



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 _____