



CITY OF WESTMINSTER

MINUTES

Audit and Performance Committee

MINUTES OF PROCEEDINGS

Minutes of a hybrid meeting of the **Audit & Performance Committee** held in person and via Microsoft Teams at 6.30pm held on **Thursday 17th June, 2021**, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

Members Present: Councillors Ian Rowley (Chairman), David Boothroyd, Danny Chalkley and Antonia Cox.

Officers Present: Stuart Love (Chief Executive), Bernie Flaherty (Executive Director, Adult Social Care and Public Health), James Costantino (Information Services and Strategy), Damian Highwood (Chief Analyst), Artemis Kassi (Scrutiny Advisor), Mohibur Rahman (Head of Strategy and Intelligence), Patrick Ryan (S&I) and Sophie Shore (Director, Strategy and Intelligence).

Also Present: Gerald Almeroth (Executive Director of Finance and Resources), Senel Arkut, Deirdra Armsby (Director Place Shaping and Town Planning, GPH), Jake Bacchus (Director of Corporate Finance), Michelle Badham (F&R), Hazel Best (Legal Services), Joanne Brown (Grant Thornton), Cagdas Canbolat (F&R), Ian Clarke (Performance Manager, GPH), Nicky Crouch (CS), Mathew Dawson (Treasury and Pensions), Tony Galloway (Interim Director of Environment, ECM), Kevin Goad (Director of City Highways, ECM), Janine Gray, James Green (Director of Development, GPH), Laurelin Griffiths (Grant Thornton), Twila Grower (ECM), Christian Hill (S&I), Martin Hinckley (Director of Revenues and Benefits), James Holden (CS), David Hughes (Tri-Borough Director of Audit, Risk and Fraud), Andy Hyatt (Tri-Borough Head of Fraud), Debbie Jackson (Executive Director, GPH), Dayana Kertova, Jeffrey Lake (Deputy Director, PH), Elisabeth Lambrou, Andrea Luker, Moira Mackie (Head of Internal Audit), Calvin Maclean (Director of Public Protection and Licensing, ECM), Nadeem Mahmood, Raj Mistry (Executive Director, Environment and City Management), Natalie Monaghan, Stephen Muldoon (Director of Commercial and Financial Management), Sarah Newman (Executive Director, Children's Services), Anna Raleigh (Director, Public Health), Stuart Reilly, Visva Sathasivam, Annabel Saunders (Director of Operations and Programmes, CS), Rikin Tailor (Head of Corporate Finance), Phil Triggs (Tri-Borough Director of Treasury and Pensions), Gareth Wall (Bi-borough Director of Integrated Commissioning), Neil Wightman (Director of Housing), Lee Witham (Director, People Services), Paul Wilmette (Bi-Borough Director, Governance and Operations, PH) and Pedro Wrobel (Executive Director, Innovation and Change).

Apologies for Absence: None

1 MEMBERSHIP

- 1.1 There was one change to membership. Cllr Richard Elcho stood down from the Committee and Cllr Antonia Cox replaced him.

2 DECLARATIONS OF INTEREST

- 2.1 There were no declarations of interest.

3 MINUTES

- 3.1 The Committee discussed outstanding minutes. Artemis Kassi undertook to provide outstanding minutes ahead of the September meetings.

4 2020 -2021 YEAR END PERFORMANCE REPORT

- 4.1 The Committee reviewed and noted the contents of a report collated by Strategy and Intelligence, summarising the Council's performance and progress at the end of 2020-21. It was noted that 20% of Key Performance Indicators (KPIs) were off track at the end of the year; this was explained as being largely down to the effects of the coronavirus pandemic. One correction was noted regarding the council tax KPI, which had achieved target although it had previously been off target.

For each directorate, the Executive Director highlighted successes, challenges and issues, with the Chief Executive providing additional commentary.

- 4.2 For Adult Social Care and Public Health, Bernie Flaherty commented that the targets had been set to be amongst the top five local authorities in London. Bernie Flaherty noted that there had been positive changes to social work practice, and that Council teams had been working alongside health partners to improve timeliness of hospital discharges and lessen the impacts of the pandemic. Key challenges were noted as staff wellbeing and resilience throughout the pandemic; business as usual (BAU) work not being completed due to the impact of the pandemic on capacity; and a decreasing market in adult social care. Increasing health inequalities were mentioned as another significant risk.
- 4.3 The Committee queried how vaccinations had been calculated in the local population, as Westminster had many people who moved in and out of the area transiently or due to work. Stuart Love commented that the use by the Office for National Statistics of the population denominator was incorrect for Westminster, particularly amongst some age cohorts, and that this was the case across London. However, Stuart Love advised the Committee that he had been informed that this was unlikely to change. It was further observed that GP data also had significant shortfalls. This issue had been examined because of Westminster's low position in the vaccination league tables. The

Committee was informed that efforts were underway in tandem with Strategy and Intelligence officers to understand reasons for people not being vaccinated, or where people have been vaccinated and not remained in Westminster.

- 4.4 The Committee asked whether the cost of PPE for adult social care workers had been borne by the Council or by contract partners, who may have incurred further adverse financial impact from doing so, potentially making them more vulnerable in a low market. Bernie Flaherty responded that part of a Government grant had been used to assist care homes with PPE and staff support.
- 4.5 The Committee queried the use of “monitoring demand” for social care services, and whether it might be appropriate to instead consider mitigation efforts for changed demand, as mitigation plans were not included in the report. Bernie Flaherty responded that, in normal times, it was possible to monitor trends. However, during the pandemic, these trends had changed considerably and changes to monitoring would aim to predict changes in demand across the next year and mitigate by allowing planning for appropriate provision of care services. The Committee also raised the issue of the financial deficit for CNWL CCG and its implications for the Council. Bernie Flaherty responded that NHS colleagues had reassured the Council that although efficiencies must be made, many of these would come from improvements to contracts and procurement processes. Bernie Flaherty further advised the Committee that the directorate continued to monitor, using the Health and Well-Being Board.
- 4.6 The Committee queried whether moves towards compulsory vaccinations for the adult social care workforce would see workers leaving the profession locally, particularly given existent vaccine hesitancy and local demographics. Bernie Flaherty responded that closer links with care homes had shown that care homes were in favour of mandatory vaccinations, and most staff were keen to support this. Bernie Flaherty commented that ward councillors could have a role to play in helping reduce hesitancy locally. The Committee asked for detail on the increase in social care demand and acuity, as well as the issue of suppressed demand, and commented that targets could have been achieved because of reduction in people attempting to obtain social care assistance. Bernie Flaherty noted that this was very important, and used the example of dementia in the community. She also noted that people were less mobile because of having less access to healthcare services including physiotherapy, so they needed more care support. Reduced admissions to residential care driven by concerns over the pandemic was acknowledged to be suppressed; however, this may not result in excessive demand for residential care if home care is appropriately provided. Needs for home care were projected to rise.
- 4.7 The Committee queried the impact of the Delta coronavirus variant locally, testing rates, and questioned whether the Council had sufficient resources to deal with this. Anna Raleigh commented that coronavirus case rates had continued to increase, with both Westminster and the Royal Borough of Kensington and Chelsea seeing rates considerably above the London

average of 69 per 100,000. The Committee was advised that Westminster had the ninth highest case rate in London, with an increase of 47% on the previous week, to 88.4 per 100,000. On testing rates, Westminster was testing 663 people per 100,000, above the London average. Anna Raleigh noted that there was considerably increased demand on Public Health services and advised the Committee that the Public Health team was liaising with other teams across the Council to assess impact on contact tracing, testing, and outbreak management amongst other activities. Anna Raleigh further advised that Public Health recently refreshed their plan with a focus on communications to encourage residents to follow hygiene, distancing, and self-isolating advice, as well as vaccination. Stuart Love commented that, although case rates had increased, there was no corresponding increase in hospitalisations. He noted, on the point of Council resources, that there were many Council staff who had been working on the pandemic for a long time, many of whom were “tired and weary”. Stuart Love also noted that demand was not projected to decrease going into the summer, so the Council aimed to bring in additional resource to assist through summer and beyond.

- 4.8 Sarah Newman provided an overview of the activities and performance of the Children’s Services directorate, including challenges and issues, and noted that Children’s Services had met their target of completing all Education Health and Care Plans (EHCPs) within the 20-week timeframe, and had maintained low numbers of children coming into care and subject to protection plans. The Committee heard that there were also low numbers of first-time entrants into the criminal justice system and that placement sustainability for children who had been in care for more than two years was high. The Committee further heard that increased repeat referrals were noted to be largely due to self-referrals, considered likely as a result of people actively seeking help. An increase in requests for EHCPs was noted as a challenge, as was a surplus of school places, up to 25% across the school system. The Committee was advised that the percentage of young people not in education, employment, or training (NEET) had increased by 46% on last year.
- 4.9 The Committee queried what mitigation could be put in place to address the surplus in school places, as they considered it would not be desirable to plan to close schools, although maintaining the surplus at that level would not be possible. Sarah Newman noted that the numbers of children in Westminster had been declining for ten years, and the impact was now being seen particularly at primary level and would soon be seen at secondary level. The Committee heard that, within the last three years, at primary level, state school entrant numbers had declined, and independent school entrant numbers had increased. Further, the Committee also heard that, although at primary level the number of out-of-borough students was low, this was higher at secondary level and that a Westminster Schools brand was being created to attract families to Westminster’s state schools, with smaller schools likely to be encouraged to amalgamate or federate. In addition, some two-form entry schools had been reduced to one-form entry to help them manage financially in terms of staffing.
- 4.10 The Committee requested comparisons with Westminster City Council’s peers instead of national averages; figures for children returning to school was used

as an example. The Committee also requested that targets were noted more clearly and consistently in the documentation sent to the Committee.

- 4.11 The Committee queried mitigation plans for risks noted by Children's Services, such as any increase in looked-after children, as these had not been included in the report. Sarah Newman noted that the numbers of looked-after children had decreased in recent years, but highlighted that the number of unaccompanied children seeking asylum was difficult to predict. It was observed that any such children arrived in Westminster via Victoria Station and that Government funding for those children often did not cover the cost to the Council of supporting them. The Committee heard how the transition period for looked-after children at age 18 into becoming care leavers was a challenge and how the Council had statutory responsibility for care leavers and for children with Special Educational Needs and Disabilities (SEND) until the age of 25. Sarah Newman noted that at present, over 70% of Westminster's looked-after children were aged 14 or over, and would therefore need supporting into independent accommodation as care leavers in coming years.
- 4.12 The Committee asked whether the referrals to social care that may have been suppressed during the coronavirus pandemic would begin to take place with schools returning, and what the impact would be on the Council. Sarah Newman acknowledged that an increase in referrals to social services was anticipated, but had not yet taken place despite children's return to schools. Sarah Newman noted that the Council's Early Help Service had supported schools to provide assistance to families in need during the pandemic, which appeared to have reduced the need for referrals into the social care system.
- 4.13 The Committee noted that the increase in youth unemployment might have adverse impacts in terms of increased youth engagement in criminal activity, particularly in North Westminster. It queried what the Council could do to prevent that, and whether it had sufficient resource to do so. Sarah Newman provided reassurance to the Committee that all young people not in education, employment, or training had access to support services, and where relevant would be supported by specialist workers from the Integrated Gangs Unit to access training, work, or education opportunities. The Committee queried the possibility of unmet demand, and Sarah Newman confirmed that this was within Children's Services' planning. Sarah Newman noted that mental ill health was a particular risk, so the Council had been working with schools and support services to put in place improved mental health signposting and support where possible. However, she highlighted that for the 18-24 age group, there was a pre-existing lack of provision generally, which would remain a challenge.
- 4.14 Raj Mistry provided an overview of Environment and City Management's activities and performance over the year, including waste collections, public realm schemes, al fresco dining licensing, and cycle lane provision. The coronavirus pandemic had had adverse impacts on the Council's leisure facilities, inspections of premises, and work to properties. Mitigations had been put in place for the highest risks, with remote inspections one example of these.

- 4.15 The Committee noted the missed target for cleansing streets and queried how this was measured. Raj Mistry explained that entire streets were evaluated by an independent assessor to assess their street cleansing scores. He also confirmed that parked cars (unmoved during the pandemic lockdowns) were a significant obstruction for the usual street cleansing and explained that the Council worked with its contractor Veolia to improve their methods, which had resulted in improvements to the street cleansing in later months. The Committee commented that the reduction in tourist numbers would have resulted in reductions to litter across the City, and queried plans to address increased litter associated with an increase in tourists once restrictions were lifted. Raj Mistry commented that, with the West End reopening, street cleansing resources had been reallocated to tourist areas.
- 4.16 The Committee noted that many cycle lanes had been removed, and queried how this was assessed. Raj Mistry commented that many cycle lanes were unused to the extent anticipated during the lockdowns. He stated that data collected during that time period would be used when planning future cycle lane provision.
- 4.17 The Committee also noted that outdoor dining measures would have assisted premises with sufficient outdoor space for these over and above their commercial rivals without outdoor space.
- 4.18 The Committee enquired about the progress of the Smart street lighting programme. Raj Mistry provided an update that the Smart lighting was being installed as part of the LED street lighting upgrades in Westminster, and a central management system was in place.
- 4.19 Gerald Almeroth provided an overview of Finance and Resource's activities and performance. This included the Council rapidly adapting to paying out Government grants during the coronavirus pandemic as well as collecting income from various sources. The Committee heard that the Council had granted £1bn business rates relief and distributed Government business rates grants to support Westminster's businesses, as well as providing support through grants for Westminster residents whose income had been affected by the coronavirus. Despite unavailability of courts for recovery action, the Council had exceeded its target for Council tax recovery. The Committee further heard how a £13m grant had been secured to decarbonise the Council's operational buildings. The Committee was advised that the Smart City programme was engaging with businesses to improve the Council's use of digital technology across services, with 115 ideas generated through recent engagement. The Committee also heard that the Procurement Code had been updated in 2021 from the 2017 version.
- 4.20 The Committee sought to understand the high rating for Covid-19 as an operational risk; this was explained as being chiefly due to the likelihood of the Council needing to make changes to respond to the changing guidance from Government.

- 4.21 For Growth Planning, and Housing, Debbie Jackson provided overview of the directorate's activities and performance. Debbie Jackson noted that targets for affordable housing had not been met, and explained that this was because of the actions of private sector partners during the pandemic, where they had not met Section 106 obligations. Debbie Jackson advised the Committee that satisfaction for housing repairs had missed its target as non-essential repairs had been paused during lockdown, but that 85% of those who had had repairs carried out were satisfied with the quality of the work.
- 4.22 The Committee queried spot purchases as a remedy for the affordable housing shortfall. Debbie Jackson commented that private sector housing partners had experienced ongoing constraints, and spot purchases were one of a variety of methods that the Council would use to help meet its targets for affordable housing. She commented that with the flux in the housing market, spot purchases might be a good source of affordable housing units.
- 4.23 The Committee asked what lessons had been learned for street homelessness as a result of the efforts during the coronavirus pandemic. Debbie Jackson noted that the majority of the cohort who had been brought in to accommodation from the streets through the pandemic efforts had subsequently been moved into more settled accommodation. She commented that the intensity of the efforts had resulted in a joined-up approach from council services, and a bid had been submitted to Government for Changing Futures grant funding aimed at addressing multiple disadvantages in homeless people.
- 4.24 The Committee raised the issue of residents being unable to get through to the correct teams in contact centres. Debbie Jackson stated that there was ongoing work to embed digital solutions in the contact centres to enable more effective working from staff.
- 4.25 The Committee asked whether the Council was prepared for Home Office proposals due to follow the upcoming Building Safety bill; there would be a significant increase in finance and other resources required. Debbie Jackson confirmed that the Council was observing the upcoming changes and planning to adapt as requirements became clear. The Committee queried the Council's plans to adhere to the BS-9997 standard for fire safety management. Debbie Jackson noted that she would need to revert on this query.
- 4.26 The Committee queried how private sector partners had failed to meet their obligations. Debbie Jackson noted that the Council did not have the power to compel developers to deliver Section 106 obligations by a particular date; also, some developers were reviewing their business plans, and where affordable housing was tied to private schemes this had not yet been brought forward. The Committee queried whether affordable housing should be dependent on the private sector.
- 4.27 For Innovation and Change, Pedro Wrobel provided the overview and noted that the directorate had been involved in much of the previous work discussed. He further noted that the refreshed City for All strategy had been

launched in March 2021, and a strategic reporting framework was being built around that to assist the Council to align its objectives and spend. The Committee heard that the finalisation of the City Plan was considered a significant achievement across directorates. The refreshed website for Westminster City Council represented a notable improvement over its predecessor. Pedro Wrobel further highlighted that the scale of the Council's change agenda presented a serious risk.

- 4.28 Lee Witham provided the overview of activities and challenges for People Services and noted that the measure of employee engagement over the previous year was "at an all-time high". Staff had been redeployed to frontline services and absences had been low. He commented that the Council had a huge focus on diversity and inclusion, and was aiming to continue improving capabilities in the officer group, particularly amongst leaders. He also noted that the Council's aim was to have a senior officer group that better represented the community in Westminster. He praised the resilience shown by the Council's workforce, and reiterated Stuart Love's earlier point regarding levels of pressure on the workforce.
- 4.29 The Committee queried the Council's aims and plans for staff returning to the office. Stuart Love noted that officers were keen to return to Westminster, and that innovation, creativity, and collaboration came from being in a place together. However, he observed that officers were not expected to come back to work in the same way they were working prior to the pandemic, and targets had not been set for numbers of staff in Council offices each day. He commented that tiredness and exhaustion had resulted from the way staff had worked throughout the pandemic.
- 4.30 The Committee noted the churn in the Executive Leadership Team, and queried whether the loss of legacy social capital, including accumulated knowledge, contacts, and understanding, would impact on the organisation's success. The Committee enquired whether the Council had plans to address the risk inherent in the loss of social capital and high levels of staff turnover. Lee Witham commented that staff turnover across the Council was 8% throughout the pandemic, down from 20% four years ago, and that leaders could collaborate and share their knowledge to reduce loss of institutional knowledge.
- 4.31 The Committee further queried whether diversity of opinion and perspective was taken into account when assessing the Council's focus on diversity. The Committee further commented that the diversity focus appeared to be on BAME staff and queried whether the term "BAME" was useful given the wide range of outcomes for people in that broad category. Stuart Love noted that the BAME Staff Network were in the process of deciding whether BAME staff should continue to be referred to as such. He also stated that the Council was creating a culture of diversity of thought, approach, and challenge.
- 4.32 **RESOLVED:** The Committee approved the report.

5 REVENUE AND CAPITAL OUTTURN 2020 - 2021

- 5.1 The Committee noted the contents of the Revenue and Capital Outturn Report, which provided details of the General Fund revenue position against the approved budget.

Issues discussed included the year-to-date variances due to financial pressures arising from the Covid19 pandemic; key income streams within parking and planning; and capital underspend, including the Piccadilly underpass.

- 5.2 The Committee noted that, although Government grant funding had helped protect Westminster City Council from the most adverse impacts of the coronavirus pandemic, but withdrawal of that support combined with ongoing issues for key income streams, notably parking and commercial waste, was a significant financial risk.

Gerald Almeroth explained that a letter had been written to MHCLG making the case for local government to receive support, as businesses were receiving extended business rates relief support. He noted that parking had, at times, performed well during the pandemic, as commuters were driving into the City and using parking. Commercial waste, being so closely linked to the success of hospitality businesses, remained significantly diminished, but was expected to begin recovering as hospitality reopened.

- 5.3 Collection rates for Council Tax had fallen, but this did not represent a significant impact on overall Council income. For Business Rates, although the picture was complex, and Government grant funding had supported many businesses, an increase in bad debt provision for Business Rates had been anticipated. The Committee queried whether the Council could do more to take recovery action for non-payments. Gerald Almeroth agreed it was possible that with restrictions lifting, that would be the case.

- 5.4 The Committee queried whether the Council was adequately resourced to deal with any grant fraud. Gerald Almeroth commented there was a high level of confidence with regard to grants for Business Rates. New applicants, however, were subject to extensive checks to prevent fraud, and some claims had been denied. Stuart Love commented that he and Barry Quirk (Chief Executive of The Royal Borough of Kensington and Chelsea) were in discussions about appropriate levels of resourcing, as they shared concerns about the potential for fraud.

- 5.5 The Committee heard that the leisure contract had returned no income during the pandemic, owing to restrictions on the operation of leisure businesses. Government support had been allocated to supporting the Council's leisure services whilst they waited to be permitted to resume normal services. However, the Council would monitor levels of demand emerging from the pandemic context, and adjust future spend accordingly. The Committee was advised that the leisure contract in place was based on usage and activity and that the Council was still in contract with the provider until the end of January 2023.

5.6 The Committee raised a question about future borrowing, and whether it would be subject to the advertised rates. Gerald Almeroth confirmed that all agreed rates were legally binding, and represented low rates in the context of inflation already beginning to increase following the drop during the pandemic.

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

6 REPORT ON TREASURY MANAGEMENT STRATEGY OUTTURN FOR 2020/21

6.1 The Committee received a report on the Treasury Management Strategy Outturn for 2020/2021, which included a review of activities and actual Prudential and Treasury indicators in accordance with the CIPFA Code of Practice for Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Committee discussed the forward borrowing loans and was advised that the deals entered into were legally binding and still sound decisions. The Committee also discussed the Thurrock deposits and expressed concern that the highest interest rate was 1.06%. The Committee was advised that this did not present a risk. The Committee noted the report.

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

7 EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS ANNUAL AUDIT 2019/20

7.1 The Committee received a report on the annual external review of the grants claimed by the City Council through a grants certification process. This report provided a summary of the review of the Housing Benefit Subsidy claim for 2019/20. Martin Hinckley advised the Committee that officers recognised scope for improvement.

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

8 REPORT ON THE 2020/2021 AUDIT PLAN FOR WESTMINSTER CITY COUNCIL

8.1 The Committee received a report on the 2020/2021 Audit Plan, outlining the planned scope and timing of Westminster City Council's statutory audit by its External Auditors, Grant Thornton. Joanne Brown was present for Grant Thornton as external audit partner.

8.2 Significant risks were noted as management override of controls; valuation of operational land and buildings; valuation of investment properties; valuation of pension fund net liability; and valuation and completeness of the equal pay liability. There was discussion of Value For Money considerations and governance, including around subsidiary companies. Key factors included the coronavirus pandemic's impacts on the Council's service delivery and governance, including around subsidiary ventures and commercial companies. The audit was planned to begin in June 2021.

- 8.3 The Committee queried whether it was necessary or appropriate to value assets annually, in particular assets which would not be sold, and noted that to do this took considerable officer resource each year, taking away focus from more critical issues. Joanne Brown commented that auditors were bound by auditing standards and thus required to examine asset valuation as part of audit risk, but that Grant Thornton planned to liaise with Council officers to understand fully the judgements involved in and basis of valuations.
- 8.4 The Committee noted that the audit fee had risen considerably and commented on the inclusion of Westminster Housing Investments.
- 8.5 **RESOLVED:** that the Committee note the report and receive quarterly reports in future.

9 REPORT ON THE 2020/2021 AUDIT PLAN FOR THE WESTMINSTER PENSION FUND

- 9.1 The Committee received a report on the 2020/2021 Audit Plan for the City of Westminster's Pension Fund, outlining the planned scope and timing of the statutory audit by its External Auditors, Grant Thornton. The Committee sought to understand the valuation of the pension fund and the £625 million deficit, whether this was a CIPFA or actuarial figure. Phil Triggs advised the Committee that, for the pension valuation, the accountants' version of the deficit was used. The Committee noted the full valuation every three years and queried whether it could receive both valuations.
- 9.2 The Committee noted the Internal Audit Charter for 2020.
- 9.3 **RESOLVED:** that the Committee note the report and receive future updates.

10 WORK PROGRAMME

- 10.1 The Committee noted the items on its Work Programme for its two September meetings. The Committee agreed to review the Accounts on 15th September. The Committee noted the items proposed for 29th September, including an update on immunisations, inter alia, and requested other items to be confirmed as appropriate.
- 10.2 **RESOLVED:** that the Committee note the report.

The Meeting ended at 20:39.

CHAIRMAN: _____

DATE 29 September 2021

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