phase 2	2.838	77.780	4.940
Queenspark Court	5.741	8.693	2.952
Infills	12.952	14.618	1.666
Church Street Phase 2	11.740	2.792	1.618
Carlton Dene	4.171	5.626	1.455
Total	**78.482**	**116.163**	**37.681**

16.10 At Quarter 2, there is a forecast overspend of **£37.681m** compared to budget. The increase is largely due to accelerated programmes of delivery and increased construction costs since the Business Plan was updated in Summer 2022.

16.11 There is an increase in forecast in-year on **Ebury Phase 1 (£16.500m) and Phase 2 (£4.490m).** The main contract value has increased via a deed of variation which has been approved via Cabinet Member Report. There has also been an increase to CIL costs as a result of tenure changes on the scheme and an update to consultancy fees to reflect the revised programme. Contractors cashflow assumptions have also been revised and some works, including Phase 2 demolition accelerated to 23/24. Overall, Phase 1 is forecasting an overspend of **£12.348m**. Phase 2 specifications and costs are still being finalised and value-engineered.

16.12 **Pimlico (£8.550m)**. Construction of Block A is ahead of schedule with confirmation received from the external QS. This is reflected in reduced forecasts for future years. Overall, the scheme has an overspend of **£6.7m** which will be contained within the current business plan.

16.13 **Queens Park Court, Torridon Car Park and Adpar Street (Infills)** are projecting higher spend in 2023/24 due to accelerated progress made on site by contractors. This will have no impact on the overall programme cost.

16.14 **Church Street (£1.618m)**. Increased overall forecast primarily related to an update of professional fees for preparation of demolition contract, and consultant support for the CPO process and JV Partner Procurement. Demolition budget has also been updated to reflect the revised cost plan.

16.15 **Carlton Dene (£1.455m)** is projecting higher spend in 2023/24 due to the Stage One contract being awarded earlier than anticipated. The increase in forecast will not have any material impact on the total costs over the life of the scheme, just the profile in this financial year.

Other Works

16.16 At Quarter 2 there is a forecast underspend of £2.092m on the Self-Financing scheme. This programme has been suspended due to a strategic decision to stop all disposals of HRA owned assets. However, a small balance of capital receipts remains and this is held in the HRA for emergency acquisitions (to meet specific housing needs). The Council's acquisition capacity has largely been re-directed to purchasing units for use as TA (due to the significant budget pressures within that service).

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 September 2023/24.

Westminster Builds

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

P&L Summary £000's	Actual YTD £'m	Revised Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Revised Full Year Budget £'m	23/24 Budget £'m
Total Income	585	585	-	1,299	1,299	1,150
Total Expenditure	(147)	(147)	-	(319)	(319)	(357)
Operating Surplus/(Deficit)	438	438	-	980	980	793
Net Interest	(332)	(332)	-	(684)	(684)	(900)
Profit/(Loss) Before Tax	106	106	-	296	296	(107)

17.2 The profit for Quarter 2 is £106k (Quarter 1 is £26k). At Quarter 2 the forecast was revised. The current forecast is now a profit of £296k, an improvement of £403k from the 23/24 budget. This is mainly due to:

- 300 Harrow Road direct acquisition leading to approx. £129k of interest savings.
- Working Capital Loan being repaid leading to £44k of interest savings.
- Higher than expected bank interest which is now forecasted at £166k.

17.3 The forecast presented above does not include profit from Luton Street sales which are due to be fully received by 31st March 2024.

Westminster Community Homes

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

P&L Summary £000's	Actual YTD £'m	Budget YTD £'m	Variance YTD £'m	Year End Forecast £'m	Full Year Budget £'m
Total Income	2,599	2,542	57	5,198	4,844
Total Expenditure	(2,183)	(1,608)	(575)	(4,366)	(3,515)
Operating Surplus/(Deficit)	**416**	**934**	**(518)**	**832**	**1,329**
Amortisation and depreciation	(655)	(709)	54	(1,310)	(1,417)
Capital Programme – Stock refresh	-	(799)	-		(1,598)
Net Interest	(125)	(154)	29	(250)	(308)
Profit/(Loss) Before Tax	**(364)**	**(728)**	**364**	**(728)**	**(1,994)**

17.4 The YTD position at P6 is a deficit of (£364k) which is £364k favourable to the YTD budget.

17.5 The net operating adverse variance of (£518k) is due to:

- £57k favourable to budget income, primarily derived from £80k favourable to budget miscellaneous incomes and £91k favourable to budget tenant service charges.
- (£575k) higher than budgeted expenditure is primarily due the adverse to budget variance of £141k for repairs expenditure, and £173k higher than budgeted service charges.

17.6 Amortisation and depreciation are £54k favourable to budget due to accounting estimates.

17.7 Net Interest payable is £29k favourable to budget. This is because the 23/43 profiled budget took account of an additional loan of £2.7m to be taken in year. The loan facility has now been adjusted to £1.9m to be drawn down as needed throughout the life of the MOT yard project. The Cabinet Member report for this facility has been approved and it is hoped to have the loan agreement signed and the facility in place in April. We have also been receiving healthy bank interest, totalling to £29k at P6.

Westco

Table 11 – Westco P&L Summary 2023/24

P&L Summary £000's	Actual YTD	Budget YTD	Variance YTD	Year End Forecast	Full Year Budget
Total Income	1.375	1.900	(0.525)	(2.866)	3.800
Total Expenditure	(1.454)	(1.754)	0.300	2.942	(3.508)
Operating Surplus/(Deficit)	(0.080)	0.146	(0.226)	(0.075)	0.292
Net Interest	-	-	-	-	-
Profit/(Loss) Before Tax	**(0.080)**	**0.146**	**(0.226)**	(0.075)	0.292

17.8 In the first half of the financial year, the reported position for WestCo for Quarter 2 is a profit of £3,190 which reduces the Quarter 1 to Quarter 2 total loss to £79,870. This is the first time the organisation has made a profit since February 2023. Despite having achieved a year to date loss, when compared to the same periods in the last financial year (2022/23) this shows an improvement of £83,102.

17.9 After factoring in all the savings proposals and work in the pipeline, it is projecting a year end loss of £75,292.

17.10 The current full year projected forecast for the financial year is a £75,292 loss which includes a forecast for work currently in the pipeline with over a 50% chance of being successful. This forecast is an improvement of £80,820 from the P5 position and includes the savings proposals as agreed by the WestCo board on the 27 September which have been identified as being fully achievable.

18. Summary of Prudential Indicators (PIs)

18.1 The quarterly financial monitor reports will include summary of PIs. The purpose of prudential indicators (PIs) is to provide a reference point or "dashboard" so that senior officers and Members can:

- Easily identify whether approved treasury management policies are being applied correctly in practice and,
- Take corrective action as required

18.2 As the Council's S151 officer, the Executive Director of Finance and Resources has a responsibility to ensure that appropriate PIs are set and monitored and that any breaches are reported to Members.

18.3 The summary of PIs can be found within Appendix 3.

19. Financial Implications

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

20. Legal Implications

20.1 There are no legal implications arising from this report.

21. Carbon Implications

21.1 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)

Appendix 1 – Reprofiled and Part or Completely Unachievable Savings

ELT	Saving Name	Saving Description	Status	2023/24 Agreed Saving	Mitigating action for unachievable or non-delivery; comment
Children's	Joint Funding Contributions	Joint funding from Health for high-cost placements	Part or Completely Unachievable	650	Currently in mediation with the ICB to agree what can be put forward for joint funding from Health. Current cases ongoing from last year continue to be funded but no further cases are being accepted at this point.
Children's	Education Funding and Efficiencies		Part or Completely Unachievable	50	
Innovation & Change	Parks not lock and staggering park locking times	A combination of not locking selected number of parks and staggering the closing time of another selected number of parks. This will reduce the number of park attendants required to close the parks.	Part or Completely Unachievable	75	A number of parks already have staggered opening hours many of which are linked to local byelaws. There are concerns relating to rough sleeping and anti-social behaviour at unlocked parks that have been raised by some stakeholders. There is some experience of these adverse issues in Parks that are currently left unlocked by the Service. The Service hope to implement changes towards the end of the year subject to stakeholder consultation.

Innovation & Change	Parks & Open Spaces Service Configuration - Review of service model to consider how to deliver by combining contracts with Housing and potential re-let savings	Assume savings can be achieved on combined contracts. Continental contract ends 31/3/23 therefore assumes saving will be deliverable from 2023/24. (Assumed total £100k - Parks £70k, Housing £30k)	Part or Completely Unachievable	70	Housing information requirements differ significantly to Parks as it feeds into the service charge statements for residents living in different estates around the City. Granular detail is required to ensure that if tenants challenge items in their service charge statement (e.g grounds maintenance) they can justify the amount being recovered, the service levels expected by Parks and Housing also differ significantly. Any savings that could have been achieved by Housing would benefit the HRA not the GF. The Continental Contract has now been extended by 3 years so no savings are now achievable.
Finance & Resources	Review of Bi-Borough IT Service	Reviewing the structure of the Bi-Borough IT service, including project work. 02/12 - removed £500k 22/23 following further review.	Part or Completely Unachievable	250	This was highlighted as a pressure in 2023/24 and removed from the budget load

Children's	Delivering Short Breaks Differently	A range of options for Short Breaks service delivery, including a review of the universal (core) and targeted preventative service offer - and the scoping of a proposal (which will require capital investment) to deliver overnight accommodation locally or 'in-house' for children with more complex care needs for whom finding suitable packages can be difficult and costly.	Part or Completely Reprofiled	25	Review of Short Breaks service under way

Environment, Climate and Public Protection	Parking Fee Structure Review (EBC)	On-street parking charges are already subject to a diesel surcharge applicable to pre-2015 diesel vehicles and resident permit pricing is differentiated according to engine capacity. This review looks to introduce alternative tiered charging structures based on vehicles' CO_2 emissions for these schemes, identifiable upon payment/application via a DVLA look-up. The objective is to improve air quality by encouraging use & ownership of less polluting/discouraging more polluting vehicles. Capital bids have been submitted to cover mobilisation and implementation costs for the new scheme.	Part or Completely Reprofiled	1630	Saving partially reprofiled as the implementation for the Parking Fee Structure Review has been delayed, now expected Feb-24. The effect of this delay is mitigated within the overall Parking position, offset by an increased PCN income.

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 Department for Education (DfE) will incorporate the MSAG into core budget allocations from 2024/25. The DfE have also announced a teachers pay additional grant (TPAG) to fund 3% of the 2023 teachers pay award. This will be allocated to schools from October 2023 once funding has been received.

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 31st 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 Six schools now have a licensed deficit recovery plan in place and revisions to eight plans have been requested following review and analysis. The remaining school, St Stephen's, amalgamated 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 £411k.

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
Our Lady of Dolours	No
Robinsfield Infant School	No
Soho Parish CE Primary School	No
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 Saviour's CE Primary School	Yes
St Vincent De Paul Catholic School	Yes
Total Number of Schools in Deficit	**12**
Schools in Surplus at March 2023 and Forecasting a Deficit at March 2024:	
Hampden Gurney	No
George Eliot Primary School	No
Revised Total Number of Schools in Deficit	**14**

Schools at Risks – risk rating and reserves balances

1.9 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.

1.10 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.

1.11 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.

1.12 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.

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	(2,669)
Amber	7	165	10	353
Green	17	5,924	14	4,891
Total	**39**	**3,482**	**38**	**2,575**

School Forecasts

1.13 Schools' balances at the start of 2023/24 were £3.622m and the forecast year end schools balances total £2.191m. Deficit schools are required to provide monthly updates, with other schools providing Quarterly finance reports.

1.14 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. Where returns haven't been received for Quarter 2, figures from Quarter 1 or budget plan forecasts have been used.

Appendix 3 – Prudential Indicators

Table 14 – Prudential Indicators

PI Ref		2023/24 Indicator	2023/24 Forecast
1	Capital expenditure	£438m	£603m
2	Capital Financing Requirement (CFR)	£1,310m	£1,285m
3	Net debt vs CFR	£723m underborrowing	£698m underborrowing
4	Ratio of financing costs to revenue stream	GF 12.24% HRA 34.59%	GF 38.13% HRA 38.99%
5a	Authorised limit for external debt	£1,359m	£1,336m
5b	Operational debt boundary	£636m	£638m
6	Working Capital Balance	£0m	£0m
7	Limit on surplus funds invested for more than 364 days (i.e. non specified investments)	£450m	£0m
8	Maturity structure of borrowing	Upper limit under 12 months: 40% Lower limit 10 years and above: 35%	Upper limit under 12 months: 4% Lower limit 10 years and above: 75%

City of Westminster

Audit and Performance Committee Report

Meeting:	**Audit and Performance Committee**
Date:	**Tuesday 28th November 2023**
Classification:	**General Release**
Title:	**Quarterly Performance Report** Quarter 2 (July – Sept) 2023/24 Performance Report
Wards Affected:	**All**
Key Decision:	**No**
Financial Summary:	**Not applicable**
Report of:	**Pedro Wrobel, Executive Director for Innovation and Change**

1. Executive Summary

This performance report summarises the council's performance and progress at the end of the quarter 2 (July 2023 - September 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 September 2023.

This report focuses primarily on statutory and regular service provision, presenting progress against our operational KPIs and the latest risk data. We have also provided a highlight report of key achievement and pressures across the full range of Council activity, to provide a rounded picture of performance.

As mentioned in the previous report, the Council has recently established a temporary dedicated directorate for Housing and Commercial Partnerships. This change has allowed for more focus on improving our housing services and ensuring we are ready to report against the new requirements set out by the Regulator for Social Housing after the current financial year has concluded. We have included an update on these KPIs at the mid-year position and the work to embed the new framework. This can be found in the Housing and Commercial Partnerships KPI update in Section 7 below.

Given Housing services have been moved into this new structure, the directorate formally known as Growth, Planning and Housing is now the Regeneration, Economy and Planning directorate. The KPI tables in Section 6 of the report have been realigned to reflect these changes.

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. At the end of quarter 2, 59 (73%) of KPIs with a target are currently on track to meet their annual target, with 15 (19%) appear at slight risk of missing target with only 3 (4%) assessed as off track against their annual target level.

The report covers:

2. Recommendations

- Committee to note the performance updates at quarter 2.
- Committee to indicate any areas where they require more information or clarification.

3. Quarterly Performance Report

Headline Achievements

This section highlights the Council's headline achievements across the range of services and Fairer Westminster initiatives at the end of quarter 2 2023/24. These will be achievements by exception drawn from delivery against key initiatives, and projects and programmes.

Health, Care and Wellbeing

Silver Sunday
Silver Sunday is an annual programme of events that aims to tackle loneliness and isolation in elderly residents. In partnership with the Sir Simon Milton Foundation, the Council helped to promote and organise events for care home residents from Norton House, Forrester Court and Beachcroft House throughout September and October. One of the events this year included dancers from the Chelsea Ballet visiting care home residents and performing for them. Events like this can help bring members of the community together, regardless of age, and they also showcase the important role that voluntary sector organisations play in delivering services for residents. Other events include dementia friendly concerts and walking tours of central London.

Healthy Communities Fund
On 21 September, the Council launched its Healthy Communities Fund for voluntary and community sector organisations. The fund was created out of learning from the pandemic, the tried-and-tested approaches of Healthy winter grants and Change4Life grants, and engagement with the voluntary sector. The funding is intended to help identify innovative ways to encourage people to be healthier and tackle the wider determinants of health. It will also strengthen the capacity, knowledge, skills and reach of local VCS organisations to deliver public health interventions. VCS organisations are invited to apply for funding to deliver regular health promoting activities for specific target communities across all ages. This will also complement the existing Healthy Lifestyles commissioned offer, deliver health equity, and ensure services are accessible.

School Mental Health Conference
The Council hosted a School Mental Health Conference on 26th September 2023. The conference aimed to provide an overview of the targeted and specialist mental health services currently on offer and seek feedback on the experiences and trends across the system, as well as gaps and emerging needs. The conference was well attended by school leaders and providers and partners across the NHS and the voluntary and community sector. Attendees valued the opportunity to come together and think together about what is working and what isn't. Feedback will be collated and shared back to schools with an outline of the next steps for the Council and partners to meet the emerging needs and challenges highlighted from the conference.

Children and Families

Summer Exam Results in Westminster Schools
Results day was a day of celebration for many students and schools across the borough, with GCSE and A-level students performing exceptionally well in their exams this year. Bucking the trend in the national headlines, provisional results for Westminster schools for 2023 indicate strong performance overall with outcomes at the end of Key Stage 2 (age 11), GCSE and A Levels being well above national comparators. GCSE performance has continued to improve

with the return to public examinations. Published results show local performance is above both the 2019 and 2022 national averages, with 59.9% of Westminster pupils achieving grades 5-9 in English and mathematics in 2023 compared to a national average of 45.3%, and Westminster pupils achieving an average Attainment 8 score of 54.1 compared to the national average of 46.2. Provisional A level performance in Westminster in 2023 for the top grades A*- A is 33.4%, which exceeds the national average of 26.5%. The percentage of A*- C grades is 79.9% in Westminster, which is also above the national average of 75.4%.

For Key Stage 2, the percentage of children reaching Expected Standard in the combined Reading, Writing and Mathematics measure at the end of Key Stage 2 was 67%, which is well above the national average of 60% and an improvement on Westminster's percentage of 64% last year. These excellent results are testament to the hard work and dedication of our children and young people through a particularly turbulent time in their education, and the ability of our schools to prepare pupils for external examinations despite disruption in recent years.

Strengthening Regional Fostering Recruitment and Retention programme
In collaboration with seven other West London councils, we have been successful in a bid to the Department for Education to strengthen the regional recruitment and retention of foster carers. The West London cluster will be one of ten regional clusters on the nationwide programme, which will help shape the future of foster care recruitment and retention. The programme will include a funded Recruitment Support Hub, and the implementation of the award-winning and evidence-based Mockingbird programme, which nurtures the relationships between children, young people and foster families supporting them to build a resilient and caring community of six to ten satellite families called a constellation. Once we have received funding, our next steps will be to work in partnership with the West London Cluster to establish the Recruitment Hub, and to work with the Fostering Network to develop our Mockingbird programme.

Community Safety, Licensing and Enforcement

Night Safety for Women
A pioneering business accreditation scheme is being launched in in Westminster to identify venues and businesses that are focused on increasing safety for women in the nighttime economy and trained in dealing with sexual harassment. The scheme, which is the first in the UK, is the next phase of the Council's Night Safety programme. It uses a healthy slice of the Home Office Grant awarded to the local authority last year to combat sexual harassment and women's safety in the West End.

Businesses can apply to become accredited and on satisfactory completion of an initial questionnaire. If they pass, they will receive a report detailing their success as well as information about resources to improve their processes, procedures, and training. Their certification lasts for one year with random spot checks from the council's City Inspectors aimed at maintaining standards. Successful businesses will be awarded a certificate on completion and are encouraged to display signage to notify people of their accredited status. Making sure all users of Westminster's night-time economy stay safe remains a top priority in the Fairer Westminster delivery plan.

Women's safety continues to be an issue. In a 2021 Westminster City Council survey, it was found 66% of women in the borough had had a personal experience of street harassment, and 45% reported feeling unsafe at night. The most common crimes being violence and sexual offences, which is particularly high in the West End. By working with businesses and teaching them how to spot unwanted behaviour, the council remains committed to reducing these numbers and making the city a safe and enjoyable place for residents and visitors.

Pret a Manger
Pret a Manger were fined £800,000 after a member of their staff was left trapped in sub-zero temperatures for 2.5 hours. WCC successfully prosecuted the firm who pleaded guilty to an offence contrary to the Health and Safety at Work Act 1974 at Westminster Magistrates Court

on the 29th August 2023, following an investigation by Westminster City Council's Health and Safety team.

Modern Slavery and Just Transition
Procurement and Commercial Services worked with Community Safety and the Climate Emergency team to contribute to 'Addressing Modern Slavery and Labour Exploitation in Solar PV Supply Chains Procurement Guidance', which was a much-needed publication in the context of increasing public sector investment in renewable energy installations whilst ensuring a 'just transition'.

Environment

Using Cleaner Technology across our Services
Over the past quarter, ECPP has delivered several initiatives centred upon the use of adopting cleaner technology to reduce our carbon footprint. These include the move from a fuelled service fleet to fully electric vehicles in partnership with Zipcar across PP&L. Also, we have seen the opening of the Landmann Way Electric Depot on 19th July 2023. This depot holds 40 new electric waste vehicles with their power being provided from the SELCHP waste-to-energy plant where the council's waste is processed. In addition, our Westway Depot has also fully transitioned to be electrically powered as well. The council is continuing to drive innovation in carbon reduction delivering the first net zero carbon road resurfacing scheme in the country at Elmfield Way. Finally, we have had confirmation from our vehicle lease contractor that all existing petrol and diesel vehicles we currently lease can be switched out for electric vehicles with no financial penalties for ending existing contracts mid lease.

Citizens' Climate Assembly - improving the representation of residents' views in how we tackle climate change
A delegation of participants attended the Climate Leadership Group in September 2023 to present and discuss the Assembly recommendations with Members. Their comments were then subsequently incorporated into a motion (alongside the declaration of an Ecological Emergency) at the Full Council meeting in September 2023. An evening reception to celebrate the success of the Assembly was held in the Mayor's Parlour on 28 September 2023, where guests were received by the Leader and Councillor Noble.

Electric waste collection fleet
Westminster City Council and Veolia announced the full-scale rollout of the UK's largest electric refuse collection fleet. The vehicles are the next generation in electric Refuse Collection Vehicle (RCV) development and will deliver a cleaner and quieter service, powered directly by energy generated from the waste they collect. We have invested £20m in the 45 new zero emission trucks which will be introduced over the coming weeks in a ground-breaking initiative, replacing its entire 80-strong truck fleet with electric vehicles powered by waste collected from homes and businesses in Westminster. Veolia worked to procure, design and operate the new depot and charging infrastructure which will be capable of charging 54 vehicles simultaneously. Smart charging will allow the partnership to support the National Grid by receiving power at non-peak times to maximise local resources and strengthen the Grid's resilience.

Customer and Digital

Memory lab went live
The Memory Lab is a pilot service suggested as part of the Westminster Innovation Challenge. In autumn we are hosting drop-in sessions twice a week at Church Street library to digitise our communities' memories. Users of the memory lab service can bring in their photographs or negatives to one of our drop-in sessions and be welcomed by one of our trained volunteers to carefully handle their memories and use professional equipment to convert their memories from physical copies to digital versions for free.

It is being delivered in collaboration with our Libraries and Archives service, with an aim to collect as many memories as possible from our communities to showcase the social history of Westminster in our formal Archives collection. Every user will be asked if they wish to donate their newly digitised memory to the collection.

To continue to tackle digital exclusion in Westminster, every Memory Lab user will also be provided with their own USB device for free too. The Council's Digital Ambassador support service takes place on Thursdays at Church Street Library, coinciding with the Memory Lab's Thursday sessions. The Digital Ambassadors will be able to support Memory Lab users and provide advice and guidance around how they can use their USB device to further make the most of their newly digitised memories, such as sharing them online via email or social media or printing them for personal use.

Communities

Jubilee Leisure Centre.
The new Jubilee Community Leisure Centre opened to the public in September 2023. The facilities consist of a 3-court sports hall, community room, health referral room and changing places facility. 20 hours of free booking space has been provided for the local community working in partnership with Queens Park Community Council. This facility is similar to the one we opened last year in Church Street and will help to positively impact the #2035 work in tackling health inequalities and to deliver our ActiveWestminster and Fairer Westminster commitments. There will be an official opening later this year.

Dockless Bike Parking Scheme
Westminster City Council has launched a network of parking bays for cyclists using hire e-bikes. Riders using TIER, Lime or Forest bikes will now have to park their bikes in the designated bays to end their journeys, or they could face fines and even a ban. As part of an 18-month trial, the council has extended a number of existing bays designated for e-scooters and has repurposed underused car parking spaces and yellow lined areas into e-bike parking bays. In addition to the 200 physical parking bays, more than 100 geofenced virtual bays have been created at under-used bike stands and will also form part of the network.

The aim of the scheme is to remove badly-parked bikes from the pavement, ensuring bikes are parked safely and not blocking pavements for pedestrians. The council and the bike companies also aim to encourage cycling as an environmentally friendly and convenient way to get around central London. The council has worked closely with bike companies Lime, TIER and Forest over several months to identify suitable locations for the parking bays, which will be rolled out during October and November. Geofencing will be used to ensure riders complete their journeys in a designated bay, and those who do not comply can be fined or even be banned from using the platform.

Teams of Rangers employed by the operators will be required to patrol the parking bays and streets to ensure that e-bikes are properly parked and to move any which are blocking the pavement. The Council has repeatedly called for the government to introduce legislation to address the limited regulatory powers to manage dockless bike schemes in England. The council has lobbied government to announce a Transport Bill in the upcoming King’s Speech on 7 November.

Church Street Community Regeneration Group
A new Church Street Community Regeneration Group was recently established to represent the local Church Street businesses and community in working with the council at a strategic level. Consisting of residents, local organisations and businesses, the group aims to bring together the voices, expertise and passion of stakeholders to work collaboratively with the Council in delivering the regeneration scheme. The group of 19 members has been established as part of our Fairer Westminster commitments and with the promises of the Council’s administration to

ensure the participation and consistent meaningful engagement of people who live and work in the area. The group provides robust challenge where appropriate but will also provide endorsement to the council's approach to delivery with the wider neighbourhood.

North Paddington Creative Enterprise Zone
The Business & Enterprise Service led a successful bid alongside local creative and cultural partners to receive mayoral designation for North Paddington as a Creative Enterprise Zone. Creative Enterprise Zones are designate 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 the £70,000 revenue funding and £100,000 of capital funding (to be used to create a local capital grant scheme for creative and cultural organisations to make improvements to their buildings to reduce emissions).

The announcement event that took place on Thursday 13th July was co-hosted by the GLA and WCC. This event marked a major milestone for the Creative Enterprise Zone programme and celebrate new and existing Zones. Hosted in the new North Paddington Zone, it provided a spotlight on local creativity and culture and a platform for Westminster City Council and local partners. The event showcased creatives that have and will benefit from the Creative Enterprise Zone programme; including performances, displays and a digital exhibition. A further 2 new accredited Zones were announced at the event bringing the total to 12 across London. A further 8 projects were awarded funding through the Sustainability Capital Grant programme. The event also launched the findings from the Phase One Impact Report, showing the impact of the CEZ programme on the first 6 Zones.

The Paddington-Bayswater High Streets Programme Engagement (12 June - 11 September) was a resounding success in so far as we engaged a total of 1,991 people across 4 channels: 929 on-streets survey respondents; 133 digital survey respondents; 880 Engagement hub visitors; ~50 emails. Beyond this feedback, the programme achieved over 120,000 social media impressions across Facebook, Twitter, Instagram and LinkedIn. The model of the Pop-Up Engagement Hubs is now being replicated across the North Paddington High Streets Programme which is implementing lessons learnt from the previous engagement.

Public Realm Improvements
A number of consultations relating to Public Realm schemes (Connaught Village Green, Shepard Market and Regent Street) have concluded in the past quarter. In addition, consultation is now underway for Elizabeth Street to deliver improvements to the public realm and in order support alfresco dinning.
Works have also commenced on Madia Hill Market to improve the drainage in the winter months ahead of full scheme construction from January 2024, and work is progressing well on the Sackville Street public realm improvements. Helping to deliver our objectives for both a Fairer Economy and Environment these schemes have designed around reducing our carbon impact and ensuring any potential for crime has been designed out.

Summertime Events
A number of high-profile, high-volume events such as Notting Hill Carnival, PRIDE, Hyde Park's summer-time events which occur each year take place on our streets and in our communities. Our officers have worked tirelessly with services from across the council and alongside key partners such as Veolia to ensure the events are run as safe and clean as possible. The benefits of this approach mean the London continues to be seen as one of the world class cities offering a safe and vibrant economy.

Housing & Built Environment

New housing offices
We have now opened 2 additional housing offices, making a total of 6 offices across Westminster. The new offices have proved to be very popular with residents, and we have received messages of thanks following opening of the office at Lillington and Longmoore. In addition, we have 8 surgeries, making our staff and services more accessible.

Additional sub-regional Funding
The North London sub region achieved an uplift on the RSI allocation for 2023/24 in recognition of ongoing pressures in the work to end rough sleeping. Overall, an additional £1,056,339 was made available across our sub-region in 2023/24 and we are working through how we will be utilising the additional funding that's been made available to Westminster.

Retrofitting (Energy Saving works)
Our social housing retrofit programme has delivered our largest solar PV array on Warwick Low-Rise Estate which has over 800 panels and by itself will generate 290,000kWh per year of clean electricity.

Since 2021, we have retrofitted over 600 council homes to help improve energy efficiency in people's homes and save residents money on their energy bills. These works are helping to address cost of living pressures and making a real difference to people's homes, making them feel warmer in winter and cooler in summer.

These retrofits have been funded by the Council alongside successfully applications for Grant funding from Central Government – Local Authority delivered Green homes Grant (LAD) and SHDF Wave 1 which completed in September 2023. We are now delivering SHDF Wave 2.energy saving works which include:

- Internal Wall insulation
- Secondary Glazing
- New external doors
- Floor, loft and cavity insulation
- Electrified heating where possible
- Solar PV panels

Cosway Street and Lisson Arches completions
In August, the Cosway Street development scheme reached completion, providing 49 new market sale homes which will provide important cross subsidy towards affordable delivery across the programme. Additionally in August, Daventry House (previously Liss on Arches) reached practical completion, providing 59 new Community Supported Homes for rent, with residents from Penn House successfully moving into their new homes during the quarter.

Topping out milestones
Progress has continued across the development programme and during the quarter several topping out ceremonies took place. This included Queens Park Court, which is providing 23 new social rent homes and Torridon House, which is providing 21 new social rent homes. The Ebury Bridge topping out ceremony also took place during September bringing the scheme closer to delivering 370 new or replacement social rent homes.

Establishment of Westminster Design Review Panel – One of the Fairer Westminster commitments was to establish a Design Review Panel to provide expert independent advice on design of major new development. Following a successful recruitment process the Westminster Design Review Panel is now in place. An Induction event for all panel members was held in September and the first panel meeting will take place on 26 October at which two schemes will be considered.

Public Affairs and Council matters

Ebury Bridge Regeneration Project
To meet the construction programme for the Ebury Bridge Regeneration project, WCC needed to obtain vacant possession and the legal interest in all units within Phase 2 by the end of May. This was so that the planned demolition works for Phase 2 could be instructed and avoid the demolition contract lapsing and additional expense being incurred through a retender and renegotiation of the demolition contract. The Legal Development and Property team acquired 18 leasehold interests in 19 working days.

Black on Board Training Programme
Black on Board is a training programme commissioned by Westminster City Council to equip colleagues from a Global Majority background with the skills to become a board member or charity trustee or school governor. Between March and October 2023, a cohort of 20 staff have been learning about topics like legal structures, finance, decision making, strategic planning. The first cohort is coming to the end of the programme, and they recently attended a marketplace event that introduced them to local community and voluntary organisations who were looking to diversify their boards. They are now applying for board positions. Six residents also attended the marketplace event to learn more about the Black on Board programme and consider whether to apply to join the 2024 cohort.

Mentoring Circle
In September 2023, the first Women's Mentoring Circle meeting took place. The circle is meeting monthly for six months and each participant will also have a one-to-one mentoring session in November, half-way through the programme. The two co-mentors are Arinola Edeh and Anna Raleigh and the nine mentees taking part are all band four women looking to make the move to a band five role. Six of the participants have a Global Majority background and three are white. This is a pilot scheme which we will review after it’s finished. We also want to link each mentee with a senior sponsor to further support their career progression.

Ashmill, Ashbridge, and Cosway
The Legal Property and Development team supported the WCC Housing team in the delivery of 26 social housing units on Ashbridge, 2 family standalone social rented homes on Ashmill and 49 private sales on Cosway and the capital receipts received will bring a huge income to the Council in line with the Council’s policies for a fairer Westminster. In this delivery, the Legal Property and Development team collaborated with both the Legal Contracts and Legal Planning teams.

4. PRESSURES AND RISKS

This section presents the top pressures (issues) and risks (potential challenges) facing the council and the City at the end of quarter 2 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

Welfare Concerns for people in Contingency Hotels
There are currently over 920 people living in 8 contingency hotels in the borough, which are arranged by the Home Office, and subcontracted to Clear Springs Ready Homes, who in turn subcontract Stay Belvedere to run the hotels. Issues in relation to the quality and availability of food have been repeatedly raised with the Home Office and contractors and more recently there have been several reports of bedbugs and children suffering bites. The Council have repeatedly escalated concerns to the Home Office and Clear Springs, through both formal letters regarding specific incidents, and through monthly meetings attended by Children's Services, Public Health, the Home Office and Clear Springs.

In recognition of the significant challenges that asylum seekers face whilst living in hotels, the Council has funded several services and commissioned provision from the local Voluntary and Community Sector. Dedicated Family Navigators work with families seeking asylum and support them to access a range of services and resources including GP registration, immunisations, child development checks, school places, food and clothing banks, English Language classes, stay-and play and leisure activities. They carry out family assessments, create support plans and complete regular family reviews. Children's Services has commissioned Unfold to deliver support to families including mentoring for children, weekly support groups for women which includes cooking together and outreach delivered within the hotels. Bayswater Children's Centres run activities indoors and outside to address the stress on families of living in cramped conditions.

Pressure in Children's Social Care
Nationally Children's Social Care continue to face multiple challenges and complexities post-pandemic. At a national level, there are significant pressures on local authorities' recruitment of experienced social workers leading to greater reliance on the agency market. In Westminster, whilst we have a very low reliance on agency social workers and staff turnover compared to other London councils and have a high level of capability throughout our workforce this remains an area that we need to closely attend to and monitor.

Additional pressures in the system are impacting on all local authorities. These include the length of care proceedings within the Family Courts, which increases work and time pressures for staff, and increased uncertainty and stress for some families whilst decisions are reached about their children's future care arrangements.

We continue to experience a high number of visits to our office by families and young people who may be homeless, many of whom are not owed a housing duty because they have no recourse to public funds (NRPF) or have no local connections. Although for the majority we are able to identify alternative options rather than providing accommodation, these presentations each require significant social work time and complexity, liaising with Housing and Legal services, the Home Office, embassies, other Local Authorities and organisations. Where we are providing families who are NRPF with accommodation and subsistence these financial commitments are taking longer to reach a conclusion because of delays in the Home Office in reaching immigration decisions.

School attendance
Covid-19 and its aftermath has had a damaging effect on school attendance across the country. Overall, attendance in Westminster primary and secondary schools was 92.7% in 2021-22, and whilst this is slightly higher than the national average of 92.4%, it is a noticeable decline compared to Westminster's average of 95.3% in 2018-19. The rate of persistent absentees (pupils missing at least 10% of school) in Westminster has more than doubled, from 10.5% in 2018-19 to 23.1% in 2021-22, and is slightly above the national average of 22.5%. The rate of severe absentees (pupils missing 50% or more of school) has also increased locally from 0.6% in 2018-19 to 1.5% in 2021-22.

There is a well-established link between high attendance and educational achievement; a recent House of Commons report found that pupils who achieved 9-5 grades in English and Maths GCSE had the lowest absence rate on average (3.7%). "Persistently absent" pupils have much lower than average attainment - 35.6% of persistently absent pupils achieved 9-4 grades in English and Maths (compared to 67.6% of all pupils) and 16.8% achieved 9-5 grades in English and Maths (compared to 45.5% of all pupils). Just 11.3% of severely absent pupils achieved 9-4 grades in English and Maths and 5.0% achieved 9-5 grades in English and Maths.

In September, we welcomed an Attendance Advisor from the Department for Education, who came to visit two local schools and to discuss our ongoing work to improve attendance, including Early Help, the School Health Service, Youth Justice Services, the Virtual School, Social Care, Educational Psychology, and School Standards. Feedback was very positive with the Advisor, who noted that Westminster 'has made excellent progress towards its targets to improve attendance. The requirements are clearly understood with significant developments undertaken at both strategic and operational levels.' The advisor commended good, collaborative, and integrated partnership working.

Sourcing accommodation
Sourcing good quality private sector accommodation that is affordable to households on low incomes whether to prevent homelessness, meet the Council's statutory obligations to provide suitable Temporary Accommodation or for individuals to find themselves homes remains very challenging. Our Housing Solution Service continues to experience high demand from households in housing need and our ability to place those we owe a housing duty to in suitable temporary accommodation is made more challenging by the lack of affordable properties in the private rented sector. This is an issue that is impacting authorities both in London and nationally. While we are progressing with our Temporary Accommodation Acquisition Programme we still rely on private rented sector accommodation to meet the demand for housing and this pressure is likely to continue into next year and beyond. This is presenting as a significant financial risk to the council.

Building Safety Act 2022
Under the amended Building Safety Act 2022, a new National Register of higher risk buildings in England opened in April 2023. All existing occupied higher risk buildings in England are to be added to the Register and any new developments meeting the parameters will need to be registered prior to occupation.

The act has additional requirements around Gateways, identification of responsible persons and a 'golden thread' of key information which must be gathered and retained. It has far-reaching impact across the Council and requires a coordinated approach across client departments, Development, Housing Services and Building Control, to ensure compliance.

A dedicated delivery group and a strategic group have been established to ensure that the council is on track to meet its statutory duties. The delivery group will support collaboration among key stakeholders,while the strategic group provides high-level oversight, led by the Executive Director for Regeneration, Economy and Planning and the Strategic Director for

Housing Services and Commercial Partnerships. Additionally, the Building Safety Board ensures effective communication and escalation procedures.

By October 2023 the council, as a landlord, was required to register all High-Rise Buildings, (HRB) with the Building Safety Regulator. An HRB is a building with at least 2 residential units and a height of 18m and above or 7 storeys and above. The council is landlord of 130 HRBs. All HRBs are now registered with the Building Safety Regulator.

Next steps will be focused on developing a Building Safety Cases These are individual bespoke files containing the documents and data relating to the fire and structural safety for an individual HRRB. Work will also be undertaken concurrently to develop the "golden thread" of information which will bring greater transparency and detail to residents about their buildings safety.

Construction pricing and construction market challenges continue to make the delivery of this programme challenging.
Although market volatility has begun to settle in recent months, the construction market continues to be highly challenging. We are experiencing continued pressure on pricing, programmes and scheme viability positions. Contractors are seeking to recover losses and are less willing to fix prices, unwilling to hold commercial positions for long, and are making more claims for extension of time and additional costs.

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 and affect the viability of future phases. Monthly monitoring and review practices enables visibility and assessment of risks, and of contractual and commercial positions. Robust assessment and negotiation of any claims are in place, together with full exploration of mitigations of any programme or cost impacts.
Value engineering and additional grant opportunities are being explored. External consultants appointed to independently review commercial submissions and value for money.

Ability to secure market housing sales
Appetite for WCC market sale housing and delivery of income against business plan projections remains a risk within the economic climate. In addition, recent inflation increases and subsequent effects on mortgage rates and availability is likely to further impact sales values and appetite for market homes. If reduced market appetite materialises it may slow uptake of market sale homes which will impact scheme and programme viability.

To date we have not seen a material drop in interest however indication is that appetite is slowing down. However, to mitigate this risk, the Development team seek regular market advice from agents and advisors in respect of the impacts to ensure that sensitivity scenarios test a slowing down of the market. Early involvement of the internal sales team ensures schemes are optimised whilst the specification appropriate for the market and are priced effectively.

Challenge to WCC Suspension Charges
Thames Water (TW) have challenged Westminster's ability to charge for emergency utility suspensions on the basis of legislation wording. TW have ceased paying for these or for occurrences where we chase payment retrospectively and UK Power Network have now followed suit. The matter is currently with Westminster Legal team & counsel has been engaged to consider the extent of this issue.

5. STRATEGIC RISKS

Over the latest period we have been working with the Executive Leadership Team (ELT) to review and define the current strategic risks facing the council. It is important that Members of the Committee have oversight of these potential longer-term or complex challenges facing the organisation to ensure a comprehensive view of risk.

This will strengthen our governance around risk management and help to ensure we are well prepared to mitigate the highest impact threats to our businesses, residents and communities. This work will continue to be developed over subsequent reports but to introduce this area of risk we have included the current working list of strategic risks. These will be owned by ELT and reviewed regularly at our Risk and Performance Board.

The table below sets out the current list of strategic risks, providing a summary description of both the detail of the risk and a high-level view of the potential impact on WCC.

Strategic Risk		Impact
1	**Failure to safeguard and protect children and vulnerable adults** - Failure in service continuity/safeguarding arrangements (including exploitation, crime prevention and support to victims of crime).	Harm to vulnerable adults or children. Reputational impact for failing to protect vulnerable residents.
2	**Fragility of the local Care Market** (pressures include staffing, financial resilience and the impact of inflation on the national minimum wage/ London living wage	Inability to meet local demand for Care or potential alternative provision needed in the event of provider failure. Increased in unit cost of care provision.
3	**Statutory service failure** or negative regulator inspection outcome leading to diversion of or additional resource requirements to address areas of required improvement/weakness.	Reputational impact. Likely to divert resources and require additional expenditure for any improvement programme needed in response to poor inspection outcome or service failure. Potential to divert attention away from frontline service delivery.
4	**Infectious disease** or wider health or environmental health outbreaks or **NHS crisis** – primary or secondary care failure or capacity limits exceeded resulting in increase in discharge of patients from secondary care to social care.	Risk of harm or loss of life in vulnerable people. Emergency protocols in care settings. Intervention in environmental health outbreaks. Additional pressure into WCC social care services. Impact on health outcomes for patients and residents due to slow or unavailability of health services
5	**Failure to effectively respond to a major incident** and protect/safeguard residents/businesses/visitors from the impacts of significant incidents	Disruption to the city and potential harm or loss of life resulting from terrorist attack or being drawn into terrorist activity, pandemic health incident, infectious disease outbreaks, legionella outbreaks). Disruption to services due to severe weather/climate events exacerbated by inadequate preparedness /response
6	**Cost of Living pressures** driving increase in poverty, inequalities and damage to the local economy	Increase demand on council services and welfare support. Potential for increasing homelessness and financial hardship in communities.

Strategic Risk		Impact
7	**Lack of housing capacity** (including Temporary Accommodation) to meet service demand, and cost of TA or failure to deliver necessary improvements in housing stock and/or available resources, the necessary investment and improvements to the Council's social housing stock	Continued reliance on Temporary Accommodation that is increasing difficult to source. There is a forecasted overspend of £18m on TA in Q2. The budget pressures associated with sourcing suitable Temporary Accommodation are forecast to substantially increase in 24/25. This is despite the £178 million being spent by the council to purchase property for TA. Potential for increase in people/families moving out of Westminster.
8	**Significant IT breach** or cyber event	Loss of personal data. Information Commissioner intervention and potential for regulator fines. Loss of public confidence in the council's ability to protect personal data of residents and customers.
9	**Failure to achieve our net zero carbon targets**	Failure to set and deliver an effective net zero plan would cause reputational damage against a key public facing commitment and cause increased contribution to drivers of longer-term climate change.
10	**Inadequate Health and Safety controls** for organisation and public realm that can result in serious injuries and fatalities	Potential for harm or loss of life resulting from failure to maintain or make safe areas of public realm for which WCC is responsible such as paving or premises. Failure to meet landlord health and safety requirements (maintenance and housing services) for social housing tenants/properties.

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.

RAG Status		Trend	
Red	Currently off-track to meet target at yearend	↑	KPIs have improved compared to last quarter
Green	On track to meet yearend target	↓	KPIs have moved in a negative direction compared to last quarter
Amber	At risk for meeting target at yearend	→	KPIs have stayed the same compared to last quarter
Grey	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	Quarter 1 2023/24	Target 2023/24	Quarter 2 2023/24	Trend	RAG
	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	**36.4% (347/954)**	92%*	**45% (423/941)**	↑	Green
2	% of adult social care service users receiving an annual assessment or review of their care needs	**19.7% (543/2762)**	95%*	**42.3% (1182/2792)**	↑	Green
3	No. of new permanent admissions to residential and nursing care of people aged 65 years and over (by yearend)	**24**	122*	**54**	↓	Green
4	% of people in receipt of reablement packages that maximises independent living and reduces or eliminates need for an ongoing care package	**82.8% (130/157)**	80%	**84.3% (418/496)**	↑	Green
	KPIs WITHOUT A TARGET LEVEL					
5	Number of hours volunteered by Community Champions	**2,203**	N/A		**N/A**	Grey

Targets with an asterisk are cumulative, annual targets.*

PUBLIC HEALTH

	KPI Description	YE 22/23	Target 2023/24	Quarter 1 2023/24	Trend	RAG
	KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS					
1	% of opiate drug users that left drug treatment successfully who do not re-present to treatment within 6 months	**7.5%**	7.01-11.84%	**6.1%**	↓	Amber
	Service Commentary/Mitigation The investment from Rough Sleeping DAWS+ in getting people into treatment may have an impact on the reduction in those not re-presenting for treatment. However, added investment in both treatment/recovery support and housing needs to maintain recovery, may have a positive impact going forward. We will continue to monitor the impact of the funds and completions through the quarterly monitoring in place with providers.					
	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	**1127**	1000*	**397**	↑	Green
3	% of NHS health checks offered	**29.9%**	20%*	**18%**	↑	Green

Targets with an asterisk are cumulative, annual targets.*

CHILDREN'S SERVICES

	KPI Description	Quarter 1 2023/24	Target 2023/24	Quarter 2 2023/24	Trend	RAG
Targets with an asterisk are cumulative, annual targets.*						
KPIs THAT ARE OFF TRACK TO MEET TARGET LEVELS						
1	% of young people that were known to the Youth Offending Team and were continuing to re-offend	**37.5% (18)**	15%	**30.8% (12)**	↑	
Service commentary. This is a small cohort so fluctuations in performance can be large quarter on quarter. This quarter's performance relates to 12 children who re-offended over the reporting period. Last period there was an operational focus on intra-gang tensions and reducing risk of retaliation. Performance has improved by almost 7% or a reduction of 6 re-offenders over quarter 2. 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.						
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
2	% uptake of targeted free early education funded placements for 2-year-olds	**61% (278)**	66%	**62% (275)**	↑	
Service commentary. The outreach work continues to take place as per the Outreach Strategy.						
3	% of primary school vacancies (surplus school places) across Westminster	**26%**	15%	**24%**	↑	
Service commentary. We are continuing to work with Dioceses to further reduce Pupil Admission Numbers (PANs) By reducing the number of PANS, this will reduce the amount of school places in our Primary Schools, thus reducing the % of surplus primary school capacity.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
4	% uptake of free early education funded placements for 3 and 4 year olds	**80% 2604**	88%	**79% 2557**	↓	
5	% of schools rated by Ofsted as good or outstanding.	**94.7%**	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	**75.9% 22**	75%	**81.5% 22**	↑	
7	% of care leavers (aged 17-24) placed in accommodation suitable for their needs (for children not homeless or in prison)	**93.4% (309)**	95%	**96% (336)**	↑	
8	% of care leavers (aged 17-24) in education, employment or training (EET)	**73.4% (243)**	75%	**71.1% (249)**	↓	
9	% of referrals to children's social care that are within 12 months of an earlier referral (re-referrals)	**15% 53**	15%	**12.6% 43**	↓	
10	% of Education and Health Care Plans completed within 20 weeks (excluding exceptions)	**100% (43)**	100%	**100% (43)**	→	
11	% satisfaction rate of library visits (virtual and physical visits)	**91% (1349)**	75%	**99%**	↑	
12	% of children re-registered on a protection plan within 2 years	**0%**	2.5%	**0%**	→	

ENVIRONMENT, CLIMATE AND PUBLIC PROTECTION

	KPI Description	Quarter 1 2023/24	Target 2023/24	Quarter 2 2023/24	Trend	R AG
Targets with an asterisk are cumulative, annual targets.*						
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	% of all high-risk food premises inspected (rated category A-B)	**100%**	100%	**91% (67/76)**	↓	
Service Commentary/Mitigation: Reallocation of service activity due to enforcement action and reactive work in quarter 2 however as there is a reduced number of inspections due in Quarter 3, we will be prioritising any overdue inspections and work to will help to minimise any effects on the general public.						
2	% of licensed premises that are safe and well managed following a single inspection	**91% (162/178)**	90%	**89%**	↓	
Service Commentary: Currently 1% under the 23/24 target, delivery for Q2 is 89% and target is 90%. City Inspectors currently focusing on high risk inspections to ensure compliance with licensing conditions to ensure target is met. We are currently reviewing the allocation of resources against our existing licensing inspection regime to more effectively allocate inspections amongst our Neighbourhoods Service and 24/7 Response Service.						
3	% of missed bin collections per 100,000	**3%**	3%	**4%**	↓	
Service Commentary/Mitigation: Continuing issues with traffic congestion and roadworks. A review of collection routes around Knightsbridge & Belgravia will be completed by 31st November 2023. An electric bike waste collection service has also been put in place for streets in the Villiers Street/Embankment area for the duration of the roadworks which are preventing large waste collection vehicles gaining access.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
4	% of total licences issued within 28 days from the publication date of the Licensing Sub-Committee decision	**90% (73/81)**	80%	**86% (39/45)**	↓	
5	No. of Category 1 hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety	**113**	375*	**205**	↑	
6	Household waste recycled (%)	**23.4%**	25%	**25%**	↑	
7	% of streets in Westminster that pass the street score survey for litter	**97%**	95%	**97%**	→	
8	% of urgent lighting defects returned to service within agreed service levels	**99%**	98%	**99.5%**	↑	
9	% of carriageway and footway defects repaired or made safe within target timescales	**100%**	98%	**99.6%**	↓	
10	No. of vulnerable residents supported to continue living in their homes	**234**	500*	**451**	↑	
11	Ratio of public EV charging places to Resident ECO Permits held	**1:3.2**	1:8.0	**1:2:9 (2427)**	→	
12	Number of Houses in Multiple Occupation (HMOs) improved	**88**	200*	**192**	↑	
Service Commentary: On track to exceed, drive to conduct compliance checks going well.						
13	% of women accessing specialist domestic abuse services who report a reduction in abuse	**93% (25/27)**	80%	**98% (48/49)**	↑	
14	% increase in number of volunteers involved in our Night Stars Programme	**6%**	25%	**13% (68)**	↑	
Service Commentary/Mitigation: There are now 68 Night Stars volunteers, an increase of 13% since Q1. In quarter 2, 52 people registered interest in volunteering for the Night Stars. 21 of those 52 have begun their volunteer process and have undergone training. 9 have completed the volunteer process and have begun shifts. The criteria for the Safe Havens have been reviewed and redrafted to improve the vetting process for the spaces and to make the criteria clearer to businesses. Quarter 3 will continue to focus on volunteer recruitment with a targeted recruitment campaign to students on push on 'target jobs', promoting the service to University of London students and alumni. The service will be attending various promotional fairs and events this upcoming November to target new students and graduates. There will also be a focus on volunteer retention, on developing benefits and processes that will encourage and make it easier for the volunteers to attend shifts.						

KPIs WITH NO TARGET OR DATA AVAILABLE AT Q2						
15	Cycle Parking - Number of cycle parking infrastructure installed (Stands/Hangars)	**Annual target reported end Q4**	250 stands, 60 Hangars	**Annual target reported end Q4**	**N/A**	

Service Commentary/Mitigation: Informal public consultation now completed on 68 proposed new cycle hangar locations to house 6 cycles each. Delivery will continue in 15 areas after a public survey in October 2023 yielded no negative responses. Eight sites were determined to be unsuitable based on feedback from the consultation. Due to the volume of comments from public consultation, 45 locations will move forward with the traffic order consultation before delivery. Traffic Management Operative (TMO) consultation is expected to launch in late November 2023 after which delivery will commence, subject to consultation responses. Based on borough demand data, 80 new locations were identified for public consultation as part of a future tranche. Preparation for consultation materials is under way to commence consultation on the first batch of 15 in the new year (2024). Due to the intensity of location contention over loss of vehicle parking, securing workable locations for high volume roll-out is proving to be difficult. Options paper outlining possible course for accelerated roll-out is due to Cabinet Member in November 2023.

FINANCE AND RESOURCES

	KPI Description	Quarter 1 2023/24	Target 2023/24	Quarter 2 2023/24	Trend	R AG
Targets with an asterisk are cumulative, annual targets.*						
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	% of Stage 2 complaint responses despatched within 20 working days	**58%**	75%	**49%**	↓	
Service Commentary: Timeliness of housing complaint responses at Stage 2 has improved on the previous financial year but is below target. The housing service has introduced a number of changes to the process to improve complaint handling, including contacting residents at the beginning and end of the process. This has added to the time taken to provide a final response and work is ongoing to streamline the process. There have also been delays responding to Housing Needs complaints due to a commitment to resolving the complaint, in particular where there have been delays in reaching decisions on housing applications						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
2	% of unpaid sundry debt (raised by invoice on IBC) over 30+ days	**10%**	16%	**7%**	↑	
3	% of Council Tax Collected	**36.75%**	93%*	**58.52%**	↑	
4	% increase in total income generated from the council's investment portfolio per annum	**26%**	2%	**19%**	↓	
Service Commentary: Last years figure for collected GF: 6,227,844.14 - 98.83%, this years figure for collected is: £7,419,898.00, this is an increase of 19%.						
5	% of Business Rates Collected (National Non-Domestic Rates)	**34.18%**	95%*	**57.46%**	↑	
6	Time taken to process benefit claims and benefit changes of circumstance (days)	**9**	9	**11**	↓	
7	% of calls answered by Customer Contact Centre (Normal hours)	**96.6%**	90%	**93.6%**	↓	
8	% of calls answered by Customer Contact Centre (Out of hours)	**91.7%**	90%	**87.30%**	↓	
9	% of invoice payments made to creditors within 30 days	**98.5%**	95%	**97.2%**	↓	
10	% of premises with access to full fibre broadband in Westminster	**80.7%**	85%	**81%**	↑	

REGENERATION, ECONOMY AND PLANNING

	KPI Description	Quarter 1 2023/24	Target 2023/24	Quarter 2 2023/24	Trend	RAG
	Targets with an asterisk are cumulative, annual targets.*					
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
1	No. of social housing units delivered by the end of the year (WCC only)	**216** (Projected YE)	215*	**162** (Projected YE)	↓	
Service Commentary: Adpar and Balmoral schemes now completing 24/25						
2	No. of affordable Housing units delivered by the end of the year (WCC only)	**251** (Projected YE)	250*	**197** (Projected YE)	↓	
Service Commentary: Adpar and Balmoral schemes now completing 24/25						
3	Average % reduction in operational carbon emissions target from major development beyond baseline building regulations requirements	**54.4%**	60%	**54.4%**	**N/A**	
Service Commentary/Mitigation: Note that no major developments that were not S73 applications to vary a previously approved scheme were determined in Q2, hence no change to Q1 position. Additional sustainability expertise came online in mid 2022 and their input on schemes emerging at pre-app stage at that time is expected to impact schemes submitted/determined later in 2023/24.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
4	No. of residents supported into jobs through the Westminster Employment Service (WES)	**59**	500*	**69**	↑	
5	% of Westminster residents supported into jobs through WES who are sustained in employment for a minimum of 6 months	**48%**	45%	**55%**	↑	
6	Westminster residents supported into work focused training and skills opportunities	**159**	670*	**192**	↑	
7	Of the residents securing employment through WES, the number of residents securing employment at or above London Living Wage.	**42**	190 (cumulative target)	**32** (74 cumulative)	↓	
8	Businesses actively engaged and/ or contributing financially or in kind (or amount of contributions (£) from business to support our communities, residents and young people.	**62**	135	**165**	↑	
9	No. of businesses receiving meaningful business support	**726**	2,000*	**562**	↓	
10	% planning appeals determined in favour of the council (Excluding telephone boxes)	**67%**	65%	**67%**	→	
11	% of 'major' planning applications determined within 13 weeks i.e. larger scale development	**100%**	70%	**75%** (Q1&Q2 YTD 87.5%)	↓	
12	% of 'non-major' planning applications determined within 8 weeks (development of land which is non-major development)	**74.5%**	75%	**71.9%** (Q1&Q2 YTD 73.2%)	↓	
13	Total affordable housing starts for the year (WCC only)	**152**	150	**152**	→	
14	Total social housing starts for the year (WCC only)	**121**	120	**121**	→	
15	No. of intermediate housing units delivered by the end of year (WCC only)	**35**	35	**35**	→	
16	Total intermediate housing starts for the year (WCC only)	**31**	30	**31**	→	

HOUSING AND COMMERCIAL PARTNERSHIPS - HCP

	KPI Description	Quarter 1 2023/24	Target 2023/24	Quarter 2 2023/24	Trend	RAG
Targets with an asterisk are cumulative, annual targets.*						
KPIs THAT ARE OFF TRACK TO MEET TARGET LEVELS						
1	No. Of residents directly engaged by Community Thursdays	**935**	4,500	**1103**	↓	
Service Commentary: The Community Thursday initiative commenced in June 2022 to provide local and visible service to residents allowing them to speak directly to officers about any issues they may have. Since June 2022, 53 Community Thursdays have been held, with over 10,000 doors knocked on and 200 members of staff taking part. Community Thursdays have been paused while the service considers the best way to progress with them, a briefing will be shared with the Cabinet Member on this shortly.						
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
2	% of calls answered by the Housing Customer Services Centre within 30 seconds	**75%**	70%	**68%**	↓	
Service Commentary/Mitigation: There has been a drop in performance due to workforce pressures which are being managed.						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
4	% of High Value Suppliers rated at Good or Satisfactory by contract managers	**82%**	90%	**95%**	↑	
5	% of contract awards (over £100k) to Small Enterprises or Voluntary and community social enterprises	**64%**	25%	**66%**	↑	
6	% of contracts (over £100k) with Responsible Procurement commitments (e.g. to reduction to carbon footprint, waste etc.)	**93%**	90%	**93%**	→	
7	No. of cases of homelessness prevented (Defined as outcomes from a combination of Housing Solutions and Shelter work)	**163**	545*	**342**	↑	
8	% of tenants satisfied with the housing repairs service	**80%**	77%	**79%**	↓	
9	Voids brought back to use with improved energy efficiency	**29**	80*	**52**	↑	
10	% of residents satisfied with anti-social behaviour case handling (on housing estates) by the council	**58%**	65%	**62%**	↑	

Regulator of Social Housing Tenant Satisfaction Measures

Introduction of the measures

- The Regulator of Social Housing is the body that oversees the provision of social landlords, including councils. This year they have introduced a new suite of indicators that all registered providers of social housing are required to measure and report to the Regulator on an annual basis.

- Measurement of the indicators known as the Tenant Satisfaction Measures (TSMs) came into effect from April 2023 and we are required to report our performance to the Regulator following completion of the 2023/24 year. The Regulator intends to report performance of all social housing landlords in the Autumn of 2024.

- The purpose of the TSMs is to provide greater transparency about the performance of landlords and were developed following extensive consultation with landlords and their residents.

- The TMSs comprise 12 tenant perception measures to be obtained through tenant surveys, and 10 performance indicators from landlords' management information. The TSMs apply to social housing tenants only and exclude leaseholders. The Regulator has provided detailed guidance to councils on the collection of data to ensure the process is consistent and the results can be compared to encourage improvement.

- To comply with the survey requirements for the tenant perception surveys we let a new satisfaction survey contract in April 2023. At the end of September we had interim data based on 719 surveys.

- From these responses we can be confident that the actual satisfaction lies between +/-4% of the reported results. Landlords are required to achieve a margin of no more than +/-3%.

- We will complete a minimum of 1450 surveys by year end which will give us reliability at +/-2.5%.

- We are building new reports to ensure we comply with the technical requirements for the 10 performance indicators. These indicators cover a combination of landlord safety and compliance along with matters of importance to residents.

    1. Complaints relative to the size of the landlord
    2. Complaints responded to within Complaint Handling Code timescales
    3. Anti-social behaviour (ASB) cases relative to the size of the landlord
    4. Homes that do not meet the Decent Homes Standard
    5. Repairs completed within target timescale
    6. Gas safety checks
    7. Fire safety checks
    8. Asbestos safety checks
    9. Water safety checks
    10. Lift safety checks

Tenant Satisfaction Indicators

- Satisfaction data against the indicators collected from April-September 2023 is presented below.

Tenant Satisfaction Measure	WCC Sept 23
Satisfaction with overall service	65%
Satisfaction that views are listened to and acted upon	60%
Satisfaction that they are kept informed about things that matter to them	84%
Agreement that they are treated fairly and with respect	79%
Satisfaction that communal areas are kept clean and well-maintained	79%
Satisfaction that landlord makes a positive contribution to the neighbourhood	78%
Satisfaction with the landlord's approach to handling anti-social behaviour	62%
Satisfaction that their home is well maintained	66%
Satisfaction that their home is safe	71%
Satisfaction with the repair service over the last 12 months	66%
Satisfaction with time taken to complete most recent repair	63%
Satisfaction with the landlord's approach to handling complaints	26%

Interpretation of results

- The data confirms and reinforces what we know about the quality of our housing services and where we need to make improvements. The areas of concern are around repairs and complaint handling are amongst the areas that we have prioritised in our housing service improvement plan.

- Performance across the TSMs that measure how we listen, communicate and treat our tenants is in the middle-upper range but we have more to do to ensure our service is consistently excellent against these requirements. As part of housing improvement programme we are rolling out customer service training to all front line staff and working with staff on a new vision and values to underpin how we deliver services.

- Neighbourhood management is performing well. We achieve very high standards with our cleaning and gardening and have a dedicated team with responsibility for improving the quality of the environment which is proving effective.

- Our performance on ASB is good and we have a plan to further improve services this year with a new domestic abuse policy and review of our existing ASB policy and service standards.

- Satisfaction with complaint handling is low and we are working hard to comply with all parts of the Housing Ombudsman's complaint handling code. We are piloting a new approach to resolving our high volume of repairs complaints at an earlier stage and increasing the resource available for complaint management to increase the quality of service. We have amended our procedures to increase the contact we have with residents at key stages of the complaints resolution process. This is helping to ensure our proposed solutions are acceptable to our residents and resolve all outstanding matters.

INNOVATION AND CHANGE

	KPI Description	Quarter 1 2023/24	Target 2023/24	Quarter 2 2023/24	Trend	RAG
Targets with an asterisk are cumulative, annual targets.*						
KPIs THAT ARE OFF TRACK TO MEET TARGET LEVELS						
1	FOIs responded to in line with statutory deadlines (targets based on ICO guidance)	**82%**	90%	**83%**	↑	
Service Commentary: Under-performance was identified in 2 areas of the council, affecting the overall performance. This has been escalated to Executive Directors of both areas.						
KPIs THAT ARE AT RISK OF FAILING TO MEET TARGET LEVELS						
2	Subject Access Request responded to in line with statutory deadlines (targets based on ICO guidance)	**87%**	90%	**87%**	→	
Service Commentary: There was a higher volume of SARs being processed in the quarter with one month being a significant increase over the general average						
3	No. physical activity providers that have been awarded the Active Westminster mark	**59**	70	**51**	↓	
Service Commentary: Some clubs have not reaccredited hence fall however, there are currently 19 additional clubs working through their accreditation						
KPIs THAT ARE ON TRACK TO MEET TARGET LEVELS						
4	Committee agendas published in line with statutory deadlines	**100%**	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	**8,091**	23,000*	**14,019**	↑	
7	Total participation in play, physical activity, leisure and/or sport facilities and activities	**1.62m**	4.6m*	**2.27m**	↑	
	% of residents who feel informed about Council services and benefits	**76%**	69%	**76%**	→	
	% of residents who believe the Council involves them in the decisions it makes about their local area	**71%**	69%	**2023 data in Q3**	→	
KPIs WITH NO TARGET OR DATA AVAILABLE AT Q2						
8	No. of Westminster Connects volunteers (and total hours) to help their communities		1,200 (18,000 hours)*	**Data Q3**		

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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