



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held on **Monday 25 November, 2024**, Rooms 18.01-03, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Melvyn Caplan, 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), Nick Byrom (Strategic Performance Manager), Helen Farrell (Director of Family Services), Lyndsey Gamble (Head of Corporate Finance), David Hughes (Tri-Borough Director of Audit, Fraud, Risk and Insurance), Andy Hyatt (Tri-Borough Head of Fraud), Debbie Jackson (Executive Director of Regeneration, Economy and Planning), Moira Mackie (Head of Internal Audit), Frances Martin (Executive Director of Environment and Communities), Clare O'Keefe (Lead Policy and Scrutiny Advisor), Sophie Shore (Director of Strategy and Intelligence), Rikin Tailor (Director of Finance), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Gareth Wall (Bi-Borough Director of Integrated Commissioning), and Sarah Warman (Strategic Director of Housing and Commercial Partnerships).

1 MEMBERSHIP

- 1.1 The Committee welcomed Councillor Alan Mendoza to its membership but noted his apologies for this meeting and that Councillor Melvyn Caplan was attending as substitute.

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 22 October 2024.

RESOLVED:

- 3.2 That the minutes of the meeting held on 22 October 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, queried the outstanding action relating to the Council's damp and mould policy, commented on the Ethical Standards report due at the Committee's meeting on 11 March 2025 and also noted the change in composition of the Committee in the Terms of Reference.

ACTION

- 4.2 That the Council's damp and mould policy will be shared with the Committee.

5 Q2 PERFORMANCE REPORT

- 5.1 The Committee received an introduction to the Q2 Performance Report from Nick Byrom (Strategic Performance Manager) and noted that it covers activity between July and September 2024, setting out the Council's mid-year performance position and highlighting five Key Performance Indicators (KPIs) as at risk of meeting targets and the inclusion of two new KPIs.
- 5.2 The Committee queried the delays to multiple aspects of the North Paddington Programme as well as the financial impact from delays, and received an update on the status of some of the projects which have changed status since the report was published. The Committee noted that the UK Shared Prosperity Fund grant is due to expire on 31 March 2025, and questioned the impact on delivery and costs to the Council. The Committee was informed that this is not a risk unique to the Council, there is resource dedicated to the project to monitor and flag risks to limit exposure to the Council and shop owners. The Committee queried whether the shopfronts programme is grant-dependent and requested an update on this. The Committee also raised concern regarding the canalside projects; the dependencies, tight timescales, complexities of the schemes and working with stakeholders.
- 5.3 The Committee noted that non-major planning applications have not been meeting their statutory targets and was informed that this does not represent a reduction in performance, rather a recalibration of the target itself and there are measures in place to improve performance to meet the target.
- 5.4 The Committee raised concern that the Council is at increasing risk of failing to adequately address effects of the climate emergency or to meet corporate targets for net zero carbon emissions. The Committee noted that the deadline for addressing the climate emergency is rapidly approaching and there are still major decisions to make, including decisions which hinge on central Government funding, decisions adapting to the increasing severity of weather, and on areas which go beyond the Council's own assets to decarbonise the City. The Committee queried whether the target is achievable, despite being a laudable aim, and the incentives. The Committee was informed that the

financial consequences of not considering preventative measures at this stage would be sizable and how it is difficult to act independently to achieve the target. The Committee expressed concern that not reaching this target would be a significant reputational risk and requested more information on the financial implications of this risk.

- 5.5 The Committee requested assurance that if the temporary closure of the Gordon Hospital was made permanent by the Integrated Care Board (ICB) and Central and North West London NHS (CNWL), that residents needing acute mental health care would still receive it. The Committee was informed of the changes to the ICB's decision-making timetable and of the ways the local authorities (Westminster City Council and Royal Borough Kensington and Chelsea) can have an impact before and after the decision. The Committee expressed concern that community provision may not locally address the need of those in mental health crisis situations.
- 5.6 The Committee made a general comment on the content of the quarterly Performance Reports, particularly regarding the lack of numbers relating to spending and how this leads to difficulties to contextualise and analyse the information provided.
- 5.7 The Committee queried the financial impact of the Geoffrey Osborne administration/ insolvency, the restitution process, potential delays to the schemes affected and lessons learned. The Committee understood that there is a significant amount of work ongoing, with a Cabinet Member Report published relating to this work, that the budget impact is around £20m and a cross-team dedicated learning session has been scheduled.
- 5.8 The Committee referred to the fragility of the local care market and noted that the impact of risk to providers due to the employers National Insurance (NI) uplift was not fully quantified, despite the high likelihood of increased costs from providers as a result of this. The Committee was informed that there is analysis being undertaken on the full impact of the employers NI uplift, that there has been no more information regarding the reimbursement of funds beyond that for direct Council employees and how whilst there will be no obligation for the Council to pay for provider's NI uplift costs or cover any resulting detrimental effect, the Council will engage in ad hoc conversations where necessary.
- 5.9 The Committee noted that performance targets relating to Housing Services appear to be generally low. The Committee understood that tenant satisfaction measures are set nationally, it is the start of this data collection and benchmarking is due to be published by the Housing Regulator.
- 5.10 The Committee requested clarity on the number of social housing units due to be completed by the end of the year and was informed that whilst this project is currently showing as off-track, the delivery output is irregular so this may show as overachieving in the coming quarters. The Committee also queried the handover process on regeneration schemes and noted that there is a clear audit process, with the different elements of schemes being brought

together including learning from previous schemes and the importance of taking resident concerns and needs into account.

- 5.11 The Committee noted that 34 CCTV cameras have been deployed across the City and questioned the programme's deployment, review, re-deployment and decision-making process. The Committee understood that the Council is on track to rollout the 100 CCTV cameras and in the process of engaging with stakeholders to ensure they are being deployed in the right places, with the right infrastructure around them. The Committee noted that there are efforts to also ensure that the policy is clear, accessible and has the opportunity for maximum impact.
- 5.12 The Committee raised several queries regarding Temporary Accommodation (TA), including the basis of forecasts, contingencies, assumptions and ensuring joined-up working. The Committee noted how many of the assumptions to date have been inaccurate due to the unprecedented scale of demand, clarity was provided on what constitutes as Council-supplied Temporary Accommodation and numbers of demand, and how an independent consultant has been commissioned to aid budget forecasting for 2025/26.
- 5.13 The Committee queried the percent of the Council-wide workforce that are Temporary Agency Contractors, how this is off-target, and which areas of the Council this relates to. The Committee noted that these numbers are monitored on a regular basis across all directorates in the Council and cohorts of agency staff are not a regular feature across the workforce but that agency staff or consultants are brought in as part of change or investment in projects before permanent staff are considered. The Committee questioned the variance of agency staff between services and noted how the Housing Service has the highest number due to the significant investment in the Housing Improvement Programme, but that numbers overall depend on what is happening across the Council and where there is need.
- 5.14 The Committee noted the difficulties faced by Children's Services and Adult Social Care regarding the reduction in NHS contributions and queried what collaborative working arrangements have been established between other local authorities to take the issues up with central Government. The Committee was pleased to note that the strategic approach is being discussed collaboratively and there is a policy drive to work in a more integrated way with the ICB.

RESOLVED:

- 5.15 That the Committee noted the report.

ACTIONS:

- 5.16 That the Committee will receive an update on the shopfronts programme and whether its delivery is dependent on grant funding.

- 5.17 That the Committee will receive more information on the financial implications of the Council's increasing risk of failing to adequately address effects of climate emergency or to meet corporate targets for net zero carbon emissions.
- 5.18 That the Committee will receive more financial information overall in the quarterly Performance Reports to help adequately contextualise and analyse the information provided.
- 5.19 That the Committee will receive the Cabinet Member Report on the impact of the Geoffrey Osborne administration/ insolvency.
- 5.20 That the Committee will receive the revised numbers of the tenant satisfaction measures and targets in the next quarterly Performance Report.
- 5.21 That the Committee will receive more information on the CCTV rollout, including numbers of cameras, timeline, engagement process and locations.

6 Q2 FINANCE MONITOR

- 6.1 The Committee received a summary from Rikin Tailor (Director of Finance), and was informed of the General Fund overspend, the majority of which relates to TA as other areas are largely offset by income greater than budgeted, the surplus revenue for the Housing Revenue Account (HRA) which is less than budgeting due to the additional spend on repairs and maintenance, as well as the General Fund and HRA Capital slippages which can be attributed to a few schemes.
- 6.2 The Committee noted the overspend relating to TA and how this will be funded from earmarked reserves. The Committee queried the impact on reserves, and the plans to reimburse the reserves. The Committee understood that there is around £11m earmarked to cover the overspend on TA, and if there is a greater amount of overspend then this will come out of the General Fund reserves, which is maintained at between £50m to £60m and proportionate to the net Budget. The Committee held a detailed discussion on earmarked reserves, including using reserves for specific risks and general risks.
- 6.3 The Committee referred to the risks amounting to £961k in the Communities team, noted the significant amount and queried what assurance can be given that this will not fall into overspend. The Committee was informed that whilst officers cannot guarantee this risk will not turn into an overspend, it primarily relates to some health and safety works following an incident in one of the City's parks which required some instant remedial work, and it also relates to four major leisure and parks contracts going to the market this year and some income risk for Sayers Croft.
- 6.4 The Committee questioned the savings relating to digital interventions and was informed that the market has changed so rapidly that they were unable to be delivered, but there are other savings coming forward in that space. The Committee queried the demand for new platforms and increased contract

costs, the variance, when the reprofiled savings will be delivered and whether the spending could be described as significant.

- 6.5 The Committee queried the £1.1m overspend on energy costs in the HRA and understood that the business plan had assumed a greater reduction than was realised, which was due to a combination of usage and unit costs. The Committee also considered the increased borrowing requirements in the HRA, how this is internal borrowing and stressed the importance of keeping residents informed.
- 6.6 The Committee noted that there is a forecasted overspend due to additional costs incurred for the increased work linked to the Building Safety Act 2022 and queried what these additional costs relate to. The Committee was informed that the service is undergoing a transformation in response to the new legislation and the business plan that sits behind this represents more staff as well as increased income including the Building Safety Levy.
- 6.7 The Committee acknowledged that work will be undertaken to finalise the residual costs relating to the Oxford Street Programme and that this has not yet been determined. The Committee also commented on the number of delays to the Capital programme and how the current underspends can be adversely affected by increased inflationary costs in the future.
- 6.8 The Committee asked what the Council is doing to prepare for a potential reduction or cessation of external funding in Adult Social Care and noted that whilst there is a strong steer the funding will continue, there is a risk that it may not, but reserves will be used until the service and Budget can be reconfigured. The Committee also referred to the significant number of savings relating to Children's Services staffing unlikely to be achieved in this year and noted this has been challenging for the Service to meet, particularly as it will only be met by deleting key posts, including social workers. The Committee noted that the Service is considering future delivery and the planned reorganisations within the Service.
- 6.9 The Committee was pleased to note the increased income from the parking service and noted the rise in deployed hours of marshals as well as Parking Charge Notices issued. The Committee queried whether the income generated from parking is a sustainable income source and what is proportionate to keeping the City running. The Committee noted that trends across the City show the income will not drop off significantly in the near future, the Council is focusing on decent forecasting and readjusting resources as necessary and that parking fine amounts are set nationally.
- 6.10 The Committee raised concern about falling school rolls and the Council's plan to mitigate this issue. The Committee noted that there are numbers of children being born are falling, the impact of COVID-19 and Brexit, and how the volume of children starting in Westminster's primary schools has reduced as a result. The Committee understood that the Council regularly liaises with primary schools about their funding and how this issue is being scrutinised at the Young People, Learning and Employment Policy and Scrutiny Committee on 3 December 2024.

RESOLVED:

- 6.11 That the Committee noted the report.

ACTIONS:

- 6.12 That implications arising from the Building Safety Act 2022 should be considered by the relevant Policy and Scrutiny Committee.
- 6.13 That the Committee will receive information relating to the increased number of parking marshals.
- 6.14 That the link to the Young People, Learning and Employment Policy and Scrutiny Committee meeting on 3 December 2024 webpage will be shared with the Committee.
- 6.15 That the Committee will receive an assessment of costs imposed by delays to the Capital programme.

7 TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW

- 7.1 The Committee received an overview from Phil Triggs (Tri-Borough Director of Treasury and Pensions), and noted that the report presents a six-month review as at 30 September 2024, including cash investment, total borrowing and the investment strategy.
- 7.2 The Committee noted that the report referred to attractive cash investment opportunities in the current economic climate and queried if this is still the case after the Autumn Budget announcements by the Chancellor. The Committee noted that there is a demand for short-term borrowing from other local authorities who are currently offering a rate considerably higher than the base rate, but those offers are subject to due diligence by Westminster, particularly regarding the robustness of that local authority's balance sheet, current control of revenue/capital spend, and external audit opinions.
- 7.3 The Committee put on record that it is pleased to receive news of the Moody's credit profile rating of Aa3, stable, and questioned what impact this has on the Council. The Committee noted that the rating points to a healthy balance sheet which in turn will put the Council in an advantageous position when looking to future private borrowing and providing the necessary assurance to markets in order to achieve a low rate. The Committee also discussed how the Moody's rating is equal to central Government's rating and therefore cannot be improved even if the current spending pressures reduce, that Westminster is one of the most financially secure local authorities in the country and that it is generally understood central Government will step in to prevent local authorities from defaulting.
- 7.4 The Committee referred to the repayment failure by the Australia and New Zealand Bank and noted it was an administration error, the overdraft costs

were repaid shortly after the overdue funds, and the bank has not been deleted from the Council's eligible counterparty list.

- 7.5 The Committee discussed the level of confidence officers have that the Council will conclude its Lender Option Borrower Option commitments and was pleased to note that it is the expectation this will happen as the current market rate has surpassed the rate at which is paid on the loan and therefore should be repaid. The Committee also queried the surplus funds invested for more than 364 days, how the indicator for this year was £450m, whilst the forecast is £0, and understood that the current market volatility has led the Council to mitigate credit risk by undertaking loans of periods below one year.

RESOLVED:

- 7.6 That the Committee noted the report.

ACTION:

- 7.7 That the Committee will receive the full Moody's credit profile rating report.

8 INTERNAL AUDIT PROGRESS REPORT

- 8.1 The Committee received an introduction from Moira Mackie (Head of Internal Audit), and noted the report is the first progress report of this financial year, including details of audits from last year which were completed in the first few months of the year, with three satisfactory assurances and one limited assurance. The Committee noted the details of the limited assurance audit, the ongoing work and future work, as well as the status of the investigation into Cyber Incident Management and how this recently received a satisfactory assurance opinion.
- 8.2 The Committee queried if there is an appropriate resolution process established for cases when audit recommendations are rejected, especially if the service area has accepted a level of risk that does not reflect the Council's risk appetite. The Committee noted that to prevent this from happening, officers discuss recommendations with services between the draft and final reports to try to reach agreement on the recommendation both in actions required and the priority of the recommendation. The Committee understood that if a service area was not prepared to accept a recommendation which was a high priority area, without adequate reasoning and despite evidence of the risk, the appropriate solution would be sought and, if no agreement could be reached, the Committee would be informed.
- 8.3 The Committee referred to the limited assurance given to Housing Complaints and Member enquiries and noted how recommendations in respect of Stage 1 and Stage 2 Complaints had been followed up with all recommendations implemented. Further follow up would be undertaken on any actions required regarding Member enquiries. The Committee raised the matter of the Member enquiries email address and how this works well for non-urgent complaints but is less effective when there is an urgent issue. The Committee also

suggested that officers talk to Members to gather views and seek how the Housing Service obtains feedback from Members.

RESOLVED:

- 8.4 That the Committee noted the report.

ACTION:

- 8.5 That officers should consider speaking to Members regarding Housing Complaints and Member enquiries to gather views and seek how the Housing Service obtains feedback from Members.

9 MID-YEAR COUNTER FRAUD REPORT

- 9.1 The Committee received an overview from Andy Hyatt (Tri-Borough Head of Fraud), which focused on the positive outcomes of the Service and how the three-year comparison of achievements details peaks and troughs which can be attributed to the National Fraud Initiative and the high level of reports received during that time.
- 9.2 The Committee requested assurance that the positive outcomes can be identified as average across local authorities and understood that this varies but, in terms of output, the Council is on target and has higher outcomes than expected in areas such as tenancy fraud. The Committee noted that the Counter Fraud End of Year Report should include data on how the Council's delivery compares to other metropolitan local authorities.
- 9.3 The Committee queried the peaks and troughs relating to low-risk fraud, the data-matching exercise and the possibility of low-level fraudulent activity being missed as the exercises by the National Fraud Initiative are only every two years. The Committee noted that a London Fraud Hub has been established, there is a free fraud-checking app being rolled out to spread the burden on checking fraud, and the Council has recruited into a role that focuses on data to pick up low-level fraud and reduce fraud in systems, including that of TA across local authorities.
- 9.4 The Committee considered the number of un-detected fraud instances and whether the number of unknowns can be estimated to ensure there is adequate resourcing to avoid missing cases. The Committee was reassured that the Tri-Borough Fraud Service is an effective, cost-efficient service and that additional resources will be found if there is a need.
- 9.5 The Committee referred to the delivery of fraud awareness training to school governors and questioned if there are plans to raise awareness across the City more widely. The Committee noted that there is a three-year strategy to increase awareness, with learning and bitesize pieces available. The Committee raised the timeline of fraud cases, whether timings can be adjusted to speed processes up and how this could lead to perceptions of fraud changing where people are more confident to engage with the system.

RESOLVED:

9.6 That the Committee noted the report.

ACTION:

9.7 That the Counter Fraud End of Year Report should include data on how the Council's delivery compares to other metropolitan local authorities.

10 COUNTER FRAUD POLICY REVIEW

10.1 The Committee received a summary from Andy Hyatt (Tri-Borough Head of Fraud) and noted that there are no material changes in the policies, but they will be amended slightly in due course to reflect the new guidance.

10.2 The Committee referred to the mailbox which members of the public can use should they wish to raise a concern and suggested that having a separate email address for each of the Councils in the Tri-Borough arrangement (Hammersmith and Fulham, Royal Borough Kensington and Chelsea, and Westminster City Council) would be better for residents.

10.3 The Committee used the examples of well-known cases where public funds have been misused and queried the extent to which the Council has taken those examples into consideration when drafting the policy. The Committee noted that its endorsement and comments on the policy are welcomed.

RESOLVED:

10.4 That the Committee agreed to the revised anti-fraud and corruption policies.

The meeting ended at 20.37

CHAIR: _____

DATE _____