



CITY OF WESTMINSTER

# MINUTES

## Audit and Performance Committee

### MINUTES OF PROCEEDINGS

Minutes of a virtual meeting of the **Audit & Performance Committee** held via Microsoft Teams at 6.30pm on Wednesday 2 December 2020.

**Members Present:** Councillors Ian Rowley (Chairman), David Boothroyd, Danny Chalkley and Richard Elcho.

**Also Present:** Gerald Almeroth (Executive Director of Finance & Resources), Marine André (Strategy and Intelligence), Ian Clarke (Performance Manager, GPH) Graham Collins (Head of Procurement and Supply Chain), Paul Dossett (Grant Thornton), Annelie Drabu (Strategy and Intelligence), Kevin Goad (Director of City), Joyce Golder (Legal Services), Laurelin Griffiths (Grant Thornton), Damian Highwood (Data and Intelligence Manager), David Hughes (Tri-Borough Director of Audit, Risk and Fraud), Andrew Hyatt (Tri-Borough Head of Fraud), Debbie Jackson (Executive Director, Growth, Planning and Housing) Sue Jones (Head of Service North), Artemis Kassi (Senior Committee and Governance Officer), Jeffrey Lake (Deputy Director, Public Health), Moira Mackie (Head of Internal Audit), Raj Mistry (Executive Director, Environment and City Management), Stephen Muldoon (Director of Commercial and Financial Management), Sarah Newman (Executive Director, Children's Services), Andrew Tagg (Director of Operations and Programmes, Children's Services), Rikin Tailor (Head of Corporate Finance), Phil Triggs (Tri-Borough Director of Treasury & Pensions), Gareth Wall (Director of Integrated Commissioning), Greg Ward (Director of Regeneration and Economic Development), Neil Wightman (Director of Housing), Lee Witham (Director, People Services), Paul Wilmette (Adult Social Care) and Pedro Wrobel (Executive Director, Innovation and Change).

#### 1 MEMBERSHIP

- 1.1 There were no changes to the membership.
- 1.2 It was proposed and seconded that Councillor David Boothroyd be appointed as Deputy Chair for the meeting.

#### 2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

### **3 MINUTES**

- 3.1 **RESOLVED:** That the minutes of the meetings on 10<sup>th</sup> and 23<sup>rd</sup> September 2021 be circulated for agreement by the Committee as a correct record of the proceedings.

### **4. GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

- 4.1 The Committee noted a progress update, including the Audit Findings Review, by the Council's auditors, Grant Thornton. The Committee heard that the deadline of 30 November 2020 had been met for Westminster but that the complexity of the Westminster portfolio of assets, the Covid-19 context and the Regulator's assessment of what auditors should be doing had contributed to increased turnaround times. The auditors also advised the Committee that there was an unadjusted error in relation to some inputs, that they had assessed a worst-case scenario, including an overvalue of £8.3 million. The auditors also raised issues within a broader context, noting two public interest reports concerning LB Croydon and the section 114 notice.
- 4.2 The Committee further heard that next year's audit would focus on risks around income and contain more detailed assessment of Value for Money. The key themes from the Committee's discussion included: valuation of investment properties and property leases; the audit fees process; perturbations in the market leading widely variant outcomes; and increased regulatory burden.
- 4.3 **RESOLVED:** that the Committee note the contents of the report and continue to monitor.

### **5. FINANCE AND PERFORMANCE MONITORING REPORT** **Period 6 Finance Report 2020/2021**

- 5.1 The Committee noted the contents of the Period 6 Finance Report, 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.
- 5.2 The Committee was advised that the Finance Report projected a year to date variance of £36.5 million (against indicative forecasts for the rest of the year with adverse variance of £50 million before taking into account any offset from government funding). The Committee heard that the biggest impact on the Council's finances had resulted from income stream reductions and additional expenditure related to supporting communities and reduced footfall. The Committee also heard that major income streams with losses had included parking, commercial waste, licensing, road management, registrars and city events.
- 5.3 The Committee was further advised that the Finance Report projected a gross expenditure variance of £98.37m on the 2020/2021 Capital Expenditure. The Committee heard that the Housing Revenue Account (HRA) revenue forecast was for an in-year underspend on its capital programme of £68.815m, due to the impact of Covid-19 causing delays in project completion and preventing

access to properties (due to government guidelines. Officers advised the Committee that the variances, risks and opportunities within Cabinet Portfolios would continue to be monitored closely as the year progressed.

- 5.4 The Committee discussed key issues which included the reduced availability of external funding sources (including TfL); projects in Bayswater; the funding for highways; the Council's exposure to commercial and rental incomes not currently covered by governmental schemes; the impact of government financial assistance; the number of households in Temporary Accommodation; and the need for £90m in savings over three years. The Committee in particular observed the high levels of uncertainty around the numbers under discussion and referred to execution risks and the work of the Budget scrutiny task group.

ACTIONS: the Committee requested:

- 1) more information about the Brunel Estate as well as the Ashbridge and Ebury projects (Debbie Jackson).
- 2) an indication in future reports of plans relating to execution risks and what work would be undertaken as part of the scrutiny of the budget.

#### **Quarter 2 Performance Report.**

- 5.5 The Committee received a report which summarised the City Council's performance at the end of the second quarter of the 2020/2021 financial year against City for All priorities, the impact of Covid-19 and strategic risks. The Performance Report set out progress and figures until November.
- 5.6 The Committee discussed key issues and commended the work and achievements of the Westminster Employment Service in assisting Westminster residents to achieve sustainable employment.
- 5.7 The Committee also observed that several Key Performance Indicators were off-track and that there was insufficient data and linkage with risk scores or detail of mitigating actions. The Committee discussed the national Covid-19 vaccination programme but noted concerns over historical rates of immunisation in Westminster.
- 5.8 Other key themes to emerge from the Committee's discussions included 14 high level new appointments to roles within the Council, including at Executive Director level; food inspections (decreased due to the Covid-19 context); gang activity; child abuse referrals; Business Grants; and performance indicators which would be more meaningful in a post-pandemic context. The Committee also discussed that it would have been useful to have had detail on what mitigating actions were being taken in respect of risks in addition to explanation of the Brexit Strategy Board.
- 5.9 **RESOLVED:** that the Committee record its concerns, note the report and request further information.

ACTIONS: the Committee requested the following:

- 1) more information on Electric Vehicles, dedicated resident bays, how easy it was for residents to secure these bays and at what cost (Raj Mistry/Twila

- Grower).
- 2) Details about the Brexit Strategy Board (Debbie Jackson/Pedro Wrobel).
  - 3) The immunisations programme.
  - 4) The latest report on the IGXU (Andrew Tagg).
  - 5) Linkage between risk scores and performance indicators (Pedro Wrobel).
  - 6) Circulation of the Westminster Employment Service report which went to scrutiny (Debbie Jackson).

## **6. INTERNAL AUDIT MONITORING REPORT**

6.1 The Committee received an Internal Audit Monitoring Report and was advised that one audit for Adult Social Care concerning Direct Payments (rated as amber) had been completed. The Committee was further advised that the report also detailed how five follow-up reviews had also been completed in the period which indicated that 73% of recommendations had been effective. The Committee requested an update for its February meeting.

6.2 **RESOLVED:** that the Committee note the report.

ACTION: the Committee to receive an update at the February meeting.

## **7. MID-YEAR COUNTER FRAUD MONITORING REPORT**

7.1 The Committee received an overview report which elaborated how the City Council was delivering its anti-fraud and corruption strategy. Officers advised the Committee how the work had been disrupted by the Covid-19 pandemic and socially distanced efforts had increased but had nevertheless led to a small increase in positive outcomes. The Committee also heard that one current significant challenge in pursuing tenancy fraud cases was insufficient court time being available due to Covid-19 constraints.

7.2 **RESOLVED:** that the Committee note the report.

## **8. REVIEW OF ANTI-FRAUD POLICIES**

8.1 The Committee received a report on the City Council's revised anti-fraud policies, namely the Fraud Response Plan, Anti-Bribery Policy and Anti-Money Laundering Policy, to review and approve those policies. The Committee approved the policies.

8.2 **RESOLVED:** that the Committee note and approve the report.

## **9. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW**

9.1 The Committee received an update on the delivery of the 2020/2021 Treasury Management Strategy and Annual Treasury Strategy Mid-Year Review 2020/2021, including cases of non-compliance. The Committee was advised that the Council was in compliance with the Treasury Management Strategy Statement, apart from one instance which had occurred on 4<sup>th</sup> May 2020 when there was an issue of non-compliance. The Committee was advised by

officers that the non-compliance issue had arisen due to an exceptional banking receipt of £8.490m which had been received too late in the day to be moved from the bank until the following day.

9.2 The Committee discussed key themes, including the City Council's due diligence processes. The Committee observed that an instance of non-compliance had happened for similar reasons in 2019 and discussed ways to avoid this recurring in future. The Committee also observed that investments would be earning below the rate of inflation for some time. The Committee expressed its concern at the City Council's exposure due to Lender Option, Borrower Option (LOBO) loans, notably Thurrock and Croydon (each £10m). The Committee requested a report on how these processes compared with those of financial institutions and on lending between local authorities for its February 2021 meeting.

9.3 **RESOLVED:** that the Committee note the report and receive a report on lending between local authorities at the February 2021 meeting.

ACTION: the Committee to receive a report on lending between local authorities at the February meeting.

## 10. ISOS PARTNERSHIP REVIEW OF WESTMINSTER SCHOOLS

10.1 The Committee received a report outlining the findings of an independent review of falling pupil numbers in primary schools in the City of Westminster, and the associated impact on primary school finances, carried out by the Isos Partnership.

10.2 The Committee considered the findings of this review of falling pupil numbers and recommendations to be proposed to the Schools Forum. The Committee was advised by officers that the last three years had seen a reduction of 7% in Westminster primary school roll numbers, with 1,877 surplus places as at January 2020 and vacancies currently skewed towards Reception classes.

10.3 The Committee noted that such downward trends (the falling school rolls within the City of Westminster) had been the case for some time in addition to noting potential levers available to the City Council as the local authority. Officers advised that further clarity would emerge in February or March 2021. The Committee noted the report with concern and requested continued monitoring of the situation. The Committee further requested an update at its April 2021 meeting.

10.4 **RESOLVED:** that the Committee note the report and receive an update at the nearest meeting to May 2021.

## 11. WORK PROGRAMME 2020/21

11.1 The Committee received a report on the work programme for 2020/2021 and noted the items on its Work Programme for its next meeting on 17<sup>th</sup> February 2021. The Committee agreed to take work programme discussions offline.

11.2 **RESOLVED:** That the work programme report be noted

**12. TERMINATION OF MEETING**

12.1 The Meeting ended at 21.16.

**CHAIRMAN:** \_\_\_\_\_

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