



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Tuesday 22 October, 2024**, Rooms 18.06-07, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Paul Fisher, Regan Hook, Ian Rowley and Aziz Toki (Chair).

Independent Person Present: Mark Maidment.

Also Present: Gerald Almeroth (Executive Director of Finance and Resources), Jo Brown (Grant Thornton, Key Audit Partner), Louise Butler (Bi-borough Head of Safeguarding), Heather Clarke (Director of Housing Needs), Zoe Evans (Complaints and Customer Manager), Lakshmi Forster (Grant Thornton, Manager), Lyndsey Gamble (Head of Corporate Finance), Nick Halliwell (Grant Thornton, Senior Manager), Nick Haverly (Financial Consultant – HRA), Martin Hinckley (Director of Revenues and Benefits), Clare O’Keefe (Lead Policy and Scrutiny Advisor), Shreya Patel (Head of Resident Experience), Grant Patterson (Grant Thornton, Key Audit Partner), Greg Roberts (Head of Accommodation and Commissioning), Annabel Saunders (Director of Operations and Programmes), Neetu Singh (SFM Accounts and Capital), Rikin Tailor (Director of Finance), Phil Triggs (Tri-Borough Director of Treasury and Pensions) and Sarah Warman (Strategic Director of Housing and Commercial Partnerships).

1 MEMBERSHIP

- 1.1 The Committee welcomed Councillor Regan Hook to its membership.
- 1.2 The Committee noted that there were no apologies for absence.

2 DECLARATIONS OF INTEREST

- 2.1 The Committee noted that there were no declarations of interest.

3 MINUTES

- 3.1 The Committee approved the minutes of its meeting on 5 September 2024.

RESOLVED:

- 3.2 That the minutes of the meeting held on 5 September 2024 be signed by the Chair as a correct record of proceedings.

4 MATTERS ARISING AND WORK PROGRAMME

- 4.1 The Committee noted the work programme set out in the Committee's report.

5 TEMPORARY ACCOMMODATION

- 5.1 The Committee received an introduction from Heather Clarke (Director of Housing Needs) to the Temporary Accommodation (TA) report and noted the challenges of the unprecedented increase in those presenting to the Council as at risk of homelessness, and the budgetary risk the Council faces to meet its statutory duties.
- 5.2 The Committee noted that independent consultants 31Ten have been commissioned to provide analysis of the existing TA spend profile and queried whether any other objective assurance had been given from external bodies of the risk management undertaken and strategy for TA. The Committee noted that modelling by 31Ten of where the Council should focus efforts had been included in the Council's Medium-Term Financial Plan as well as benchmarking. The Committee queried whether the commissioning of 31Ten will go beyond the focusing of TA efforts and the costs, and if so, how. The Committee was informed that that the Council is currently working through the detail of TA assumptions and moving towards the plan for optimisation. There are also bulk opportunities coming through and the Council is proactively engaging with this and how it looks. The Committee understood that not only is there is increased confidence in assumptions for the next year, but the Council is also working hard on controls for early prevention, insourcing and place-based approaches which will in turn reduce the demand of TA.
- 5.3 The Committee queried whether there is enough evidence of the TA mitigations to adequately predict assumptions at this stage ahead of setting the budget in March and was pleased to note that the Council is in a far better position to respond to demand pressures and the assumptions are increasingly sophisticated and forensic.
- 5.4 The Committee was pleased to note that people are central to the Council's TA offer and the best possible outcomes are sought whilst working in the current challenging environment. The Committee referenced the aim to reduce the use of expensive nightly hotels in TA, and questioned how feasible this would be to achieve, and what defines an expensive hotel. The Committee understood that nightly hotels will always form part of the Council's TA offer, and their use has featured for many years, but demand has meant that managing the cost of hotels is even more important to mitigate the pressure on the Budget. The Committee was informed that new entries into expensive hotels have been curbed and only legacy cases remain and questioned why this was not achieved earlier. The Committee noted that the onset of the housing crisis led to unprecedented demand and the expensive hotel use was an emergency response to fulfil the Council's statutory duties.

- 5.5 The Committee understood that the Council has been looking towards its medium to long-term, sustainable, strategy for TA which includes opportunities for bulk TA purchasing. The Committee stated that the level of uncertainty is vast, with a huge range of possible outcomes and requested projections and data relating to this including the impact on the General Fund, Capital spending, tracking and assessment of outcomes, and how actions feed through to reducing the cost of TA.
- 5.6 The Committee asked questions on the Allocations Policy launch in January 2025, and the numbers of people from other local authorities housed in Westminster as well as the different complexities to this which include how certain groups of people can present to any local authority but if there is another authority where they have a local connection, officers can refer them there if it is safe for them. The Committee also discussed benchmarking with other local authorities as well as joint commissioning and how the Council is looking at all options to ensure a long-term sustainable supply of TA, which has attracted the interest of pension funds interested in long-term returns.

RESOLVED:

- 5.7 That the Committee noted the report.

ACTIONS:

- 5.8 That, when appropriate, the Committee will receive information relating to projections and data of TA, including the impact on the General Fund, Capital spending, tracking and assessment of outcomes and how actions feed through to reducing the cost of TA.
- 5.9 That the Committee will receive information relating to benchmarking TA provision in other local authorities as well as joint commissioning proposals.

6 ANNUAL COMPLAINTS REPORT

- 6.1 The Committee received a summary from Zoe Evans (Complaints and Customer Manager) and noted that the report includes the corporate complaints results as well as the statutory complaints reports from Adult Social Care, Children's Services and the Housing Service.
- 6.2 The Committee queried how staffing levels have been managed to cope with the 27 percent increase in Stage 2 complaints and whether resources could be diverted to improve the performance level. The Committee was informed that there was a significant increase in the volume of complaints, as well as a number of developments within the Service itself which meant that a large backlog formed; the Committee appreciated that it was well-versed in the issues the Housing Service faces, having been discussed extensively during previous Quarterly Performance Report items. The Committee was assured that the Service understand the issues and is working hard to improve, and was extremely pleased to note that in September, the response times for Stage 1 complaints were up to 87 percent, Stage 2 complaint response times were up to 72 percent and the number of complaints has reduced by 45

percent since April 2024. The Committee stated it was satisfied that, alongside the quarterly reporting, the issues of Housing Service complaints did not need to return to the Committee in depth until the next Annual Complaints Report.

- 6.3 The Committee raised concern that a contribution to the delay in responses for Stage 2 complaints is director sign-off. The Committee requested more information on this and was informed that all Stage 2 responses are escalated to directors, who are all extremely busy, but the sign-off time by directors has improved in this current financial year. The Committee also noted the delays in returning relevant information and queried what this relates to. The Committee was informed that this delay is due to a combination of gathering the information from officers pulling information from across services and residents themselves, and that complaints themselves can grow significantly between Stage 1 and Stage 2, particularly as the current policy allows residents up to 12 months to escalate a complaint to Stage 2.
- 6.4 The Committee referred to the Ombudsman report and queried whether internal processes, including responses, are adequate if cases are escalated to the Ombudsman. The Committee was pleased to note that there has been a focus on the quality, and learning of, Stage 1 responses to reduce progression to Stage 2 and beyond, alongside an emphasis on the importance of empathy when managing complaints. The Committee welcomed the fact that there have only been three upheld LGSCO complaints so far this financial year, compared to a total of 27 in the last financial year.
- 6.5 The Committee questioned the rationale for the Housing Service managing its own Stage 2 complaints, noting that that housing complaints accounts for a significant volume of total complaints received by the Council. The Committee was informed of the benefits to having a complaints team working alongside the Service, resulting in a more targeted service with resolution and learning as priorities, rather than a transactional process. The Committee also queried the use of the Microsoft Dynamics CRM by the Housing Service and whether this has improved complaints processes. The Committee noted that the key objective of the system is to have a single view of resident touchpoints across the Service, which leads to officers being able to better navigate positive outcomes for residents and aids proactive and preventative measures too.
- 6.6 The Committee expressed concern that whilst there has been a significant degree of scrutiny on the Housing Service complaints results, other directorates, such as the Environment and Communities directorate, have also consistently missed targets. The Committee queried whether officers took targets seriously and was informed that it has been made clear to teams that the missed targets are not acceptable and that a written response from the Environment and Communities directorate would be provided to the Committee. The Committee heard from Children's Services and Adult Social Care who undertake monthly reporting, and how they have seen improvement in complaints figures and are subsequently confident that figures in the next annual report will improve. The Committee also queried what is considered to be a timely but proportionate indicator of things going wrong and mitigations

needing to be put in place and was informed that officers try to correct performance before sending responses.

- 6.7 The Committee held a discussion about where the Corporate Complaints portfolio sits within officer's remits and was informed that it is not an easy fit because it's a Council-wide function and that this would be taken away and considered.

RESOLVED:

- 6.8 That the Committee noted the report.

ACTIONS:

- 6.9 That the Committee will receive a written response setting out the reasons for the Environment and Communities directorate's complaints results and the mitigations to improve performance.
- 6.10 That officers will consider the location of the Corporate Complaints portfolio.

7 ACCOUNTS AND AUDIT FINDINGS REPORT (COUNCIL) 2023/24

- 7.1 The Committee received an introduction from Rikin Tailor (Director of Finance) and noted that since the draft accounts were presented to the Committee on 18 July, they have gone through an extensive audit process, and the findings are set out in the Audit Findings Report and updated audited accounts. The Committee noted that the adjustment noted to still be under review at the time of publishing has been resolved.
- 7.2 The Committee noted that there have been several changes to the accounts related to valuations and queried what assurances can be given that this will be more accurate going forward and result in less errors from the valuers. The Committee noted that whilst there is always a certain element of challenge with valuers estimating assumptions, there have been issues with data inaccuracy and the Council will be holding a meeting to discuss, with the aim that the data will be in a better position next year as lessons will be learned. The Committee stressed that a key element of valuations is process and that it would like to check at an appropriate time to see what progress has been made towards improving this.
- 7.3 The Committee referred to the difficulties in benchmarking and valuing local authority-owned properties and queried how explicitly this process is examined, and whether classification of the approach can be detailed in future accounts reports. The Committee noted that the auditors and Council work closely with valuers but ultimately the process is reliant on judgments and estimates. The Committee also made reference to possible instances of pedantry by auditors especially relating to areas where there is uncertainty but does not make significant material change to the accounts. The Committee noted in this accounts audit that there is work to be done with the valuers going forward to improve efficiency.

- 7.4 The Committee also queried the change in allocation of assets, such as moving assets classified under construction to inventory, and whether there is a material impact of this. The Committee was informed that it does not have a material impact, similar to recognising the income of car parking and the process of this. The Committee also raised a question on the impairment of debt, who the Council's largest debtors are and how the figure of £104m for impairment allowance for doubtful debt was derived. The Committee understood that the Council has a large amount of small debt, including Council tax, parking tickets, housing benefit debt and business rates.

RESOLVED:

- 7.5 That the Committee noted the expected unmodified (i.e. unqualified) opinion of the Council's Statement of Accounts;
- 7.6 That the Committee considered the findings outlined in Grant Thornton's Audit Findings Report;
- 7.7 That the Committee agreed to approving the adjustments outlined in the Council's Audit Findings Report that will be reflected in the final audited set of 2023/24 accounts; and
- 7.8 That the Committee agreed to delegate residual matters relating to the audit and accounts to the Section 151 Officer.

ACTIONS:

- 7.9 That the Committee will receive an update on progress with the valuers to ensure the process is correct and the data issues have been resolved.
- 7.10 That the Committee will receive information on impairment of debt, who the Council's largest debtors are and how the figure of £104m for impairment was derived.

8 ACCOUNTS AND AUDIT FINDINGS REPORT (PENSION FUND) 2023/24

- 8.1 The Committee received an introduction from Phil Triggs (Tri-Borough Director of Treasury and Pensions) and noted that the Pension Fund accounts were completed according to the timetable and handed over to Grant Thornton for external auditing, the papers include the statement of accounts as well as Audit Findings Report and the overall finding is that the accounts are satisfactory.
- 8.2 The Committee stated that it is very good to note there were no significant issues raised in the Pension Fund accounts and asked where Grant Thornton found most of their time was being spent, and whether there is anything the Council can do to ensure the audit is as efficient as possible. The Committee noted that most of the auditor's time is spent examining the Level 3 investment valuations, but there are limited options to make this simpler or quicker, and that Grant Thornton are satisfied with the way the asset valuations are compiled. The Committee also was informed that the Level 2

assets also require time, but the auditors are able to take investment manager reports and assumptions into account.

- 8.3 The Committee noted that receiving a pension fund report including a top-level valuation and funding calculation from the actuary could benefit the Committee's scrutiny as it would provide context to the Pension Fund accounts before sign-off is required. 8.3 The Committee noted that receiving a pension fund report including a top-level valuation and funding calculation from the actuary could benefit the Committee's scrutiny as it would provide context to the Pension Fund accounts before sign-off is required.
- 8.4 The Committee commented on the level of illiquid, alternative investments within the portfolio, including global infrastructure, private debt, affordable housing and renewable energy investments, and queried how the valuation of these investments is undertaken, raising concerns regarding the current high level of pension fund illiquidity, and valuation issues associated with these types of non-market quoted investments, and the potential for misallocation of pension fund capital when such alternative investments are in very high demand. The Committee noted that, while illiquidity risk is within the nature of this type of alternative investment, the Pension Fund Committee takes expert advice and Fund consultant due diligence into account when making its allocation decisions, and that there is a set level ceiling of funds allocated towards these types of illiquid investments.
- 8.5 The Committee also raised some concern regarding the global custodian contract, and the issues Council-side relating to procurement, resulting in a delay to signing a new contract. The Committee was reassured that operating without a contract in place is not an optimal position, although there has been no detrimental aspect to the current service received. It will be a priority to secure a Global Custodian contract and there is confidence that this will be achieved by February 2025.

RESOLVED:

- 8.6 That the Committee approved the 2023/24 Pension Fund Statement of Accounts; and
- 8.7 That the Committee noted the Pension Fund's Audit Findings Report.

ACTION:

- 8.8 That officers would look into compiling a report including valuations and actuarial funding levels to provide context to the Pension Fund accounts before sign-off is required.

9 AUDITOR'S ANNUAL REPORT 2023/24

- 9.1 The Committee received an introduction from Rikin Tailor (Director of Finance) and noted that the auditors have a legal duty to produce a Value for Money report. The Committee was pleased to hear from Jo Brown (Grant Thornton, Key Audit Partner) who stated that the result of the audit is a

positive outcome for the Council. The Committee was informed that other local authorities have seen a downward trajectory of assurance, but Westminster is on a positive trajectory.

- 9.2 The Committee welcomed the opinion from officers that the process of preparing the accounts and annual report is robust, with both the Council and Grant Thornton working hard to achieve an early sign-off, and that officers are mindful to not be complacent with this. The Committee also was pleased to note that the process this year has been an improvement on previous years; it can be intense for both teams to work so closely together but there were positive steps towards sharing issues and working together to resolve them. The Committee was reassured that it will be kept informed of the implementation of the auditor's recommendations.

RESOLVED:

- 9.3 That the Committee noted the Value for Money Assessment and considered the findings in the report.

ACTION:

- 9.4 That the Committee will receive a report setting out a thematic review of audits across other local authorities from Grant Thornton.

The meeting ended at 20:01

CHAIR: _____

DATE _____