



CITY OF WESTMINSTER

DRAFT MINUTES

Audit & Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a meeting of the **Audit and Performance Committee** held at 6.30pm on Wednesday 27th November 2019, Rooms 18.4/18.5, 18th Floor, Westminster City Hall, 64 Victoria Street, London SW1E 6QP.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd, Elizabeth Hitchcock and Jacqui Wilkinson.

Also Present: Annette Acik (Interim Director, Public Protection & Licensing), Gerald Almeroth (Executive Director of Finance & Resources), Steven Barry (Fraud Manager, Corporate Investigation Group), Paul Dossett (Grant Thornton), Annelie Drabu (Head of Intelligence & Strategy), Laurelin Griffiths (Grant Thornton), Gary Hamilton (Head of Operations, Adult Social Care), Damian Highwood (Data & Intelligence Manager), Sue Howell (Complaints & Customer Manager), David Hughes (Shared Services Director for Audit, Fraud, Risk & Insurance), Artemis Kassi (Senior Committee & Governance Officer), Moira Mackie (Senior Internal Audit Manager), Sarah Newman (Bi-Borough Executive Director of Children's Services), James Partis (Programme Lead, Better Care Fund, Public Health), Jim Paterson (Director of Property Services), Andrew Tagg (Director of Operations & Management), Rikin Tailor (Head of Corporate Finance) and Neil Wightman (Director of Housing).

1 MEMBERSHIP

1.1 There were no changes to Membership.

2 DECLARATIONS OF INTEREST

2.1 No declarations were made.

3 MINUTES

3.1 **RESOLVED:** That the Minutes of the meeting held on 19th September 2019 be agreed by the Committee as a correct record of proceedings.

4. GRANT THORNTON ANNUAL AUDIT LETTER

4.1 The Committee noted the Annual Audit Letter for the year ended 31 March 2019. Grant Thornton determined the materiality for audit of the council's financial statements to be £19.8m (1.95% of the Council's gross revenue expenditure). Councillor Ian Rowley queried the Council's Whole of Government Accounts Return. Laurelin Griffiths of Grant Thornton advised that the work to incorporate the council's financial information into the one return for all public

sector organisations as part of the national government's consolidation exercise was in progress.

- 4.2 Councillors Ian Rowley and Elizabeth Hitchcock queried the plans for risks resulting from the exit from the European Union. Councillor Hitchcock whether there had been analysis of speeches and manifestos to determine the risks. Laurelin Griffiths stated that the risks had been identified and considered previously.
- 4.3 Councillor David Boothroyd queried the basis on which land and buildings had been valued, given that the ability to exploit that land is limited by the buildings on it. Laurelin Griffiths advised that it depended upon the type of building asset, for example land associated with housing stock. Councillor Ian Rowley mentioned that value might be predicated on replacement cost.
- 4.4 Councillor Jacqui Wilkinson queried the delays in preparing the accounts which had been experienced by the financial team due to lack of familiarity with the new ledger system and asked whether similar delays would be likely to arise again. Rikin Tailor stated that last year two ledger systems had been used in parallel. Councillor Wilkinson asked for reassurance that this would not occur again. Rikin Tailor assured the Committee that, going forward, one ledger system would be used. Laurelin Griffiths reported that a visit was planned in December to start the process and that certification of claims was ongoing, including housing benefits and Teachers' Pensions.

RESOLVED: That the Grant Thornton Annual Audit Letter be noted by the Committee.

5. PROGRESS AND UPDATE ON 2019/2020 AUDIT

- 5.1 Paul Dossett of Grant Thornton advised the Committee about the challenges of the big corporate review and the audit process since the abolition of the Audit Commission in 2015 and under the new regulatory regime. The Committee heard how the Code of Practice under CIPFA is longer and that, whereas accounts for local authorities ten years ago might typically have been 90 pages long, now these ran to 219 pages. Grant Thornton also advised that, although 40% of audits were not signed by 31 July 2019 (which was the worst performance for sign-off), Westminster had a track record of meeting the early timetable and had successfully signed by that date. There was discussion of the MHCLG Redmond Review to examine the quality of local authority audits and whether the system was fit for purpose. Grant Thornton had responded to the Redmond Review, including the 43 questions on the review questionnaire.
- 5.2 Grant Thornton also provided a summary of national issues and developments relevant to Westminster, including the National Audit Office Code of Audit Practice and MHCLG Brexit preparations.

RESOLVED: That the Progress and Update on the 2019/2020 Audit be noted by the Committee.

6. FINANCE & PERFORMANCE BUSINESS PLAN MONITORING

6.1 Period 6 Finance Report 2019/20

Rikin Tailor introduced the contents of the Period 6 Finance Report 2019/2020, which provided details of the forecast outturn in respect of revenue and capital by Cabinet Portfolio; together with projected revenue and capital expenditure, key risks and opportunities.

6.2 The report projected a £1.088m underspend against budget with net risks of £0.727m. The report also projected an expenditure variance of £79.181m by year end: and income variance of £28.930m resulting in a net variance of £50.251m. The Housing Revenue Account (HRA) revenue forecast was for an overall net surplus of £4.057m, resulting in an adverse variance of £5.736m compared to budget. The forecast gross capital expenditure outturn for the HRA at the end of period 6 was £146.948m, resulting in a total variance of £2.907m compared to the budget of £149.854m. Variances, risks and opportunities within Cabinet Portfolios continued to be monitored closely as the year progressed.

6.3 Councillor Elizabeth Hitchcock queried whether there were any areas of particular concern. Rikin Tailor advised that a watching brief was being maintained over parking, where a decrease in revenue was attributable to Parking Charge Notices (PCNs) and that suspensions income was volatile though opportunities were being identified and explored. Other issues discussed included the HRA revenue and the variance of £5.7m due to major works and fire safety measures; the continuing measures being taken to mitigate the deficit for 11 Westminster schools (including removing 480 places); the windfall of £1.100m underspend due to interest on cash balances being higher than budget assumptions; the impact of aligning the City West Homes failure to budget for service charge payments; and underspend in Family Services/Public Health due to one-off central government funding. Rikin Tailor also mentioned as a positive the Treasury income, which was performing well.

6.4 Councillor David Boothroyd noted the £1.100m gain from interest rate changes. Rikin Tailor advised that more street marshals and illegal parking had helped the position in Period 6. Councillor Boothroyd noted that there had been a reduction in Lessee Service Charges collected compared to budget which had not been budgeted in the City West Homes HRA 2019/2020 budget. Rikin Tailor advised that this was due to major works and had happened under the arm's length management organisation (ALMO) but that the budgets would be more aligned this year, with better profiling and accuracy. Councillor Boothroyd also queried the service charges paid by the City to private sector landlords from whom property had been procured. Neil Wightman advised that, due to an oversight, whilst City West Homes had been paying those charges for council tenants in leasehold properties, they had not budgeted it.

6.5 Councillor Ian Rowley referred to the General Fund Summary (at paragraph 3.2 in the committee papers) and the Capital Programme Categorisation (Appendix 1 of the committee papers) and noted both the overspend and underspend. Councillor Rowley commented on improvement in execution but queried persistent optimism bias, execution and budgeting. Rikin Tailor observed that there had been improvement on previous years but that during the budget setting process, there needed to be identification of areas where assumptions have been made about schemes being on site, such as for example, the Oxford

Street District Street underspend/slippage of £17.495m. Gerald Almeroth remarked that, whilst much was on target, there was potential for learning concerning alignment of plans and the optimism for those plans, including learning from the Oxford Street District scheme. He also observed that much of the slippage related to only three or four schemes. Councillor Rowley requested a more detailed report on this, with breakdown into operational, development, investment and third-party impact details. The Committee was advised that a report could be provided, listing the top five schemes and with risk ratings.

RESOLVED: That the contents of the Period 6 Finance Report 2019/2020 be noted by the Committee.

6.6 Quarter 2 Performance Report

The Committee received a report which summarised the City Council's performance at the end of the second quarter of the 2019/20 financial year against City for All priorities. The report set out progress and figures until the end of September, though the report narrative went until the middle of November, including Garside Nursing Home, where issues had first been raised in October with the Care Quality Commission completing an unannounced inspection on 5th November 2019. The way the report dealt with risks around community safety (crime, anti-social behaviour on housing estates, knife crime, the establishment of the Basic Command Unit and the work of the Hate Crime Commission) would be consolidated in future reports to the Committee.

6.7 Officers highlighted notable achievements, including the completion of Dudley House and commencement of works on Luton Street/Edgware Road; outstanding Ofsted rating for Children's Services; and climate declaration, including carbon neutral targets for 2030. Officers also highlighted various risks, including that crimes rates had gone up whilst detection rates had gone down; rough sleeping numbers as well as Unaccompanied Asylum-Seeking Children had increased; and a lack of financial settlement and resultant uncertainty. Officers also observed that the timing of the February meeting would be closer to the end of the period, with reporting towards the middle of December. The Committee noted the above national average GCSE and A Level results achieved by students at Westminster schools, though the Sir Simon Milton UTC results seemed off track.

6.8 The Committee also discussed risks to which the Council was exposed, including Strategic Risks. Members in discussing these risks referred to the reduction of policing resources following introduction of the Basic Command Unit and the fact that there had been a major terrorist incident during the last General Election; whether there would be the possibility of re-tendering or bringing in-house the Garside contract, given developments with Sanctuary at Garside House Nursing Home; whether there was any way to detect unlicensed Houses in Multiple Occupation; the future of Westminster on Wheels; levels of pollution from buildings in Westminster; the increase in schools in deficit within Westminster (from eight to 11); and the effect of Brexit on equity valuations.

6.9 The Committee made a number of requests for extra detail and asked to receive information to reflect the breakdown of operational, development, investment and third-party impact expenditure, indicating the top five schemes of slippage

and relevant risk-ratings for the schemes. The Committee observed that a number of Key Performance Indicators were off-track, including in Public Health/Children's Services for the number of children receiving their 2 - 2.5 year development review. The Committee also requested more information on this and a briefing on the pre-birth to five years pathway work being done by Public Health and Children's Services. The Committee also requested more detailed information about Garside House Nursing Home, subject to the police investigation. Officers were asked to provide a comparison of the Sir Simon Milton UTC results with the results of other UTCs nationally.

6.10 **RESOLVED:** That the contents of the Quarter 2 Performance Report be noted.

7. INTERNAL AUDIT MONITORING REPORT

7.1 David Hughes (Shared Services Director for Audit, Fraud, Risk and Insurance) and Moira Mackie (Senior Manager) presented an overview of the internal control framework.

7.2 The monitoring report provided an overview of the progress made against the Internal Audit Plan and the outcomes of completed audits as part of the Annual Assurance Opinion. The Committee was advised that between August and October 2019, two audits were completed: Policy, Performance and Communications (Strategic Objectives) which was rated satisfactory and Children's Services/Adult Social Care (Bi-borough Framework Procurement – Mini-bus Service), which was rated substantial.

7.3 The Committee was advised that recommendations had yet to be implemented but that more information would be available in February, especially where items had amber status in the RAG rating. The Committee was further advised that business plans in the context of the City for All Strategy were currently being examined.

7.4 **RESOLVED:** That the Internal Audit Monitoring Report be noted.

8. CORPORATE COMPLAINTS

8.1 Sue Howell (Complaints and Customer Manager) introduced the report on the volume and details of complaints received in 2018/2019. The report on Corporate Complaints summarised the Council's complaints performance (complaint stages 1 and 2), complaints received from the Local Government and Social Care Ombudsman (LGSCO) and a limited review of dealing with the Leader and Cabinet Member correspondence.

8.2 The Committee was advised that there had been an increase in volume of Stage 1 and Stage 2 complaints. Sue Howell observed that the increase in Stage 1 complaints was low compared to the volume of complaints overall and did not constitute a deterioration in performance, as response times continued to be good and so were more likely indicative of more complaints being captured. Sue Howell also advised that the most common causes of complaints at Stage 1 were a delay in doing something, failure to do something or

disagreement about a charge received whilst at Stage 2 more people were choosing to escalate complaints. Sue Howell mentioned that there had been a decrease in the numbers of complaints received from the LGSCO.

- 8.3 The Committee discussed complaints concerning housing and queried the increase in Housing Solutions Services complaints. Officers advised that housing attracted a large volume of complaints but that most complaints were being resolved.
- 8.4 Councillor Jacqui Wilkinson queried whether the number of complaints was related to the openness and improved simplicity of the complaints procedure or whether this was due to more problems. Sue Howell affirmed that the new system of complaints via the website was more open, simpler and did capture more complaints. Councillor Wilkinson also mentioned that residents who did not contact their ward councillors for assistance with housing benefits experienced great hardship and difficulties with the system. Sue Howell observed that many such complaints were not appropriate for this complaints procedure and that there were other avenues for those complaints to be addressed.
- 8.5 Councillor Elizabeth Hitchcock queried whether there was any predictability or cycle to the complaints. Sue Howell advised that it depended on the services, which were so diverse, as to whether there was any possible predictability but that generally the difficulty was the unpredictability, especially at Stage 2. Sue Howell also mentioned that in October this year, there had been some 45 complaints, whereas usually around 10 to 12 complaints would be received.
- 8.6 Councillor David Boothroyd queried whether the complaints procedure could be published on the website. Sue Howell stated that she would speak to the Communications Team to ensure that it did stay on the website. Councillor Boothroyd also mentioned that housing constituted the largest proportion of complaints and that the document still referred to City West Homes. The Committee was advised that this would change going forward, to reflect the service being brought back within Westminster City Council. This also accounted for the increase in Housing Solution Services complaints.
- 8.7 Councillor Ian Rowley raised concerns about the increases in housing-related complaints at Stage 1 (and increase from 96 to 112) and Stage 2 (from 16 to 24), and queried whether this related to City West Homes legacy. Sue Howell stated that these related to repairs and general housing issues, including estate management. Ms Howell also observed the escalation rate showed that most of these complaints were being resolved and that housing attracted the highest volume of complaints. Councillor Rowley also raised concerns about reporting, particularly under-reporting, of anti-social behaviour on estates. Sue Howell mentioned that there is a division in reporting so that if anti-social issues are reported to the housing estate management, there is a policy of working with residents and the police to resolve the concerns which is different from the complaints made to the Anti-Social Behaviour Team, where the issues were criminal. Damian Highwood referred the Committee to figures on anti-social behaviour issues logged by housing management teams and highlighted how these were categorised (e.g. drug-dealing, prostitution, noise as well as the

estates where they occur). Damian Highwood observed that the low volume of complaints did not allow analysis to establish a pattern.

- 8.8 Councillor Jacqui Wilkinson raised the issue that, whilst the discussion always focused on estates, a large part of housing stock was located on streets and that complaints from residents related to anti-social behaviour originating from that housing. Councillor David Boothroyd commented that “anti-social behaviour” was often a catch-all term, there were often counter-accusations and that it could be difficult to get any enforcement.

RESOLVED: That the work of the Corporate Complaints service be noted.

9. MID-YEAR COUNTER FRAUD MONITORING REPORT

- 9.1 Steven Barry (Fraud Manager) submitted the Mid-Year Counter Fraud Monitoring Report for 2019/2020. Officers highlighted the dissemination of bespoke ward councillor briefings, tenancy fraud and an increase in recovered properties. The Committee was advised about counter-fraud related activity, including, in particular, the illegal subletting of a council property in Victoria which had resulted in eviction of the tenant and an Unlawful Profits Order of £100,974.94 and noteworthy cases.

- 9.2 The Committee requested further detail on the breakdown of properties on streets and on estates. The Committee also discussed pro-active operations to investigate tenancies at Fitzrovia Court, Carburton Street, W1, the noteworthy cases (Appendix I to the report) and the National Fraud Initiative, including referrals received via that initiative.

- 9.2 **RESOLVED:** That the Mid-Year Counter Fraud Monitoring Report for 2019/2020 be noted.

10. REVIEW OF ANTI-FRAUD POLICIES

- 10.1 Steven Barry (Fraud Manager) introduced the Counter Fraud Policy Review report, which included three revised anti-fraud policies for the Committee’s review and approval and provided a corrected version of the report. These were the Fraud Response Plan; the Anti-Bribery Policy; and Anti-Laundering Policy.

- 10.2 The Committee discussed money laundering via property development. Officers advised that Planning and Legal Services colleagues had been briefed.

- 10.3 **RESOLVED:** That the revised anti-fraud and corruption policies be approved.

11. WORK PROGRAMME AND ACTION TRACKER

- 11.1 The Committee noted the items on its Work Programme for the next meeting on 5 February 2020, together with actions taken in response to issues raised at the last meeting. The Committee noted that the planned item on the Basic Command Unit by the Metropolitan Police Service (MPS) had had to be postponed due to the MPS purdah rules and would be included as an agenda

item at the February meeting.

11.2 **RESOLVED:** That the Committee Work Programme be noted.

The meeting ended at 8.10 pm.

CHAIRMAN: _____

DATE: _____