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City of Westminster

Committee Agenda

Title:	**Audit and Performance Committee**
Meeting Date:	**Wednesday 2nd December, 2020**
Time:	**6.30 pm**
Venue:	**Please note that this will be a virtual meeting**
Members:	**Councillors:** Ian Rowley (Chairman) David Boothroyd Danny Chalkley Richard Elcho

This will be a virtual meeting accessible via this link. Members of the public and press are welcome to attend the meeting and listen to the discussion Part 1 of the Agenda

This meeting will be live-streamed and recorded. To access the recording after the meeting, please revisit the link. If you have a disability and require any special assistance, please contact the Committee Officer (details listed below) in advance of the meeting.

An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, please contact the Committee Officer:

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Corporate Website: www.westminster.gov.uk

Note for Members: Members are reminded that Officer contacts are shown at the end of each report and Members are welcome to raise questions in advance of the meeting. With regard to item 2, guidance on declarations of interests is included in the Code of Governance; if Members and Officers have any particular questions they should contact the Director of Law in advance of the meeting please.

AGENDA

PART 1 (IN PUBLIC)

1. MEMBERSHIP

To note any changes to the membership.

2. DECLARATIONS OF INTEREST

To receive declarations by Members and Officers of the existence and nature of any pecuniary interests or any other significant interest in matters on this agenda.

3. MINUTES - TO FOLLOW

To approve the minutes of the previous meetings held on 10 and 23 September 2020.

4. GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE — **(Pages 5 - 72)**

To consider a progress update by the Council's auditors, Grant Thornton, on the 2020 – 2021 Audit and key information on accounting changes and emerging issues for the local government sector.

5. FINANCE AND PERFORMANCE MONITORING REPORT — **(Pages 73 - 156)**

To monitor and review the Council's performance and financial position (including revenue forecast outturn); revenue expenditure (including key risks and opportunities); capital expenditure; and HRA revenue and capital expenditure and reserves.

6. INTERNAL AUDIT MONITORING REPORT — **(Pages 157 - 164)**

To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.

7.	**MID-YEAR COUNTER FRAUD MONITORING REPORT** To oversee and monitor the success of the Council's Counter Fraud Service.	**(Pages 165 - 176)**
8.	**REVIEW OF ANTI-FRAUD POLICIES** To review and approve the following which are maintained by the Corporate Anti-Fraud Service: - Fraud Response Plan; - Anti-Bribery Policy; and - Anti-Money Laundering Policy (including procedures).	**(Pages 177 - 200)**
9.	**TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW** To receive and review an update on the delivery of the 2020/2021 Treasury Management Strategy and to approve the Annual Treasury Strategy Mid-Year Review 2020/21, including any cases of non-compliance.	
10.	**ISOS PARTNERSHIP REVIEW OF WESTMINSTER SCHOOLS** To consider the findings of a review of falling pupil numbers in primary schools in Westminster, and the associated impact on primary school finances, carried out by Isos Partnership. Further, to consider recommendations to be proposed to the Schools Forum.	**(Pages 201 - 216)**
11.	**WORK PROGRAMME REPORT** To review the Committee's work programme for the remainder of the 2020/21 municipal year.	**(Pages 217 - 230)**

Stuart Love
Chief Executive
24 November 2020

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Grant Thornton

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Audit Progress Report and Sector Update

Westminster City Council
Year ending 31 March 2020

November 2020

Contents

Introduction

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This paper provides the Audit and Performance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Performance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk .

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at 16 November 2020

Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January 2020. We began our work on your draft financial statements in June.

In February 2020 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We reported our work in the Audit Findings Report presented in September 2020 and have provided an updated report to the November Committee. We aim to give our opinion on the Statement of Accounts by 30 November 2020.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

•Informed decision making

•Sustainable resource deployment

•Working with partners and other third parties

The NAO consultation on a new Code of Audit Practice (the “Code”) has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. Please see page 10 for more details.

Progress at November 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The certification work for the 2019/20 claim is underway. It should be noted that, in response to the impact of the Covid-19 pandemic, the DwP has moved the reporting deadline back to 31 January 2021.

Meetings

We continue to meet with Finance Officers on a monthly basis and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit and Performance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit and Performance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	February 2020	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our audit Plan.	March 2020	Complete
Audit Findings Report The Audit Findings Report was presented to the September Audit and Performance Committee and an updated version is provided to the November Committee	September 2020	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	November 2020	Nin progress
Annual Audit Letter This letter communicates the key issues arising from our work.	January 2021	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – "The Redmond Review" was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes "A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process."

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council's (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new ‘Auditor’s Annual Report’, which brings together the results of all the auditor’s work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO’s new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current ‘reporting by exception’ approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor’s Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor’s Annual Report will need to be published at the same time as the Auditor’s Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:
https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

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The Audit Findings for Westminster City Council

Year ended 31 March 2020

November 2020 - Updated

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Westminster City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group and Council. The Council have been significantly impacted by Covid-19, with front-line challenges, administration of significant volumes of grants to businesses, closure of schools and car parks, and the additional challenges of reopening services under new government guidelines. The impact on the core finance team has been more limited, with minimal changes to staff sickness rates, and remote working already being part of the normal course of business. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 14 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 7. Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely throughout the audit visit, utilising screen-sharing software in order to gain sufficient assurance over the data being provided to the audit team. In addition, alternative procedures (such as the use of photographic evidence for physical verification of assets) have been used where necessary. Management provided draft financial statements for audit during the week beginning 18 May 2020. Following initial discussions, we commenced the audit on 26 May 2020. Preliminary review of the third draft provided identified that the Council had amended a number of the 2018/19 figures from those that were audited in the previous year. These differences were investigated before our audit testing could commence. The Council subsequently reverted the prior year comparators back to the audited prior year figures, as set out in Appendix C. We plan to hold discussions with management about the accounts preparation and audit timetable for future years.

Headlines

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group's and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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Our audit work commenced remotely during May. Our findings to date are summarised on pages 6 to 20. We have identified a number of adjustments to the financial statements that have resulted in a £47.5m adjustment to the group's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is complete and there are no matters of which we are aware at the time of drafting this report that would require modification of our audit opinion (the wording of which is included as Appendix E) or further material changes to the financial statements.

All information and explanations requested from management were provided. Overall the quality of the working papers that we received was adequate, but changes are needed for a smooth audit process, especially in relation to balance sheet items. As in previous years, there was a significant degree of 'back and forth' between the audit team and the Council to enable us to complete our work. We have discussed this with management, and will work with the finance team to adapt their working papers for future years.

Payroll information was not available in the format we required, which led to delays in testing this area. This issue also caused delays in the previous year's audit, but management have confirmed that this will be readily available in future years.

We have raised a significant number of queries in relation to the Council's capital transactions and valuations during the audit. Some of these were due to additional audit processes this year, however many were a result of errors made by the Council in the processing of capital transactions and the preparation of the financial statements. We will continue to work with the Council as they address our recommendations in this area.

There have been a number of adjustments made across the financial statements, including significant adjustments made to the Council's capital transactions and property valuations. We consider that many of the adjustments identified this year were basic errors which had not been identified and corrected by management's review of the accounts prior to their submission for audit. We would recommend a strengthening of this process to identify and correct such misstatements and enhance the quality of the financial statements submitted for audit in future years. Audit adjustments identified to date are detailed in Appendix C.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

Headlines

Financial Statements (continued)		Our anticipated audit report opinion, subject to resolving outstanding matters in respect of asset valuations, will be unqualified, but will include Emphasis of Matter paragraphs highlighting the uncertainties that the Council has disclosed in Note 3 to the financial statements in relation to property valuations and the valuation of the property and infrastructure assets included within the net pension liability.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Westminster City Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified Value for Money Conclusion, as detailed in Appendix E. Our findings are summarised on pages 21 to 30.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have not received any questions or objections in relation to the Council's financial statements. We have completed the majority of work under the Code, however we do not expect to be able to certify the completion of the audit when we give our audit opinion as we will not have completed the following: • procedures required on the Council's Whole of Government Accounts submission; • checks of the consistency of the pension fund financial statements included in the Pension Fund Annual Report with those included in the Annual Accounts.

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management ahead of presentation to the Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's and Council's internal controls environment, including its IT systems and controls.
- An evaluation of the components of the group based on a measure of materiality and considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component. This assessment was then used to determine the planned audit response. From this evaluation we determined that specified audit procedures were required for the following balances:
  - Property, Plant and Equipment and Grant Revenues within Westminster Community Homes; and
  - Inventories in Westminster Housing Investments Group, and the intra-group loan arrangement between the Group and the Council. This work was a new requirement this year due to the size of the balances in the new subsidiary group.

  These procedures were completed by the audit team.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our audit plan, as communicated to you on 14 April 2020, to reflect our response to the Covid-19 pandemic. In this Addendum, we detailed additional significant risks in relation to Covid-19 for the financial statements and the VFM conclusion.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan and addendum:

	Group Amount	Council Amount
Materiality for the financial statements	£15,400k	£15,000k
Performance materiality	£10,000k	£9,750k
Trivial matters	£770k	£750k
Materiality for disclosures relating to remuneration of senior officers, due to their sensitive nature	£100k	£100k

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, as detailed in Appendix E. These outstanding items include:

- receipt of management's signed representation letter; and
- receipt and review of the final set of signed financial statements.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid – 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expected current circumstances would have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation; • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates; • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • worked with management to understand the implications the response to the Covid-19 pandemic has had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained in the absence of physical verification of assets through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances; and • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. The Council's valuer has prepared their valuations as at 31 March 2020. In their reports, they have confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'. The Council have reflected this uncertainty in Note 3 to the financial statements (although the specific wording has been added in relation to investment properties as a result of audit challenge). The Council has also included disclosures in Note 3 in relation to the ongoing impact of the Covid-19 pandemic, which has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value. Professional valuers have not been actively valuing many similar sized assets in the market due to the current lockdown environment. As such values have been rolled over from the end of February with an adjustment and may be inaccurate to the true 31 March 2020 position. We will refer to these material valuation uncertainties in our audit report. We will require the Council to give consideration to updating its disclosure of post balance sheet events, to include information relating to funding received since 1 April 2020 and other significant events. We have not identified any other issues or concerns to report.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Fraudulent revenue and expenditure recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including the Council and Fund, mean that all forms of fraud are seen as unacceptable. **Therefore we do not consider this to be a significant risk for Westminster City Council.** We have however: • evaluated the Council's accounting policy for recognition of revenues for appropriateness; • performed substantive testing on material revenue streams; and • reviewed unusual significant transactions. Our audit work has not identified any issues in respect of improper revenue recognition.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement. The main mechanism through which this could occur is through the posting of manual journals amending the reported financial performance. We therefore review the controls established relating to manual journals, including those for authorisation of manual journals.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • tested 'top-side' journals between the general ledger and the financial statements for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.

Other audit risks

Risks identified in our Audit Plan	Auditor commentary

Valuation of property, plant and equipment being materially misstated

The Council revalues land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements (£2.7bn).

Management have engaged the services of an expert valuer to estimate the current and fair values as at 31 March 2020.

We identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- tested, on a sample basis, revaluations of the Council's operational properties, investment properties, and HRA properties during the year to ensure they have been input correctly into the Council's asset register and financial statements;
- evaluated the assumptions made by management for any assets not revalued at 31 March 2020, including those in the HRA, and how management has satisfied themselves that the carrying value of these assets in the balance sheet is not materially different to their current value.

Our audit work identified a number of issues in relation to the Council's record keeping and transactional processing (including errors in the treatment of revaluations, issues with the splitting of assets between land and building elements, incorrect inputs into property valuations, including let / unlet statuses and ownership shares, and others) as well as adjustments relating to the year-end valuation. Several of the issues that we have identified have resulted in significant amendments to the financial statements, as set out in Appendix C, and recommendations that have been raised as a result of our work are included in Appendix A. We would expect that many of the adjustments that we have found should have been identified and corrected as part of management's internal quality control processes.

The Council's valuer has prepared their valuations as at 31 March 2020. In their reports, they have confirmed that as a result of the Covid-19 pandemic and the subsequent lockdown and impact on market activity, less certainty – and a higher degree of caution – should be attached to their valuations than would normally be the case. Their valuations are reported on the basis of 'material valuation uncertainty'. The Council have reflected this uncertainty in Note 3 to the financial statements (although the specific wording has been added in relation to investment properties as a result of audit challenge). We will refer to these material valuation uncertainties in our audit report as an emphasis of matter.

We will refer to these material valuation uncertainties in our audit report as an emphasis of matter.

We have tested supporting information for the detailed calculations of property valuations provided by the Council's valuers in order to confirm that the key inputs into the valuations are accurate. As a result of this work, we have identified that it is likely that the Council's Investment Properties are over-valued. We estimate that the maximum impact of these issues is £10,979k. The Council have not amended for these issues. See Appendix C for further information.

Other audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£625 million in the balance sheet) and the sensitivity of the estimate to changes in key assumptions. We identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • completed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within that report. The Council has included disclosures in Note 3 in relation to the ongoing impact of the Covid-19 pandemic, which has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value. Professional valuers have not been actively valuing many similar sized assets in the market due to the current lockdown environment. As such values have been rolled over from the end of February with an adjustment and may be inaccurate to the true 31 March 2020 position. We will refer to this material valuation uncertainties in our audit report as an emphasis of matter. Our audit work has not identified any other issues in respect of the valuation of the Council's pension fund net liability.
Appeals Provision for National Non-Domestic Rates (Business Rates) The Council's provision for business rates appeals remains the largest in the country and is a highly material balance in the financial statements. The provision is based on significant judgements made by management and uses a complex estimation technique to prepare the provision.	We have undertaken the following work in relation to this risk: • monitored how the appeals process is affecting the Council and considered any changes in the methodology used to calculate the provision; • identified the controls put in place by management to ensure that the appeals provision is not materially misstated, and assessed whether these controls were implemented as expected; • reviewed the assumptions made by management and the processes used in calculating the estimate; • tested the Council's calculation and agreed it to relevant supporting documentation; and • reviewed the disclosures made by the Council in the financial statements. Our work has not identified any significant issues with the calculation of the appeals provision balance.

Group audit

Risks identified in our Audit Plan	Auditor commentary
Along with the full audit procedures on the Council's financial statements, we are required to complete specific procedures on transactions and balances within the financial statements of other bodies in the group, where those transactions and balances are material to the group's financial statements.	We have reperformed both the group balance sheet and group CIES consolidations, and completed targeted audit procedures on material balances and consolidation adjustments. In addition we have reviewed the group cash flow statement and group MIRS for consistency with other work performed. We have noted a number of adjustments and amendments, which are set out in Appendix C. Our work on the consolidation process has not identified any other issues.

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Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Audit Comments	Assessment
Council Dwellings Draft: £1,551m Final: £1,549m	The Council owns 12,000 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. In the draft financial statements, the year end valuation of Council Housing was £1,550m, a net increase of £82m from 2018/19 (£1,468m). Previously, the Council have instructed their valuer to provide valuations as at 1 April each year, and management have then considered the potential change over the course of the year to determine whether there has been a material change in the total value of these properties. For 2019/20, the Council changed this approach and instructed the valuer to provide valuations as at 31 March 2020, based on indices. Management and their valuer have considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's dwellings. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 3.	• We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year, other than the change in valuation date to 31 March, instead of 1 April. • Disclosure of the estimate in the financial statements is considered adequate. We will refer to the uncertainties disclosed in Note 3 in our audit report. • We have considered the indices that the valuer has used in performing the valuation and have noted that the actual indices for February and March 2020 were significantly different to those assumed by the valuer in performing the valuation (extrapolated based on data from earlier in the year). We have challenged the Council and their valuer on this, and they have confirmed that in their view, Land Registry indices were not as reliable as they usually are, given the lack of market activity in the latter part of March 2020. The potential differences that we identified were within the the valuer's tolerances, and therefore no amendment has been made to the valuations following this challenge.	● (green)

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Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Audit Comments	Assessment
Other Land and Buildings (GF & HRA) Draft: £676.4m Final: £676.0m	The Council has engaged Sanderson Weatherall to complete the valuation of these properties. Each year, approximately 20% of assets are subject to a full, formal valuation process on a five yearly cyclical basis. The other 80% are subject to a formal desktop valuation to ensure that the values are updated in line with market movements. There are therefore no properties that are not valued at the 31 March each year. Other land and buildings revalued in 2019/20 comprised £58m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings revalued in 2019/20 (£36m) are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The total year end valuation of Other land and buildings was £676m, a net increase of £56m from 2018/19 (£620m). Management and their valuer have taken into account available market data, and considered a range of available indices, and have used this to determine an appropriate estimate for the indexation of the Council's land and buildings. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosure of this in Note 3.	• We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert.. • Disclosure of the estimate in the financial statements is considered adequate. We will refer to the uncertainties disclosed in Note 3 in our audit report. • We have considered the completeness and accuracy of the underlying information used to determine the estimate, and have not noted any non-trivial issues. • We have noted issues with the valuation approach taken to a number of residential assets in the Council's portfolio, which were included as 'non-residential' in the desktop valuation process. This has resulted in an adjustment to the financial statements of £4.7m, as detailed in Appendix C. • Adjustments have been agreed as a result of our findings, as detailed in Appendix C. • As with the valuation of dwellings, we have considered the indices that the valuer has used in performing the valuation and have again noted that the actual indices for February and March 2020 were significantly different to those assumed by the valuer in performing the valuation (extrapolated based on data from earlier in the year). We have challenged the Council and their valuer on this, and they have confirmed that in their view, Land Registry indices were not as reliable as they usually are, given the lack of market activity in the latter part of March 2020. The potential differences that we identified were within the valuer's tolerances, and therefore no amendment has been made to the valuations following this challenge.	(green)

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Audit Comments	Assessment
Investment Property Draft: £499.8m Final: £499.4m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year at 31 March. The Council has engaged Sanderson Weatherall to complete the valuation of these properties. The year end valuation of the Council's investment property was £500m, a net increase/decrease of £27m from 2018/19 (£473m). Management and their valuer have taken into account available market data at 31 March 2020. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's Investment Property at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 3, which have been clarified as a result of audit challenge.	• We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. • Disclosure of the estimate in the financial statements is considered adequate. We will refer to the uncertainties disclosed in Note 3 in our audit report. • We have considered the completeness and accuracy of the underlying information used to determine the estimate, and have challenged the appropriateness of the classification as investment for a sample of properties. We have not identified any issues in the current year in relation to assets being misclassified as Investment Properties, but have identified material assets that have been misclassified between General Fund and HRA in Note 21. • We have tested supporting information for the detailed calculations of property valuations provided by the Council's valuers in order to confirm that the key inputs into the valuations are accurate. As a result of this work, we have identified that it is likely that the Council's Investment Properties are over-valued. We estimate that the maximum impact of these issues is £10,979k. The Council have not amended for these issues. See Appendix C for further information.	● (amber) We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

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Assessment
- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Audit Comments	Assessment
Net pension liability Draft: £625m Final: £625m	Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £94m net actuarial gain during 2019/20. The Council's net pension liability at 31 March 2020 is £625m (PY £702m) comprising obligations under both the Westminster City Council Pension Fund Local Government pension scheme and the London Pensions Fund Authority scheme. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. The Council has included disclosures in Note 3 in relation to the ongoing impact of the Covid-19 pandemic, which has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value. Professional valuers have not been actively valuing many similar sized assets in the market due to the current lockdown environment. As such values have been rolled over from the end of February with an adjustment and may be inaccurate to the true 31 March 2020 position.	• We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. • We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Westminster City Council Pension Fund valuation:	(green)

Assumption	Actuary Value	PwC expected range	Assessment
Discount rate	2.35%	2.35%	(green)
Pension increase rate	1.90%	1.85% - 1.95%	(green)
Salary growth	2.90%	2.85% –2.95% scheme-specific	(green)
Life expectancy – Males currently aged 45 and 65	45: 23.2 65: 21.8	22.8 – 24.7 21.4 – 23.3	(green)
Life expectancy – Females currently aged 45 and 65	45: 25.8 65: 24.2	25.2 – 26.2 23.7 – 24.7	(green)

- No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.
- There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.
- We have confirmed that the Council's share of the pension scheme assets is in line with expectations.
- Disclosure of the estimate in the financial statements is considered adequate. We will refer to the uncertainties disclosed in Note 3 in our audit report.

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals Draft: £60m Final: £60m	The Council are responsible for repaying a proportion of successful rateable value appeals. Due to the London NNDR Pooling arrangement, the Council's share of the liability has decreased from 64% to 48% for 2019/20. In previous years, management have used historic data relating to appeal success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required. In 2019/20, management have utilised an expert - Analyse Local – to calculate their provision at 31 March. This, along with the reduction in the Council's share of the obligations, has led to a reduction in the provision to £60m in 2019/20 (£126m in 2018/19).	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council's experts to determine the provision, and it is in line with that used by other bodies in the sector. • Disclosure of the estimate in the financial statements is considered adequate. • There has been a change in the calculation method this year, due to the introduction of the use of an expert. We have considered the new approach, and the calculation performed by the expert, and have not identified any issues.	(green)
Other accruals and estimates	The Council continues to apply estimates and judgements in a number of areas, such as: • accruals of income and expenditure; • recognition of school assets; and • the preparation of group accounts.	• The policies for these items are in line with accounting standards and the requirements of the Code of Practice on Local Authority Accounting. • Disclosure of the estimates in the financial statements is considered adequate. • As part of our testing, we have reviewed the judgements applied by the Council relating to these items, and significant balances within these have been discussed with management in detail. • We have found no material misstatements in the financial statements relating to these balances.	(green)

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – going concern

Our responsibility

As auditors, w e are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude w hether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern material uncertainty disclosures

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been administration of grants to businesses, closure of schools and car parks, w ith additional challenges of reopening services under new government guidelines; and the need to free up capacity of teams to assist w ith additional w orkloads caused by the pandemic in addition to normal responsibilities. In common w ith all Local Authorities, the Council is facing significant challenges, but has reported a small surplus for 2019/20. Management have undertaken an analysis of the potential financial implications of Covid-19 together w ith additional funding being provided. It may take a couple of years before the Council can fund its gross service expenditure w ithout the use of its reserves. The Council w ill therefore require further use of its financial reserves to pay its expenses in 2020/21. How ever, the Council has £63m general fund balance plus £292m earmarked general fund reserves and £2m schools reserves so is in a relatively strong financial position to absorb the immediate costs and loss of income caused by the pandemic.

Going concern commentary	Auditor commentary
Management's assessment process ▪ Cash flow periods ▪ Judgements and assumptions taken	Management has undertaken their ow n assessment of going concern, taking into account Paragraph 2.1.2.9 of the Code of Practice on Local Authority Accounting states that "*An authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future*". Management have also considered the follow ing factors: • The financial impact of Covid-19. The Council has estimated the financial impact of Covid19 to be in the region of £50-60m excluding government support. This consists of increased costs of dealing w ith Covid-19 of £6-10m and loss of income betw een £40-50m. Further support has been announced on 2 July 2020 to assist all Local Authorities for the loss of income from fees and charges. • The Council's anticipated deficit for 2020-21 and the level of reserves that can be utilised to offset the deficit. • The Council's cash flow projections through to September 2021. • The current budget monitoring report for 2020-21. • The Medium Term Financial Plan that has been updated to model the impact of Covid-19
Work performed	We have view ed the Council's financial assessment of the impact of Covid-19, cash flow forecasts, future financial plans and the Council's level of reserves.
Concluding comments	We are satisfied that the Council's financial statements are appropriately prepared on a going concern basis, and that no further disclosure is required.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our audit work identified that the Council had not received declarations from all individuals in relation to the 2019/20 year. We are satisfied that this has not resulted in a material omission from the financial statements. During our procedures we also performed a search for interests of key individuals using Companies House, and identified 7 members who had interests that had not been declared to the Council. Management have confirmed there were no transactions to disclose regarding these companies and therefore no misstatement to the accounts. Only one company is in Westminster and it is currently dormant. We consider these to be weaknesses in the arrangements in place, and have raised a action points in Appendix A.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, the wording of which is included in Appendix F.
Confirmation requests from third parties	We requested from management permission to send a confirmation requests to the Council's counterparties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	We have requested that additional disclosures be added to the financial statements in relation to the HRA in order to comply with the requirements of the Code, including disclosure of: a breakdown of the HRA PPE balance; detail of the depreciation charged to the HRA in year; and capital expenditure and financing, including REFCUS. Our review found no other material disclosure omissions in the financial statements. Amendments made are included in Appendix C.
Audit evidence and explanations and significant difficulties	Management provided us with three versions of the draft financial statements for audit between 18 and 20 May 2020. Preliminary review of the third draft provided identified that the LA had amended a number of the 2018/19 figures from those that were audited in the previous year. When we challenged management on this: • some differences were confirmed to be immaterial changes, and as such these should have been processed during the 2019/20 year, and have been amended; • some differences were due to the finance team picking up incorrect versions of working papers when entering the prior year figures into the financial statements document, and these have been rectified. All information and explanations requested from management were provided. Overall the quality of the working papers that we received was adequate, but further improvements are needed for a smooth audit process, especially in relation to balance sheet working papers. There were a number of adjustments required to the financial statements, as detailed in Appendix C.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work is not complete at the time of writing this report.
Certification of the closure of the audit	We have completed the majority of work under the Code, however we do not expect to be able to certify the completion of the audit when we give our audit opinion as we will not have completed the following: • procedures required on the Council's Whole of Government Accounts submission; • checks of the consistency of the pension fund financial statements included in the Pension Fund Annual Report with those included in the Annual Accounts. This is confirmed in the proposed wording of our audit report, as detailed in Appendix E.

Value for Money

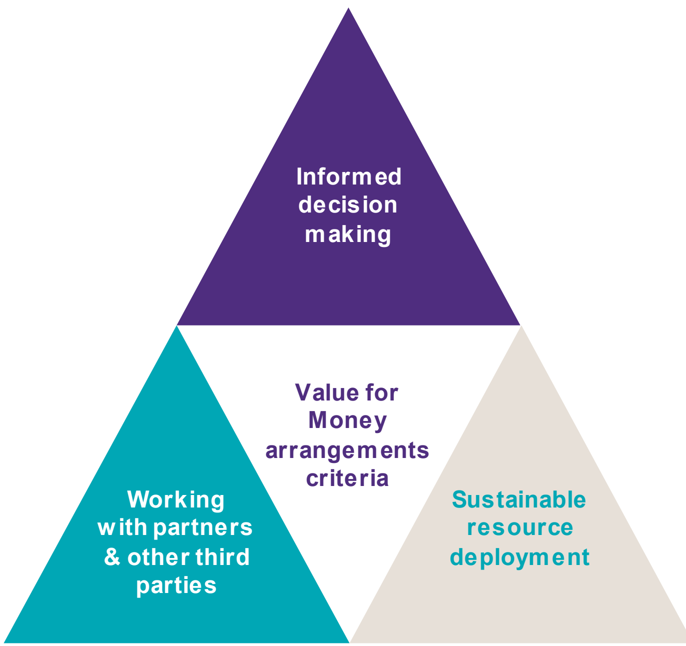
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risk in respect of the Council's arrangements for managing capital projects using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2020.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan. We have identified the financial impact on the Council of Covid-19 as an additional risk.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The appropriateness of your financial arrangements for assessing and responding to the impact of Covid-19.
- The appropriateness of your arrangements over your capital programme.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22 to 30.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Value for Money

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings – financial impact of Covid-19

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk as per our Audit Plan

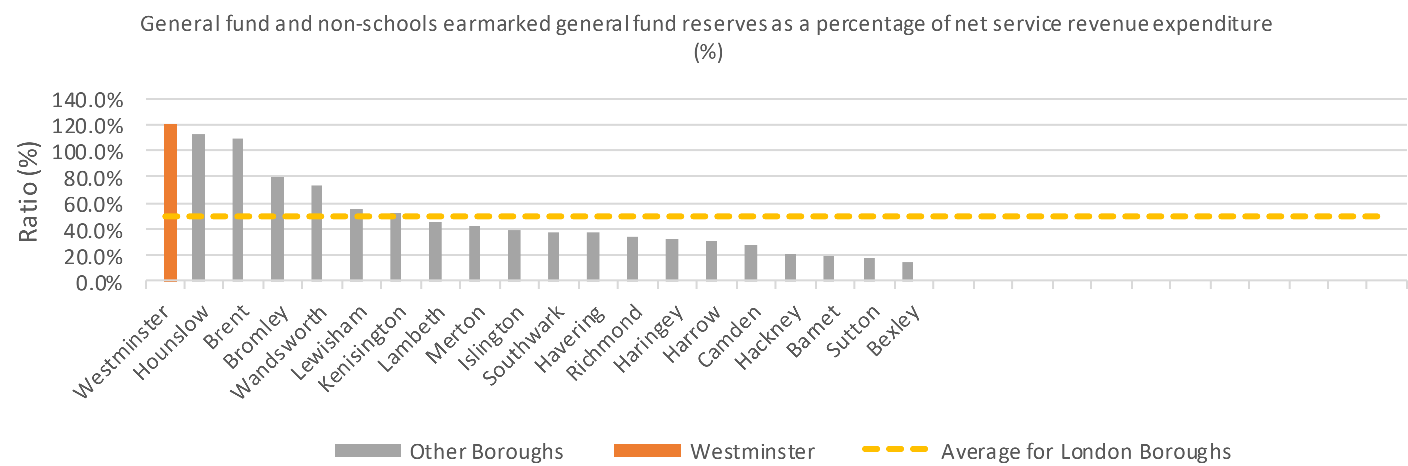
Covid-19 will have a significant impact on the Council's commercial income particularly car parking, rental income, fees and charges and collections of Business Rates and Council tax. The Council will need to model the impact of Covid-19 on their 2020/2021 financial position and to decide on appropriate actions to mitigate any significant financial gaps that arise.

Findings and conclusion

Summary findings

- The Council has delivered a £0.53m underspend in 2019-20.The Council is undertaking scenario planning and closely monitoring the financial impact of Covid-19. Officers recognise that this is a complex, evolving and iterative process.
- The Council are currently forecasting increased Covid-19 expenditure of £8-10m and losses of income in the region of £45 to £50m for 2020-21.
- The Council has revised its Medium Term Financial Plan in July 2020 to take into consideration the current impact of Covid-19. The updated Medium Term Financial Plan identifies a budget gap for 2021/22 of £29.2m and £91.4m over the three-year period.
- The Council recognises that it will need to identify and implement savings plans to plug the gaps in the Medium Term Financial Plan. In prior years the Council has sought to generate increased income to address budget gaps, but this is strategy is unlikely to be successful in the current economic climate.
- The Council will need to focus efforts on identifying and delivering savings options that are resilient and create long term financial sustainability in a post Covid-19 world. In undertaking this exercise, the Council will need to review the new ways of working implemented during the pandemic, retaining initiatives that increased productivity, reduced costs and led to no deterioration in service delivery.
- The Council recognises that the financial climate is hugely uncertain and that the macro-economic risks facing the UK economy will have particular risks for a Council which hosts national global business and leisure facilities.

The Council has historically been successful in managing its financial position. Following the financial crisis of 2008 and subsequent years of reduced government funding and with the Council's reliance on commercial income and fees and charges, the Council has sought to build up its reserves to ensure it remains financially resilient to economic shocks. As at 31 March 2020 the Council holds General Fund reserves of £63.3m and a further £291.7m in earmarked General Fund reserves. The Council's reserve position is healthy compared to other London Boroughs and this remains the case when the size of the Council is taken into consideration. This is highlighted by the graph below.



Significant risk as per our Audit Plan	Findings and conclusion
Continued risk from the previous page	In 2019/20 the Council reported a net General Fund revenue underspend position of £0.530m against an approved budget of £181.993m. The majority of the costs associated with Covid-19 and loss of income have impacted on the Council post 31 March 2020. The underspend of £0.53m in 2019-20 was £2.1m less than the anticipated surplus outturn of £2.6m prior to the onset of the Pandemic. However, the impact of the pandemic on the Council's finances will be felt during 2020/21.The Government's lockdown, announced on 23 March 2020, has meant that many of the businesses at the heart of the West End have been forced to close – significantly impacting on the local economy, which in turn impacts on the Council's commercial income. Furthermore, the Council has had to put considerable resources into ensuring that rough sleepers are safe during this period and that the most vulnerable are cared for. The Council is expecting substantial losses across many of its largest streams of commercial income. These include parking, commercial waste, licensing fees, registrars and planning fees. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances. On the expenditure front some of the key areas of additional pressure will include accommodation and support for rough sleepers, temporary mortuary costs and additional costs in supporting the most vulnerable adults and children. The Council continues to closely monitor the financial impact of Covid-19. The 2020/21 net budget is £180m which is inclusive of £18.9m of savings that were identified for the year. The latest budget monitoring report as at the end of May 2020 detailed the Council's financial position and compared this to the amount of additional government funding received so far. As at the end of May 2020 the Council had a year date cost variance of £17.5m which compromised of income losses of £15.2m and additional expenditure of £2.3m. The Council has received additional core funding from the government in two tranches so far, which amounts to £16.4m. This is close to covering the net costs to date. The Council will also receive a third tranche of government support which is likely to be allocated on a similar basis to the first tranches. In addition, the Council will be entitled to reimbursement for some of the loss of income. The impact of these recent announcements (reflected on the next page) will need to be worked through. The Council estimates that the 2020-21 full year impact, is likely to be in the region of £50-60m excluding government support, however this is based upon a set of assumptions which are likely to change including how long the recovery is likely to take, how much of the lost income will be recovered and how much of the pre covid-19 income will return in time. There is also the potential for further surges in the virus and potential lockdowns. The Council is looking at measures to reduce spending on non-essential functions where possible in order to reduce this impact over time. On 2 July 2020 the government announced further funding and financial support for local authorities. These were: • £500m of unringfenced grant funding for local authorities across England. The funding is similar to the first two tranches of government support and is likely to focus on additional financial burdens that have arisen from the pandemic. • A new scheme to help reimburse local authorities for lost income during the pandemic and boost cashflow for local authorities. The scheme to reimburse local authorities for income losses is predicated on Councils covering the first 5% of income losses from sales, fees and charges and the government will reimburse councils for 75% thereafter. • Any preceptor deficits on a council's Collection Fund can be paid over three years rather than all in one year. This will provide a cashflow boost to many Councils. The Council are in the process of working through the implications of these announcements. These are not included within the analysis of the impact detailed in the following paragraphs. The potential annual impact of the pandemic as at early July is an increase in expenditure of between £8 to10m and losses of Income of £45-£50m. The most significant impact of the pandemic on the Council's finances is resulting from income reductions. Parking has been particularly hard hit with the Council generating just £7m in parking income at the end of May compared with £16m at the same point last year. It is estimated that the full year impact of parking losses could be approximately £20-22m. This range is based on demand gradually returning back to pre-Covid-19 or close to pre-Covid-19 levels during the year.

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Significant risk as per our Audit Plan	Findings and conclusion
Continued risk from the previous page.	Due to the lockdown measures many of the Council's commercial waste customers have had to close, which has inevitably led to a reduction in income. In comparison to this time last year, the Council has generated £2m less income, and it is estimated that the full year variance will be over £9m. This forecast is likely to move significantly as there are many uncertainties on how businesses will recover due to Covid-19. Sales of bag products will increase once businesses re-open but will be very dependent on how well these businesses trade as lockdown eases. Forecasts include an assumption for some further recovery to occur, but it is unlikely to return to pre-Covid-19 monthly income levels this financial year with social distancing requirements and concerns about travelling on public transport into the City. It is estimated that planning income will be approximately £3.5m below budget. This is based on reduced planning applications and developments due to the economic impact of the pandemic. In comparison to this point last year planning income is already 50% less and it is currently assumed that this level will broadly continue for the rest of the financial year which is realistic. The other significant area is the loss of promotions filming and events across the City with no income received thus far and an anticipated year shortfall of £3.5m. The impact on expenditure is less severe than the loss of income, but the Council are estimating increased costs to the rough sleepers budget of £1.2m. The additional costs to Social Care are estimated at a further £1.2m driven by additional spend on PPE, £0.5m, support for the Homecare provider market £0.3m, increased staffing £0.2m. The Council is estimating a £3m overspend on temporary accommodation with demand that is likely to come through as lockdown eases and the full impact of the economic situation starts to come through. Increasing levels of unemployment and reducing tax revenues associated with global recession will affect collection rates for Council Tax and Non-domestic rates as individuals and businesses experience the financial effects of the pandemic, resulting in further pressure on authorities' cash flows and finances. The collection of council tax has been severely impacted by the Covid-19 outbreak as residents face an uncertain financial situation. The Council's decision to temporarily suspend recovery action for unpaid bills, to help residents, has reduced cash receipts by £3m in the year to date. May's collection rate at 26.40% is 4.10% lower than the same month last year. The cessation of recovery action against council tax payers that have late or unpaid bills includes the suspension of enforcement agency work and of the despatch of summonses since April. These measures have therefore had a negative effect on income collected to date. There will be a programme of initiatives implemented to get collection back on track once the current restrictions are lifted. The HRA is forecasting a 2020-21 overspend of £4.7m. Approximately £3.9m of this overspend is due to additional costs and reduced income as a result of the impact of Covid-19. The majority of this is due to concessions given to key risk commercial tenants, an assumed increase in bad debts and reduced future rent generated from commercial premises, garages, sheds and car parking income. It also includes a sum for tenants rent as it is anticipated there will be an increase in arrears and collection rates may be affected in the short term The Council has undertaken an update of the medium-term financial plan reported to Full Council in March 2020. At that time a total budget gap of £95.6m was identified, with savings of £32.1m, which left a remaining budget gap for 2021/22 and 2022/23 of £63.5m. The update in July 2020 includes adjustments to previous assumptions to model the potential impact of Covid-19 as well as expanding the time horizon of the plan by a further year to 2023/24. The updated Medium Term Financial Plan identifies a budget gap for 2021/22 of £29.2m and £91.4m over the three-year period. Over the three-year period the budget gap has increased by £28.0m. The main reasons for this are: • Assumed government funding – favourable reduction of £18m, largely from the Fair Funding Review being delayed. • As outlined in previous pages the most significant impact of the pandemic on the Council finances is from the reduction on income from sales, fees and charges mainly related to the significantly reduced economic activity. Current year forecasts are still very uncertain, however, it is expected that conditions and therefore income will not return to pre-Covid levels for quite some time, if at all and therefore an indicative planning assumption of £20m impact is included. This represents just over 10% of the Councils income from services

Significant risk as per our Audit Plan	Findings and conclusion
Continued risk from the previous page	• Non-pay inflation – reduction of £7.5m as previous provision has been overly pessimistic. • Other net favourable reductions - £2.7m (including revised estimates of new homes bonus). • Provision of a sum to replenish reserves at £5m. We recognise that the current financial and economic conditions are continually changing as well as the government response so the financial modelling is complex and is not an exact science, but the assumptions used by the Council at this stage are reasonable. Modelling the impact of Covid-19 is going to be an iterative process that will assist officers and members to take informed decisions at key stages. The Council's plans will need to be frequently reviewed and updated to take account of the latest data and government announcements. The Council has a good understanding of the impact of Covid-19 and has included a decent reflection of their position in the Narrative Report within the financial statements The Council is having to redefine its approach to identifying and delivering savings to breach the gaps identified within the Medium Term Financial Plan. When gaps have been identified in previous years the Council has been able to close these successfully mainly by implementing income generation initiatives limiting the impact on services. The Council will need to re-assess this approach given the current economic climate which will make it far more challenging to generate the additional income required to close future gaps. The Council will need to focus efforts on identifying and delivering savings options that are resilient and create long term financial sustainability in a Covid-19 world. In undertaking this exercise, the Council will need to review the new ways of working implemented during the pandemic retaining initiatives that increased productivity, reduced costs and led to no deterioration in services. The Council must continue to be ambitious about its digital programme, reduce areas of unnecessary regulation, rethink the way some services are delivered and embrace more volunteering and community-based delivery of outcomes in line with the Westminster Connects model ensuring that the Council gets the appropriate buy in from Members and staff across the Council. It is crucial that members apply appropriate scrutiny to difficult choices they will have to face in 2020/21 and beyond. It is vital that governance arrangements are in place to establish and monitor associated programmes to ensure that they deliver the efficiencies and savings required. Equally important will be for the Council to ensure all employees aware of the type of cyber-crimes that are prevalent and increasing during the pandemic and to ensure that systems and controls continue to be reviewed and strengthened to reduce the risk of cyber crime. Getting the balance right between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against the financial impact caused by the pandemic will be vital. **Conclusion** The challenges associated with Covid-19 are unprecedented in modern times with increasing demand for a wide range of services including adult social care, children's social care, services for the homeless, public health and support for the vulnerable continuing to put pressure on all local authority cash flows. The pandemic has heightened uncertainty and will continue to impact into the longer term. The Council is undertaking the scenario planning required to monitor and react to the financial impact caused by the pandemic. The Council has a level of General Fund reserves that are able to withstand the Covid-19 impact in the short term. It is essential that the Council continue to consider long-term financial sustainability and to implement savings initiatives to ensure that general fund reserves are not depleted to levels that would not be able to withstand any further economic shocks.

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Key findings – Capital Programme

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk as per our Audit Plan	Findings and conclusion
The Council's capital programme includes a number of key projects and investments, which are significant both in scale and financial terms. The Council recognised that several of these schemes continue to be subject to significant slippage	**Summary findings** • The Council has slippage of £71.5m on its 2019-20 capital programme. • The Council has adequate high level arrangements in place for setting, monitoring and delivering the capital programme . • Monitoring of budgets is undertaken on a monthly basis with reports taken to the Capital Review Group, Executive Leadership Team and Cabinet. The reports would be enhanced by greater detail on the underlying cause of the slippage together with the action taken to bring the project back on track or to avoid further slippage. • Given the current capacity constraints and impact of Covid-19, the Council will need to reflect on whether all current capital projects are now essential and whether in the current environment some will need to be paused.

Over the last few years there has been an increasing pressure on the Council's financial resources, in part due to a large capital programme which is facilitating the Council's ambitions under City for All. The Capital Programme is particularly focussed on achieving the Council's priorities around affordable housing. However, there is a finite amount of resources and capacity within the Council and the Capital Programme for both the HRA and General Fund are already at capacity therefore careful consideration of future projects is required before inclusion into the capital programme. The main forum for reviewing all financial aspects of the capital programme is the Capital Review Group. This group reviews the strategic direction of the programme, ensures outcomes are aligned with City for All and ensures significant projects have a viable Business Case and that Value for Money (VfM) is delivered for the Council. The Capital Review Group also monitors the expenditure and funding requirements of the capital programme and subsequent revenue impacts.

Governance of capital project business cases will vary depending on the type of work that is being carried out. The business cases allows the Capital Review Group to have a full overview of the priorities, risk, deliverables, cost, and revenue implications of all areas of the capital programme. The business case model that is used is based on HM Treasury Green Book Guidance on Better Business Cases, but adapted for the Council. The Council, through the Capital Review Group, assess the prioritisation of assets and decide on which assets need developing in order to aid the Council in meeting its strategic objectives. All business cases follow a 5 stage process:

1) Scoping the Scheme and Preparing the Strategic Outline Case
2) Planning the Scheme & Preparing the Outline Business Case (OBC)
3) Procuring the Solution and Preparing the Full Business Case (FBC)
4) Implementation
5) Evaluation

The process for obtaining an allocated budget with the Capital Programme is by directorates completing the Capital Programme Submission Request (CPSR) form. The CPSR form is divided into the following sections:

- Strategic Fit - how the project aligns with the Council's objectives and priorities and what it is trying to achieve.
- Financial – what are the financial circumstances for the project ensuring the funding is readily available and the project is affordable.
- External Factors - ensuring the project needed meets statutory, legislative or operational requirements and considering links to other projects and the Medium Term Financial Plan savings. Is the project needed because of another scheme or development or is it linked to an MTP saving.
- Risk –Assessing whether the success of the project dependent on mitigating high associated risks.

Significant risk as per our Audit Plan	Findings and conclusion
Continued risk from the previous page	Each section within the form was scored by the project manager against guidelines provided. This was then submitted to the finance team and was collated into the capital programme. Meetings were held with Directors and Executive Directors to provide challenge with the aim of ensuring that: • Profiling is in line with expectations. • All projects that require budget have an allocation. • All projects included should be progressed and require budget. For 20020/21 given the tightness of resources the Council strengthened the prioritisation process by ensuring the CPSR forms were moderated by a Prioritisation Working Group. Then for each Directorate the projects were ranked in order of priority. The outcome of the process was presented to Executive Directors and Directors for review and discussions to decide which projects will be progressed which resulted in the Capital Programme that was presented to Capital Review Group for discussion and approval. Key risks to schemes are appropriately documented and these include risks associated with funding through third parties, effects of external factors such as interest rate movements or inflation on schemes, unforeseen increases in labour and construction costs potentially arising from Brexit, increased costs arising from surveys and feasibility works. The annual capital programme, which is updated for new proposed schemes, revised profiling, slippage and changes in expenditure projections, is presented to Full Council every year. The Council will now need to review all their capital projects to consider the impacts on Covid-19. Some projects may need to be paused whilst others may now have a higher priority to assist the Council in the new ways of working. Council approval of the programme gives an allocation to budget managers in the capital programme. Separate approval is required, in line with financial rules, to spend in line with budget envelopes. The Council's general fund capital programme is categorised into five categories: • Development - key projects that help the Council achieve its strategic aims, in line with City for All. This includes long term sustainability of Council services through income generation and meeting service objectives in areas such as affordable housing and regeneration. • Efficiency - these schemes are funded in accordance with the government's "Flexible use of Capital Receipts" (FCR) initiative and to qualify, the schemes must be designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. • Investment - one of the key objectives is for the Council to maximise its return on investments and grow income through active management of the investment portfolio. Income through these means will support the on-going financing costs of the capital programme. • Major Strategic Acquisitions • Operational - the Council's operational schemes are centred on capital improvement works to the Council's operational assets, meet health and safety standards and are fit for purpose in terms of statutory guidance and legislation. The Council will review periodic projections during the year, where projects do slip, budget managers are required to gain the relevant approval from Capital Review Group to move those budgets into future years with appropriate explanations as to why the project needs re-phasing. The Council hold a capital monitoring spreadsheet which all finance managers are required to update on a monthly basis in line with monitoring deadlines. Monthly monitoring reports are presented to the Executive Leadership Team, members of Cabinet and the Capital Review Group. These reports explain the reasons for slippage at a very high level. The reports would be strengthened by enhancing the detail to explain the slippage, including explanations as to whether the slippage was caused by matters within the Council's control or by a third party delivering the scheme. The reports should include the explicit actions that the Council are taking to bring the project back on track or to prevent further slippage. Explanations should include how the Council is actively managing any third party to deliver the project to the required timeframes. The Council had total general fund capital expenditure of £163.684m, with funding applied of £84.691m, a total net outturn position of £78.993m, compared to a net budget of £163.700m. In total there is slippage of £71.5m, which is mainly within the Development (£27.9m), Investment (£20m) and operational (£18.7m) projects.

Significant risk as per our Audit Plan	Findings and conclusion
Continued risk from the previous page	Analysis of the projects identified that the majority of the slippage impacted on the following 6 projects. • Property acquisition. The £20m slippage is due to no properties being identified that would provide a requisite return thus this is a conscious decision made by the Council. • Contingency – Within the overall Capital budget there is £10m allocated to contingency which for a Council of your size is reasonable. This amount is held for any emergency capital projects that arise that need urgent action or to cover any pressures/ overspends in the year. or key pressures arise in year. • Oxford Street District slippage of £6.5m due to a delay in the appointment of a design and build contractor. • Temporary Accommodation Acquisitions £3.1m of slippage due to a lower than anticipated number of purchases due to market supply. • AHF Payments slippage of £2.7m, due to a review of the contract on the Elgin Estate development, this payment will be made in 2020/21 • Lisson Grove Refurb £1m slippage due to a delay in the refurbishment. The above 6 projects equate to £43.3m or 60% of the total slippage on the programme. By way of comparison the 2019/20 capital programme included over 400 projects. Therefore 1.5% of projects have led to 60% of the variance. The HRA Capital Programme spent a total of £118.134m and resulted in an underspend by £31.721m. This balance will be slipped into 2020/21 as all capital schemes are still progress. The most significant delays occurred in Regeneration and New Build Schemes - £23.403m variance. This expenditure has been reprofiled into future years, but is likely to be impacted on delays caused by the pandemic. The Council has endeavoured to keep its development sites open and working during the pandemic, however, inevitably there has been an impact with delays in projects that have been affected by the lockdown restrictions and social distancing. These delays will mean that projects will complete later than planned and this will create further slippage in the capital programme. External capital funding will be uncertain in the immediate future, in particular some highways schemes have already had planned funding withdrawn. However, it is also possible that there will be opportunities as significant investment will be needed to assist in supporting economic recovery. The Council will need to be ready to take full advantage of these opportunities as these arise. The Council has an ambitious capital programme, nearly £1.5bn over the next 15 years, investing in delivery of new affordable homes as well as significant public realm schemes such as the Oxford Street District programme. The capital strategy review will be important in ensuring that all schemes are prioritised to support the delivery of key policy objectives, particularly City for All priorities such as the climate change agenda. **Covid-19 Impact on the 2020/21 Capital Programme** The most immediate impact on the Council's capital programme will result from the postponement of projects that have been affected by the lockdown restrictions and social distancing. These delays will mean that projects will complete later than planned and this will create slippage in the capital programme. This amounts to approximately £50m as at Period 2. However, another significant impact will be the drying up of external funding the Council normally receives to undertake certain types of project. This is particularly the case in Highways. Where the Council was due to start on sites for short term highway projects based on the availability of external funding (e.g. TfL and third party developers) and where this funding source has now been removed, the Council will have to make a decision on whether it wants to continue these schemes.

Significant risk as per our Audit Plan	Findings and conclusion
Continued risk from the previous page	**Conclusion** We have concluded that the Council has adequate high level arrangements in place to approve monitor and deliver capital projects. The monitoring reports would be enhanced by greater detail on the underlying cause of the slippage together with the action taken to bring the project back on track or to avoid further slippage. The reports should include the explicit actions that the Council are taking to bring the project back on track or to prevent further slippage. Explanations should include how the Council is actively managing any third party to deliver the project to the required timeframes. Given the current capacity constraints and impact of Covid-19, the Council will need to reflect on whether all current capital projects are now essential and whether in the current environment some may need to be paused.

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Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related (2018/19)			
Certification of Housing capital receipts grant (2018/19)	5,000	For all three audit-related services, we consider that the following perceived threats may apply: • Self-Interest (because this is a recurring fee) • Self Review • Management	The level of recurring fees taken on their own are not significant in comparison to the total fee for the audit of £159,354 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors mitigate the perceived self-interest threat to an acceptable level. Our team have no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements, and is performed after the audit of the financial statements has been completed. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of Teachers Pension Return (2018/19)	10,000		
Certification of Housing Benefit Claim (2018/19)	38,000		
Non-audit related			
No non-audit related services provided			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Performance Committee. None of the services provided are subject to contingent fees.

Our expectation is that the above grant work will be performed again for 2019/20, for similar fees, although this work has not commenced at the time of writing this report.

Action plan

Controls
- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Priority	Issue and risk	Recommendations
(High)	**Quality control** The draft financial statements provided for audit contained a number of fundamental misstatements. A robust management review may have identified and corrected some of these misstatements prior to submission for audit. This has resulted in the audit process being more complex and time consuming than anticipated, due to the high number of issues arising during the course of our work.	Management should ensure that sufficient time is built into the closedown processes to enable a robust management and quality review to be completed prior to the financial statements being submitted for audit. **Management response** We have built a model this year to cross check the current year figures and ensure no misstatements in the accounts. However, a number of 2018/19 figures had been amended and this was not identified during the review. The new model will be adjusted to also check prior year figures to ensure these agree with the 2019/20 published accounts. The adjustments relating to capital will be addressed as per below. The impact of these changes this year have had a limited impact on the bottom line and have no impact on the Council's budgetary arrangements.
(Medium)	**Uncertainties regarding treatment of HRA dwelling additions** Following audit challenge, management initially identified that there were 65 dwellings acquired in year that had not been disclosed as part of the HRA dwellings addition balance. This omission would have been material to the financial statements. Following further challenge, management have since asserted and evidenced that these acquisitions were in fact included in the disclosed balance. During the course of the audit there have been multiple iterations of the calculation of the gains and losses on these assets. Where management cannot confirm that the financial statements are consistent with supporting records, there is a risk that there are other, related balances and transactions that are omitted.	A reconciliation between the disclosure note, the general ledger and the Council's asset register and related records is a basic control check that management should ensure is in place going forward. The asset register should be maintained in sufficient detail that this reconciliation can be performed easily, to avoid confusion such as this arising. **Management response** Management recognise the need for more robust reconciliations between HRA asset records and the ledger and are addressing this in the current year. However, the issue identified, ie the non-recognition of impairments of in-year additions, was not one of particular operational significance, but rather the impact of acquiring assets subject to immediate impairment, which were wrapped up in the revaluation gain. The iterations were not as a result of general inadequacy of record keeping around assets. This was an exceptional circumstance and does not have wider implications. Therefore the Council's view is that this is not a high-risk issue.

Action plan

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Priority	Issue and risk	Recommendations
(Medium)	**Issues in supporting property data** During detailed testing of inputs into the valuations of the Council's HRA assets, we noted inconsistencies between the data provided to the valuer and supporting documentation available. These issues included details on property ownership shares and the letting status of properties. In addition, a significant proportion of the supporting documentation available was several years old, and the Council does not perform regular checks over the data held. Although we have gained sufficient assurance that these issues have not led to a material issue in this year's financial statements, there is a risk that incorrect data will lead to errors in valuations in future years.	We recommend that the Council implement a process for ensuring that the data held by the Council and passed to the valuer for the basis of their property valuations remains accurate. **Management response** There is a service procedure for flexible ownership and rent-to-mortgage properties which is used for the shared ownership scheme, but the Council agrees that a process for updating the percentage ownership of the properties should be put in place.
(Medium)	**Valuations of assets transferred between categories within Property, Plant and Equipment and Investment Property** Where assets are transferred between categories, these should be revalued at the date of transfer within the existing category, using the relevant valuation basis of the existing category. At the end of the year, all assets should be subject to appropriate valuation procedures based on their category at the balance sheet date. We have noted instances of assets being revalued on the wrong basis prior to transfer, and of assets not being subsequently valued at year end. An adjustment has been made relating to a material asset that was treated incorrectly in the draft accounts.	Management should put appropriate checks in place to ensure that such transactions are correctly accounted for, and avoid similar errors arising in future years. **Management response** We agree that, before considerations of materiality, the correct accounting treatment when assets transfer out of IP to operational is for a valuation to take place at the point of transfer, with gains and losses dealt with as for IP. Subsequently at the end of the year, the asset should again be valued to reflect the change in use. The Council's policy is to use the valuation at the point of transfer as a suitable proxy for the changed use valuation at the year-end, on the basis that the value would not have changed materially and then to bring the property into the five-yearly cycle for revaluation of operational assets. Where the extent of the change in use of the asset is extreme (eg offices being used as a care home), a further valuation will be sought to reflect this change in an existing use valuation. In the case of the assets transferring in 2019/20, there is no such extreme change in use and therefore the valuations at the point of transfer have been used in line with the policy.

Action plan

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Priority	Issue and risk	Recommendations
(Medium)	**Use of blended indices for valuations** From review of the Council's valuer's approach to revaluations, we have identified that for operational assets that were subject to desktop valuation this year (approx. 80% of the portfolio), indexation was applied using a blend of indices for retail and office properties. The assets in question comprise a wide range of building types, including schools and other specialist assets, and therefore this approach may lead to inaccurate valuations of the assets in question. We have satisfied ourselves that the potential impact of alternative indexation on the 2019/20 financial statements is not material, but this may not have been the case, and a much larger error would have been possible as a result of this issue.	The approach used for desktop valuations should be reviewed for future years, as a more tailored indexation may be more appropriate. **Management response** The audit findings are as much evidence of the inadequacy of indexation as a valuation tool, as the results produced do not demonstrably have greater reliability than the latest full valuations that are on record. Therefore management's view is that automatic indexation of assets not fully valued in-year will not be a part of the process, going forward. HRA dwellings are, of course, the exception.
(Medium)	**Valuations of disposed assets** We have noted during our testing that the Council calculated the gains and losses on disposals of assets within the HRA based on their valuations as at 1 April 2018 rather than the updated 31 March 2019 valuations. We have satisfied ourselves that the impact of this on the 2019/20 financial statements is trivial, but this may not have been the case, and a much larger error would have been possible as a result of this issue.	Capital records should be kept up to date for all assets. We recommend that checks are introduced to ensure that the correct data is used for such calculations going forward. **Management response** All valuations are now done on 31 March and this is not an ongoing risk as checks are being put in place.
(Medium)	**Useful economic lives of assets** From review of the Council's fixed asset register, we have identified that there are 639 assets with a gross book value of £193m which have no remaining useful economic life. The net book value of these assets is £nil, so they have no impact on the financial statements, however this may be indicative that either: • there are assets in the fixed asset register that no longer belong to the Council; or • the useful economic lives assigned to these assets were not appropriate. In addition we have noted that the Council have written out a number of duplicate assets during the year.	We recommend that the Council review assets with no useful economic life remaining and take action as appropriate based on their findings. **Management response** The assets in question are equipment and infrastructure assets where, for the purpose of capital accounting, they are carried at DRC using standard useful lives. As a result of this policy, there would be assets that are fully depreciated before the end of the useful lives. This will be compensated for by other assets that turn out to have useful lives shorter than the standards. This is a common practice in capital accounting in order to make the framework practicable but still produce figures reliable for the purpose for which they will be used.

Action plan

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Priority	Issue and risk	Recommendations
(Low)	**Capital transactions** Through our audit testing we have identified that the Council records all capital transactions on 31 March each year, rather than being recorded at the actual transaction date.	Management should consider whether this is appropriate given the issues that we have noted regarding capital accounting. Recording transactions at the correct point in the year may help address some of our findings. **Management response** The Council's view is that changing its policy in this regards will create a significant amount of extra work for very limited added benefit.
(Low)	**Related party transactions and declarations** Our work on the Council's disclosure of related party transactions identified that one return was not received for a senior officer in post at year end, and four returns were not received for individuals who had left during the year or were on long term leave. We have also identified 7 interests that were not disclosed by members. There is therefore a risk that the Council has related parties that they are not aware of. We have performed sufficient procedures to gain assurance that there is no significant omission from the 2019/20 financial statements as a result of this.	Management should obtain returns each year for all relevant staff. We recommend that a process is introduced to ensure that relevant information is obtained from all staff, including those who leave the organisation during the year. In addition, we recommend that consideration is given to the completeness of the declarations made in future. **Management response** HR to liaise and produce a report for finance department about the leavers every month going forward. Management have confirmed there were no transactions to disclose regarding these companies and therefore no misstatement to the accounts. Only one company is in Westminster and is currently dormant.
(Low)	**Property leases** For 2 of the 22 items that we sampled as part of our work on the valuation of Investment Properties, we identified that the Council had no lease agreements in place, and the leases in question had expired in 2018.	Management should ensure that lease agreements are in place for all properties, to ensure that they have assurance over the recoverability of rental income. **Management response** The Council aims to renew leases prior to lease completion dates. However, issues concerning the lease renewal process are governed by statute and it may not always be possible to complete new leases before the lease expiry date. The council continues to drive the best commercial deal, which could involve waiting until further comparable evidence is created, particularly in the current market. It can therefore be best practice to continue existing lease arrangements and leave the tenants to hold over under the terms of the existing lease at a higher rent.

Action plan

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Priority	Issue and risk	Recommendations
(Low)	**Capital programme reporting** Monthly monitoring reports are presented to the Executive Leadership Team, members of Cabinet and the Capital Review Group. These reports explain the reasons for slippage at a very high level.	The reports would be strengthened by enhancing the detail to explain the slippage, including explanations as to whether the slippage was caused by matters within the Council's control or by a third party delivering the scheme. The reports should include the explicit actions that the Council are taking to bring the project back on track or to prevent further slippage, including how the Council is actively managing any third parties. **Management response** This should form part of our quarterly slippage report that goes to the CRG and included in the monthly challenge session with the services.

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Follow up of prior year recommendations

Assessment
- ✓ Action completed
- WIP Implementation in progress
- X Not yet addressed

We identified the following issues in the audit of Westminster City Council's previous financial statements, which resulted in recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations as below:

Priority	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
(High)	WIP	At the time of writing our 2018/19 report, the Council were unable to fully reconcile the cash position per the General Ledger to their bank balance. There is a risk that unreconciled items are masking other issues in the Council's financial records.	Following the implementation of the Council's new finance system in the previous financial year, the process and system controls have been embedded within the financial system. Since November 2019 the bank account has been reconciled on a regular basis, with appropriate review. While the Council has fully reconciled the cash position for the main bank accounts, there is one account that remains unreconciled at year end, with an unexplained variance of £11.6k.
(High)	✓	The Council did not provide the valuer with details of enhancements made to their properties during the prior year. This information may impact on the output of the valuation exercise.	The valuer should be provided with all information necessary to perform their duty, including information on enhancements and potential impairments to assets, and any other changes in-year. The Capital finance team provided the valuer with a list of in-year enhancements to both operational and investment properties during March 2020. We have not found similar omissions during our work this year.
(Medium)	WIP	In previous years' audits, our sample testing of creditor balances and payments post year end identified items that did not follow the Council's guidance. Although we were satisfied that this was not indicative of a material misstatement in the financial statements, we recommended that all budget managers follow the Council's accruals guidance when preparing the year end position.	The Council performed a full review of the actual outturn of accruals at 31 March 2019 as part of their preparations for closing down the 2019/20 general ledger and to resolve issues that were identified in previous audits. During our audit work this year we have identified multiple expenditure transactions that were recorded in the wrong year. We are satisfied that these issues are not indicative of a material error in the financial statements, having extrapolated this to £7,296k per Appendix C, but this is indicative that weaknesses remain in the Council's processes.
(Medium)	WIP	A number of investment properties were reclassified as operational property, plant and equipment during the 2017/18 valuation process. Our testing identified one further asset that was classified incorrectly. A review of investment properties should be performed each year to ensure that all investment properties are correctly classified.	The Council transferred assets between investment and operational property during the 2018/19 year. When completing our work on the reclassifications performed we found further issues with the classification of properties. We recommended that the Council revisit this over the 2019/20 year. The Council have stated that a review was performed, however as part of our audit work we have identified three assets within the Council's investment properties that were misclassified between the General Fund and HRA. This has no impact on the primary statements and has been adjusted in the disclosure note (Note 21).

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Follow up of prior year recommendations

Assessment
✓ Action completed
WIP Implementation in progress
X Not yet addressed

Priority	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
● (Medium)	✓	Following challenge from the audit team, the Council's valuer provided a valuation for their HRA properties at 31 March 2019 that was £85m lower than the valuation provided at 1 April 2018 that was used as the basis of the value presented in the draft financial statements. This is a material difference in the value of the Council's HRA properties, and the financial statements have been amended.	Management are required to assure themselves that their financial statements are free from material misstatement each financial year. For the 2019/20 financial year, the valuation has been completed with a valuation date of 31 March 2020 to remove the risk of changes in value arising between the valuation date and the balance sheet date.
● (Medium)	✓	During our work on the Council's revaluations, we noted that the Council had omitted the revaluations of some assets when processing valuation information provided by the valuer.	We recommended that a reconciliation is performed between the valuer's report, the Fixed Asset Register, and the General Ledger once valuations have been processed, to ensure that valuations have been input accurately. There is a reduction in trivial errors following checks implemented as a result of last year's recommendations and a thorough review carried out by management. Our audit work this year has not identified any similar non-trivial issues in relation to the processing of the data from the valuer's reports.
● (Medium)	WIP	The Council experienced delays closing the general ledger and preparing the financial statements in 2018/19, due to the new financial system. The knock-on effect of this, due to the very tight closedown timetable set, was that the time available for quality control processes and checks was limited. This has led to a significantly higher level of audit queries and issues than we would anticipate. The first draft of the Council's financial statements presented for audit had a number of internal consistency issues and casting errors. These errors are not indicative of issues with the Council's financial records.	We recommended that management reconsider their close-down timetable, to allow for contingency and for further quality control checks to be performed. We recommended that in future years, the draft financial statements are checked for grammatical errors, casting errors, and internal consistency before being presented for audit. For the 2019/20 financial year there has been a reduction in trivial errors, following checks implemented as a result of last year's recommendations and the review carried out by management. We have still noted a number of errors in this year's financial statements, as detailed in Appendix C.

Follow up of prior year recommendations

Assessment
- ✓ Action completed
- WIP Implementation in progress
- X Not yet addressed

Priority	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
● (Medium)	✓	During testing of individual journal transactions in 2018/19, we noted that some transactions were not formally approved. We tested these journals to supporting documentation, and were satisfied that there was no indication of management override. Where journals are posted without review, there is a risk that this could lead to errors.	We recommended that all manual journals are reviewed and approved prior to posting to the general ledger. Journal entries are requested via SharePoint, which automatically generates an email to the relevant Finance Manager for approval prior to the transaction being posted to SAP. We have not found any similar issues during our testing in 2019/20.
● (Medium) Previously Low	WIP	During our work on the movement in the Council's HRA balances in previous years, we noted that the Council estimate the value of the land element of the HRA for the purposes of depreciation. The estimate used has remained the same for a number of years, with no formal reassessment. Although we are satisfied that this is not a material issue, there is a risk that the estimate used is no longer the most appropriate, and this would impact on the depreciation charged each year, and the processing of any revaluations.	We recommended that formal consideration should be given each year to the appropriateness of the split of HRA land and buildings elements for the purposes of depreciation charges. The Council confirmed with their valuer that they are satisfied with the split being applied, but have not been able to provide any supporting evidence for this assertion. During our audit testing this year, we have identified that the Council have assumed the split of land and building for other operational properties too, not just the HRA. In addition, there are multiple properties in the fixed asset register that are not appropriately split between land and buildings for the purposes of depreciation. An adjustment has been made to correct the financial impact of this issue this year (see Appendix C), and we have been informed that the underlying asset records have been rectified following the 2019/20 audit to avoid similar issues arising in the future.

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Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements - Council

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Note that in addition to the adjustments detailed in the tables below, there have been a number of adjustments between the initial draft financial statements and the audited financial statements. These adjustments relate to the prior year figures, where a number of balances and figures did not agree to the audited financial statements from the previous year.

When we challenged management on this:

- some differences were confirmed to be immaterial changes, and as such these should have been processed during the 2019/20 year, and have been amended;
- some differences were due to the finance team picking up incorrect versions of working papers when entering the prior year figures into the financial statements document, and these have been rectified.

In particular, there have been significant amendments to the figures in the Cash Flow Statement.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000
Covid-19 grant revenue		
In March 2020 the Council received their share of the first tranche of Covid-19 funding from Central Government. In the draft financial statements, this was included in the balance sheet as being received in advance, as the Council intended to recognise the revenue in line with related spend.		
As part of our testing, we identified that this grant was unringfenced, and had no conditions attached, meaning that the correct accounting treatment is to recognise the revenue in full in the year that it was received (ie 2019/20).		
The financial statements have therefore been amended as follows:		
Reduce the grants received in advance balance		9,125
Increase grant revenues	(9,125)	
Management have then included the balance as an earmarked reserve in order to ensure that it is utilised appropriately in 2020/21.		

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Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000
Community Infrastructure Levy		
From work performed following audit requests for breakdowns of year-end balances, the Council identified that the creditor for the Community Infrastructure Levy was overstated. At the year end, the balance owed should have been £3,829k instead of £15,913k. The difference should have been recognised as revenues in-year.		
In making this adjustment, management have identified further errors in the recognition of CIL revenues, leading to recognition of a further £14,643k of income in the year.		
The financial statements have therefore been amended as follows:		
Reduce creditors		26,304
Increase revenues	(26,304)	
Management have then allocated to earmarked reserves (£245k) and the capital grants unapplied reserve (£26,059k). Our work to confirm this adjustment is ongoing.		
Internal recharges		
From our detailed testing of a sample of items of operating expenditure, we identified a non-expenditure transaction within the expenditure population. Management confirmed that this related to internal recharges, and subsequently identified four internal recharge accounts within the general ledger which had been miscoded within the draft financial statements. The result of this was to inflate both income and expenditure in the CIES.		
Management have amended the financial statements to correct the coding of these account codes as follows:		
Reduce income	11,842	
Reduce expenditure	(11,842)	
HRA dwellings valuation report		
As part of our work on the valuation of the Council's property, plant and equipment, we requested that the valuer provide copies of their valuation reports direct to the audit team. From these reports we identified that the valuer had issued an updated valuation report for HRA dwellings, valuing the portfolio at £1,550k, £1,955k lower than the balance included in the draft financial statements. We have been informed that this valuation was performed at the request of the Council, who had identified that assets disposed in the final few months of the year were still on the property list.		
The valuation of HRA dwellings has been amended to reflect this valuation as follows:		
Reduce gain taken to revaluation reserve	1,955	
Reduce the value of HRA dwellings		(1,955)

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Audit adjustments

Treatment of HRA dwelling assets purchased in-year

From our initial work on the PPE disclosure note, we identified a potential error in the treatment of assets that were new in year. The Council had recognised the whole movement on revaluation of the dwellings in-year as a gain, and we were concerned that where properties were new in-year, the application of the 25% social housing factor would mean that these assets suffered a revaluation loss.

In considering our challenge, management identified that there were 65 dwellings that were acquired in year that had not been disclosed as part of the HRA dwellings addition balance. Management proposed to increase the disclosed additions figure by £47,550k.

Subsequent review of management's proposed adjustment identified that it was incorrect, as the balance recognised as additions was the year-end valuations of the properties, rather than the capital costs of their acquisition. In addition, it was identified that one of the assets selected for testing was not purchased until the 2020/21 financial year.

As a result of these issues, the full balance was reviewed, and it has been confirmed that the additions balance should have been £13,977k.

We challenged management on their proposed amendment, as it was unclear where the corresponding adjustments to the above would be accounted for. In response, management stated that the acquisitions were in fact included in the original additions balance, and that the above adjustments were therefore incorrect.

During this work we also identified that the Council had incorrectly treated an asset that became operational in-year and therefore should have transferred out of assets under construction (AUC). The costs of this asset were still held in AUC at 31 March in the draft accounts, when they should have been transferred to dwellings when the asset became operational.

The correct adjustment would simply have been to recognise the transfer of this asset (£9,450k), and then recognise £5,015k of the valuation movement as a loss to the CIES:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000
Recognise loss in CIES	5,015	
Remove £5,015k loss from Revaluation Reserve which is now recognised in CIES	(5,015)	

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Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000
Depreciation		
Work on the valuations of the Council's assets identified that there were a number of assets where the Fixed Asset Register did not contain a split between land and buildings. This has no impact on the balances disclosed in the Balance Sheet, however we identified that there was a risk that this would lead to a misstatement of depreciation.		
The Council reviewed all such assets, and calculated that depreciation in-year had been overcharged by £6,685k. The amendment proposed to the financial statements was as follows:		
Reduce depreciation in-year	(6,685)	
Reduce depreciation reversed to Revaluation Reserve on revaluation	1,895	
Reduce depreciation reversed to CIES on revaluation	4,790	
Following audit challenge of the land and building splits used in this calculation, a revised estimate of £4,357k was created, leading to a subsequent adjustment as follows:		
Increase depreciation in-year	2,328	
Increase depreciation reversed to Revaluation Reserve on revaluation	(82)	
Increase depreciation reversed to CIES on revaluation	(2,246)	
The split of the impact of the above between the Revaluation Reserve and the CIES is currently based on our workings.		
Assets purchased in year		
Audit work on revaluations of operational properties identified that where assets had been purchased in-year, the Council used the valuation that had been performed for the purposes of the acquisition as a proxy for year-end value. Testing of a sample of properties identified that the values of these properties at the end of the year were higher than those valuations due to the inclusion of other capitalised costs in the year-end valuation.		
The finance team have quantified this error for adjustment as follows:		
Decrease in value of properties at year end		(1,955)
Loss on revaluation taken to CIES	1,955	

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Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000
Valuation of operational residential properties		
Review of the Council's valuer's workings identified that there were a number of assets which were classified as 'residential' in the Council's asset records, but which had been treated as non-residential for the purposes of the valuer's desktop valuation process.		
The valuer has reperformed their valuation based on the correct classification, and the total book value of the assets in question has now increased by £4,701k from £79,057k to £83,758k:		
Increase valuation of properties in balance sheet		4,701
Increase gain recognised in Revaluation Reserve	(4,701)	
Overall impact	**(36,220k)**	**36,220k**

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Audit adjustments

Impact of adjusted misstatements - Group

The Council adjustments will all impact on the group financial statements, in addition to the amendments detailed in the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000
Errors in consolidation process		
Reperformance of the group consolidation process has identified the following adjustments:		
1. A balance was included in debtors by management, but should have been included in creditors instead.		
Increase debtors balance		1,332
Increase creditors balance		(1,332)
2. A creditors balance was incorrectly treated as borrowing.		
Reduce borrowing balance		801
Increase creditors balance		(801)
3. A £470k intra-group adjustment incorrectly increased income and expenditure in the draft financial statements, rather than reducing it.		
Reduce income	940	
Reduce expenditure	(940)	
4. An adjustment to recognise grant income incorrectly reduced expenditure in the draft financial statements rather than increasing income.		
Increase income	(16,881)	
Increase expenditure	16,881	
5. Westminster Community Homes' PPE balance includes depreciation despite the valuation being performed at 31 March 2020 and so is understated.		
Increase PPE balance		1,206
Reverse depreciation charge	(1,206)	
6. It was noted that assets under construction within Westminster Community Homes had not been separated out within the PPE balance for the purposes of the balance sheet and the calculation of the revaluation loss.		
Increase PPE balance		10,110
Decrease loss on revaluation	(10,110)	
7. An intra-group loan adjustment was incorrectly made, meaning that the group's long term debtors and borrowings were understated in the draft financial statements.		
Increase long term debtors balance		15,509
Increase long term borrowings balance		(13,118)
Decrease long term investment balance		(2,391)
Consolidation adjustments	**(£11,316k)**	**£11,316k**
Overall impact	**(£47,536k)**	**£47,536k**

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Audit adjustments

Misclassification and disclosure changes - Council

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure Reference	Detail	Adjustment Agreed
IFRS 15 (Notes 1 & 8)	Additional narrative has been added to the Council's accounting policies, and additional disclosure has been added to Note 8 in order to bring these in line with the requirements of IFRS 15 – Revenue from Contracts with Customers.	✓
Expenditure and Funding Analysis (Note 8)	Interest payments as per the analysis by nature table in Note 8 should be £26,776k, rather than the £10,507k per the draft accounts, as the net interest on the net defined benefit liability of £16,269k has been incorrectly excluded.	✓
Expenditure and Funding Analysis (Note 8)	£30m of grant income was included within employee benefit expenses within the analysis by nature table in Note 8 in the draft financial statements. This has been corrected.	✓
Earmarked Reserves (Note 18)	Corrections have been made to the presentation of movements in earmarked reserves as a result of our audit checks. Specifically, changes have been made in relation to the Contract Risk Reserve, MRP Equalisation Reserve, and the Transformation Reserve.	✓
Capital Commitments (Note 19a)	During work performed on the current year capital commitments disclosure, we noted that commitments totalling £231,375k were omitted from the previous year's disclosure. This amendment has no impact on the primary statements.	✓
Property, Plant and Equipment (Note 19c)	Review of the Council's valuation reports identified an asset with Gross Book Value £3,169k held in Other Land and Buildings in the General Fund which should have been held in Assets Under Construction. Note 19c has been amended to reflect this.	✓
Property, Plant and Equipment (Note 19c)	Our work identified an asset with Gross Book Value £1,243k held within Other Land and Buildings in the HRA which was a software asset and should have been included in intangible assets. This asset is fully depreciated, and so this amendment has no impact on the Council's balance sheet.	✓
Investment Properties (Note 21)	As a result of errors in classification found in previous years, we performed checks of the appropriateness of the classification of properties, both as Investment Properties, and between the General Fund and the HRA. Testing of a sample of Investment Properties identified three assets, valued at £39,030k that were classified as HRA incorrectly. The Council have amended the financial statements for this issue, which has no impact on the primary statements.	✓
	Due to the nature of our sampling approach, one of these errors has been extrapolated across the remaining population. If this error were representative of the population, a further, unadjusted, error of £4,466k exists. This would have no impact on the primary statements.	X

Audit adjustments

Disclosure Reference	Detail	Adjustment Agreed
Financial Instruments (Note 22)	Debtor and creditor balances disclosed within the Financial Instruments tables incorrectly include prepayments and deferred income. The amounts of the adjustments required to these balances is still to be confirmed.	✓
Operating Leases (Note 26)	We identified a material disclosure error in the operating leases disclosure, relating to the disclosure of future minimum lease payments for one lease, with the Council operating as a lessor. The draft financial statements included future payments calculated using the straight line method, rather than recognising the future costs in line with required payments per the lease agreement. **Draft** / **Updated** Within 1 year: £29,567k / £29,567k 2 – 5 years: £116,606k / £119,653k Over 5 years: £1,242,002k / £1,266,376k	✓
Fair Value (Note 39)	The draft financial statements included Investment Properties as Level 3 in the Fair Value Hierarchy, whereas the valuer's report states that the portfolio is Level 2, with the possible exception of some specialist assets. Management have confirmed that the property valuations should have been included as Level 2 in the hierarchy. In addition, the sensitivity analysis included in relation to Level 3 Investment Properties had not been updated since the prior year accounts, and was inconsistent with the expert valuer's report.	✓
Fair Value (Note 39)	Fair Value Through Profit and Loss assets in the draft financial statements omitted £2,391k of assets. These have been added in as a result of the audit.	✓
Collection Fund Account	There was a significant casting error in the total surplus carried forward at 31 March in the draft financial statements. The total has been corrected to show £48,738k, rather than £67,077k per the draft financial statements.	✓
HRA	A number of amendments have been requested to the disclosures in the HRA, in order to satisfy the requirements of the Code, including disclosure of: a breakdown of the HRA PPE balance; detail of the depreciation charged to the HRA in year; and capital expenditure and financing, including REFCUS.	✓
Various	A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and user understanding.	✓

Audit adjustments

Misclassification and disclosure changes - Group

Disclosure Reference	Detail	Adjustment Agreed
Group MIRS	Narrative has been added to explain the reason that the group unusable reserves are inconsistent with the Council's single entity MIRS to improve the users understanding of the financial statements.	✓
Group Cash Flow Statement	The group cash flow statement has been adjusted to remove the receipt and issue of a £10,342k loan from the Council to a subsidiary, which was included in financing activities and the increase in debtors in the draft financial statements.	✓
Group PPE	Amendments have been made to the face of the group PPE note to correct the in-year movements. The net impact of these adjustments on the Group Balance Sheet is £nil.	✓
Group Inventories	Disclosures have been added to the financial statements to provide the reader with a greater understanding of the group inventories balance, which is materially different to the Council's single entity balance.	✓

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Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Performance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Reason for not adjusting
Unrecorded liabilities			
To address the risk that the expenditure recognised in the Council's financial statements is not complete, we have performed testing of a sample of payments made during the first 2 months of the 2020/21 financial year, to ensure that the related expenditure has been recognised in the correct year. For the purposes of this testing, we tested a sample of 92 items back to supporting information. Of these 6 items related to the 2019/20 year but had not been recognised, and for 1 item the Council were unable to identify which period the invoice related to. The errors identified were extrapolated over the population tested, giving an extrapolated error of £5,803k. We note that included in the payments made early in 2020/21 were a significant number of Covid-19 business rate grants. We had not identified any issues with these items during our testing – 27 of the 92 items tested were grants. We were unable to accurately identify these grants in our population in order to exclude them from our extrapolation, however we considered that there was a risk they would skew the extrapolation results. We have therefore excluded all transactions of £25k and £10k, as an approximation for this population. The errors identified then extrapolate to £7,296k. We therefore consider that the maximum potential impact of the issues identified is £7,296k and we are satisfied that the expected impact of errors relating to incomplete recognition of expenditure is not material. The potential impact of this on the financial statements would be as follows:			Error is not material, and is an estimated figure based on the result of an extrapolation.
Increase expenditure	7,296		
Increase creditors (accruals)		(7,296)	
We note that some of the expenditure would have been capital in nature, so the whole adjustment would not have impacted on the CIES.			

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Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Reason for not adjusting
Valuations of Investment Properties			
As part of our work on the valuation of Investment Properties, we selected a sample of individual valuations in order to test the key inputs into these, and identified the following: The Council's valuer was unable to provide supporting calculations for one valuation of £145k. Although this item on its own is below our clearly trivial threshold, if this valuation were 100% incorrect, the extrapolated error would be approximately £2,649k:			Error is not material, and is an extrapolation based on a worst case scenario.
Recognise loss on revaluation in CIES	2,649		
Decrease the value of Investment Property		(2,649)	
For a number of the assets that we sampled (7 of 22) we identified issues when corroborating the inputs into the valuations to supporting information. These issues were issues such as assumed rental incomes and assumed lease periods being incorrect. In addition, for 1 item, the Council have not been able to supply sufficient information to support the valuation inputs. Reperforming the calculation of the valuations in question to assess the impact of this indicates that an overstatement exists in the Council's Investment Property valuations. We have determined that the maximum possible impact of this on the financial statements would be as follows:			
Recognise loss on revaluation in CIES	8,330		
Decrease the value of Investment Property		(8,330)	
Overall impact	**18,275k**	**(18,275k)**	

Audit adjustments

Impact of prior year unadjusted misstatements - Council

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Reason for not adjusting
Reclassification of investment properties as operational properties The Council has reclassified assets from investment property to operational land and buildings during the year. We are satisfied that the accounting treatment at the point of reclassification is in line with the accounting standards. The effective date of change has been assumed to be 31 March 2019, and assets have been transferred from investment property at fair value at that date. However, as operational land and buildings, these assets should have been valued at current value at the balance sheet date, and so a subsequent valuation should have been performed. Whilst the total fair value of the investment properties reclassified is £4,429k and therefore we do not consider that the Council's land and buildings can be materially misstated, the difference between fair value and current value for these assets is unlikely to be trivial.	The Council were unable to quantify this error in order to adjust for it, as the assets were not valued in their existing use in 2018/19. The assets in question formed part of the Council's asset valuation programme for 2019/20.
Valuations provided by the Valuer but not processed During our work on the Council's revaluations of land and buildings it was noted that the valuations provided in the valuer's report had not been properly processed through the Council's Fixed Asset Register and General Ledger. The Council adjusted for the vast majority of this issue, but our work to review their proposed adjustment identified further valuations that had not been processed. The impact of this on the 2018/19 financial statements would have been to decrease the value of Property, Plant and Equipment by £2,914k, while decreasing the revaluation reserve by £986k and incurring a revaluation loss in Other Comprehensive Income of £1,928k.	This difference was not material, and has been corrected as part of the revaluation exercise in 2019/20.
Potential impact of the McCloud judgement The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented. Discussion is ongoing in the sector regarding the potential impact of the ruling and the application for appeal on the financial statements of Local Government bodies. The Council requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £8,348k, and an increase in service costs for the 2019/20 year of £877k. We satisfied ourselves that there was not a risk of material error as a result of this issue. We also acknowledged the significant uncertainties both relating to the outcome of the appeal process at the time of the approval of the financial statements, and relating to the estimation of the impact on the Council's liability.	The figures provided by the actuary were an estimate, and not a formal actuarial valuation. Although we were of the view that was sufficient evidence to indicate that a liability was probable, we were satisfied that the differences were not likely to be material. This has been corrected as part of the actuarial valuation exercise in 2019/20.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	159,354	TBC
Total audit fees (excluding VAT)	**£159,354**	**£TBC**

The fees reconcile to the financial statements as follows:

- Fees per financial statements £143k
- Proposed additional fee £16k (see next page)
- Total fees per above £159k

Additional fees proposed over and above those communicated at planning

Over the past eight months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home.
The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including investment valuations. We have include Emphasis of Matter paragraphs in the Audit Report in respect of the material uncertainty on property values within the Council's PPE and Investment Properties, but also in the share of the assets of the Pension Fund.
- Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working. These are understandable and arise from the availability of the relevant information. In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached https://www.frc.org.uk/covid-19-guidance-and-advice (see guidance for auditors) sets out the expectations of the FRC.

Please note that any proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services:		
• Certification of Pooling of Housing Capital Receipts return 2018/19	5,000	5,000
• Certification of Teachers' Pensions return 2018/19	7,000	10,000
• Certification of Housing Benefits claim 2018/19	36,000	38,000
• Certification of Housing Benefits claim 2019/20	36,500	TBC
Non-Audit Related Services	-	-
Total non- audit fees (excluding VAT)	**£48,000**	**£53,000**

Fees - Audit fee variations

Planned audit fees

The table below shows the planned variations to the original scale (contracted in the case of non PSAA) fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees.

Management have suggested a fee in the region of £159,004 (50% of our proposed fee increase), however we do not consider that this is sufficient to cover the additional work that we are required to complete. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities.

For any further issues that arose during the course of the audit that necessitated further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	**143,004**	
Increased challenge and depth of work, and reduced materiality threshold	11,500	The FRC has raised the threshold of what it assesses as a good quality audit. Inevitably, we need to increase the managerial oversight to manage this risk. In addition, you should expect the audit team to exercise even greater challenge of management in areas that are complex, significant or highly judgmental. For Westminster we have reduced materiality from circa 1.95% in 2018/19 to circa 1.45% in 2019/20, this has increased our work significantly, the volume and scope of our testing, and reporting to those charged with governance, as well as providing you with additional assurance in respect of the audit.
Pensions Valuation of net pension liabilities under International Auditing Standard (IAS) 19	4,000	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we plan to increase the level of scope and coverage of our work in respect of IAS 19 this year to reflect the expectations of the FRC and ensure we issue a safe audit opinion. Specifically, we have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation Work of experts	9,500	As above, the FRC has also determined that auditors need to improve the quality of audit challenge on PPE valuations across the sector. We have therefore engaged our own audit expert – (Wilks Head & Eve) **and** increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. The increase includes an estimate for the fee payable to the auditor's expert. We estimate that the cost of the auditors expert will be in the region of £5,000.
Group Accounts and IFRS16 work	7,000	Note that PSAA's original scale fee for this contract was set in March 2018, so any new developments since that time need to be priced in, including the increase in the work to audit your group financial statements as more companies have been consolidated, and additional work will be required for IFRS16 implementation and corresponding disclosure required in 2019/20 under IAS8.
Revised scale fee (to be approved by PSAA)	**175,004**	

Audit opinion

We anticipate we will provide the Group with an unqualified audit report

Independent auditor's report to the members of Westminster City Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Westminster City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Accounts, Notes to the Housing Revenue Account Statement, Notes to the Collection Fund Statement and Notes to the Group Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director – Finance and Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director – Finance and Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director – Finance and Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Executive Director – Finance and Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings (including Investment Property) and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in Note 3 to the financial statements, the outbreak of Covid-19 has had an unprecedented impact on global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's reports and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Executive Director – Finance and Resources is responsible for the other information. The other information comprises the information included in the Annual Accounts, other than the Authority and group financial statements and our auditor's report thereon, and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by

CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Annual Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Executive Director – Finance and Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on page [x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director – Finance and Resources. The Executive Director – Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director – Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director – Finance and Resources is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Performance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Management letter of representation

Dear Sirs

Westminster City Council
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Westminster City Council and its subsidiary undertakings, Westminster Community Homes Ltd, WestCo Trading Ltd, Hub Make Lab PLC, Paddington Recreation Ground charity and Westminster Housing Investments Group, for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements, in particular those relating to the valuation of land and buildings and the valuation of the Council's net pension liability, are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements.

xv. The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries.

As a consequence economic activity is being impacted in many sectors. As at the valuation date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

The Council's valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation of the Council's land and buildings than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, the valuers recommend that the Council keeps the valuation of its properties under frequent review.

For avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent, that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

Information Provided

xvi. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

Management letter of representation

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Performance Committee at its meeting on [date].

Signed on behalf of the Council

[APPEND LIST OF UNADJUSTED MISSTATEMENTS]

City of Westminster

Audit and Performance Committee

Decision Maker:	Audit and Performance Committee
Date:	Wednesday 2nd December 2020
Classification:	General Release
Title:	P6 Budget Monitoring Report
Wards Affected:	ALL
Report of:	Gerald Almeroth – Executive Director of Finance and Resources

1. **Introduction**

1.1. The Council has been focusing efforts on responding to the crisis by supporting both businesses and residents, as well as taking steps to ensure that the Council itself is able to recover from the financial impact of the pandemic.

1.2. Initially, on 12 October, the Prime Minister introduced a three-tiered system of local Covid Alert Levels in England. The levels were set at medium, high, and very high. On 15 October 2020, it was announced that London would move into Tier 2 (high) from Saturday 17 October.

1.3. As a result, the Chancellor announced "…up to £0.5bn [£465m] to fund activities like enforcement, compliance and contact tracing". Authorities were informed that they will receive £8 per head if they are in tier 3, £3 if they are in tier 2, and £1 for tier 1.

1.4. However, there have been further developments since these announcements, with new national Covid-19 restrictions that applied from 5 November until 2 December 2020. Pubs and restaurants have been required to close but takeaways and deliveries permitted to keep open. Non-essential shows, leisure and entertainment venues have been required close. Gyms were required to close, and people encouraged to work from home where possible. Businesses forced to close will be able to access grants of up to £3,000 per month (the Local Restrictions Support Grant) and one-off Additional Restrictions Grant distributed to enable councils to support businesses more broadly.

1.5. The Covid-19 support grants, such as Business Support (Additional Restrictions Grant) (£20 per head) and Local Restrictions Support Grants will be paid to councils to administer the grants and support closed businesses. The list of Covid-19 grants are included in the table below and will be updated each after we hear further announcements from the government.

1.6. The government has also offered local authorities financial support, in the following areas:

- more support for local test and trace;
- more funding for local enforcement;
- the offer of help from the armed services; and
- the job support scheme.

1.7. The Council will continue to monitor the impact of the three-tier system and the new national restrictions. For Westminster, this is particularly challenging as local businesses rely on commuter footfall, which will curtail the recovery further and may not reach pre-Covid levels for some time. The Council will assess the additional impact of the tier system and other restrictions on sales, fees and charges income.

1.8. As reported previously and still relevant, the financial impact of this for the Council is three-fold:

- the Council has had to incur additional costs that have resulted from supporting the most vulnerable people in the community and responding to the impact of the pandemic;
- the impact on the local economy has led to significant drops in income from sales, fees and charges, or the collection rates thereof; and
- saving proposals have been delayed or are considered no longer deliverable.

1.9. The government continues to recognise the impact this has had on local authorities and has announced further packages to support councils including compensating councils for the loss in income from sales, fees and charges and a fourth tranche of grant funding, in addition to previous announcements.

1.10. The Period 6 monitor reviews the Council's financial position as at the end of September 2020 and provides a gross and net full year forecast for the Council, taking account of the government's emergency COVID funding.

2. **Recommendations**

2.1. That the committee note the contents of the report.

3. **Reasons for Decision**

3.1. To inform members on how the Council is delivering against its budget.

4. Government's Financial Support

4.1. The financial support the government has provided is summarised in the table below. The total general funding received by WCC to date is £29.3m, excluding any amounts due from the income compensation scheme. This includes an allocation of £9.7m from the £919m fourth tranche recently announced.

4.2. The government also announced that it will reimburse authorities for 75% of income losses occurring in 2020/21 as a result of COVID-19 after the first 5% of losses is absorbed by local authorities. To qualify, income losses must be related to the delivery of services, while commercial and rental income are excluded. Details around this scheme are now available and there are a wide range of outcomes about how much the Council will receive. The first payment from this scheme is due in Period 7 and the Council have claimed for £7.4m.

4.3. The Council has received update on billing authorities extending the period over which they can manage shortfalls in local tax income (Collection Fund deficits) relating to 2020/21, from 1 to 3 years which is mandatory and will prevent council recognise the full cost of the deficit next year.

4.4. The payments in relation to the tier funding "will be disbursed as soon as public health activities have been agreed with the relevant Regional Convenor", and "funding will be paid to upper tier authorities for onward disbursement."

4.5. The government's financial support can be categorised into three areas:

- Grant funding, both general and specific, for local authorities to cover expenditure and income losses arising from the pandemic.
- Grant funding provided to local authorities as intermediary that then needs to be passed on to businesses and individuals.
- Grants funding to help with Test & Trace and local enforcement.
- Cashflow support for local authorities, including the deferral of certain payments to government and the bringing forward of grants.

The latest government support is summarised below:

Scheme	National Funding	WCC Share	Purpose
General Support	£4.6bn support	£29.3m	Unringfenced funding to help councils respond to the current crisis. Four tranches of payments have been made by government. The government's income support scheme has not been confirmed yet but £7.4m has been claimed.
New Burdens Grant	Unknown	£0.17m	New burdens funding to help with the administration cost of processing the grants
Emergency Support for Rough Sleepers	£3.2m	£0.250m	Funding to help rough sleepers self-isolate during the pandemic.
Rough Sleeping Transition Support	£105m	£1.7m	Support for rough sleepers and those at risk of homelessness into tenancies of their own.

High Street Funds	£50m	£0.233m	Reopening High Streets Safely Fund
Track and Trace	£300m	£2.890m	Funding to support the new test and trace service and to implement outbreak control plans.
Infection Control (tranche 1)	£600m	£0.598m	Infection Control in care homes. 75% of the funding must be passed straight to care homes within our geographical area – even if the Council does not have a contract with them. Councils can decide how to allocate the remaining 25% based on needs, but it must be used for infection control.
Small Businesses	£12bn	£97m	Grants paid to businesses of £10k or £25k each depending on their rateable value totalling £97m in Westminster. The Council has paid out all the funding it has received and paid approximately 5,000 businesses.
Business Rates Retail Relief	£10bn	£945m	Retail relief given to businesses and fully supported by the government
Discretionary Local Authorities Grants	£617m	£3.9m	Additional to the above £12bn to help businesses who did not benefit from the first round of business grants.
Council tax Hardship Fund	£500m	£2.2m	Help residents with council tax payments by £150. The council has supported 1,413 households.
Next Steps Accommodation Programme	£91.6m	£1.8m	To ensure that rough sleepers who were put into temporary accommodation during the pandemic do not return to the streets after the support is withdrawn.
Infection Control (tranche 2)	£546m	£0.690m	80% of this funding must be passed directly to care providers within Westminster, amounts given are based upon bed numbers or a per user basis. The remaining 20% is to be distributed to care providers on a discretionary basis within the borough.
Test and Trace Support Grants	£50m	£0.300m	This is to be paid to residents who need financial support when self-isolating due to either being infected or potentially being infected.
Local Authority compliance and enforcement grants	£30m	£0.192m	This is to support the council with the enforcement of COVID-19 restrictions or to encourage individuals within the borough to comply with the measures.
Contain Outbreak Management Fund	£500m	£2.091m	Set of payments for Local Authorities to help support and maintain proactive containment and intervention measures.
Additional Restrictions Support Grant allocations	£1.13bn	£5.226m	Additional Grants to support local restrictions for lockdown period dating November 5th to December 2nd.

Local Restrictions Support Grants (Closed) Addendum	£1.005bn	£21.856m	Grants to support local restrictions for lockdown period dating November 5th to December 2nd.
Local Restrictions Support Grants (Open)	TBC	£3.8m	The Grant is offered as part of the wider set of measures to support the nation's economy and its businesses in response to Coronavirus (Covid-19) and specifically for businesses that were still open but have been severely impacted by Local Covid Alert Levels 'High' (LCAL 2) and 'Very High' (LCAL 3) restrictions since 1 August to 4 November 2020.
Protect Programme: the next step in winter rough sleeping plan	£15m	£1.00m	The £15 million funding is on top of the £91.5 million allocated to 274 councils in September to fund their individual plans for rough sleepers over the coming months.
Support programme for extremely clinically vulnerable.	£32m	£0.20m	New guidance over clinically vulnerable due to second lockdown has led government to pledge over £32 million funding for local councils in support.
Covid Winter Grant Scheme	£170m	£0.776m	Covid Winter Grant Scheme is intended to support children, families and the most vulnerable over winter during the second wave of the pandemic.
Cashflow support			
Deferred Rates	£2.6 bn	£0.192bn	The deferral of local authority Q1 payments of the Central Share of retained business rates until the second half of the financial year.
Advance payment of reliefs	£1.8bn	£0.09bn	Up-front payment of business rates reliefs

5. **Revenue Budget – 2020/21**

5.1. As at period 6, the Council has a year to date variance of £36.5m. However, the indicative forecasts for the rest of the year estimate an adverse variance of around £50m against budget before taking additional government funding into account. This is summarised in the table below and shows the potential upper range of £60m which is inclusive of further risks:

General Fund

ELT Portfolio	FY Budget (£m)	FY Forecast (£m)	FY Variance (£m)	P6 YTD Variance (£m)	Risks Identified (£m)	Opps Identified (£m)	Projected Variance inc Opps and Risks (£m)
Adult Social Care	53.467	55.067	1.600	0.400	-	-	1.600
Public Health	(1.029)	(1.029)	-	-	-	-	-
Growth, Planning & Housing	19.157	27.275	8.100	3.600	-	(0.500)	7.600
Finance and Resources	57.742	60.672	6.100	4.300	7.600	(0.800)	12.900
Environment and City Management	(0.983)	26.084	27.100	24.800	3.100	-	30.200
Children's Services	39.377	42.948	3.600	0.400	0.600	-	4.200
Innovation and Change	5.769	8.904	3.100	2.300	-	-	3.100
Other Corporate Directorates	6.476	6.858	0.400	0.700	0.100	(0.100)	0.400
NET CONTROLLABLE BUDGET	**179.977**	**226.780**	**50.000**	**36.500**	**11.400**	**(1.400)**	**60.000**
Council Tax	(59.477)	(59.477)	-				
Business Rates - Net of Tariff	(120.501)	(120.501)	-				
CORPORATE FINANCING	**(179.977)**	**(179.977)**	**-**				
Covid-19 Grant Funding			**(29.383)**				
SFC Compensation			**(7.389)**				
Net (Surplus) / Deficit*			**13.228**				

5.2. *The net figure is inclusive of the first four tranches of Covid-19 emergency funding and the Council's first return for the income reimbursement scheme of £7.4m. It is estimated, based on current assumptions the Council will claim a total of £15-20m from the income reimbursement scheme.

5.3. It should be noted these forecasts are based on information known at the time but there can be no certainty at this point around what the full year financial impact of the pandemic will be there. Therefore, there is the possibility of the variance to budget increasing or decreasing materially and this is reflected by the lower and upper range outlined in the table above.

5.4. The year to date variances are due to financial pressures arising from the pandemic. An approximate split of these variances by income and expenditure is given in the table below.

Income/Expenditure	Full Year	YTD Variance
Expenditure	£6-10m	£8.08m
Income	£40-50m	£28.43m
Total	**£50-60m**	**£36.5m**

Further detail on this is set out in the section below.

6. Income

6.1. The biggest impact of the pandemic on the Council's finances is resulting from income reductions. The variance to date is £28.4m. As noted in the table above, the full year impact of this could range between £40-£50m depending on a number of factors and the net scenario is dependent on further government support through the income reimbursement scheme and emergency Covid-19 funding. The key income streams impacted are summarised in the table below with indicative forecasts for the full year:

	Full Year			Year to Date		
Major Income Streams with Losses	**Full Year Budget £m**	**Full Year Forecast £m**	**Full Year Variance £m**	**YTD Budget £m**	**YTD Actuals £m**	**YTD Variance £m**
Parking - Paid for Parking	40.491	33.816	6.675	19.267	14.138	5.129
Parking - PCNs	19.912	15.912	4.000	9.908	5.156	4.752
Parking - suspensions and dispensations	23.092	18.142	4.950	12.653	8.934	3.718
Parking - Resident Permits	4.471	4.696	-0.225	2.275	2.434	-0.159
Commercial Waste	18.199	9.099	9.100	8.106	3.782	4.324
Licensing (top two income streams)	3.650	2.183	1.467	1.825	0.807	1.017
Road Management	8.880	8.254	0.626	4.440	4.008	0.432
Community Services	5.974	2.278	3.696	2.987	1.198	1.789
Registrars	2.302	1.056	1.246	1.151	0.888	0.263
Planning	7.336	4.936	2.400	3.668	2.450	1.218
City Promotions, Events and Filming	4.810	0.903	3.907	2.264	0.034	2.230
Local Land Charges	1.794	1.144	0.650	0.889	0.463	0.426
Property Income - General Fund	27.648	26.968	0.680	13.824	11.485	2.339
Court costs recovery income	1.900	0.900	1.000	0.950	0.000	0.950
Total	**170.459**	**130.287**	**40.172**	**84.207**	**55.778**	**28.429**

6.2. Parking

6.2.1. Parking income has improved slightly since period 5 with an increase of £0.350m forecast to be collected. This has increased mainly due to PCNs now matching pre-COVID levels of activity and the forecasts have been amended to show this. There has also been an increase in expenditure savings which is reducing the overall pressure to the service.

The key income streams within parking are:

- Paid for Parking
- PCNs
- Suspensions and dispensations
- Resident Permits

6.3. Commercial Waste

6.3.1. Commercial Waste income has a YTD under-recovery of £4.32m to date (containers income received is 64% of budget and Bags is 29% of budget meaning total income to date is 41% of that received in 2019/20 (£5.43m shortfall compared to last year) and are forecasting to under-recover £9.1m which is a slight recovery during the year. Containers income has a YTD under-recovery of £1.44m. Bag sales have a YTD under-recovery of £2.88m. Sales of bag products will increase as businesses reopen but will be very dependent of how well these businesses trade as lockdown eases and once in the "new normal". The forecast assumes some recovery occurs, but it is unlikely this will return to pre-COVID monthly income levels this financial year with social distancing requirements and concerns about traveling on public transport into the capital.

6.4. Planning

6.4.1. Planning income is 30% below budget at period 6. It is forecast to remain about 30% below budget for the rest of the year due to the economic downturn. This forecast to remain the same as at period 5.

6.5. Road Management

6.5.1. Road Management income activity levels have declined by approximately 15% in the first six months of the year compared to 2019/20 activity, this is a slight reduction of 2% since period 5. This is due to the impact of Covid-19 a lower volume of licenses have been applied for and these declines could continue for the remainder of the year due to the many changing variables (uncertain recovery timeframes, potential for further lockdown, changing council priorities). The forecast assumes gradual recovery over the course of the year and this position will be monitored closely throughout the year.

6.6. Community Services

6.6.1. The Community Services variance is due to the leisure and Sayers Croft income being lost due to the services being shut by government guidance and reduced levels of activity to ensure that the businesses remain COVID secure.

6.7. Registrars

6.7.1. Ceremonies resumed on the 4th July, however, demand is still significantly lower than in previous years due to the restrictions placed on numbers of people allowed to attend, with many deferring. Birth and death registrations and income from citizenships are likely to meet original budget expectations by the end of the year. However, there will continue to be significant downturn in ceremonies income.

6.8. Public Protection and Licensing

6.8.1. The service is currently forecasting a £2.209m adverse variance largely due to reduction in income as a result of COVID-19, a net movement increase of £0.665m from previous month. The key changes were on street trading £0.509m and FPN's street litter income shortfalls £0.289m. This is due to the continuous effect the Covid-19 pandemic is having on the local economy. The increase of number of licenses being surrendered, as businesses continue to close, and the number of fees being waived for street traders due to vulnerability, shielding and isolation.

6.9. City Promotions, Events and Filming

6.9.1. City Promotions, Events and Filming has been impacted by recent changes to restrictions to audiences, such as the rule of 6 that has resulted in the further cancellation of some large events and also further losses on advertising income from banners. This therefore has led to an unfavourable variance compared to period 5 of £0.138m.

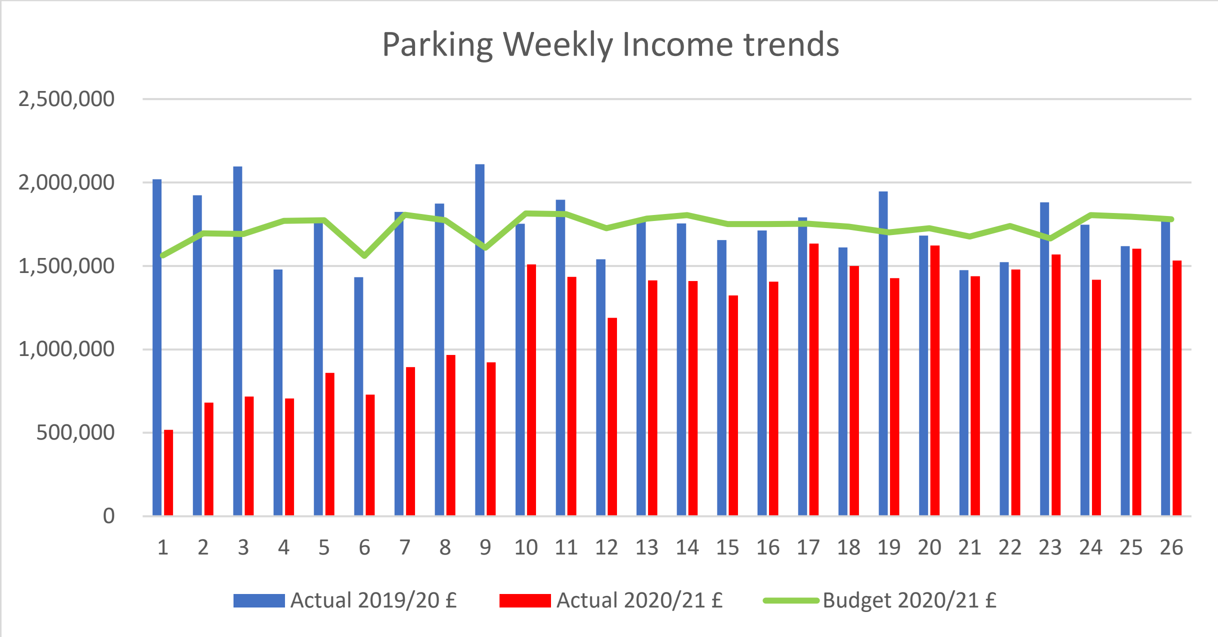
6.10. Local Land Charges

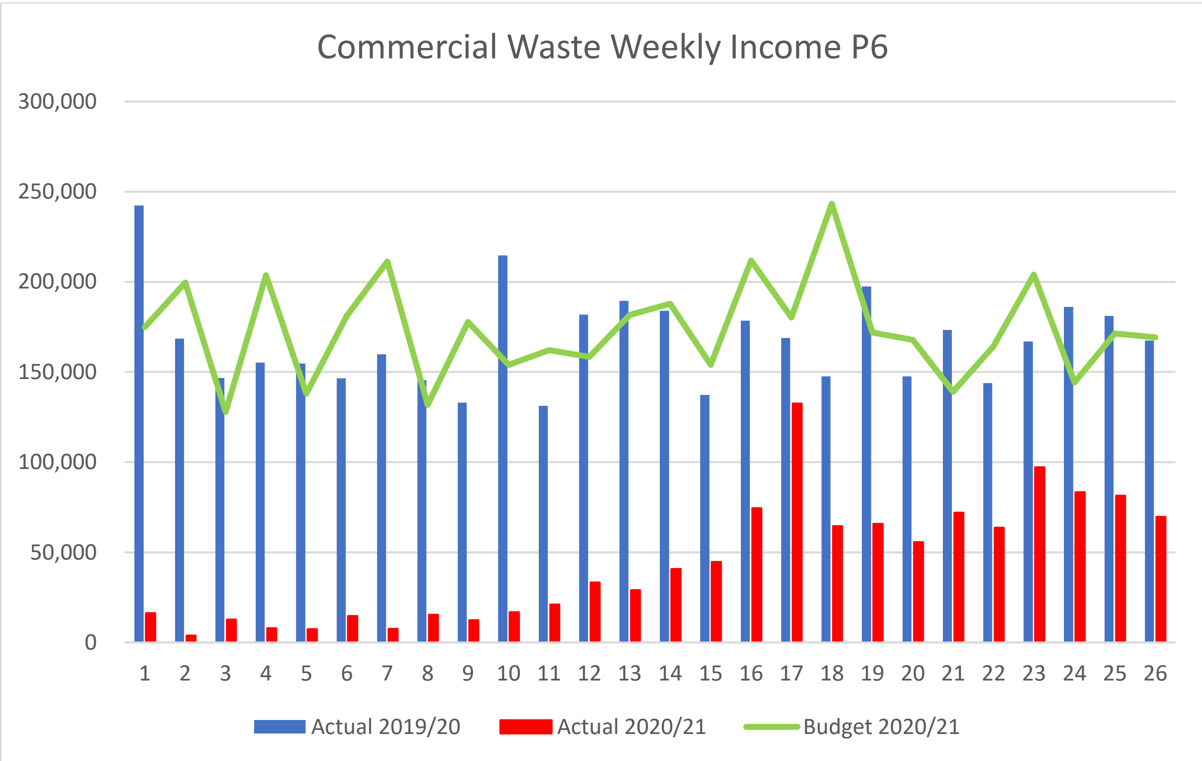
6.11. Lockdown and the considerable slowdown of the property market has resulted in a reduction in land charges activity since April. Previous forecasts were assuming a 7.5% increase in income month on month however, in the last two months it has only been 4%, therefore forecasts have been adjusted accordingly. This is seen to be due to an apparent lack of confidence in when the recovery from the pandemic will be seen, in particular in relation to working from home advice, as developers are not enquiring as much around the restructuring of office space as they had in previous years.

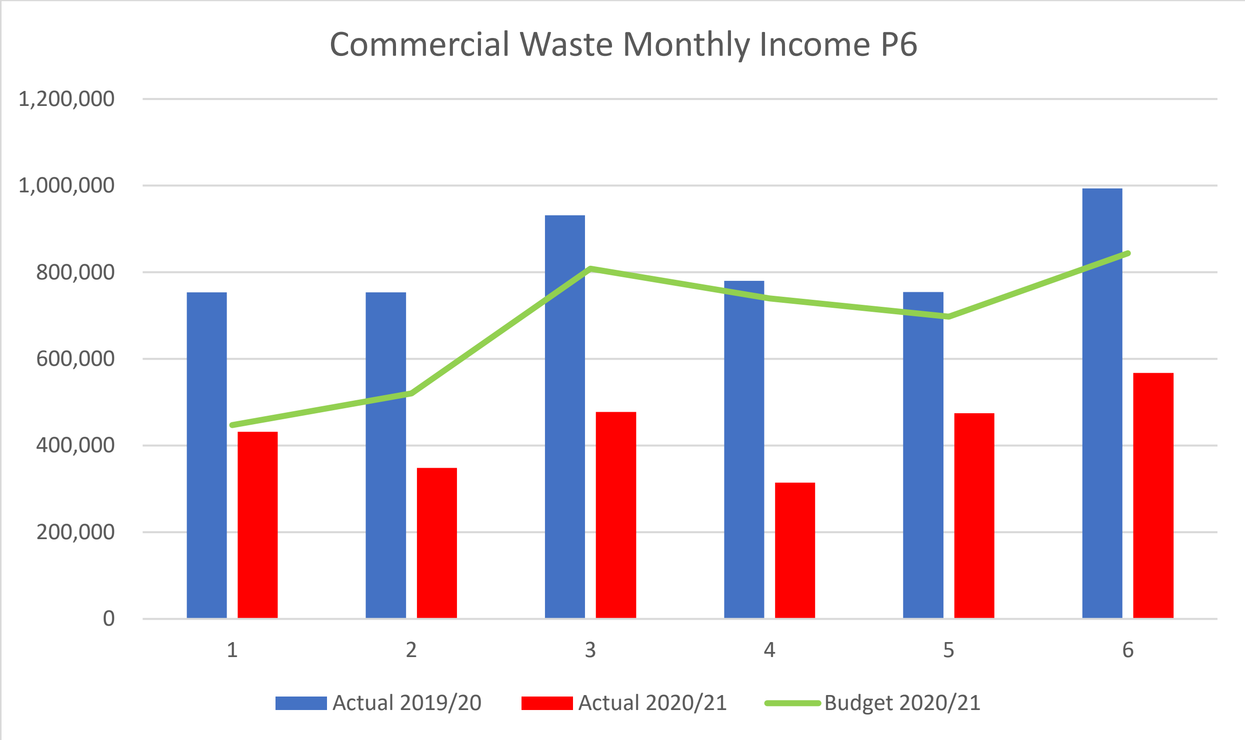
6.12. Trends in September

6.12.1. During September there was a slight increase in lockdown measures with the rule of 6 being introduced. Where individuals can only meet inside in a maximum group of 6, and to work from home where possible. During this month there had been no increase to lockdown measures locally in London.

6.12.2. Parking income has slightly increased against budget, by 0.5%. The largest noticeable difference is in week 24 which was the week where the rule of 6 and the work from home directive were issued. This therefore again is showing the very short amount of time that lockdown measures take to affect this income stream. This is in contrast to the week before which was 95% of expected budgetary levels. With the rest of the month being 85% of expected levels. The main variance was on suspensions income, and other areas also see a decrease other than PCN income, which remained higher.


Parking Weekly Income trends
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26
Actual 2019/20 £
Actual 2020/21 £
Budget 2020/21 £


Commercial Waste Weekly Income P6
300,000
250,000
200,000
150,000
100,000
50,000
0
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26
Actual 2019/20
Actual 2020/21
Budget 2020/21



6.13. Commercial waste is seeing a different, less reactionary pattern, which is more delayed than parking. As there is less footfall around the borough commercial waste income is still considerably lower than in previous years and below budgetary expectations. Weekly commercial waste income has again increased on weekly collections, increasing by 12% on the previous month, monthly income has again increased however as a proportion of the profiled budget has decreased by 2%, however, this is encouraging given that lockdown measures have been heightened.

6.14. Both of the trends on these income streams are encouraging as it is showing that the recovery is still occurring, albeit at a much slower pace. It is unclear how income may be affected by the recently changed advice, although the recently changed advice that London is subject to tier 2 restrictions, it is very likely for there to be a downturn in income as a result.

6.15. While all income streams remain under review, the year-end position depends on how the economy and public health recovers. Currently the council are reviewing all fees and charges with a report to be brought to cabinet to ensure that all charges levied are fair and appropriate. The outcome of this review will mean that the council will be able to give an accurate forecast as to the amount available to the council under the government's income support scheme.

7. **Expenditure**

The main expenditure variances as at the end of **September 2020 are set out below:**

7.1. **Growth, Planning and Housing**

7.1.1. Temporary Accommodation

Temporary Accommodation is forecasting a gross overspend of £4.6m against the base budget (excluding budgeted Flexible Housing Support Grant (FHSG) by the end of the financial year. Approximately £4.2m relates to BAU activity and c£0.4m due to Covid-19. However, this is a net overspend of £2m once planned use of £2.6m of FHSG is utilised.

7.2. TA: BAU

The current base budget for TA would allow the Council to house 1,400 number of households in temporary accommodation but current BAU activity shows 2,835 households are being housed in TA, creating a financial pressure of £4.2m.

The majority of tenancies - 2,070 - are in properties rented from the Private Sector, 180 tenancies in Bed and Breakfast accommodation, 310 in Nightly Booked accommodation; 201 tenancies in properties acquired by WCC for use as TA and 56 in other properties.

7.3. TA: Covid-19

It is anticipated that the number of tenancies in TA will increase once the ban on evictions takes place and the furlough scheme ends. In previous months, it was reported that the impact of Covid-19 would lead to an increase in 10% on overall TA numbers but it is now assumed that this is unlikely to materialise until later than anticipated (quarter 4 20/21). Therefore, an overall increase of 5% is now assumed. This is forecasted to cost an additional c£0.4, thereby increasing the overall forecast overspend to £4.6m.

7.4. Flexible Housing Support Grant

The Council has received the flexible housing support grant over the last three years and surplus balances from this grant have been held in reserve to fund homelessness prevention activity and future TA pressure. The Council estimates that after the budgeted £2.6m is drawn down as above there will be a balance of £10m for future years. There has been no confirmation from government of the continuation of this grant and therefore TA budgets and demand will have to be reviewed as part of the Medium-Term Financial Plan.

7.5. Rough Sleeping

To date, the Council has incurred costs of £1.4m in relation to supporting rough sleepers off the streets. This is one of the Council's most significant operational areas in its response to the pandemic and the Council has higher costs and demand due to the number of rough sleepers in the City. About 266 rough sleepers were housed in hotels in response to Covid-19 during phase 1 and by the end all hotel residents had been offered a solution and left hotel accommodation with the Council fully funding all accommodation costs. Food and sundry items were paid for until the middle of May, when costs were handed over to charity partners. Charity partners on behalf of the Council have also been able to place an additional 400 rough sleepers found in Westminster into GLA commissioned hotels at no extra cost to the Council. Funding has been agreed with MHCLG to continue working with a group of 30 highly complex immigration cases.

The Council has bid for and been successful in receiving £1.7m of the government's £105m transition funding for rough sleepers. The funding will be used to continue the Council's current strategy to actively move people off the street.

8. **Adult Social Care**

8.1. There is an additional cost variance of £1.6m against the base budget in Adult Social Care related to underspends on BAU activities and additional expenditure as a result of Covid-19.

8.2. Adult Social Care is projecting an underspend of £0.300m based on business as usual activities against an annual budget of £53.467m. This is unchanged from the reported position in period 5. The underspend is primarily driven by contract and staffing savings. There are lower placement and packages costs within physical support, dementia and learning disability services, however, these are offset by an overspend in mental health placements and packages activities.

8.3. As a result of Covid-19, additional spend of c£1.175m is expected to be incurred in financial year 20-21 largely due to the projected spend on PPE, c£0.704m, (this is an estimate and Adult Social Care share of PPE is 80%), support for the market c£0.249m and increased staffing c£0.222m. In addition, financial savings of £0.725m are deferred into financial year 21-22 due to Covid-19.

9. **Children's Services**

9.1. At the end of period 06, the Executive Directorate is forecasting an adverse variance of £3.6m, of which £2.392m is attributable to COVID.

9.2. **BAU**

9.2.1. Pressures in Education as a result of increased levels of activity in Passenger Transport due to increases in pupils with EHCPs and Short Breaks placements total £0.274m. This is an upward trajectory in line with the national picture and budgets will need to be reviewed as part of the Medium-Term Financial Plan. Family Services is reporting an adverse variance of £0.855m this month. The Looked After Children (LAC) placement forecast increased by £0.787m following a comprehensive review of client data captured on Mosaic. This review is ongoing and will result in far more robust processes for accurately capturing and reporting supplier and client data going forwards. This may result in further fine-tuning of the placement forecast between now and period 7. Operations and programmes are reporting an underspend of £0.029m due to vacancies within the service area.

9.3. **Covid-19**

9.3.1. The £2.392m spend relates to SEN Transport operator relief; a delay in meeting MTFS targets; and the cost of providing home care support for children who are not in school.

10. Progress on 2020/21 Savings

10.1. As part of the budget report presented to Full Council in March 2020, savings of £18.9m had been identified for 2020/21. It is currently estimated that c£8m of these savings will not be achieved in 2020/21 and forms part of the £50-60m variance at year end.

10.2. The majority of this is related to income generation across several income streams and delays in delivering expenditure efficiencies.

11. HRA

11.1. The projected full year variance in the HRA is outlined below.

Housing Revenue Account:	Full Year Budget (£m)	Full Year Forecast (£m)	Full Year Variance (£m)	Risks Identified P6 (£m)	Opps Identified P6 (£m)	Projected Variance inc. Opps and Risks P6 (£m)
Growth, Planning & Housing	0.000	0.000	0.817	0.000	0.000	0.817

11.2. At the end of period 6 the Housing Revenue Account is forecasting an overspend of £0.817m. Pressures due to COVID-19 account for £4.006m of costs / lower income.

11.3. Summary

11.3.1. The period 6 position has resulted in a £5.471m favourable movement from period 5. There are several items driving this movement, the most significant being: Actualisation of leasehold service charges has seen income projections increase by £2.4m. On-going work within finance to review projections for support service recharges has seen a reduction in the forecast in this area of £2.1m. Staff cost projections have reduced this month by £840k. This was due to correcting the automatic system projections which were being overstated by the impact of incentive payments.

11.3.2. The overall variance is 0.70% of the gross expenditure budget.

12. The Council's Financial Measures to Support the Community

12.1. As previously reported the Council has supported its residents, businesses, suppliers and the wider community over and above requirements from government. This has included:

- Concessions for the Council's commercial tenants who are most impacted by the lockdown
- On-street parking dispensations for the NHS staff and other key workers
- The Westminster Connects service that is offering both emotional and practical support to residents.
- The Council has also been proactive in supporting suppliers. It communicated with suppliers in early April, informing them of the government reliefs available (with guidance also on the Council's website) and the steps to take if they were still 'at risk'.

13. **2020/21 Funding**

13.1. The Council has a variation to date of £36.5m, which is partially offset by the additional general government funding of £29.4m to date. It is very difficult to forecast with any certainty what the financial impact will be for the rest of the year, however the indicative potential range of the full year variance is in the region of £50-60m before government support is taken into account.

13.2. This is a significant financial impact against this year's approved budget and the implications of this in both the short and long term cannot be underestimated. This crisis will have a lasting impact on the Council beyond the current financial year and is likely to require change to structural elements of the Council's budget. As at the start of the new financial year the Council has an unallocated general reserve of £63.3m, which can be utilised to fund any overspend in the absence of further support from government.

14. **Capital Budget 2020/21**

14.1. The table below summarises the Council's budget and forecast position on the 2020/21 capital programme, which reflects a projected £98.37m gross expenditure variance.

ELT	2020/21 Expenditure Budget £m	2020/21 Income Budget £m	2020/21 Net Budget £m	2020/21 Expenditure Forecast £m	2020/21 Income Forecast £m	2020/21 Net Forecast £m	2020/21 Expenditure Variance £m	2020/21 Income Variance £m	2020/21 Net Variance £m
Adult's Services	1.251	(1.251)	0.000	0.635	(0.635)	0.000	(0.616)	0.616	0.000
Children's Services	20.998	(15.181)	5.817	15.555	(9.911)	5.643	(5.443)	5.270	(0.173)
Growth, Planning & Housing	83.279	(22.853)	60.426	41.949	(36.648)	5.302	(41.330)	(13.795)	(55.125)
Environment & City Management	81.567	(39,885)	41.682	62.583	(29.505)	33.078	(18.984)	10.380	(8.604)
Finance and Resources	22.883	0.000	22.883	17.164	0.000	17.164	(5.719)	0.000	(5.719)
Westminster Builds	45.521	0.000	45.521	19.943	(4.256)	15.687	(25.578)	(4.256)	(29.834)
Projects Funded from FCR*	1.783	0.000	1.783	1.083	(0.500)	0.583	(0.700)	(0.500)	(1.200)
Total for Council	**257.282**	**(79.170)**	**178.112**	**158.911**	**(81.455)**	**77.457**	**(98.370)**	**(2.285)**	**(100.655)**

14.2. The majority of the expenditure variance is due to the following projects:

Project	2020/21 Variance to Budget £m	Comments
Westminster Builds	(14.710)	£7.500m for Out of Borough schemes is awaiting opportunities to be brought to the WB board and is not forecast to spend this year. The remaining variance is due to Covid-19 leading to 3-week site closures for construction projects and social distancing causing slower construction. Parsons North will now complete in March 2021, meaning HRA Acquisition budget (£2.100m) will not be spent until Q1 2021/22
Luton Street	(10.868)	The council's loan to Luton St LLP will underspend as a result of cashflow optimisation by WB officers, pushing back the first drawdown to August 2020
Temporary Accommodation Acquisitions	(13.170)	Housing market uncertainty stemming from Covid-19, compounded by refocusing the team to support the Covid-19 response and has reduced the expectation of the number of temporary accommodation acquisitions that can be achieved this financial year.
St Marylebone Bridge Special School	(7.938)	Delays in Wilberforce School refurbishments mean that St Marylebone Bridge special school project does not yet have vacant possession of the site. A 9-month delay is forecast with completion by March 2022
Oxford Street District	(5.500)	There were delays last year in the appointment of the main contractor. Three work packages are expected to commence in Q4.
TfL Local Improvement Plan Scheme & Cycle Schemes	(5.451)	TfL funding has been withdrawn for Cycle Schemes (£2.338m) and TFL LIP (3.113m) as result of COVID and as such schemes will not be going ahead.
Strategic Acquisition Huguenot House	(4.000)	The effect of Covid-19 on the property market is causing delays in strategic acquisitions
Church St Green Spine Project	(3.984)	This is due to delay in undertaking a full review of the procurement routes and officer time devoted to Covid-19 emergency response. Start date moved from end 2020 to Feb 2021. Completion is expected Sep 22.
Public Realm Improvement Schemes	(3.057)	A number of schemes within this spend category (General Developer Schemes £0.878m, Sutton Row £0.454m,Royal Opera House £0.450m Albermarle Street £0.139m & Wellington Hotel £0.050m, Princes Street £0.100m and Paddington Place Plan £0.986m) will be reprofiled or underspent in the current year.
Capital Contingency	(2.370)	This will be re-profiled into 2021-22 but will be available if required
Place Shaping's Enterprise Programme	(2.194)	This results from delays securing the site for work on the Grand Union Canal, which is currently owned by Network Rail. This is a direct result of delays to Crossrail and is outside of the Council's control.
Total	**73.242**	

14.3. As can be seen in the table above, twelve projects contribute to the majority of the expenditure variance. By way of comparison there are over 500 projects in the 2020/21 capital programme, and therefore, just 2.4% of the projects are causing 79% of the expenditure variance.

14.4. The expenditure forecast movement has decreased between P4 and P6 by £13.596m.

15. Housing Revenue Account

15.1. The HRA capital budget and forecast position is summarised in the table below.

HRA Capital Programme	2020/21 Revised Budget £m	2020/21 P6 Forecast £m	2020/21 Budget Variance £m
Housing Planned Maintenance	54.057	38.949	(15.108)
Housing Regeneration	112.727	63.939	(42.788)
Other Projects	40.639	29.721	(10.918)
Total	**207.423**	**138.608**	**(68.815)**

15.2. The HRA is forecasting an in-year underspend on its capital programme of £68.815m, due to the impact of Covid-19 which caused delays in project completion and prevented access to properties in line with the government guidelines. The schemes are re-profiled into future years. Some of the key variances on individual projects are set out in the tables below:

Regeneration Project	2020/21 Variance to Budget £m	Comments
Church Street Acquisitions	(12.317)	Underspend caused by impact of Covid-19 on the property market. The team has reduced the number of units that can be acquired this financial year due to restrictions and guidelines on Covid-19.
Ebury Acquisitions	(8.000)	Underspend caused by impact of Covid-19 on the property market. The team has reduced the number of units that can be acquired this financial year due to restrictions and guidelines on Covid-19.
Cosway	(8.759)	Underspend due to re-profiling of the scheme into future years as contractors reflect their work schedule to incorporate social distancing and government guidelines on Covid-19.
Parsons North	(5.082)	Delay due to impact of Covid-19, re-profiling of the scheme into future years
Small Site (Infills)	(5.725)	All the small sites have been reprofiled into future years as some of the sites had procurement issues which has delayed the projects.
Total	(39.833)	

Planned Maintenance Project	2020/21 Variance to Budget £m	Comments
Churchill Gardens Externals Phase 6 TC	(1.121)	Due to some blocks within the project under review which will be repackaged and administered with Russell House separately
Lisson Green decorations & EL (emergency lighting)	(1.119)	Due to government restrictions as a result of Covid-19.
Avenue Gardens roof & balcony surfacing & ventilation	(1.005)	This is part of the project on hold due to service provider issued a notice of termination and withdrawing services
Memo external Phase 3 & 4	(0.968)	Due to extended consultation with residents of each block within the project
Brunel Estate Ventilation	(0.635)	Re-profiling of the project into next year pending third party review.
Vale Royal House externals/windows/ventilation/laterals	(0.621)	Due to delay in design and development but working closely with resident association to ensure expectations are achieved, works now planned to start Jan 2021
Stairwell Jessel House (T158 - remedial) & works to doors	(0.484)	The variance is due to contractors' under-resource as a result of Covid-19 impact.
Total	(5.953)	

15.3. The forecast for HRA capital has reduced by £18.891m since period 5. This movement consists of Housing Planned Maintenance - £3.353m, Regeneration - £13.261m and Other Projects - £2.277m.

15.4. The main reason for the variance in Housing Planned Maintenance is due to the impact of Covid-19 on projects within Major works including Lisson Green Decorations and Brunel Estate Ventilations, other projects including Memo External Phase 3 and Churchill Gardens Externals have seen delays due to extended consultation with residents.

15.5. Within Regeneration the underspend is mainly due to a reprofiling of spend from 20/21 to future years due to the impact of Covid-19 on building schemes due to the need for extra social distancing measures delaying completion. There has been a delay on starting the works on Lisson Arches due to Thames Water flooding.

15.6. In Other Projects, there has been an underspend due to lower house prices and a delay in procurement on the Small Sites programme and an underspend on Bayswater spend due to different risks with the site.

16. **Covid-19 Impact on the 2020/21 Capital Programme**

16.1. The most immediate impact on the Council's capital programme will result from the postponement of projects that have been affected by the lockdown restrictions and social distancing. These delays will mean that projects will complete later than planned and this will create slippage in the capital programme. This amounts to £36m as at period 6.

16.2. However, another significant impact will be the drying up of external funding the Council normally receives to undertake certain types of project. This is particularly the case in Highways. Where the Council was due to start on site for short term highway projects based on the availability of external funding (e.g. TfL and third party developers) and where this funding source has now been removed, the Council will have to make a decision on whether it wants to continue these schemes. At period 6, lost funding amounts to £5.451m.

17. Council Tax and Business Rates

17.1.1. The collection of business rates and council tax have been impacted by the Covid-19 outbreak as residents and businesses face an uncertain financial situation. The closure of courts has suspended recovery action for unpaid bills and reduced cash receipts.

17.1.2. September council tax collection rate to date is 57.27% which is 4.69% lower than the same month last year. By comparison, the business rates collection rate for September 2020 is 49.81%, 9.75% lower than the same month last year.

17.1.3. The closure of courts therefore continues to have a negative effect on income collected to date. There will be a programme of initiatives implemented to get collection back on track once the current restrictions are lifted.

17.2. Overview

17.2.1. Council Tax and Business Rates are the Council's largest income sources and the Council has a responsibility to collect council tax and business rates on behalf of the GLA and government. In total, the Council should receive gross income of:

- Gross Council Tax (including GLA share): £98m
- Gross Business Rates (after retail relief given by government during COVID): £1.5bn

17.3. The Council only retains £180.5m of this income (Council Tax £60m & NNDR £120.5m) for its own use, however it should be noted that the collection figures in this section are based on gross income and collection rates for September 2020 are summarised in the table below:

-	September 2020 Collection Rate	September 2019 Collection Rate
Business Rates	49.81%	59.56%
Council Tax	57.27%	62.14%

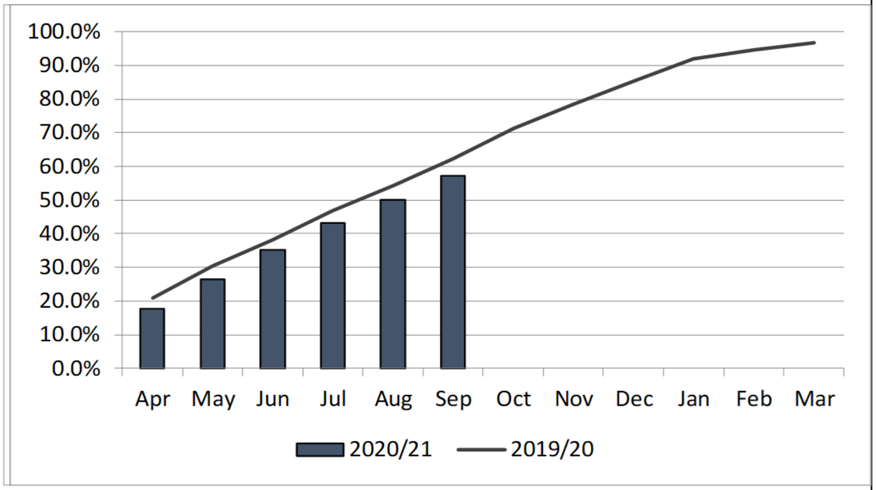
Council Tax Collection

COUNCIL TAX

Revenues Dashboard - September 2020

Current Year Bills - Collection Rates

	2019/20	2020/21
Apr	20.9%	17.9%
May	30.5%	26.4%
Jun	38.1%	35.3%
Jul	47.0%	43.3%
Aug	54.4%	50.0%
Sep	62.1%	57.3%
Oct	71.1%	
Nov	78.5%	
Dec	85.4%	
Jan	91.9%	
Feb	94.5%	
Mar	96.7%	



Collectable Balance	£108.6m	Amount Collected	£62.2m	Balance Owing	£46.4m	42.7%

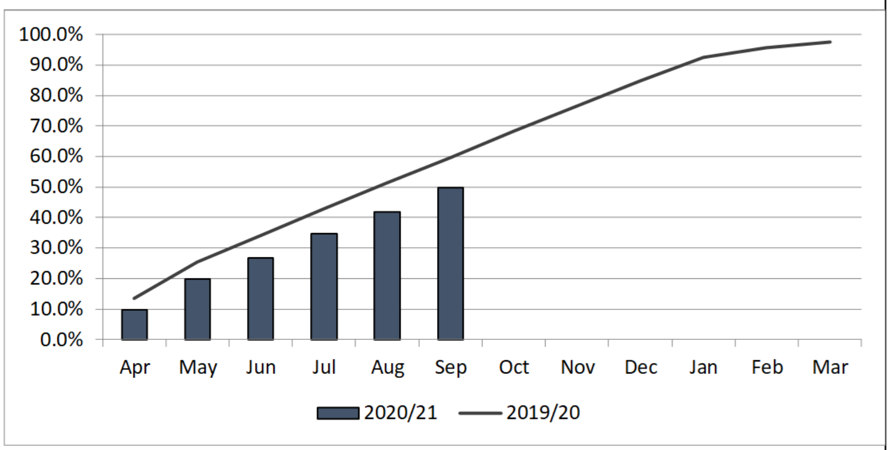
Business Rates Collection

BUSINESS RATES

Revenues Dashboard - September 2020

Current Year Bills - Collection Rates

	2019/20	2020/21
Apr	13.6%	9.7%
May	25.4%	19.9%
Jun	34.1%	26.7%
Jul	42.9%	34.7%
Aug	51.5%	41.8%
Sep	59.6%	49.8%
Oct	68.3%	
Nov	76.5%	
Dec	84.8%	
Jan	92.5%	
Feb	95.5%	
Mar	97.6%	

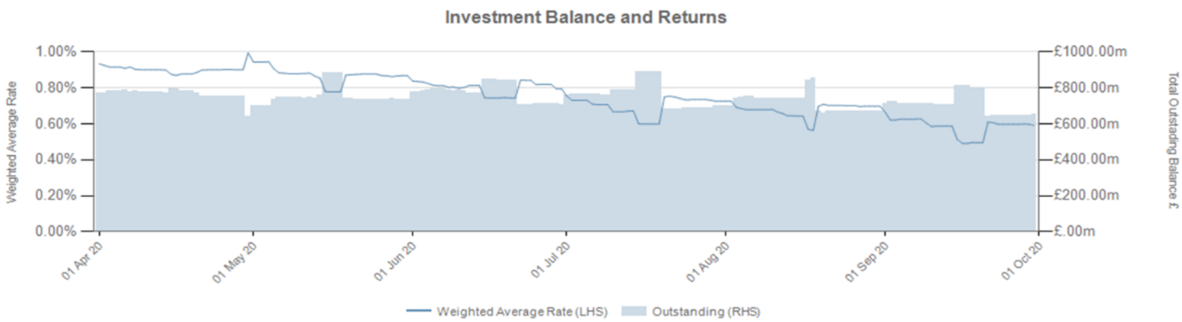


Collectable Balance	£1,435m	Amount Collected	£715m	Balance Owing	£720m	50.2%

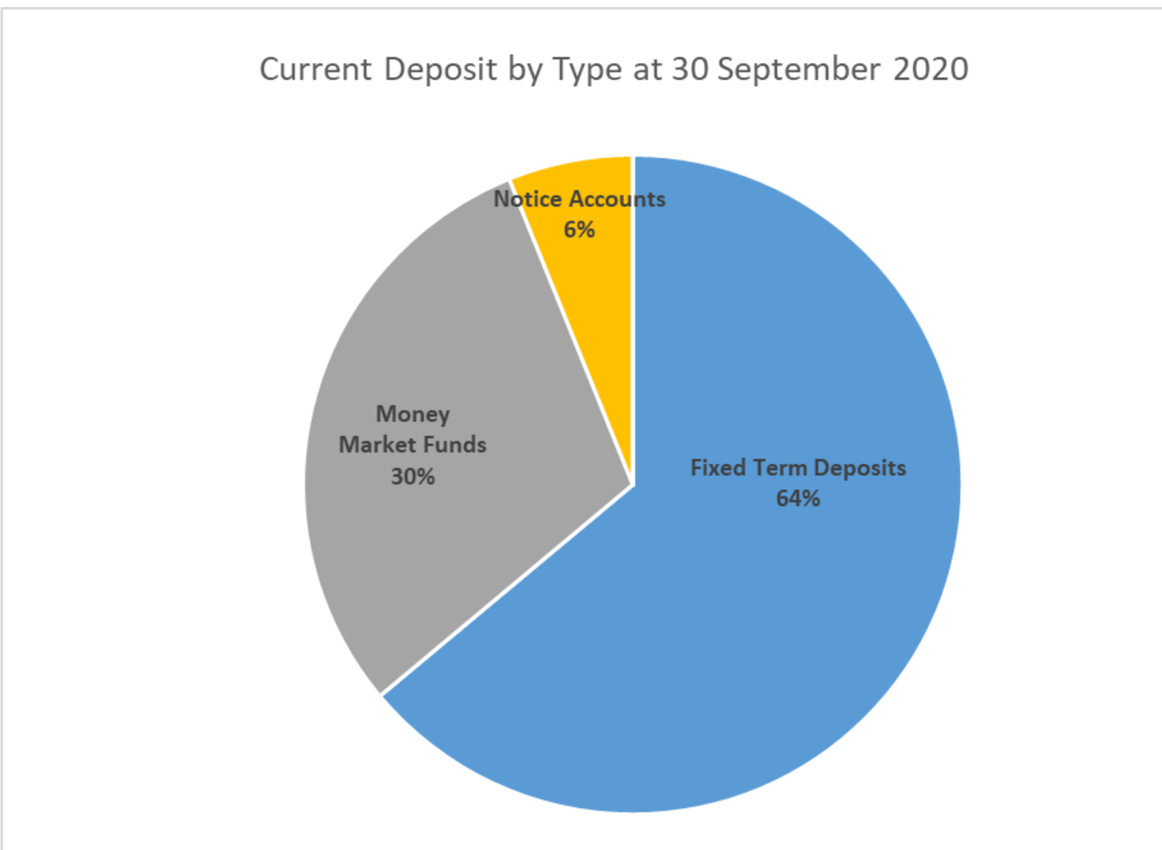
18. Treasury and Pensions

18.1. Treasury

18.1.1. Investment balances as at 30 September 2020 stood at £653.9m. The weighted average return in period 6 was 0.58%. This compared to an average investment balance of £715.6m in period 5, which generated an average return of 0.68%.



18.1.2. As at 30 September 2020, these investments are placed in fixed term deposits (banks and local authorities), money market funds and a notice account.



18.1.3. The five largest holdings were:

Counterparty Name	Amount (£m)	%
JP Morgan Sterling Liquidity Fund	60.00	9.18
Aberdeen Sterling Liquidity Fund	60.00	9.18
Morgan Stanley Sterling Liquidity Fund	59.30	9.07
Santander Bank	50.00	7.65
Standard Chartered Bank	50.00	7.65
Goldman Sachs Bank	50.00	7.65
Total	**329.30**	**50.38**

18.1.4. Prudential indicators to 30 September 2020 have all been complied with.

18.1.5. All investments are currently within the limits set out in the 2020/21 Treasury Management Strategy Statement.

18.2. **Pensions**

18.2.1. The valuation of the City of Westminster Pension Fund at the end of period 6 decreased by £17m from period 5 (£1.612bn) to £1.595bn. This was largely due to negative returns within the global passive equity portfolio, following the recovery up to 31 August 2020. The estimated funding level for the City of Westminster Pension Fund has increased slightly by 0.5% to 97.7% as at 30 June 2020 (97.2% at 31 March 2020). The funding level for Westminster City Council as an employer has also increased, with a funding level of 87% as at 30 June 2020 (86% at 31 March 2020), this is as a result of positive performance within the Fund.

18.2.2. <u>Asset Values</u>

The table below shows 12 months valuations to 30 September 2020.

	Oct-19 £m	Nov-19 £m	Dec-19 £m	Jan-20 £m	Feb-20 £m	Mar-20 £m	Apr-20 £m	May-20 £m	Jun-20 £m	Jul-20 £m	Aug-20 £m	Sep-20 £m
Market Value	1,495	1,525	1,545	1,546	1,481	1,320	1,425	1,487	1,527	1,556	1,612	1,595

18.3. <u>Pension Fund Cash Flow</u>

18.3.1. The balance on the Pension Fund bank account at the end of period 6 was £752k (£565k in period 5). Payments from the bank account will continue to exceed receipts on a monthly basis. During the year cash withdrawals from fund managers (LGIM passive fund) are expected to take place to maintain a positive cash balance. A total of £4m was withdrawn from fund managers over the quarter.

Total Receipts and Payments in the quarter to 30 September 2020 (£000)

	Bank Opening Bal £000	Jul-20 £000	Aug-20 £000	Sep-20 £000
Total Receipts		4,745	4,846	5,782
Total Payments		4,928	5,423	5,595
Net Cash Flow		-183	-578	187
Cumulative Bank Balance	**1,325**	**1,143**	**565**	**752**

18.4. Update on the London CIV (LCIV)

18.4.1. The value of Pension Fund investments managed by the London CIV at the end of period 6 was £472m (£470m in period 5). The LCIV holdings represents 30% of the pension fund investments of £1.595bn at 30 September 2020. A further £658m continues to benefit from reduced management fees, LGIM having reduced their fees to match those available through the LCIV.

18.5. Investment Strategy Review

18.5.1. As agreed at the Committee meeting in June 2020, fund manager interviews for a new active global equities' manager took place on 1 September 2020. The Committee explored the funds on offer at the London CIV alongside external fund manager offerings. A decision was made to appoint Morgan Stanley, via the LCIV, to manage their Global Sustain Active Equity fund. The fund seeks to provide a concentrated high-quality global portfolio of companies, however, excludes tobacco, alcohol, adult entertainment, gambling, civilian weapons, fossil fuels, and gas or electrical utilities. Funds will be transitioned from the Legal & General (LGIM) Global Passive Global mandate to finance the new active equity portfolio.

18.5.2. In addition to this, a decision was taken by the Committee to transition the remaining funds within the LGIM Global Passive into the LGIM Future World Fund. This fund will track the L&G ESG Global Markets Index, whereby an Environmental, Social and Governance (ESG) screening of companies takes place to remove those companies which do not meet the required ESG criteria e.g. oil and gas stocks.

City of Westminster

Audit and Performance Committee Report

Meeting or Decision Maker:	Audit and Performance Committee
Date:	2 December 2020
Classification:	General Release
Title:	2020/21 Quarter 2 Performance Report
Key Decision:	Review performance and challenge officers on the contents of the report
Report of:	Annelie Drabu and Sophie Shore, Strategy & Intelligence

1. Executive Summary

This performance report summarises the Council's performance and progress at the end of quarter two 2020/21. It incorporates a range of updates to performance indicators where possible to reflect the current operating context of the pandemic.

As well as covering performance indicators and risks by directorate, this performance report also includes an overview of key achievements and issues for the year to date. Furthermore, it includes risk status trends over multiple quarters, and an annex showing an updated list of projects and programmes that reflect the Council's City for All strategy and our response to the impacts of the pandemic.

2. Recommendations

- Committee to note the contents of the report, including the City for All update on page 2 and the appendix, and performance updates for quarter 2.
- Committee to indicate any areas where they require more information or clarification.

Quarter Two Performance Report – 2020/21

Background

1. City for All update

1.1 City for All is the overarching vision and strategy for the Council, which was launched in March 2020. It commits to an ambitious vision for creating a green, clean city, that has vibrant communities, and using the latest innovations to deliver smartly run services for the benefit of all who live in, work in and visit the city.

1.2 To ensure coherence and prioritisation towards reaching our vision and responding to the impact of the pandemic, the design and delivery of programmes will be benchmarked against three core principles. These principles are:

- Tackling the climate emergency;
- Addressing inequalities and ensuring inclusion;
- Continuously innovating.

1.3 Each programme has milestones and success measures so we can understand how we are progressing against our City for All vision and ensuring we are managing resources effectively as part of this.

1.4 A summary of key programmes and projects is included in the appendix of this report. Regular updates on progress against these programmes will be provided in future.

2. Covid-19 impact

2.1. The coronavirus is generally thought to have appeared in the UK around the end of January 2020. The virus has had devastating impacts on people's lives, their health and wellbeing and the economy.

2.2. In Westminster, a higher proportion of deaths attributed to Covid-19 were among people from a minority ethnic background, when compared to deaths due to other causes. Death rates are also higher in more deprived areas with the pattern mirrored, not exacerbated, by Covid-19.

2.3. During the pandemic, around 10,800 people in Westminster (or 33% of the over 65 population)1 were shielding (identified by the NHS) at the start of June, with a further 1,150 people (self-referred). These more at-risk or vulnerable residents were supported through Westminster Connects via a network of 2,700 volunteers, to reduce loneliness, provide food and medicine supplies and delivering meals to people's homes and operating deliveries from food banks

[1] Shielding residents could be adults of any age – but the substantial majority of shielded people were older people.

2.4. In the UK, GDP shrank by over 20%[2] in the first quarter of 2020. The overall costs to the local economy and Westminster based businesses are harder to gauge as Government actions to support businesses (with rate relief) and workers in jobs (through various schemes) mask some impacts. The extent to which recovery might occur depends on future policies that support businesses, pandemic related restrictions and the long-lasting nature of behaviour changes – e.g. to what extent will working from home be the new norm. Business in Westminster has been particularly hard hit because of the substantial number of businesses in the hospitality sector, impacted by lock downs, social distancing, the collapse in tourist numbers, and the non-return of workers back to central London offices.

2.5. Footfall data has been used in Westminster as a proxy for economic vitality for sectors dependent on customer volume. All big cities in the UK have seen worker returns to be very low, but London at 13% (in July) has been particularly hard hit. Some financial firms have brought very few people back to work (in July 2020, it is reported that only 5% of KPMG staff had returned to work). Ability to drive to work is cited as a major factor. Restrictions on overseas travel and uncertainty around safe travel have also reduced international tourism. In the West End as of 15 October, volumes of people are about 40% of the same period last year.

2.6. Economic impacts on residents are apparent through some key indicators: Rates for residents claiming workless benefits have increased significantly, especially for younger people and the over 50's. Overall claimant rates have moved from 2% to 5.5%, representing over 10,000 adults, though remain lower than London averages. In the most affected wards in Westminster, one in nine adults is now actively seeking work. Almost 30,000 residents in Westminster at the end of July were furloughed. The Council has designed two mentoring and employment support projects which will utilise Westminster Connect Volunteers and help the job prospects of residents. The first of the two new projects will be new employer-led training courses start in partnership with WAES, which have already commenced. The second project is Westminster Wheels, a training-to-employment programme for NEETs interested in careers as bike mechanics, for which a business case has been agreed. Throughout this period, Westminster Employment Service has continued to deliver its core business of supporting clients in need through regular welfare and check-in calls and at a time of increased levels of anxiety.

2.7. In response to the pandemic, housing services, working with charity partners, helped 266 people off the streets, into hotels and other accommodation, and provided 137,000 meals as well as clothing, medical supplies and other essential support. Over the period, 240 people were moved into long-term housing. During the summer months the numbers of rough sleepers started to rise from a low of around 140 in March (albeit with limited resources to count during the lockdown), to around 269 people noted in the last count. Figures are still lower than in the same period in 2019/20.

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2 https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/coronavirusandtheimpactonoutputintheukeconomy/june2020

2.8. The impacts on the housing market have also been significant with estate agencies reporting significant numbers of rentals coming onto the market in Central London as landlords moved out of the holiday/ short term let market. In Westminster, rents have fallen sharply with 2-bedroom flats down 13% (August 19 to August 20), whilst in London as a whole, rents have only fallen in the smallest properties. (Hometrack, October 2020). House prices have also fallen, although the smaller number of sales make data less reliable, except in the cheaper end of the market. Average prices are down 6% on the same period last year, lower quartile prices up by 5%.

2.9. Throughout the pandemic, Westminster has maintained a steady flow of communications using different channels and tailoring messages to different audiences. On-line resident surveys were conducted during the spring to ensure that residents felt adequately supported, and two business surveys have also been run to help us to understand how best to support businesses.

2.10. In recent months as a second surge of infections have threatened London, priorities have been to reinforce messaging to residents and businesses on current guidelines, helping businesses be Covid-19 secure/ compliant, expanding testing capacity, reforming a shielding function for vulnerable people in the community and ensuring that vulnerable people such as those in care settings and supported housing are kept as safe as possible, whilst enabling businesses, amenities and schools to stay open.

3. Strategic risks

3.1 The seven risks outlined below are considered to be of strategic significance as they could impact the sustainability and delivery of the Council's statutory and non-statutory services and operations. If these risks were realised, there could be serious legal, financial or reputational impacts to the Council. Each strategic risk is contextualised and detailed with existing mitigation measures provided by services across the Council.

3.2 Outbreak of infectious disease in Westminster (other than Covid-19) – Public Health

Infectious diseases such as influenza have the capacity to spread quickly amongst the population and novel strains have the potential to trigger a pandemic. There is also a heightened risk of increase in infectious diseases due to a low uptake of vaccinations. If these risks were realised, population health and wellbeing would be impacted, especially in high risk settings such hostels, care homes and schools, and NHS service demand would increase. The Public Health team monitors immunisation uptake quarterly, and quarterly updates are shared with GPs and CCGs to help with their monitoring activities and target areas of poor uptake. The Public Health team has built a separate tool to help GPs monitor immunisation uptake in their catchment areas. The Public Health team also has a communications plan in place to promote and encourage immunisations. As we head into the autumn, the current plan focuses on flu to help mitigate the risk of overwhelming the NHS during the second Covid-19 wave.

3.3 The Council fails to meet its safeguarding responsibilities for a child, young person or adult – Adult Social Care and Children's Services

Independent scrutiny is provided by the Local Safeguarding Children's Board and the Safeguarding Adults Executive Board to ensure robust policies are in place, drive improvement in practice and support the implementation of lessons from case reviews. We monitor our recruitment process and staff are asked to attend safeguarding training as part of their induction and ongoing professional development.

In the event of an incident, there would be a co-ordinated and multi-agency response to ensure appropriate and timely action is taken. Additional measures are also in place to protect and safeguard individuals. Community development, communications and public engagement workstreams are established to prevent potential incidents. Learning outcomes are also discussed with the London Resilience Forum to feed future action plans.

3.4 Loss of IT systems or data – Finance & Resources

Increased numbers of cyber-attacks, combined with the pressure to respond quickly to the emergency and the unprecedented rise in working from home (while data protection requirements remain unchanged) potentially increases the risk of unauthorised disclosure, data loss and wrongful use of personal data. Critical business systems could be taken offline leading to financial loss through ransomware or outages on revenue generating systems as well as data compromise, leading to Information Commissioners' Office (ICO) fines, putting vulnerable residents' dataries with associated reputational damage or the Council being unable to undertake business. To date, there is no increase in staff reporting data breaches since Covid-19. We continue to focus on improving system availability and reducing the risk of data loss. Improvements around information security and data breach management are being made, such as the full migration to Windows 10 and the design of new policies, with the support of our Data Protection Officer. Cybersecurity is also being improved via mandatory training completion and corporate guidance on data handling when working from home, whilst maintaining existing controls such as secure email.

3.5 Financial pressures resulting in an inability to fund services for resident, businesses and visitors – Finance and Resources

A range of wider market dynamics contributes to increasing financial pressures placed on the Council, including changing levels of service demand, the impacts of Covid-19, Brexit, and central government policy. These affect services across the Council in different ways; however, ultimately, they could impact service quality and delivery and therefore the residents and businesses, our overall financial position and reputation. The Medium-

Term Planning process is in place as a mitigating action to ensure the Council balances its budget and identifies savings that can be made

3.6 Failure of a major contract or an inability to secure alternative provision resulting in the Council being unable to provide services or meet its statutory obligations – Finance and Resources

The Council depends on a range of contracted partners to deliver its services. This supply chain could be disrupted by several factors such as the Covid-19 pandemic, Brexit, and the economic fallout and uncertainties arising. This could ultimately delay or disrupt critical services or service delivery, resulting in non-compliance of contractual obligations, non-compliance of legal obligations, financial loss or impact the Council's reputation.

The Council has the following control measures in place: Procurement Code, the Supply Chain Resilience Forum, Contract Management Framework, scrutiny of all new contracts worth more than £100k, performance monitoring, periodic financial checks/enhanced financial checks pre-and post-contract award, a contract segmentation now applied to all contracts (risk and value). The Procurement Code is being updated and the Procurement Governance Process has been improved.

3.7 A significant incident occurring in Westminster (e.g. weather event, fire, terror attack, etc.) – Environment and City Management

To help ensure Westminster's sustainability and resilience, we work closely with other local authorities, the emergency services and partner organisations. This coordination enables us to respond quickly if potential threats such as terrorism or extreme weather were realised. Terrorism Future controls are detailed within Prevent, Protect and Emergency Planning and Business Continuity. In addition to carrying out test exercises, the Council participates fully in Safer City, a pan-London annual exercise, and engages in partnership working with the Metropolitan Police Service. Flooding the Council follows the GLA's London Strategic Flood Framework and Environment Agency Guidance, the Serpentine Reservoir Inundation Plan, and it also has its own Westminster Plan for Major Emergencies, WCC Staff 10 Point Plan for Business Continuity, and test exercises. The Thames Barrier is also a major existing control against flood events.

3.8 The impact of Brexit on Council services and communities across Westminster – Growth, Planning and Housing

Britain left the EU on 31 January 2020 and entered a transition period during which HMG will be negotiating trade and other arrangements with the EU27, until 31 December 2020. The economic impact of Covid-19 will have an unknown impact on the progress of these negotiations and on the likely outcome of the trade and other negotiations. The impacts of Brexit are far-reaching and has an influence on many parts to the Council's service delivery and objectives both medium and long term. Central Government have not yet updated Local Government on planning assumptions, although the previous "reasonable worse-case scenario of 'No Deal" remains applicable to the current situation. The lack of financial mitigation from the Treasury may mean that there are further pressures on local government funding impacting on finances available to deliver services. Officers are monitoring the key issues that will impact Westminster. We will continue to develop our Business Continuity plans and specific 'Day 1 No-Deal Plans' for critical services, should the UK leave without a deal. We will also hold regular meetings with the WCC Brexit Strategic Board to mitigate risks.

Departmental Performance

1. Adult Social Care and Public Health

Achievements

Personal Protection Equipment (PPE) Supplies

- Regular supplies of PPE are available, and a good stockpile is now in place.
- A 3-month supply of PPE is available, ensuring availability through the winter months.
- All care providers know how to access the Council supply and are contacted daily to ensure this.

Care Home Support

- Since beginning of March 2020, providers are contacted every weekday and are asked about their current status with regards to their residents, staffing and PPE. These daily calls are still in place.
- Regular testing is in place for care homes. We are transitioning all our care homes onto the national platform. We have maintained a regime of testing staff every week and residents every four weeks in line with national guidance.
- Daily calls also collate detailed information on testing, results and other issues. This allows each setting to be proactively managed and targeted intervention to be swiftly actioned.

Opening Beachcroft

- All residents were moved in by 29 September 2020. Currently, 65 residents reside at Beachcroft. Continuity of care provision is in place. Infection control measures are also in place. Carlton Dean and Westmead care homes are closed with redevelopment plans in place for each site.

Issues

Increasing infection control rates across the population

There are concerns this will:

- Affect care homes where the most vulnerable residents reside;
- Put our vulnerable residents at risk;

- Impact on staffing levels and our ability to support people.

Suppressed demand

- There is concern that people who need care and support are currently not accessing it for fear of infection.
- Discharges from hospital are temporarily funded by the NHS but this will transfer to LA funding and create a cost pressure.
- The majority of day services are closed or operating on-line, so there is increased pressure on carers and individuals who are not accessing these services in the usual way.

Market fragility

- The number of small providers at risk who may exit a market that was vulnerable even before the pandemic.
- Both the Council and Central Government are providing funding to these services, but this support could reduce or stop.

Key performance indicators

The table below presents the latest cumulative outturns available for each KPI at the end of quarter 2 (July 2020 – September 2020).

Target range definitions	Minimum	The minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

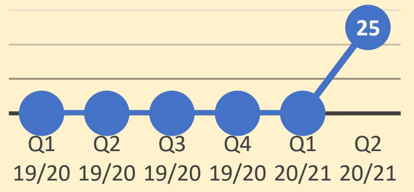
Key performance indicator	Q1 2020/21 position	2020/21 target ranges					Position at Q2	Target assessment	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			
1. Total number of new permanent admissions to residential/nursing care of people aged 65 years and over	25	105	➡	95	➡	85	45	Target on track	
2. Delayed transfers of care, acute days attributed to social care (cumulative)	Not available	1213	➡	1103	➡	1047	Not available		Data production has been suspended by the NHS in February to create capacity for the Covid-19 response. No restart date has been provided.

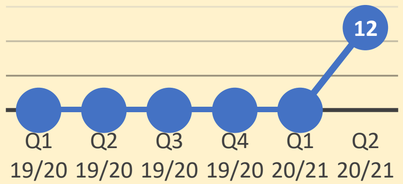
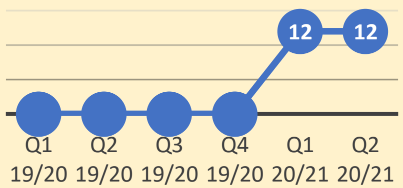
Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	Ideal	Aspirational	Position at Q2	Target assessment	Other contextual insight
3. % of carers (caring for an adult) who have received an assessment or review of their needs	29%	77%	87%	92%	**50.4%**	Target on track	
4. % of service users receiving an assessment/review	23%	80%	90%	95%	**43%**	Target on track	

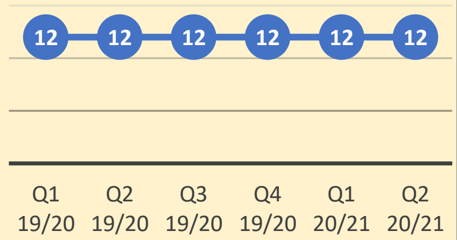
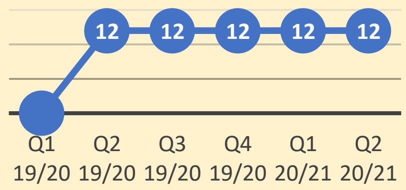
Key performance indicator	19/20 Position	Q1 2020/21 position	2020/21 target ranges: Minimum	Ideal	Aspirational	Position at Q2	Other contextual insight
The Public Health department and our Public Health commissioners have reviewed our current KPI list and are keen to make changes to ensure they effectively summarise our outcomes. This exercise will be completed in time for the quarter 3 submission. The quarter 2 submission will remain in the current format.							
5. % of children who receive a 2-2.5-year development review	68.5%	70%	65%	70%	75%	**70% (Q1)**	Q2 information will be available late November 2020. This is because these are externally commissioned services who provide results within agreed timeframes.
6. % of alcohol misusers in treatment, who successfully completed treatment and did not re-present within 6 months	36.92%	37.44%	30%	35%	40%	**37.44% (Q1)**	Results show people who completed treatment sometime in the 12 months of January to December 2019 and did not re-present in the six months following. The 2019/20 results are collected in October and will be available for publication in late November.
7. Community champions - number of residents reached through activity	15,090	21,663	10,000	12,000	14,000	**21,663 (Q1)**	Q2 information will be available late November 2020. This is because these are externally commissioned services who provide results within agreed timeframes. Much Community Champions delivery moved to online in response to Covid-19, with exercise, mindfulness, yoga, community conversations and choir generating substantial engagement.
8. % of opiate misusers in treatment, who successfully completed treatment and did not re-present within 6 months	6.3%	6%	5%	6%	Top Quartile	**6% (Q1)**	Results show people who completed treatment sometime in the 12 months of October 2018 to September 2019 and did not re-present in the six months following. The 2019/20 will be available at the end November. Top quartile for Q1 would be 6.4%.

Key performance indicator	19/20 Position	Q1 2020/21 position	2020/21 target ranges: Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Other contextual insight
9. Stop smoking services – number of 4 week quits	1,107	168	600	➡	800	➡	1,000	168 (Q1)	Q2 information will be available late November 2020. This is because these are externally commissioned services who provide results within agreed timeframes. Stop Smoking Service has quickly moved to remote delivery, all staff have rapidly adopted and reacted positively to all the changes and are confidently using all remote tools provided. Clients are supported through online platforms and on the phone. This change in delivery during Covid-19 has seen reduced numbers. Although it appears to be off track, given the changes to the service to operate during Covid-19, this will be monitored, and the targets made flexible to take into account these times.
10. Total sexual health screens undertaken through e-services	34,354	7,921	8,000	➡	9,000	➡	10,000	7,921 (Q1)	Q2 information will be available late November 2020. This is because these are externally commissioned services who provide results within agreed timeframes. Covid-19 has seen the escalation to online services. Online services activity increased by 40% across London during lockdown.
11. Screening positivity rate (% screens resulting in diagnosis)	2.59%	4.29%	5%	➡	4%	➡	3%	4.29% (Q1)	Q2 information will be available late November 2020. This is because these are externally commissioned services who provide results within agreed timeframes. This service was originally due to screen asymptomatic service users, however due to all service users being sent through the e-services, positivity rates have naturally increased, so although above the target rates, this is expected given the change in service to operate during Covid-19.

Top scoring risks

<table>
<tr><td>Q2 Score</td><td colspan="4">Risk</td></tr>
<tr><td rowspan="3">25</td><td colspan="3">Covid-19 Pandemic
Covid-19 pandemic poses a risk of mortality and morbidity for residents as well as significant economic, social and political disruption.</td><td>
</td></tr>
<tr><td>Impact</td><td colspan="3">There may be increased media interest around our response which could lead to reputational damage, and we may suffer financial losses. There is a particular concern about current capacity to test and therefore the ability to control the community transmission of the virus.</td></tr>
<tr><td>Existing controls</td><td>a) Outbreak Management:
• The outbreak management plan has been published on 30 June
• RBKC: https://www.rbkc.gov.uk/coronavirus-covid-19/council-services-and-disruption-updates/covid-19-testing-and-tracing
• WCC: https://www.westminster.gov.uk/test-and-trace
• Daily Covid-19 sitrep and outbreak management teams in place to support tactical response, using analytical products
• National concerns around testing capacity are reflected locally
• Public Health are working to the local emergence planning infrastructure (BECC, Silver and Gold command)
• Enforcement: Public health is working with police and environmental health services to ensure the "Rule of Six" is maintained.
• Protecting vulnerable groups: Public Health has set up outbreak management teams specifically focusing on housing, children and young people settings including schools, care homes, community settings and workplaces. Extensive preventative measures have been put in place alongside measures to mobilise should an outbreak or risk of outbreak arise. is currently working with the rough sleeper teams to reduce transmission and increase compliance within this cohort. Find and Treat has been commissioned along with a pathway into the Mild May.
• Second wave response has commenced using various modelling to identify additional actions that need to be taken in response to rising rates of infection.</td><td>Future controls</td><td>c) Business as usual/recovery planning:
• Business as usual has being impacted and non-essential programmes have been paused
• Recovery dashboard in place to monitor wider population impact and enable swift remedial action.
• Performance management arrangements enhanced to identify which statutory and non-statutory elements of the Public Health commissioning portfolio are being delivered.
• Wider impacts on physical and mental health of residents being monitored through health population monitoring.</td></tr>
</table>

Q2 Score	Risk			
		b) Operational Delivery: • Information governance arrangements in place with Public Health England to aid needs led local response. • Out of hours cover is in place for second wave. Gaps have been escalated for action. • Current agile working arrangements are reliant on IT infrastructure for remote working. • At 22 September 2020, testing capacity constraints currently have negatively impacted on our ability to understand true incidence and trends in London and do not accord with the epidemiology of the disease. It is highly probable that quoted rates are a significant underestimate of the true picture of Covid-19.		
16	**Extreme weather** Significant periods of hot weather, and prolonged periods of cold weather can lead to excess deaths and increased morbidity.			
	Impact	In England, there were an estimated 21,900 excess winter deaths in 2018 and 2019. Conversely, the heatwaves in the summer of 2019 resulted in almost 900 extra deaths, according to statistical analysis from Public Health England. If the situation worsens, it could lead to greater demand for ASC and NHS health services, which may be difficult to manage.		
	Existing controls	• National alert systems in place which Westminster City Council would respond to. • Heat health watch alerts are in place. • Local Health Protection plans outlines local response for both hot and cold weather. • Communications plan in place.	Future controls	Continue with existing controls and monitor.
12	**Immunisation uptake** Low uptake of vaccinations could see an increase in other infectious diseases. The Local Authority has an assurance function to manage this risk, NHS England are responsible for immunisation uptake.			

Q2 Score	Risk				
	Impact	Herd immunity to infectious diseases may be threatened.			
	Existing controls	• Communications plan in place • Uptake being monitored quarterly	Future controls	The health and wellbeing board oversees delivery of immunisation to ensure that our population has sufficient coverage	
12	**Reducing NHS/CCG funding** The CCG is looking for £10m savings over the next 5 years. There is a chance that this could impact on ASC and the local offer however the CCG have not set out how they plan on delivering the savings yet so we are unclear on what the direct impact would be.				
	Impact	Financial figure contributed to joint services, impact would be to fund the services ourselves or redesign the services at a lower cost.			
	Existing controls	• The establishment of the Joint Executive Board (JEB) to allow both the local authority and the CCG's to table any proposed changes to any funding arrangements. • This ensures effective governance and allows any potential impact to be examined as part of any funding change	Future controls	To be reviewed as the CCG makes its savings plans known	
12	**Health Protection (Pandemic Flu)** There is a risk of a flu pandemic which may impact residents and workers.				
	Impact	Impact include health of residents and workers, local economy Key controls in place include: * Health protection/ immunisation campaigns. * Encourage uptake of flu immunisation in front line staff of eligible age groups (immunocompromised, pregnant or with young children). * Ensure staff are aware of key flu messages.			

Q2 Score	Risk			
	Existing controls	Public Health have developed a Health Protection Protocol and supporting awareness raising sessions to ensure staff are equipped to respond in the event of an incident. The protocol includes planning for, responding to, and recovering from a pandemic.	Future controls	Public Health have developed a Health Protection Protocol and supporting awareness raising sessions to ensure staff are equipped to respond in the event of an incident. The protocol includes planning for, responding to, and recovering from a pandemic.

2. Children's Services

Achievements

Successful return of pupils to schools in WCC

In line with government and public health guidance, schools have put into place appropriate controls. This has included staggered start and finish times to the school day and the setting up of controlled 'bubbles' for teachers and class groups. The source for our attendance data is the DfE portal; schools upload attendance data to the portal daily. In terms of Westminster attendance data from Week 5 (5 October to 9 October), for primary schools the report shows a steady rate of attendance throughout the week, with a slight decrease on Thursday followed by a rise on Friday. The figures have increased compared to previous weeks with 92% at the end of the week. For WCC secondary schools, figures have shown an increase compared to the previous week, between 86-90%, compared to week 4 where the figures were between 84-86%. Figures decreased from Monday to Wednesday, but an increase was seen on Thursday followed by a decline on Friday. Westminster secondary schools were 87% by the end of the week and above the national average.

In order to get pupils back to school, schools were able to put into place strong recovery plans based on the guidance. Risk assessments and safety planning to be 'Covid-19 Secure' have been robust. Headteachers appreciated the support provided by the Council's health and safety team in reviewing risk assessments and plans. Schools were able to submit their plans and receive feedback on areas where the plans needed improving. Public Health colleagues also provided regular updates to the frequently asked questions on the control measures that schools needed to have in place. Individual enquiries from schools about situations were also attended to.

Data on attendance is obtained by the Council from the DfE online portal, which all schools are actively encouraged to complete. The education service has also established by exception reporting system. Schools with below 85% attendance are asked to provide details to the school standards team. Schools are then contacted by their lead adviser to discuss whole school attendance and the information is also shared with early help. Early help is working closely with all schools, supporting individual cases where there are concerns about attendance.

The early years and schools outbreak management team (OMT) process has worked well. It has allowed us to have "real-time" intelligence and be able to respond efficiently and collaboratively. Schools have been sent a unique organisation number (UON) by DHSC which they can use to order tests. Schools have been informed of this via the weekly schools' bulletin as well as through heads meetings which are attended by colleagues from Public Health. We have provided them with the link they need to request tests and these kits are supplied in boxes of 10, with one box per 1,000 pupils or students.

Strength of the Emotional Wellbeing and Mental Health Support Offer

It is widely acknowledged that Covid-19 is having a detrimental impact on the emotional wellbeing and mental health (EWMH) of many children and young people. Schools are playing a key part in supporting pupils to return to school and manage their wellbeing during this challenging period. Over the past couple of years there has been a key focus on developing and embedding a whole school approach to EWMH and this has meant that our school-based support offer has adapted well to meeting the evolving EWMH needs during the last six months. This has included the delivery of support and training to school staff focused on the resilience and wellbeing needs of children coming back to school after lockdown, including through specialist input from the education psychology service (webinars on transition, recovery and learning, various bespoke training focused on topics such as building resilience, dealing with loss and bereavement, and emotional coaching).

Mental health support teams (MHSTs) provide additional support in 43 schools/settings in WCC. The teams' tailored whole school offer in each school (focused on low to moderate mental health needs) has continued to evolve to meet presenting needs during lockdown. The support of these teams extends beyond pupils, to also include parents, teachers, headteachers and governors as part of a genuinely whole school approach to EWMH. We are aware of the significant impact Covid-19 is having on school staff. To support with this the school standards team commissioned a headteacher coaching circle, focused on supporting emotional wellbeing and providing the opportunity to reflect and learn from peers. In addition, the MHSTs are providing a variety of staff focused support.

Going forward, we will shortly be rolling out the DfE's wellbeing for education return initiative locally. This will take the form of delivery of additional training to school staff across the borough and an enhanced menu of EWMH school support that schools who don't have MHSTs can draw on.

Family navigators and the integration of services

The new role of the family navigator has been central to the integration of services that makes up the family hub and to a family's early access to services. The role was tested in Bessborough and has recently (April and May 2020) been extended to the hubs in the NE and NW. The skilled practitioners build bridges to and from local schools and GP practices, helping these providers support families into the services they need and then coordinating the network around a family. There has been significant interest in this role from other Local Authorities and departments in the Council. One of the current posts is funded fixed term as part of the “invest to save” process.

Since the role began the navigators have worked with over 170 families and more than 310 children and young people. The two most common reasons for referral have been housing issues and children with SEND. Approximately 50% of the families referred meet at least two of the wider troubled families criteria. From end of March till the end of June 2020, the Family Navigators undertook around 500 contacts per month with families. Currently the navigators are supporting schools by visiting families who are nervous about sending their children back to school because of Covid-19.

Issues

Increase in the prevalence of SEN and number of EHCPs

The prevalence of SEN (Special Educational Need) in England continues to rise, having reached 15.4% of all school pupils with 3.3% of all pupils now subject to EHCPs. The total number of EHCPs rose 10% during 2019. In London, the growth in SEND means that 3.5% of all pupils are now subject to an EHCP. In WCC although the growth in EHCP (8%) was below the national growth rate and the total (3.0%) is below the national and London averages, the prevalence of SEN in WCC schools is higher (15.5%) and at the start of the autumn term 2020 the number of EHCPs had reached 1249.

Recent referrals for assessment of pre-school aged children mirror the national spike in referrals due to Coronavirus. Although currently we can meet the statutory timescales in 100% of cases, an increase could mean that this is unsustainable. The further risk is that the level of growth between 2020 and 2021 reaches 15% and 10% thereafter. Changes would be needed to the role of Educational Psychology should this happen. Additional therapy services would need to be commissioned.
This level of growth would result in an additional 620 EHCPs by 2024 and would call for at least 120 new specialist places. Our commissioning plans for SEN provision are to develop additional in borough resources to meet the demand for places. There are capital and revenue implication of an increase in demand.

Increase in local gang-related activity

The pattern of gang activity has changed during the Covid-19 pandemic. The focus has returned to local areas and we have seen an increase in tensions between groups in WCC and the borders and in particular between Mozart and Lisson Grove Men (LGM). Sadly, in July we had three murders in 24 hours, all young adults known to our Integrated Gangs and Exploitation Unit (IGXU). Staff have since worked to create messages of de-escalation for our young people. Tensions remain quite high, however activity has lessened and the IGXU remains actively engaged in analysing intelligence and working to disrupt activity and promote young people's positive engagement in their communities.

The IGXU is supporting young people affected or exploited by gangs to exit this lifestyle through swift identification, one-to-one work, family work, group work, street work and community work. The team has an engagement rate of 70-80% and sees 60-70% of those seeking support with education, employment and training successfully placed in jobs or vocational courses.

Key Performance Indicators

The table below presents the latest cumulative outturns available for each KPI at the end of Quarter 2 (July 2020 – September 2020).

Target range definitions	Minimum	The minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum		Ideal		Aspirational	Position at Q2	Target assessment	Other contextual insight
1. % of Westminster schools judged to be outstanding by Ofsted	34%	27%	➡	32%	➡	37%	**34%**	Target on track	
2. % of Westminster's pupils who achieve 9 - 4 (A*-C) in English & Mathematics	75.2%	74%	➡	76%	➡	78%	**83%**	Target exceeded	This position is provisional as it's school reported data, as we haven't had access to individual pupil data yet.
3. % care leavers in education, training or employment (at age 19, 20, 21) (excluding those not in touch)	70.9%	50%	➡	60%	➡	80%	**69.5%**	Target on track	
4. Increased proportion of Education, Health and Care assessments which are completed within 20 weeks, excluding exceptions	100%	80%	➡	90%	➡	100%	**100%**	Target exceeded	Targets maintained due to the uncertain context currently and because demand for EHCPs is set to increase.

Key performance indicator	Q1 2020/21 position	2020/21 target ranges					Position at Q2	Target assessment	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			
5. % of children who reach expected levels for reading, writing and maths at the end of primary school	70%	58%	➡	68%	➡	73%	**70% (2019)**		69% reach expected levels for reading, writing and maths at the end of primary school in 2019 – there were no KS2 SATS in 2020.
6. % of children achieving a good level of development	71%	70%	➡	72%	➡	75%	**71% (2019)**		71% of children achieved a good level of development in 2019. There were no EYFSP assessments in 2020 due to Covid-19. This is a key target for Children's Services and this KPI was added at Q1 20/21.
7. % first time entrants to the criminal justice system	0.142%	tbc	➡	tbc	➡	tbc	**0.142% (September 2019)**		This measures the rate of First-time entrants [FTEs] to the Youth Justice System. FTEs are defined as young people aged 10-17 who receive their first substantive outcome. Rates per 100,000 are used by the Ministry of Justice for comparative purposes. In Westminster, the comparative rate of FTEs per 100,000 increased for the latest period to September 2019, from 131 to 142. This rate is below both the National average and the London averages. A good outcome would be to keep numbers low or reduce numbers of FTEs. We have no updated figure for first time entrants. After November 12th, we will be able to provide data for the year ending December 2019 (at present, the result is up to September 2019). This KPI was added at Q1 20/21 and target ranges will be provided when we have more up-to-date data.
8. 2% increase in real and virtual visits to libraries	-86.1%	1%	➡	2%	➡	3%	**-71.2%**	**Target off track**	

Service commentary: Due to the Covid-19 pandemic, all libraries were closed to the public in the first quarter, so we had no physical visits to the library. We opened to the public on 4 July but at reduced opening hours. The libraries are operating at 20% less per week than it was before pandemic.

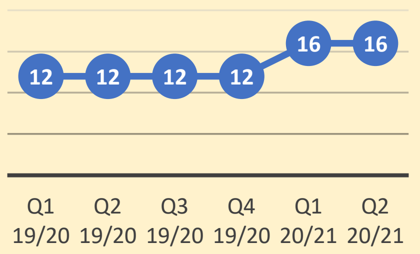
Mitigating action: During the lockdown, we provided a virtual service. Customers had access to e-resources such eBooks, eAudio eMagazines and eNews. Also, staff continued to provide events by recording videos of themselves reading books, doing crafts, poetry, language classes and story time. We are still providing the virtual offer making videos.

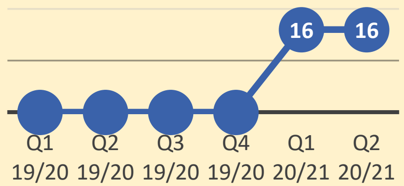
Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
9. % of satisfied users across the Libraries Services (City Survey)	Not applicable		➡		➡		Not applicable		These results come from the annual City Survey, so there are no results available for Q1 and Q2. The results from the survey will be available in December 2020.
10. % of appointments to register births available within 5 days of enquiry	57%	95%	➡	95%	➡	98%	75%	Target off track	Cumulative total (Q1+Q2) is 72%.

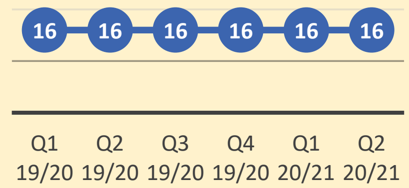
Service commentary: Birth registration service reduced to urgent need only from April to June 2020 due to Covid-19 resulting in the need to minimise face to face contact and non-essential travel. As a result, the service had a back log of approximately 1000 births to register when the service resumed at the beginning of July. This was cleared by mid-September, and the service is returning to normal capacity and appointment availability.

Mitigating action: We will maintain good appointment availability by daily monitoring of the number of appointments available vs births awaiting registration.

Top scoring risks

<table>
<tr><th>Q2 Score</th><th colspan="4">Risk</th></tr>
<tr><td rowspan="3">16</td><td colspan="3">Delivery of savings and service failure
Inability to deliver savings plans in required timescale as a result of C-19. There have been additional cost burdens on Children’s Services as a result of Covid-19. For instance, there have been cost pressures on our short breaks service because we have enhanced provision and we have sent laptops and ensured connectivity to vulnerable children.</td><td></td></tr>
<tr><td>Impact</td><td colspan="3">• Failure to meet the needs and expectations of our customers and politicians
• Failure to deliver a statutory service
• Failure to improve and/ or make changes within service
• Savings not realised</td></tr>
<tr><td>Existing controls</td><td>• Support senior managers to manage existing budgets effectively as well as identify future savings by ensuring that there is clarity around budget available and additional growth bids that had been agreed.
• Ensure current savings are on track and recovery plans are put in place</td><td>Future controls</td><td>We will continue to monitor our savings plans and Covid-related spend as lockdown eases and we begin the recover and re-enabling provision process. Recovery and re-enabling actions will be planned over one, three and six month timescales as above.</td></tr>
</table>

Q2 Score	Risk			
		• Financial reporting and performance reporting to become more closely linked to enable senior managers to derive insight into emerging trends to facilitate proactive responses to emerging risks. • Financial Planning process to become a three-year exercise with a focus on outcomes based budgeting to ensure effectively targeted resources to maximise efficiency without undermining quality. • Invest in technology where it is appropriate to facilitate a reduction in administrative tasks for front line staff allowing them to focus on outcomes for children and reducing placement expenditure. • Ensure full Impact Assessment of any savings proposals. • Effective planning for the delivery of savings. • Services are liaising with Finance Business Partners to ensure all Covid-19 related spend is mapped. We will continue to monitor our on-hold transformation projects to see when we might be able to re-start work as part of the recovery and re-enabling provision process. There may also be opportunities through this crisis to look at delivering services is new ways that might enable efficiencies.		
16	**High pressure on our short breaks SEND service** Provision of short breaks is a statutory duty. Increased referrals for short break services puts pressure on our team's capacity and on funding (some of which comes from our High Needs Block). We only get a very small amount of money for a portage worker from this in WCC.			
	Impact	It is known that supporting families early following the diagnosis enables families to cope better and could prevent the risk of families seeking residential support later.		
	Existing controls	• Due to the growing demand for short break places we have worked to create hubs and satellite services that provide access in north and south of the borough. Our Short Breaks menu has now been created and launched on the local offer website. We are currently looking at further developments to improve our youth and 0-5 offer across both boroughs. As a result of demand on the service we are currently bidding for additional funding to increase our capacity with the Short Breaks Team - as caseloads are expected to further increase in 2020.	Future controls	We will continue to monitor pressure on our short breaks service at our Strategic Implementation Group and CfA Board, as well as via our quarterly SEND SEF.

<table>
<tr><th>Q2 Score</th><th colspan="4">Risk</th></tr>
<tr><td rowspan="3">16</td><td colspan="3">School Budget Deficits
Schools with falling rolls and those with budget reductions of pupils are at risk of developing budget deficits.</td><td>
</td></tr>
<tr><td>Impact</td><td colspan="3">Schools funding is largely driven by pupil numbers and therefore those with falling rolls have reductions in their funding. 15 of the 52 mainstream schools will see a budget reduction in 2020-21 (compared to 2019-20) and all of these schools have a reduction in pupil numbers. There may also be a financial and reputational impact for the council with supporting maintained schools to put in place financial strategies. Other schools' budgets may be affected if schools in deficit are not able to repay their deficits.
If a school is unable to manage its deficit in line with prescribed financial regulations, a number of risks are posed to the Authority. There is a financial risk when a deficit passes to the Authority (i.e. the debt is transferred to the General Fund) if a school is academised following government intervention. Financial risk can also result from a school having to close as a result of continuing falling rolls making it unsustainable. School deficits currently total £1.696m however it is unlikely this would all fall to the Council, particularly as the majority of the schools have deficit recovery plans. The risk could be around £700k.</td></tr>
<tr><td>Existing controls</td><td>• The Westminster Schools' Forum, which includes Academy representatives decided on the school budget allocation formula for 2020/21 with the aim of keeping per pupil reductions to a minimum.
• The Council needs to ensure effective financial standards and processes are in all schools by continuing engagement via governing body workshops, schools forum papers and support and challenge sessions with individual schools.
• Schools with falling rolls of more than 5% could apply for an allocation from the falling rolls fund. The Schools' Forum agreed on the final allocations in March 2020.
• The schools finance team are working closely with schools with deficits
• Officers will continue to support and promote the development of joint arrangements between schools and are engaging with the relevant Dioceses in relation to Voluntary Aided Church schools.</td><td>Future controls</td><td>• Keep risk under review
• Continuing engagement with schools via workshops, schools forum papers and support and challenge sessions with individual schools</td></tr>
</table>

Q2 Score	Risk			
		• While Academies budgets are calculated via the Westminster school budget allocation formula they receive their funding from the Education & Skills Funding Agency (ESFA) and they are held accountable to the ESFA for their budget management and budget setting including deficits. Therefore, the Council's role and responsibilities in relation to Academies with deficits is limited. • Schools with deficits have agreed deficit recovery plans apart from two which are a work in progress and a further four which need to reduce their recovery period to less than four years.		

3. Environment and City Management

<u>Achievements</u>

The Female Gang and Exploitation Panel

The Female Gang & Exploitation Panel (FGXP) was created and the first panel was held, where four young females were discussed. Panels are held every six weeks with relevant professionals involved in case the panel is asked to attend a multi-agency discussion with standing panel members.

Clear actions were given in order to safeguard these vulnerable females, including ensuring transition into adult services for support, referral to IGXU, and early help and counselling services. Police shared intelligence which the panel used to assess risk, not just to the young females being discussed but also other young people/ vulnerable adults throughout the borough.

Reopening of leisure centres and maintenance works undertaken

As part of the community services commitment to Covid-19 recovery in our communities, the main construction works have started on site for the new Jubilee leisure centre, which includes 56 homes. Refurbishment works on Queen Mother pool was completed and re-opened to the public on 3 September. The new artificial 3G pitch at Lisson Green was completed on 28 September. Capital works continue at Paddington recreation ground, which includes a new 60m athletics track, new artificial 3G pitch for hockey and football use, new callisthenics equipment, new parkour area, new LED lighting, and the resurfacing of the athletics track and the hockey pitch.

Implementation of electric vehicle resident bays

To further encourage the take-up and use of electric vehicles (EVs) by our residents, we have introduced a number of dedicated EV resident bays, whereby permit holders are able to trickle charge their EVs from a lamp-column charging point adjacent to the bay. 26 bays have been installed city-wide and their use is being monitored with a view of rolling out more should they prove popular and successful.

This initiative is part of our EV Strategy and also aligns with City for All and the work surrounding the Council's Climate Emergency declaration.

Movement strategy

The Council's movement strategy responded to coming out of lockdown and aimed to support residents, workers and businesses. It was split into two phases:

- **Phase 1** focused on strategic walking and cycling routes, transport hubs and high streets to support the opening of non-essential retail (mid-June). Around 50 schemes were delivered that focused on footway widening to enable the public to have enough space to socially distance on the pavements and also the introduction of key cycle routes to enable people to travel safely and not have to use public transport.
- **Phase 2** focused on hospitality and supporting businesses by providing outdoor dining. Outdoor dining was provided on 80 streets through either timed closures or footway extensions. This element of the movement strategy has been very successful and many of the schemes have been extended until the end of October 2020.

Issues

Changes to legislation

The pace at which the changes to legislation are being made make it challenging to keep everyone internally and externally updated with the current 'rules' in the hospitality sector.

Leisure centre visits

Short term and long-term impacts of Covid-19 will be assessed across community services capital projects going forwards. Because of Covid-19 the knock-on effects of lifestyle changes such as adjusted work patterns, childcare and caring responsibilities has affected the number of leisure centre visits. This is an issue as the leisure centres are generating less income than before Covid-19. This reduced usage has impacts on our resident's levels of physical activity, health and mental well-being. However, despite these difficulties which are being assessed, it is important to ensure the Council's leisure centres are fully maintained, offer an excellent broad activity experience and are future proofed to take account of user preferences, needs and surrounding neighbourhoods. Continued capital investment in these leisure centres alongside the soon to be adopted - Built Facilities Strategy (BFS), will safeguard and promote leisure centre use via the Council's City Plan 2040.

Covid-19-related demand for free parking

The demand for free parking in light of the Covid-19 restrictions has been an issue that parking services has had to manage with sensitivity, agility, proportionality and common sense. It has been necessary to implement and manage a whole raft of parking disregards for key workers and to rationalise the free parking being granted as restrictions have then been lifted. This includes setting up a discounted payment scheme for non-frontline NHS staff no longer being granted free parking.

We have had to effectively communicate the need for parking enforcement to continue throughout the crisis and to ensure that our marshals are considered 'key workers'.

It has been necessary to work closely with our neighbouring authorities, other London boroughs, London Councils and the British parking association. We have had to continue to keep abreast of Governmental and industry guidance and interpret, amend and communicate operational policy at very short notice. We have also needed to continue with business as usual as best we can within this state of flux.

Key performance indicators

The table below presents the latest cumulative outturns available for each KPI at the end of Quarter 2 (July 2020 – September 2020).

Target range definitions	Minimum	The minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
1. % of urgent lighting defects made safe within agreed timescale	100%	95%	➡	98%	➡	100%	100%	Target exceeded	
2. % of carriageway and footway defects repaired or made safe within 24 hours	100%	95%	➡	98%	➡	100%	99.7%	Target on track	

Key performance indicator	Q1 2020/21 position	2020/21 target ranges					Position at Q2	Target assessment	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			
3. % of total licences issued within 28 days from the publication date of the Licensing Sub-Committee decision.	100%	70%	➡	80%	➡	90%	**100%**	Target exceeded	The Licensing Service has held numerous successful virtual Licensing Sub-Committee meetings since lockdown measures were imposed as a result of Covid-19. To support this process, it was agreed that a summary decision of the hearing would be produced and circulated to all parties within 5 working days after the hearing which the Licensing Service uses as its basis for issuing the licence. This more effective and efficient process has aided the Licensing Service in achieving its targets of issuing licences within 28 days.
4. To complete all high-risk food premises inspections (category A-B)	35%	100%	➡	100%	➡	100%	**68%**	**Target off track**	Until end of September, a total of 114 Cat A and B premises were due for inspection. In total, 78 Cat A and B premises have been inspected in Q2.

Service commentary: All food hygiene inspections were suspended due to Covid-19 since mid-March. In addition to 78 Cat A and B inspections completed between July and September, 151 Cat C, 19 Cat D and 202 newly registered food premises were completed in Q2. At present, inspections are more time consuming in the current situation, because very often they comprise of two stages, remote assessment of documentation and physical inspection in order to reduce time spend by the officer onsite.

Mitigating action: In June, inspections of newly registered premises resumed and in July other food premises categories, including Cat A and B.

Key performance indicator	Q1 2020/21 position	Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
5. Number of Houses of Multiple Occupation (HMOs) improved (buildings with more than one household including shared facilities)	9	50	➡	65	➡	75	**19**	**Target off track**	

Service commentary: These interventions are generally proactive in nature. The proactive inspection programme for HMOs was paused until August 2020 as this setting became higher risk, due to Covid-19. There were also 5 residential officers temporarily redeployed. Instructing improvements to HMOs, particularly section 257 HMOs, can be a lengthy process, with 6-12 months often provided for compliance for larger fire safety/improvement works. There will likely be a continued lag of improvements recorded due to the pause of the inspection programme. During Q1/Q2, resource has been used to provide support and advise the HMO sector as a result of Covid-19.

Mitigating action: Proactive inspection work has recommenced in line with government guidance. Proactive allocations have been made to residential officers. Residential officers have been trained and are assisting both in outbreak/confirmed case situations as well as continuing to provide advice and support.

Key performance indicator	Q1 2020/21 position	Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
6. Number of hazards removed from residential dwellings which pose a serious and immediate threat to people's health or safety	44	300	➡	375	➡	450	**126**	**Target off track**	

Key performance indicator	Q1 2020/21 position	2020/21 target ranges					Position at Q2	Target assessment	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			

Service commentary: Property inspections were paused for 3 months, and 5 officers have been temporarily re-deployed. Because of this, it is anticipated that the full year figure will be a quarter behind than originally expected. Therefore, the target range has been lowered for this quarter. It is only possible to register the removal of a category 1 hazard after a House Health & Safety Rating System inspection of a property has taken place. Residential officers have however been addressing many issues remotely during this pause, handling over 700 complaints about private rented sector conditions to date. It is recognised that other issues may have been missed where an officer has been unable to visit a property, so it is expected complaints will increase over the coming months, with close to 150 received in September alone. October and November are traditionally busy months and a combination of factors such as an end to tenancy protection, continued home working, as well as the introduction of new regulations (electrical safety and energy efficiency) may increase reactive caseloads further.

Mitigating action: Inspections have now resumed and enforcement action to improve sub-standard properties should now pick up again over the coming months. However, this is dependent on how Covid-19 progresses.

7. % of licensed premises that are safe and well managed following a single inspection (Covid-19-secure)	0%	80%	➡	90%	➡	100%	**80%**	Minimum standard met	

Service commentary: As a result of Covid-19, the hospitality sector was required to close. Although a number of premises have re-opened, City Inspectors are primarily engaged in enforcing the Covid-19 regulations rather than carrying out routine inspections. Due to this, the KPI was no longer representative of the work being undertaken by the City Inspectors and has therefore been adjusted.

Mitigating action: This KPI has been amended to reflect the % of licensed premises that are compliant with Covid-19 regulations following a single inspection. The minimum standard is set at 80%. Records of the number of Covid-19 interventions and prohibition notices served can be provided on a monthly basis.

8. Number of vulnerable residents supported to continue living in their homes	67	400	➡	500	➡	600	**252**	**Target off track**	

Service commentary: The Home improvements Agency are now completing adaptation work such as level access showers in homes of vulnerable residents and we have paid over £400,000 in grant funding. Assuming this will continue without any further lockdown, we are working towards meeting the grant spend budget. We have almost £1.1 million in approval and these cases are our priority.

Mitigating action: The Handyperson Service is now fully operational after lockdown with our 2 handypersons working full time supporting our older vulnerable residents in their own home.

9. % of women accessing specialist domestic abuse services who report a reduction in abuse	97%	75%	➡	75%	➡	80%	**98%**	Target exceeded	
10. Total participation in Council sports, leisure and wellbeing activities	543,977 (53% of projected pre-Covid-19 target for Q1)	3.5m	➡	3.7m	➡	3.8m (annually)	**699,106** (68% of projected pre-Covid-19 target for Q2)	**Target off track**	Indoor leisure facilities reopened on 1 August, meaning facilities were used for two out of the three Q2 months. Community Services have chosen not to amend these targets.

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight

Service commentary: The global leisure industry is not expected to meet pre-Covid-19 levels but attempt to slowly build on the growing confidence of users. Usage of leisure centres is increasing monthly and is expected to further increase. Q2 Paddington recreation ground usage has decreased since Q1 (possibly weather related) but is now comparable to the same time period in 2019-20. At the end of Q2, the total usage to date is 1,243,038 (30% of the total pre-Covid-19 yearly target).

Mitigating action: Membership offers and communications, as well as social media and PR around safe use has been deployed. As the sites are operating at reduced capacity to meet the Covid-19 guidelines, it's unlikely that we will meet the full targets. There is a digital offering via OpenActive on the ActiveWestminster website. Please note that we cannot fully capture the participation numbers of digital sessions, therefore, this does not mitigate the numbers but potentially mitigates the service offering to residents/customers, etc.

Key performance indicator	Q1 2020/21 position	Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
11. Ensuring parking compliance across the City is over 97%	Not available	97%	➡	98%	➡	99%	**Not applicable** (this is a bi-annual report)		Due to the Covid-19 lockdown, the bi-annual compliance survey was not carried out in Q1 2020/21, it is now due to be completed in Q3.
12. Availability of residents parking in Westminster (Ratio of residential permits issued against parking bays available on the street)	90%	85%	➡	90%	➡	95%	**87%**	Minimum standard met	Due to the implementation of the Covid-19 Movement Strategy, some residents/shared use bays have been suspended for social distancing measures. This has resulted in a drop in availability, although there has also been an increase in the number of residents permits on issue during Quarter 2.
13. % of streets in Westminster that pass the street score survey for litter	96%	98%	➡	98%	➡	98%	**94%**	**Target off track**	

Service commentary: Litter has seen a sharp rise in failing results, with high obstruction & medium obstruction housing being the worst performing land use type. This seems logical, as cars haven't been moving as much in lockdown, so wind-blown litter will have collected under and around cars. We have also been operating only 90% sweeping resource since the start of the pandemic.

Mitigating action: Sweepers have been reminded to pay attention to detail work around cars.

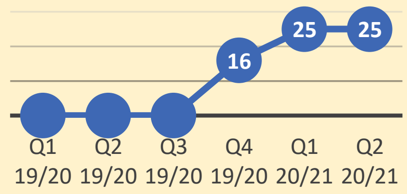
Key performance indicator	Q1 2020/21 position	Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
14. % of visits to Sayers Croft services compared with 2019/2020	72% 9 visitors	32	➡	2,037	➡	3,000	**88%** **1,793 visitors**	Minimum standard met	

Service commentary: Visitor numbers were impacted due to service closure during the wider lockdown and government restrictions on school residentials/group numbers.

Mitigating action: 25,500 (pre-Covid-19) was not realistic in 20/21. We are focusing on services that can be delivered under the current restrictions, adapting services to deliver day visits and camping opportunities for families. First quarter target that could be met was 32 visitors - this was due to the camping restrictions being raised within one week of the end of the first quarter, and the target set as the maximum bookings we could take with distancing measures in place that week. Target raised to 2037 maximum bookings under government restrictions for Q2. Residential bookings are in place from January, ready for a potential opening following expected guidance change to be confirmed in November. The target will be amended when restrictions allow more services.

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum		Ideal		Aspirational	Position at Q2	Target assessment	Other contextual insight
15. Number of emergency planning exercises completed	0	6	➡	7	➡	10	8	Target on track	Existing emergency planning exercises and those relating to large scale events have almost all been cancelled as a result of the pandemic focus of emergency planning teams in all agencies. A series of outbreak control exercises have been held.

Top scoring risks

Q2 Score	Risk			
25	**Covid-19 Pandemic** Novel coronavirus (Covid-19) is a new strain of coronavirus first identified in Wuhan City, China at the end of 2019. Generally, the coronavirus can cause more severe symptoms in people with weakened immune systems, older people, and those with long-term conditions like diabetes, cancer and COPD (chronic obstructive pulmonary disease). As of 28th September 2020, a total of 20,304,308 have been tested in the UK, of which 1,175 were confirmed as positive within Westminster. 132 patients who tested positive for Covid-19 in Westminster have died.	 		
	Impact	The virus has the capacity to speed quickly amongst the population. The current case fatality rate is estimated to be around 1% with higher fatality rates seen in older age groups and those with underlying health conditions. Wave 1 saw a disproportionate impact on black and minority ethnic communities and in more deprived communities. The worst-case scenario is that 80% of the population will be infected with the virus. The government is advising that up to a fifth of the workforce may be off sick during the peak of an epidemic in the UK. Whilst in many ways better prepared for a second wave with many processes established to maintain pandemic responses and business as usual activity, this should be considered in the context of a workforce and community already fatigued and less resilient.		
	Existing controls	• The Council has been monitoring cases and ensuring we are prepared. Following government advice, there is a resurgence of the virus with many parts of London and the UK experiencing a 'second wave' of positive cases Governance arrangements are continuing, and the WCC Strategic Group is meeting weekly to co-ordinate activity. This arrangement will be revised as the scale and impact of a second wave changes	Future controls	• Planning for phase 2 outbreak management/test & trace. Service escalation plans in response to escalating infection rates. • FAQs and HR processes in place to support staff and continue to deliver core services. • WCC Outbreak Management Plan, review and updates to Dept BC Pandemic Plans, review activity during phase 1 of the outbreak. • Local or Regional lockdown control measures available.

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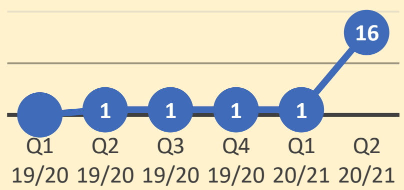
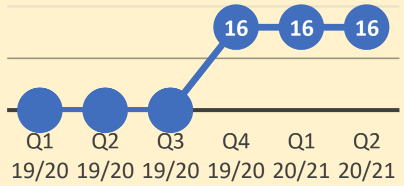
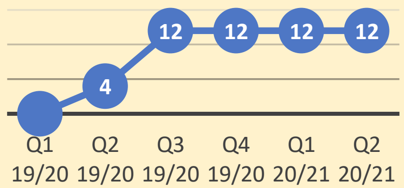
Q2 Score	Risk			
		• Service areas have been asked to review their business continuity plans in the event of a 'second wave', focussing on service delivery of their statutory and essential services. This should include contingencies for redeployment of staff as were seen in Wave 1. • Generic risk assessment for WCC colleagues has been developed both for office based and front-line staff. Control measures have been implemented as appropriate. • Pan-London Governance arrangements have been stepped up with a London wide SCG is coordinating activity across London. A Tactical Delivery Group is taking place weekly with all directorates in attendance. This group is coordinating responses to business continuity, staff health and safety, human resource guidance alongside the impact on service delivery and vulnerable groups. • Testing facilities have been set up in Hyde Park, with further testing facilities set up in Church St and Paddington Rec and being developed in other areas.. Additionally an extra testing facility location in the south of the borough is also evaluated to be set up. Consideration is being given to local contact tracing.		
16	**Mayor's Office for Policing and Crime (MOPAC) funding being withdrawn and/or significantly reduced** There is a risk that MOPAC funding is withdrawn and/or significantly reduced			
	Impact	MOPAC funding currently provides support to a number of projects including support to victims of domestic violence, violence against women and girls, preventing reoffending and support for the integrated gangs unit. Withdrawing funding could have a significant impact on vulnerable victims and structures for delivering link services. Situation remains unclear post March 2021 as to London Crime Prevention Fund (LCPF) and VTF funding. Update from MOPAC anticipated in Autumn 2020. Relates to significant amounts of funding to Integrated Gangs and Exploitation Unit and commissioning domestic abuse services. Continuation of work without funding would impact Public Protection & Licensing and CS salary budgets.		
	Existing controls	Keeping in touch with MOPAC and awaiting updates	Future controls	Unable to put in future controls until we have had further discussions with MOPAC

Q2 Score	Risk				
16	**Continued decline in demand for Paid for Parking and Permits** There is a risk that the Council experiences continued decline in demand for Paid for Parking and Permits				
	Impact	A decline in revenue across the majority of parking income streams is expected this financial year resulting in a net risk of £2.1m to the Parking Service budget.			
	Existing controls	Full city-wide rollout of Diesel Surcharge in 2019/20 Q2 and surplus revenue generated from suspensions has helped mitigate the current deficit. Charging increases via the 2020 Corporate Fees & Charges Review should also have a positive effect.	Future controls	A number of commercial opportunities investigated in order to help mitigate the expected deficit across various income streams	
[redacted]	[redacted]				
	Impact	[redacted]			
	Existing controls	[redacted]	Future controls	[redacted]	

<table>
<tr><th>Q2 Score</th><th colspan="4">Risk</th></tr>
<tr><td></td><td></td><td>[redacted]</td><td></td><td></td></tr>
<tr><td rowspan="3">16</td><td colspan="3">Reduction in income and grant funding across Environment and City Management

There is a risk that the Council experiences reduction in income and grant funding across Environment and City Management</td><td>
</td></tr>
<tr><td>Impact</td><td colspan="3">Reduced numbers visiting London has impacting on parking income and the lockdown has resulted in a reduction in income relating to commercial waste and Licensing income.</td></tr>
<tr><td>Existing controls</td><td>Within ECM there is a budget level of income of circa £140m to offset cost of service provision. There continues to be a risk that the level of income and grant could reduce due to Brexit and potential downturn in the economic environment. We are currently experiencing reductions in parking, road management, commercial waste and Licensing income. Commercial opportunities are being considered to mitigate the expected deficit across various income streams.</td><td>Future controls</td><td>Monthly ECM budget challenge monitors income and agrees strategies to reduce spend and increase income to mitigate any shortfall.</td></tr>
</table>

4. Finance and Resources

<u>**Achievements**</u>

Cavendish Square Regeneration

Plans have been approved to transform the Council's freehold of the subterranean car park at Cavendish Square into a mixed-use destination in the heart of the West End and create one of London's premier public spaces. The scheme will deliver specialist facilities for London's private healthcare sector, which has doubled in size in ten years and with demand surging further in the current climate.

The development will total 280,000ft² across four storeys below ground level, with glazed lanterns at street level, light wells and internal atria drawing natural light to the floors below. Cavendish Square London will be one of the West End's largest ever developments, with floors of up to 80,000ft² and floor to ceiling heights of up to 8m.

Emergency Payments

- The treasury team have been able to ensure liquidity has been present at all times for emergency payments. During lockdown and beyond, the treasury team has not missed a single emergency transaction.
- Longer local authority deal accruals mean the Council is not feeling the full effect of very short-term interest rates.
- Previously arranged forward loans have resulted in the absence of cost of carry in debt portfolio.
- Longer term loans (LGA, WHIL) will continue to perform and cushion the very low investment return to some extent.

Grant Payments

WCC were the first local authority to complete all grant payments that were initially identified to support our eligible businesses. A discretionary grant fund for businesses was created within 72 hours and we have successfully made 492 payments of 10,000 to those in shared work spaces, market traders, bed and breakfasts and charities (that would have been eligible for small business rate relief). The new interface to create recurring invoices for the street traders (licensing) team is up and running and we have successfully run the second file. This is a new "interface" since SAP go live and is a concession by the IBC that will pave the way for other future similar developments. A further payment module is currently in development for the Highways team to address the current PO/ invoice issues. The rollout of the new Agent Referred Payments (ARP) system continues, with the contact centre fully operational. Other service areas coming live shortly are Veolia and housing contact centre and colleagues. The ARP rollout is crucial for the Council's compliance with credit card handling regulation and is being delivered jointly between our team and Blue Planet, our IM support providers. Debt recovery has resumed for all customer groups, we will be liaising with service area

S/FMs to discuss strategies to address areas of high debt. Most importantly, the team continue to keep critical office-bound AR functions going through Covid-19 by working in pairs in the office two days each week.

Issues

Financial impact

The financial impact of the Covid-19 restrictions on the economy of Westminster is impacting on the fees, charges and commercial income collected by the Council, both in the short and medium term. Debt collection is impacted for NNDR, Council tax, tenants' rent and sundry income. Additional costs are being incurred and savings initiatives will not all be deliverable. Government grants to compensate the Council will not cover all of these. There will be a longer-term detriment from reduced commercial income as businesses in Westminster do not survive the crisis.

Impact is being modelled based on a set of assumptions, but it is clearly an unpredictable situation in terms of government restrictions, duration of impact and level to which activity post-Covid-19 will recover. This will vary by industry sector with hospitality and leisure likely to be hit hard.

Renegotiation of contacts to be expected for outdoor media advertising, leisure contract, but a need to protect ongoing viability of both contractor and Council revenues. Concessions offered to a number of licence holders to defer payment and waive some fees in the short term. Government lobbying and monthly returns to clarify the financial impact on Council. Ultimately reserves can be used to mitigate losses, but this is not a long-term solution.

The Council has limited ability to influence the economic recovery and timeframe on this but is focused on the recovery and renewal of both the Council internally and enabling activity in the borough to recover as quickly and safely as possible. Progress in income recovery will continue to be monitored closely and forecasts will be revised in accordance with actual activity data as it comes to light. The Council have also submitted their first return as part of the income reimbursement scheme and further returns will be submitted during the financial year which will further mitigate income losses.

Covid-19 second wave

Depleting cash reserves and urgent payments could once again accelerate should the Covid-19 impact with a second spike, it may also impact future asset valuations in the pension fund, impacting investment returns and funding levels.

Incorrect or inappropriate strategies could lead to pressure on making treasury funds available when needed. Reduced funding levels could impact future employer contribution rates to be assessed at the 2022 actuarial valuation.

Planning and engagement with internal and external partners will minimise unexpected fluctuations in cashflow. Asset values could have recovered sufficiently by the time of the next actuarial valuation.

IT capacity
There is a need to accelerate the pace of delivery of IT enabled service transformation to match the needs of services and residents. This is the top priority for IT. A multi-faceted delivery acceleration plan is co-ordinating and driving a number of improvement initiatives. Other key mitigations include:

- **IT delivery partners framework** - contract award planned 2021 Q1 to enable rapid and flexible purchase of leading-edge digital skills to deliver transformation.
- The **agile movement** to adopt the Government digital service principles for more rapid, flexible, user centric design and delivery.
- Strengthened **IT business partnering** and close partnership with the customer experience and digital programme under a new chief digital and innovation officer.

Key performance indicators

The table below presents the latest cumulative outturns available for each KPI at the end of Quarter 2 (July 2020 – September 2020).

Target range definitions	Minimum	The minimum level for the KPI that will still allow the service to deliver
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	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	Ideal	Aspirational	Position at Q2	Target assessment	Other contextual insight
1. Number of days taken to collect debt	63.68 days (June P3)	71 to 90 days	61 to 70 days	1 to 60 days	72.27 days (Sep P6)	Minimum standard met	

Service commentary: Debtor days increased substantially from 47.82 days in P5 to 72.27 in P6. The largest contributor to the increase relates to £6,413m in Better Care Fund invoices raised to NHS Central and West London for Q1 & Q2 at end of September 2020. Invoices were delayed as some elements of the plan had yet to be agreed and were raised in P6.

Mitigating action: The fluctuation in this result is often out of our control. At certain times of the year, there may be a large number of invoices raised which would increase the debtor days for payment at that time. Though the result at Q2 has risen, we expect the results throughout the year to remain between 1 – 90 days.

2. Debt position 90-day change	£19,183m (June P3)	90 to 180 days 18% decrease	181 to 365 days 4% increase	>365 days 11% decrease	£19,273 (0.46% Increase)	Target on track	Debts aged 90 to 180 & >365 days decreased compared to the same period in P5 but dents aged 181 to 365 days increased. The total increase was £13,636m to £19,273m across all debts. Given that our average debtor days are 73, we would

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Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum		2020/21 target ranges: Ideal		2020/21 target ranges: Aspirational	Position at Q2	Target assessment	Other contextual insight
									expect invoices in 0 to 29, 30 to 59 and 60 to 89 to be paid within the time frame. Anything not paid will start to fall into 90 to 180, which is where our KPIs identify performance. A large proportion of the aged debt in the 181 to 365 period relates to £827k split over two invoices to NHS Central London which have now become over six months. The invoices are for Facility Management and capital works relating to prior years and currently part of an ongoing dispute with the NHS. The decision to suspend all debt recovery was made in mid-March 2020 and extended until June, with some services areas extended to July. The IBC and WCC central debt management team recommenced recovery action as of June and continue to follow up of the aged debt from the suspended period. £1,892m in multiple invoices outstanding for Sports and Leisure Management Ltd for Leisure Contract Management Fees, with discussions ongoing on recovery actions. £955k over a year old, owed from for Schools under a deficit recovery plan is being paid via instalments, agreed by Children's Services.
3. Variance between budget and full year forecast	£50-60m	On budget	➡	< £5m underspent	➡	As per ideal	£50-60m (FY Forecast P6)	Target off track	The year to date variance is due to financial pressures arising from the pandemic.

Service commentary: The biggest impact of the pandemic on the Council's finances is resulting from income reductions. The variance to date is £28.4m. The expenditure variance to date is £8m.

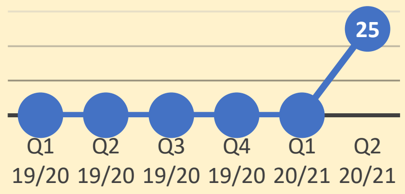
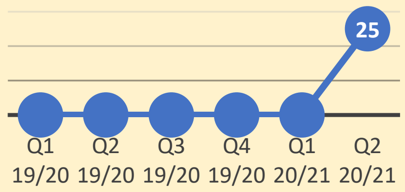
Mitigating action: Income variances mainly relate to parking, commercial waste and city promotions events and filming reductions in income due to Covid-19 which have been affected by the pandemic. The net figure of £13.228m is inclusive of the first four tranches of Covid-19 emergency funding and the Council's first return for the income reimbursement scheme of £7.4m. It is estimated, based on current assumptions the Council will claim a total of £15-20m from the income reimbursement scheme.

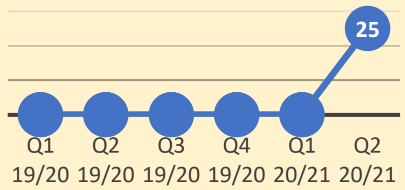
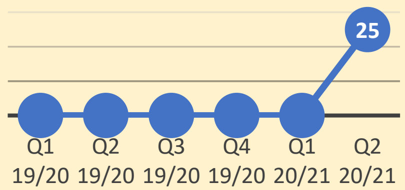
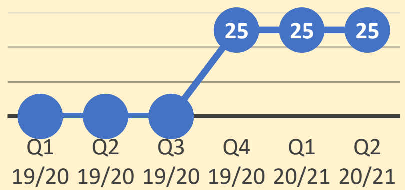
Key performance indicator	Q1 2020/21 position	Minimum		Ideal		Aspirational	Position at Q2	Target assessment	Other contextual insight
4. Variance between capital budget and FY forecast	£73.722m	On budget based on forecast	➡	On budget based on forecast	➡	On budget based on forecast	**£100,655m**	Target off track	Circa £37m variance attributable to delays resulting from Covid-19 lockdown.

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	Ideal	Aspirational	Position at Q2	Target assessment	Other contextual insight
Service commentary: A number of projects have been delayed due to the pandemic, start dates have been pushed back to 2021/22. **Mitigating action:** Project managers will continue to monitor and review projects and where there are Covid-19 related delays the forecast will reflect this. Project expenditure will be reprofiled to recognise that a significant part of planned expenditure will be deferred and projected expenditure in year will not be feasible.							
5. Percentage of Council tax collected	62.14%	95%	96.5%	99%	£46,388,849 (42.7%)	Target off track	The collectable balance is £108,562,319, the amount collected is £62,173,470 and the amount outstanding is £46,388,849.
Service commentary: As reported in previous months, the collection of Council tax has been severely impacted by the Covid-19 outbreak as residents face an uncertain financial situation. **Mitigating action:** Once the Covid-19 restrictions have been lifted, the collection rate should return to its original position.							
6. Percentage of business rates collected	59.56%	96%	98.5%	100%	£720,296,103 (50.1%)	Target off track	The collectable balance is £1,435,167,402, the amount collected is £714,871,298 and the amount outstanding is £720,296,103.
Service commentary: As reported in previous months, the collection of business rates has been severely impacted by the Covid-19 outbreak as businesses face an uncertain financial situation. **Mitigating action:** Once the Covid-19 restrictions have been lifted, the collection rate should return to its original position.							
7. Percentage of stage 2 responses signed by Chief Executive with no need to return	98% (1/41)	95%	98%	100%	98% (1/38)	Target on track	
8. Number of major business impact priority 1 incidents per quarter (could affect more than 100 people)	3	22	18	12	5 (2 as per Q2)	Target on track	
9. Significant incident attracting fines under new GDPR legislation such as Information Commissioner intervention regarding handling of data protection	0	3	1	0	0	Target on track	
10. Less than 4% calls abandoned (Agilisys)	3.8%	<5%	<5%	<4%	9%	Target off track	
Service commentary: The calls abandoned for Q2 July – September was 9%. This is higher than usual for this quarter as Council services started to re-open with increased volumes and backlogs, also whilst maintaining Covid-19 support for Westminster Connects. **Mitigating action:** Call volumes are being closely monitored.							
11. Number of high-risk incidents reported to the ICO	NEW KPI	0	0	0	0	Target on track	

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum		2020/21 target ranges: Ideal		2020/21 target ranges: Aspirational	Position at Q2	Target assessment	Other contextual insight
12. Percentage of staff who have completed mandatory data protection & cyber security online training per year	NEW KPI	70%	➡	90%	➡	95%	59%	Target on track	

Top scoring risks

<table>
<tr><th>Q2 Score</th><th colspan="4">Risk</th></tr>
<tr><td rowspan="3">25</td><td colspan="4">Covid-19 (Operational)
The government has placed upon employers and service providers a statutory responsibility to provide a Covid-19 secure environment in which to work or receive services.

</td></tr>
<tr><td>Impact</td><td colspan="3">Failure to do so places at risk the health of colleagues and service users some of these are classified as vulnerable people. This in addition carries reputational, financial and legal risk particularly if the Health and Safety Executive deem us to have breached our responsibilities.</td></tr>
<tr><td>Existing controls</td><td>Measures have been put in place to create a Covid-19 secure workplace or place to receive services including where appropriate putting in place additional measure to protect vulnerable service users. Focusing resources where there is a need e.g. deep cleaning in the case of reported Covid-19 cases.</td><td>Future controls</td><td>Measures are reviewed regularly to ensure that we are compliant and continue to be compliant in the face of changing scientific advice and government guidance and regulations.</td></tr>
<tr><td rowspan="3">25</td><td colspan="4">Covid-19 Investment Property
Loss of income resulting from the impact of Covid-19 on tenants who may not be able to generate sufficient income to continue trading

</td></tr>
<tr><td>Impact</td><td colspan="3">This may necessitate further rent-free periods or increases in bad debt provision. Where businesses go out of business the City Council then are responsibility for the property costs e.g. NNDR, utilities, repairs and maintenance and insurance, etc.</td></tr>
<tr><td>Existing controls</td><td>The first quarters rents were waived for certain businesses that were impacted on by the lockdown e.g. hospitality, health, beauty and non-essential retail. Other support is considered on a case by case basis.</td><td>Future controls</td><td>This will be reviewed with Members/ PIP to identify what is appropriate to support businesses and our own income streams. Where businesses terminate their lease or go out of business, we may be able to realise some of the lost income e.g. from any deposits.</td></tr>
</table>

Q2 Score	Risk				
25	**Brexit Supply Chain** A disorderly Brexit could have a significant impact on the service in relation to current supply chains and procuring parts required for property maintenance.				
	Impact	A large proportion of building, mechanical, electrical and plumbing components, parts, mechanisms and assets are sourced from the European Community, any barriers or tariffs could result in delays in carrying out repairs, maintenance and replacement and increasing the cost of components spare parts and the replacement of assets.			
	Existing controls	Ensuring where appropriate spare parts are stocked that might be impacted by a hard close to mitigate the risk of delays and increased costs working closely with Bouygues. Ensuring that there is sufficient knowledge of the alternatives including from within the UK and those Countries where Free trade arrangements exist.	Future controls	The Council may deem it appropriate to replace assets such as heating and lifts coming toward the end of their economic life to mitigate some of the risk from replacing systems after Brexit. Develop knowledge of suppliers of parts.	
25	**MTP Savings linked to income growth linked to acquisitions and rent review** As part of the MTP savings, income was to be increased by rent reviews, this is unlikely to materialise given Covid-19 effect on businesses.				
	Impact	The current situation with Covid-19 makes it difficult to grow income from rent review it also increases the risks associated with acquisitions. This means that it may not be possible to grow income to meet the MTP savings target of £0.65m			
	Existing controls	Continuing to negotiate with tenants where there is an outstanding rent review in order to generate additional income whilst also protecting existing income streams.	Future controls	The service will continue see what opportunities exist for acquisitions as businesses may be seeking to address weaknesses in their balance sheets.	
25	**Financial risk due to Covid-19 and uncertainty regarding future government funding** The Covid-19 pandemic has created significant financial risks due to additional expenditure the Council incurred to support its communities and reduced income that has resulted from a drop in footfall into the city from the lockdown and social distancing measures. The Council have received £19.6m in government funding to mitigate against the financial impact of the pandemic. The government has announced that it will reimburse authorities for 75% of income losses occurring in 2020-21 as a result of Covid-19 after the first 5% of losses is absorbed by local authorities. To qualify, income losses must be related to the delivery of services, while commercial and rental income are excluded. Details around this scheme are now available and there are a wide range of outcomes about how much the Council will receive. This is dependent upon which income streams qualify and it is difficult at this stage for officers to predict how much will be received without working through the first submission.				

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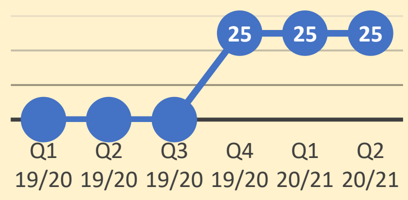
Q2 Score	Risk			
	Impact	If government funding for the financial impact of the pandemic is not sufficient, this would cause overspends and a subsequent reduction in the general fund balance. The uncertainty around the future of local government funding could lead to significant budget gaps in the medium term.		
	Existing controls	• Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets • Regular and detailed monitoring of Covid-19 impact on fees and charges, however this will only record not influence impact. • The Council will seek to maximise the recovery of lost income through the government's income compensation scheme. It is unknown what the scale of impact from a potential second wave and further government action would be at this stage. • Medium Term Financial Planning which reviews the Council's financial position over the next three years to ensure the Council are pro-active in finding savings, and therefore ensuring financial resilience.	Future controls	The Council will seek to maximise the any income it can receive from government and ensure strong medium-term financial planning – reviewing both expenditure and income.
25	**Reliance on Commercial Income** The Council generates significant sums of income from its services which help to recover costs or generate surpluses to fund overall services. However, the generation of this income is dependent on demand, competition, the economy and existing legislation. The Covid-19 emergency has led to a significant drop in fee income, currently estimated at £50m. The latest development with respect to a possible second wave may lead to further Government action which suppresses activity 0069n Westminster and in turn impacts further on the commercial income generated by the Council, reversing a recent recovery in activity. The Covid-19 emergency has also placed the Council's debtors under increased pressure; therefore, the Council may need to extend payment terms in order to help trading partners and doubtful debt provisions may need to be increased.			
	Impact	If budgeted income levels from commercial income fail to materialise, there would be in-year overspends on budgets and as seen previously, a reduction in the GF balance. Some of this may now be offset by the government's co-payment scheme but further work is ongoing to determine the net financial impact to the Council.		
	Existing controls	• Rigorous monthly monitoring which scrutinises forecast projections and challenges material movements against budgeted targets • Regular and detailed monitoring of Covid-19 impact on fees and charges, however this will only record not influence impact. • Ongoing negotiation involving legal and procurement to ensure the best outcome, with briefings of senior execs and members in order to ensure an agreed response to contractors where needed	Future controls	The Council will seek to maximise the recovery of lost income through the government's income compensation scheme. It is unknown what the scale of impact from a potential second wave and further government action would be at this stage.

5. Growth, Planning and Housing

Achievements

Hardship rates relief

The business unit has been supporting the business rates team by screening applications for hardship rate relief to ensure that businesses are eligible, but also make sure that they have received any other support they are eligible for. A total of 305 one-to-one appointments have been conducted with businesses. As a result of these appointments taking place, we have been able to identify several businesses who were eligible for other financial support. So far, a total of £2,024,894 worth of alternative support has been identified and awarded to businesses. This amount is still likely to increase as there are further businesses who have been identified as potentially eligible for alternative funding awaiting to be confirmed. This alternative financial support is a combination of government grants, small business rate relief and expanded rate relief.

Affordable Housing Programme

During quarter 2, progress on the Council's affordable housing programme has continued despite the challenges associated with the Covid-19 pandemic. Momentum has been maintained across the programme from early design through to construction, sales and completion and we remain on track to meet the Council's 1,850 affordable housing target by 2023.

Planning permission has been granted for Glastonbury House and Queens Park Court. Planning applications have been made for the Westmead development as well as the hybrid planning application (detailed planning for phase 1 and outline for Phase 2) for the Ebury Bridge estate regeneration.

The delivery team has started on site with new projects at:

- Falkirk House
- John Aird Court
- Sunderland House
- Edinburgh House
- Ashbridge Street and
- Jubilee Phase 2.

Construction also started on the temporary nursery at 300 Harrow road and the Ebury Edge meanwhile use, as well as positive construction commencing at the Lisson Arches development site. The launch of the Venice Court (Parsons North) development took place in September, following the success of the Carrick Yard (Luton Street) launch earlier in the year. During September the first private residents also moved into the Masefield apartments following completion in August.

Stepping stones programme

The stepping stones programme, set up by WCC using government funding, provided a wrap-around service involving the rough sleeping team, housing, Westminster employment service (WES) and three of our partner homelessness charities (St. Martin-in-the-Fields, St Mungo's and The Passage). The programme worked with a cohort of 38 rough sleepers, who were moved into temporary accommodation during lockdown to help them find work, as they were not entitled to any public funds and this would be the only way of getting them off the streets. Many of these individuals are from Eastern Europe and some were working cash in hand for low wages and sleeping on the streets, so that they could send money home to their families, or were otherwise finding it hard to secure work due to language barriers.

WES provided one-to-one coaching support for a number of these people; providing guidance on how to successfully apply for jobs and prepare for interviews and lessons on speaking English as a second language. In August, we helped to arrange a jobs fair specifically for this cohort. Two of our employment coaches attended the event to assist with interview preparation and a number of the employers that we work with were also present to discuss opportunities, as were colleagues from the rough sleeping team, housing (who provided advice on suitable tenancies to apply for once they had secured work), homelessness charities and a recruitment agency.

So far, by working together, we have helped 16 ex-rough sleepers into work. It's the first time that we have delivered a wrap-around service in this way and it's been very successful, as some of this cohort had been sleeping rough for a long time. It has required building their trust and supporting them to make the move into a job that will allow them to rent their own home and pay taxes. The individuals who secured work will now be able to apply for settled status.

Setting the standard

Westminster is part of the pan London project known as 'Setting the Standard', developed to ensure temporary accommodation, specifically bed and breakfasts (B&B), hostels, houses in multiple occupation (HMO) and studio apartments used by local authorities, meets minimum quality standards.

The project secured a total of £236,000 in grant funding from the Ministry of Housing, Communities and Local Government (MHCLG) and the Greater London Authority (GLA) in 2020 to deliver on these aims.

The project links together a dedicated central inspections team, with a purpose-built STS IT system to share data across the participating authorities and went live on 21 September 2020.

Issues

Proposed planning changes

The Government's consultation on proposed changes to the current planning system includes a proposal to help SME developers recover from the Coronavirus pandemic. This will include raising the threshold in planning applications for the provision of affordable housing from 10 or more units to 40 or 50 or more units for a temporary 18-month period. The proposals would significantly reduce affordable housing provision in the City if implemented by Government. Based on recent delivery data, over an 18-month period, the proposal would reduce affordable housing delivery by circa 133 homes. Reductions in financial contributions to the AH fund in lieu of on-site provision also occur and would impact on the Council's affordable development programme.

Berwick St market – storage unit
During the pandemic, the storage unit serving both Rupert and Berwick street market traders was renovated into a safe and secure space for traders. This provides traders with invaluable storage space in the area. As traders are returning to the market, they are seeing the transformation of the storage unit which has greatly assisted with their day to day operations.

Church St market traders
As a result of the Green Spine and required access from Lisson Grove to Gateforth St via Church St, it is likely that we will be losing 11 pitches from the north side of the road between Lisson Grove and Gateforth St. This only affects Saturday traders. Officers in licensing and the markets team have worked closely with the traders to ensure they can continue to trade and have managed to relocate the traders to alternative pitches at the market. Based on discussions to date, the traders have accepted the changes.

Key performance indicators

The table below presents the latest cumulative outturns available for each KPI at the end of Quarter 2 (July 2020 – September 2020).

Target range definitions	Minimum	The minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

Key performance indicator	Q1 2020/21 position	2020/21 target ranges					Position at Q2	Target assessment	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			
1. Number of cases of homelessness prevented (defined as outcomes from a combination of housing solutions and shelter work)	155	500	➡	520	➡	550	302	Target on track	

Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
2. Affordable housing units delivered in 19/20 (1,850 by 2023)	5 (798)	271 (1,064)	➡	293 (1,086)	➡	326 (1,119)	**31 (824)**	Target on track	16 new build, 15 spot purchases delivered to date. Current forecast is to complete 2,026 homes against the 1850 target.

Service commentary: Due to impact of Covid-19, there is likely to be some slippage into later quarters of the year, though overall all target range “ideal“ is on track.

Mitigating action: Early engagement with providers to ensure any slippage is notified and factored into supply projections.

3. % satisfaction with repairs service	85%	82%	➡	84%	➡	86%	**83%**	Minimum standard met	1,040 of 1,246 responding being very or fairly satisfied.
4. Satisfaction with anti-social behaviour (ASB) case handling	64%	62%	➡	64%	➡	66%	**66%**	Target on track	124 of 187 responding being very or fairly satisfied.
5. Contact centre - % calls answered in 30 seconds	87%	65%	➡	70%	➡	75%	**80%**	Target exceeded	77,022 of 95,815 callers being very or fairly satisfied.
6. % of ‘non-major’ planning applications determined within 8 weeks	72%	68%	➡	68%	➡	80%	**68%**	Target on track	
7. % of ‘major’ planning applications determined within 13 weeks i.e. larger scale development.	67%	60%	➡	60%	➡	79%	**74%**	Target on track	
8. % planning appeals determined in favour of the Council (excluding telephone boxes)	90%	60%	➡	63%	➡	67%	**77%**	Target exceeded	
9. 1,000 businesses significantly engaged (including vouchers issued, Corporate Social Responsibility activity)	1,503	4,000	➡	4,500	➡	5,000	**2,906**	Target on track	Includes 250 engagements at the Pop-Up Business School event not reported in Q1. Due to the unprecedented levels of support being provided to Westminster businesses impacted by the pandemic, the targets have been significantly increased.
10. 350 Westminster residents into jobs through our Westminster Employment Service (WES)	36	320	➡	350	➡	400	**95**	Target off track	

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Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight

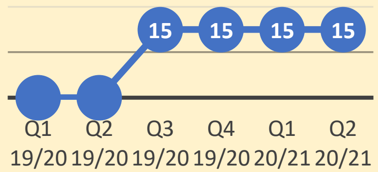
Service commentary: Due to the impact of Covid-19 on the UK Labour market, we have increased our focus on helping residents to reskill and upskill in order to prepare for the new emerging jobs market.

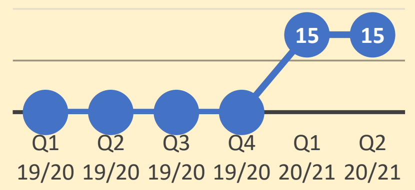
Mitigating action: We have developed pre-employment sector-based training courses with WAES linked to employment opportunities in growth sectors (public sector and health & social care) and will continue to develop more throughout the year. We have also started a new green jobs initiate called Westminster Wheels and have committed to creating 30 jobs across WCC and another 30 jobs as an intermediary with local partners using the government's Kickstart funding during this financial year.

Key performance indicator	Q1 2020/21 position	Minimum	➡	Ideal	➡	Aspirational	Position at Q2	Target assessment	Other contextual insight
11. 345 Westminster residents supported into Interims (work trials, training, work placements & volunteering)	36	293	➡	345	➡	380	332	Target on track	
12. 1,000 young people engaged in enterprise and sector-based experiences	0	750	➡	1,000	➡	1,250	0	Target on track	Most engagement with schools takes place from September. We anticipate meeting the annual target.
13. Reduction in new rough sleepers spending more than one night out	75%	75%	➡	85%	➡	92%	73%	N/A	Because of the pandemic, the staff at CHAIN (who run the reports) have been pulled onto other tasks which means management information is limited at this stage. More information will be provided in Quarter 3.

Service commentary: Severely limited access to accommodation for new rough sleepers was available to outreach services during Quarter1 due to the impact of Covid-19 on rough sleeping services; WCC's night centre and the GLA's no second night out have both remained closed since March.

Top scoring risks

Q2 Score	Risk	
15	**Change in direction from government on EEA nationals or Vagrancy Act** There is a risk that we will not be able to support EEA nationals away from the streets. 60% of people on the streets in Westminster are EEA nationals without access to benefits and, depending on the progression of the Immigration and social security co-ordination (EU Withdrawal) bill, Westminster may not have sufficient powers to support this people.	
	Impact	There will be growing numbers of EEA nationals on the streets which the Council would be unable to support.

Q2 Score	Risk			
	Existing controls	Consistent communication with Ministry for Housing, Communities and Local Government and Westminster City Council's strategic group monitoring any changes.	Future controls	Risk of challenge to our operational approach to be minimised by legal advice as/when required. If a change in direction occurs, discussions around funding and availability of bed spaces.
15	**Building Regulations – Part B & Draft Building Safety Bill** Building Regulations - Part B has been re-written following an independent review of the building regulations and fire safety following Grenfell. The buildings in scope have extended to cover most of the properties within Westminster. The new draft bill sets requirements for competence and resource of the local BC team. It has far reaching impact across the Council with the requirements safety cases for Council and private sector properties.			
	Impact	Burden on local authority - high call on resources to inspect buildings and legal responsibility for licensing of buildings		
	Existing controls	• 3 surveyors have passed new Local Authority Building Control (LABC) (the national representative association) competency exams • WCC has signed up to the LABC Quality Management System	Future controls	Looking to recruit new fire engineer and quality manager

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6. Innovation and Change

<u>Achievements</u>

City Plan hearings

Through the City Plan's ten core strategic objectives, Westminster will remain a world class global city. We submitted our plan to the secretary of state in November 2019. This followed an informal and statutory consultation and approval by the Council's Cabinet and Full Council. Two independent inspectors have been appointed to examine the plan and they control the timetable for examination. They have recently concluded two weeks of public hearings which were recorded and available to watch on the Council's website. A consultation on modifications to the plan they consider are necessary will take place later this year, with adoption to follow early next year, subject to the Inspectors' approval.

Communications during Covid-19

Maintaining a high tempo of communications to residents, businesses and other stakeholders about the Covid-19 pandemic in an accessible, relevant format, in a fast-moving and rapidly changing situation. MyWestminster newsletter, sent to residents three times a week, has maintained a low unsubscribe rate and currently reaches 120,000 email addresses. More than a quarter of recipients open the newsletter, which is a very high 'open' rate for this sort of communication. We have also created communications content in more accessible formats for people with low levels of literacy (video, audio clips) and for whom English is not their first language, for instance recording video messages in Arabic, Somali and Tigrinya. Our business newsletter is subscribed to by 16,000 businesses with an open rate of 22.7%, which again is high for this kind of communication.

Analytical dashboards enabling Covid-19 tracking & control across WCC/ London
Strategy and Intelligence further developed and refined the intelligence packs that went to Westminster Gold throughout the second quarter, evolving the data to meet the changing pandemic challenges – ensuring that emerging risks and issues were highlighted from a detailed and complex pack of information.
The team also took back responsibility for building and developing the information dashboards used to collect intelligence from across London boroughs and professional networks, led on developing changes to data collections and produced the weekly week risk on behalf of London Boroughs to be escalated to the regional strategic co-ordination group. At the end of the quarter, the team also started work on the transfer of the highly complicated mortality management group dashboards from the City of London.

Issues

Covid-19 restrictions continue to limit the extent of event, cultural and filming activity throughout Westminster, with only small-scale filming currently taking place
Events and cultural activities attract footfall into Westminster and as such, their ongoing absence contributes towards the reduced visitor numbers being recorded throughout the West End. This is especially prevalent as the festive season approaches, with Christmas markets cancelled, light 'switch-on' events scaled down – both of which ordinarily attract hundreds of thousands of consumers into central London each year who in turn spend significant amounts of money across the retail, hospitality and cultural sectors.
Westminster's cultural offer is a key economic driver within the city and therefore the ongoing closure of theatres and performance venues, combined with the conditions under which the majority of museums, galleries and other cultural institutions are having to operate are ongoing concerns.
Notwithstanding the significant financial impacts to the Council and the wider local economy as a consequence of the above, there are also significant social implications to consider. Event and cultural experiences are proven to contribute positively to mental health and wellbeing and encourage an active lifestyle. By their very nature, they also provide a way for people to interact and counter isolation across our communities.

As such, the impact of these activities having been unavailable and inaccessible for such a significant period of time should not be underestimated – particularly in relation to our most vulnerable residents.

Unpredictable nature of changing rules around social distancing, creating challenges for comms, data reporting & policy
The rapidly changing situation regarding Covid-19 means we have to maintain capacity to provide new communications content, data and insights, and policy advice at very short notice. Examples include the changes to rules on hospitality, commuting and socialising on 22 September 2020 and the move of London into Tier 2 on 17 October 2020; the Analysis unit picking up the pan-London function of gathering and reporting of daily data in support of a London-wide approach to mortality management as we approach a second wave of the pandemic.

Scale and scope of legislative change coming from central government
The rapid pace and high volume of legislative and national policy change means we have to provide capacity to respond to complex consultations and influence primary legislation and regulations often at very short notice. Examples include responding to a suite of consultations on the biggest changes to the planning system in 70 years, responding to a series of highly technical consultations on the future of business rates, and seeing to influence primary legislation on licensing changes as well as regulation on permitted development rights.

Key performance indicators

The table below presents the latest cumulative outturns available for each KPI at the end of Quarter 2 (July 2020 – September 2020).

Target range definitions		
	Minimum	The minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions		
	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

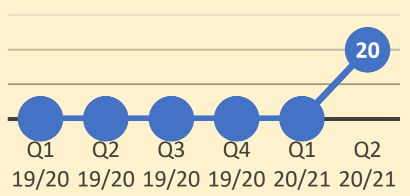
New KPIs cannot be provided for Quarter 2. The directorate is still in flux and we need to shape our offer first, to then determine what the appropriate KPIs are.

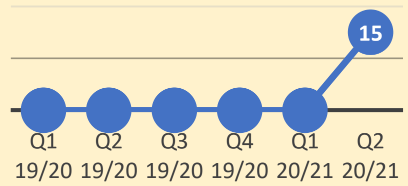
Key performance indicator	Q1 2020/21 position	2020/21 target ranges: Minimum	Ideal	Aspirational	Position at Q2	Target assessment	Other contextual insight
1. Residents feel informed about services and benefits	Not applicable				Not applicable		These results come from the annual City Survey, so there are no results available for Q1 and Q2. The results from the survey will be available in December 2020.

2.	Residents feel informed about plans for your local area	Not applicable	→	→	Not applicable	These results come from the annual City Survey, so there are no results available for Q1 and Q2. The results from the survey will be available in December 2020.
3.	Residents have seen the Westminster Reporter	Not applicable	→	→	Not applicable	These results come from the annual City Survey, so there are no results available for Q1 and Q2. The results from the survey will be available in December 2020.

Top scoring risks

<table>
<tr><th>Q2 Score</th><th colspan="4">Risk</th></tr>
<tr><td rowspan="3">20</td><td colspan="3">City Promotions, Events and Filming Income
There is a risk the we lose income due a lack of events and filming. Income generated by the service is externally market driven – i.e. if event/filming activity isn't being commissioned by external third parties, or agencies are not committing spend to advertising, then income will not be forthcoming. This income stream had started to plateau even before the emergence of the Covid-19 pandemic.

The City Promotions, Events and Filming Department is a discretionary service that operates on both a cost recovery and income generating basis. By charging event and filming organisers an application fee and applying an hourly charge for the time an officer spends working on a project, the service is able to recover its costs, ordinarily making it cost neutral. This is then topped up by the income it generates through commercial events in parks and open spaces. In addition, the service is also responsible for the management of the Council's advertising portfolio which includes large format digital sites, lamppost banners and seasonal commercial installations.</td><td>
</td></tr>
<tr><td>Impact</td><td colspan="3">Increasing costs to host an event and film in Westminster and a corporate shift away from commercial events in parks, combined with the uncertainty of Brexit and the emergence of other cities as cheaper, more viable locations had all had an impact on the service's ability to generate income.
Mass cancellations and postponements due to Covid-19 are forecast to result in an approximate 70% reduction in event and filming activity and income, with ongoing uncertainty meaning that there is currently no planned event activity confirmed for 2020/21. Similarly, Government guidelines make hosting and organising events practically impossible.
Whilst the implications on the Outdoor Media sector are similarly impactful, with long term agreements for both large format sites having been renegotiated to short term arrangements based on a revenue share model and no lamppost banner campaigns in the pipeline.
Smaller-scale filming is continuing to take place and it is hoped that the Government's schemes to underwrite the insurance premiums for the Filming sector will allow for filming to continue.</td></tr>
<tr><td>Existing controls</td><td>• Given the service is entirely driven by external demand, there are few controls that can be put in place.
• The service is continuing to ensure that it is aware of changing Covid-19 guidance so that it can facilitate as much activity as is possible within a Covid-19 environment which currently extends to small-scale filming.</td><td>Future controls</td><td>Measures are being taken to ensure that activities can resume when safe to do so. Demand for this service is driven by external demand so the scope of Council controls is limited. Engagement with the market is ongoing.</td></tr>
</table>

Q2 Score	Risk			
15	Size of change agenda that the organisation is facing The organisation needs to assess whether it can handle amount of change that is scoped under various strategic programmes currently being defined and whether we are equipped to deliver on all projects in a sustainable way and within timescales that will allow the Council to achieve financial savings and to plug the financial gap.			
	Impact	If there are too many competing demands on project resource for the various strategic programmes, the organisation may not be able to deliver on all of the strategic ambitions set out in City for All which in turn may have impact on benefit/savings realisation.		
	Existing controls	Project Management Office functions understand how many resources are required for projects and programmes. This knowledge does not, however, help us understand how much resource will be required to deliver new transformation programmes that are currently being developed.	Future controls	Undertake impact assessment and introduce corporate level resource management process to enhance transparency and flexible, proactive resource management.

7. Legal Services

Achievements

Client satisfaction

We are continuing to improve client satisfaction. Client satisfaction surveys returned show a high level of satisfaction. Further opportunity for feedback has been built into the service's new client facing SharePoint site which went live at the beginning of December 2019. The service has continued to expand its programme of client liaison meetings and the provision of management information packs to both improve service quality and assist with managing demand. Management information quality continues to improve as reporting is developed and refined in collaboration with clients. 96% of the responses in 20/21 showed that clients were satisfied with the service.

Digital transformation

A case management system was rolled out in Q3 18/19 to ensure legal services were fully equipped with the right facilities, systems and resources to deliver responsive and effective legal services from any location. It was also to ensure compliance with the high levels of security and performance demanded by the Solicitors Regulation Authority. The system continues to be developed together with continual upskilling of our lawyers on IT skills, including Office 365. This enabled the service to move to 100% remote working and full services delivery overnight when the national lockdown was announced. See further information below.

Grenfell Tower Public Inquiry

The service managed the staffing resources required to provide legal services in relation to the Grenfell Tower Public Inquiry.

- Prioritising this area and diverting required internal resources to providing legal advice on the Grenfell Tower Public Inquiry.
- Backfilling internal posts allocated to Grenfell to avoid impact on existing internal clients.
- Managing the delivery of external advice required from solicitors and barristers.

We continued to provide a highly responsive service, under tremendous pressure, in relation to legal advice on and support to the Grenfell Tower Public Inquiry whilst ensuring that there is no diminution of quality and responsiveness in relation to other matters.

Business continuity and response to Covid-19

The service materially improved its business continuity preparedness during 19/20 and this accelerated in 20/21. This enabled the service to quickly and effectively respond to the challenges of providing a full range of legal advice remotely.

Specifically, in response to Covid-19, the service:

- Changed the way the service signed documents. Pre-Covid-19, the service manually signed over 2000 documents a year using pen and paper. In March, the service successfully introduced DocuSign, an electronic signing application. It stopped staff being placed at risk and having to travel to the office during lockdown. The new process is much quicker and environmentally sustainable;
- Continues to enable the efficient procurement of new types of supplies and services on behalf of the Council;
- Provided legal advice to help WCC address challenges as they emerged and evolved;
- Responded to lots of new legal questions, from GDPR and information sharing, to closing businesses operating unlawfully to press queries;
- Established a legal services Covid-19 legal advice page on The Wire;
- Delivered GDPR training and webinars across a number of departments;
- Conducted judicial reviews and planning appeals online, attended hearings via video and telephone conferencing, and used Teams to collaborate with other departments.

Issues

Data Protection Breaches (GDPR)

There would be serious reputational damage as well as the potential for a large fine if the Council was found to have breached the General Data Protection Regulation (GDPR) and/or the Data Protection Act 2018.

The Council's Statutory Data Protection Officer (DPO) reports to the Director of Law. The DPO role is to inform and advise the Council on its data protection obligations, to monitor compliance with the GDPR and to act as the key contact between the Council and the Information Commissioner's Office (ICO). The DPO has established, collaborated on and critiqued data protection practices, training and data processing activities across the Council. This includes conducting a GDPR review, using an external provider, where areas such as contract management, information sharing, data breach handling, staff training and maintaining a register of processing activities were key aspects being reviewed. A key area the DPO encourages vigilance on is ensuring external suppliers handling Council data are meeting their data protection obligations towards us.

A new Data Protection and the Council SharePoint communication site is a central source of information and regularly updated by the DPO and socialised with Council staff. Mandatory annual online training on data protection and cyber security for all staff has been added to the learning and development offer and is regularly reviewed for attendance. The DPO also holds regular monthly training sessions (also added to the staff learning and development platform) where staff are able to meet the DPO; to raise knowledge and awareness around the importance of GDPR compliance across the Council. Legal services offer advice and training on all aspects of data protection both to staff across both councils but also to Members in regular training sessions which has continued during lockdown. There has been enthusiastic attendance and this training will be ongoing.
The service has a small GDPR team of lawyers who meet regularly to implement improved processes and procedures and identify issues. Implementation of eBundling and eFiling using a digital case management system continues to reduce the risks associated with information management including loss of sensitive data on paper.

Income
As legal services operate a trading account, it requires income from advice provided to clients to deliver a balanced budget. The service achieved this in 19/20 and is delivering a robust plan for 20/21. Covid-19 continues to provide uncertainty about the level of demand for the service in 20/21. A material drop in income would result in the service not delivering a balanced budget. In order to mitigate this risk, the service is:

- Horizon scanning the impact of Covid-19 on service income;
- Monitoring weekly and monthly income targets against forecast. This information is shared with both management and individual members of the service;
- Working closely with clients to have a clear understanding of their pipeline of work;
- Continuing to develop the Legal Case Management System to support the delivery of efficient ways of working;
- Identifying areas of work where fixed fees can be introduced.

The impact on demand for internal advice has been material in some areas, with a 30% increase in some such as contract, licensing and highways and dropping by up to 50% in others, such as housing litigation and criminal prosecutions, due to courts not operating during lockdown. However, the overall impact has been neutral, and staff have been redeployed. All mitigation measures will continue through 20/21 and variances reported through the usual corporate monitoring processes.

Key performance indicators

The table below presents the latest cumulative outturns available for each KPI at the end of Quarter 2 (July 2020 – September 2020).

Target range definitions	Minimum	The minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

Key performance indicator	Q1 2020/21 position	2020/21 target ranges					Position at Q2	Target assessment	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			
1. Percentage of clients satisfied with Legal service as measured by the satisfactory survey	95%	70	➡	80	➡	100	96%	Target on track	Legal are working with clients to increase the number of satisfaction forms returned.
2. Percentage of cases that meet the agreed time frames for Legal cases in each area	Not available	80	➡	90	➡	100		NA	A reporting mechanism is currently being developed and will be available for reporting in Q3

Top scoring risks

No risks for Legal Services

8. People Services

Achievements

Wellbeing and Reopening the offices

Following the launch of The Westminster Way in 2018, we set out on ambitious cultural change programme, to "create a healthy workplace that supports the physical, mental and social wellbeing of our people, where they can flourish and reach their potential". Following this commitment, we had already delivered a number of strategic wellbeing initiatives when the Government announced the lockdown in March 2020. We had established a strong wellbeing pioneers' movement, enhanced policies around annual leave and agile working, submitted our draft time to change action plan to tackle mental health in the workplace and much more.
Since March, health & wellbeing of our staff became even more prominent and we centred our vision around the message that "It's okay to not be okay", to break through taboo subjects, particularly around mental health. To support our staff, we have:

- Developed a comprehensive one-stop shop wellbeing hub with links to useful resources and free online support;
- Launched our first wellbeing newsletter featuring videos of the wellbeing pioneers showing how they look after their mental health;
- Delivered virtual Westminster games over a 2-week period where more than 450 staff participated in all sort of activities such as scavenger hunt, bake off, recycling challenges and much more;
- Welcomed our chief executive as ELT lead for our wellbeing programme, who's helped us amplifying key messages on the importance of mental and physical health using the well-established loop live platform (weekly meeting open to all staff where the chief executive talks about key highlights and takes any questions people may have);
- Delivered essential equipment to staff to ensure they could comfortably work remotely - delivered more than 750 chairs and set up budget for staff to purchase monitors and other IT equipment;
- Following the easing of the lockdown restrictions we successfully reopened our offices in June by:
    - Developing our digital employee-led risk assessment in collaboration with Legal, Unions, H&S and Property teams;
    - Triaging more the 1150 risk assessments;
    - Creating a dedicated Wire page where people could find out information around the safe measures put in place to safely access the buildings;
    - Created a desk booking system to ensure all buildings operated within the agreed maximum capacity to ensure social distancing.

The outcomes delivered through all these interventions were:

- Consistent increase in buildings occupancy between June and September - from 50 up to around 250 people a day;

- 70% of staff felt the Council cares about their Health and Wellbeing in the recent Our Voice survey (it was 47% in 2018 and 56% in 2019);
- 70% of staff think the Council care about their Mental Wellbeing (new question added to the survey this year);
- Engagement score gone up by 6%.

The emerging leaders programme

In 2018, we launched our people strategy; The Westminster Way (TWW) which encapsulates the culture that we all aspire to, how it feels to work for Westminster City Council. It sets out how we are developing and empowering our staff to deliver the best possible outcomes for our residents and communities. TWW has three pillars:

- Personal development – "Everyone has talent"
- Value our people and diversity – "Everyone is valued"
- The Westminster Way of working – "Everyone is a leader".

As part of the 'everyone has talent' pillar, we have overhauled our staff training programmes to ensure we provide opportunities for everyone to support their development and careers in Westminster. We have also made our talent programmes more transparent and accessible, so our cohorts are diverse and representative of our staff and communities.

The emerging leaders programme is one of our talent programmes. It is a leadership and management qualification, delivered in partnership with WhiteHat. Participants gain a level 3 team leader apprenticeship qualification, accredited by the Chartered Management Institute (CMI). The programme is funded by the apprenticeship levy and is open to all Westminster employees that meet the government requirements. It was important to continue investing in and supporting staff development during Covid-19, so in September 2020 we launched the 4th cohort of the emerging leaders programme. Key points to note are:

- This cohort has the highest number of participants to date, close to Cohorts 1, 2 and 3 combined and takes the number of staff participating in the Emerging Leaders Programme to over 100 participants.
- Of the 62 successful candidates 33.9 % are from a BAME background, 74.2% are female, making this the most inclusive and representative cohort so far.
- When talking to WhiteHat coaches, several individuals expressed a preference to undertake a project management Apprenticeship, we are now working to launch our first ever project management apprenticeship programme (expected to start in November 2020).

Executive recruitment

This year, and particularly since March, there has been a raft of senior recruitment. Despite the Covid-19 impact on workplaces and the city, most of the roles below had a good response and have been filled successfully, whilst some are still in train. Most of the roles have been filled virtually, using Microsoft Teams both for officer and member interviews which has worked well.
In line with Westminster's programme of positive action in recruitment, all band 4 roles and above should have at least one BAME candidate and all panels should be representative.

- Executive Director of Growth Planning & Housing *(Debbie Jackson)*
- Executive Director Environment & City Management *(Raj Mistry)*
- Executive Director for Innovation & Change *(Pedro Wrobel)*
- Director of Commercial Partnerships - Finance & Resources *(Sarah Warman)*
- Director of Corporate Finance - Finance & Resources *(Ongoing)*
- Director of WCC Family Services - Children's *(Nicky Crouch)*
- Director of Communication and Engagement - Innovation & Change *(Ongoing)*
- Director of Property & Strategic Asset Management - Finance & Resources *(Claire Barrett)*
- Bi Borough Chief Information Officer - Finance & Resources *(Ongoing, RBKC leading)*
- Bi Borough Director of Integrated Commissioning – ASCH *(Gareth Wall)*
- Bi Borough Director of Public Health – ASCH *(Anna Raleigh)*
- Bi Borough Director of Social Care – ASCH *(Visva Sathasivam)*
- Programme Director – Oxford Street – GPH *(Elad Eisenstein)*

Issues

There were no issues reported.

Key performance indicators

The table below presents the latest cumulative outturns available for each KPI at the end of Quarter 2 (July 2020 – September 2020).

Target range definitions	Minimum	The minimum level for the KPI that will still allow the service to deliver
	Ideal	A level which is acceptable for service continuity
	Aspirational	The level at which the service is improving beyond current capability

Target assessment definitions	Target off track	Off track to meet the minimum target level
	Target exceeded	Exceeded ideal target level
	Target on track	On track to meet the ideal target level
	Minimum standard met	Met the minimum target below ideal level

Key performance indicator	Q1 2020/21 position	2020/21 target ranges					Position at Q2	Target assessment	Other contextual insight
		Minimum	➡	Ideal	➡	Aspirational			
1. % of staff turnover is managed at appropriate benchmark levels (excluding redundancies)	11%	16%	➡	15%	➡	14%	**9%**	Target exceeded	
2. % of BAME employees in senior leadership roles (band 5 and above)	16%	16%	➡	17%	➡	20%	**16%**	Minimum standard met	
3. Hampshire target – HR transactions made via self-service	91%	90%	➡	95%	➡	97%	**96%**	**Target on track**	
4. Increase the number of women in senior leadership roles (band 5 and above)	44%	44%	➡	46%	➡	50%	**44%**	Minimum standard met	
5. % of apprenticeship starts in relation to the public sector target of 2.3% of total headcount	0.0% (inc Schools) 0.0% (exc Schools)	2% including schools	➡	2.3% excluding schools	➡	2.3% including schools	**2.9% without schools/1.8% with schools**	**Target on track**	
6. Positive action - % of Band 4 roles which have BAME candidate on the shortlist	100%	95%	➡	97%	➡	100%	**99%**	**Target on track**	

Top scoring risks

No risks for People Services met the minimum scoring threshold to be included in this report.

Appendix – City for All commitments

Below is a list of current key projects and programmes in support of City for All. They are organised under each City for All pillar. Within each pillar, the bolded statements listed are our ambitions that we are ultimately aiming to achieve in the medium term. The commitments listed under each ambition will help us to achieve those ambitions.

GREENER AND CLEANER

1. **We will be a leading authority on tackling the climate emergency by working with our partners towards a thriving and resilient zero carbon city:**
- Establish a Climate Action Group (CAG)
- Create a Climate Emergency Alliance
- Develop a new model for commercial waste consolidation
- Reduce, re-mode and re-time freight, servicing and deliveries
- Adopt an Environment Supplementary Planning Document (ESPD)
- Revise the Code of Construction Practice (CoCP)
- Undertake and implement a new Parking Policy
- Develop a car sharing scheme
- Roll out more electric vehicle charging points

2. **We will be a role model in Climate Change action, eliminating the carbon from our buildings and services and embedding our green priorities in everything we do:**
- Ensure energy efficient Council buildings
- Leverage energy efficiency measures in housing
- Create a green investment strategy
- Help staff and members reduce their carbon footprint

3. **We will be a global destination by improving air quality and providing excellent open spaces for the health and wellbeing of our residents, visitors and workers, and maintaining the highest standards in street cleanliness:**
- Review waste collection services
- Support our schools to invest in the clean air fund
- Formalise our tranquil spaces
- Revitalise our supply chain

VIBRANT COMMUNITIES

4. **We will provide high quality affordable homes and ensure Westminster is one of the best places for residents and families to live, work and play:**
- Adopt the City Plan
- Deliver our affordable housing programme
- Develop a new approach for major works for our housing
- Engagement with housing residents
- Develop a private rented sector strategy
- Publish a revised licensing policy
- Introduce a new street entertainment policy

5. We will support the rebuilding of the economy and ensure all our residents have access to employment opportunities:

- Restart and revitalise the local economy following lockdown
- Stimulate and accelerate Westminster's economic recovery
- Create a greener, cleaner, brighter, better Oxford Street District
- Support the city after lockdown
- Increase children's and young people's engagement and skills
- Expand our City Lions programme
- Re-consider our cultural offer

6. We will bring forward proposals to transform key parts of the city, creating opportunities for all balancing the needs of residents, businesses and visitors to ensure Westminster is a green, diverse, inclusive and healthy place to live and do business:

- Put communities at the heart of our planning system
- Ensure our approach to neighbourhood planning and Community Infrastructure Levy is transparent and accessible
- Lead place-based change, renewal and recovery
- Lead on understanding and responding to changes in the city and in the legislative context

7. We will tackle inequality across the City and ensure everyone has equal opportunities to live healthy lives:

- Address the impact of Covid-19 on residents
- Develop a new Health & Wellbeing Strategy
- Integrate our physical activity, leisure and sport offer, creating community hubs where our residents can interact with each other; using places and spaces in their communities and determining how they are run
- Provide services that enhance emotional wellbeing and support mental health
- Supporting vulnerable housing residents

8. We will provide an outstanding offer for children and young people, to ensure they have the education, skills and experience to improve their lives at every key stage:

- Keep children at the centre of everything we do – they are our future
- Transform our pre-birth to five programme
- Ensure all our children can access our excellent schools which celebrate the diversity of our communities and promote inclusion
- Ensure our offer is effective in engaging young people in positive activities

9. We will renew our focus on designing and delivering services for the most vulnerable so they can be cared for within the community:

- Open a new care home
- Support people living with dementia and autism
- Implement a new assessment centre for rough sleepers
- Refresh our approach to tackling antisocial behaviour

- Launch a campaign to divert monetary giving to our street population to prevent begging and fuelling the organized crime/drugs market
- Redesign our service model through shared space and maximizing the use of our public buildings
- Improve our local offer for children with special needs or disabilities

10. We will strengthen community cohesion to enable communities to support each other:

- Build on Westminster Connects model to capitalise on community spirit
- Expand the Community Contribution Scheme
- Adopt a new Voluntary Community Sector rents policy

SMART CITY

11. We aim for Westminster to be a recognised global leader in smart city, using cutting edge technology to improve the city:

- Trial smart city technologies in:
  - Homes and properties
  - Roads
- Create a smart Oxford Street district experience
- Implement our digital street market
- Create a digital/innovation hub

12. We aim for Westminster to be a world-leading inclusive digital leader, empowering and enabling all our communities to make the most of the opportunities whilst ensuring that no one is left behind:

- Ensure digital inclusion to address digital inequality
- Facilitate broadband connections in social and new affordable housing
- Create virtual wallet capability for residents
- Trial smart city technologies in
  - Personal assistive technology

13. We will design our digital services to create world-class customer and partner experiences:

- Create a best in class website
- Achieve best in class customer experience in contact centres
- Improve data insights and analytics
- Drive digital equality through tech-strong libraries
- Adopt a digital approach to enforcement, sanctioning, inspections and licensing – ensuring an easier access for customers and a more agile approach for our officers
- Implement OpenActive

City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	2 December 2020
Classification:	General Release
Title:	Internal Audit Progress Report (September to October 2020)
Wards Affected:	All
Key Decision:	No
Financial Summary:	There are no financial implications arising from this report
Report of:	Director for Audit, Fraud, Risk Management & Insurance
Report author:	Moira Mackie, Head of Internal Audit Contact Details: Moira.Mackie@rbkc.gov.uk. Tel: 07800 513 192

1. Executive Summary

1.1 The Covid-19 pandemic has slightly delayed the start of the 2020/21 Internal Audit work, which is in line with audit teams across the London boroughs. Although good progress is now being made in undertaking the audits contained in the revised Audit Plan, with one audit finalised since the last report to the Committee. The details of this audit are contained in this report however no overall opinion is given at this time on the adequacy and effectiveness of the Council's governance, risk management and controls.

2. Recommendation

That the Committee consider and comment on the results of the internal audit work carried out during the period.

3. Reasons for Decision

The work undertaken by the Internal Audit Service is reported to the Committee during the financial year to enable the Committee to consider the progress made against the Internal Audit Plan and the outcomes of the completed audits which are considered as part of the Annual Assurance Opinion provided by the Shared Services Director for Audit, Fraud, Risk and Insurance.

4. Background, including Policy Context

The Council's internal audit service is managed by the Shared Services Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in-house audit team or by the external contractor to the service, in accordance with the Internal Audit Charter. Key issues identified from audit work are reported each month to the Council's Deputy Section 151 Officer. The Audit & Performance Committee are provided with updates at each meeting on all assurance audits issued in the period.

5. Internal Audit Outcomes (September to October 2020)

5.1 The revised Audit Plan for 2020/21 was reviewed by the Committee in September 2020. Where significant changes in the coverage of the plan occur, these will be reported to the Committee and a full record of the changes during the year is also reported within the Head of Internal Audit's Annual report. Appendix 1 shows the status of the audits contained in the Audit Plan.

5.3 Since the last report to the Committee one audit has been completed, which is a limited assurance review, the details of which are summarised below.

Adult Social Care – Direct Payments (Amber)

5.4 Direct Payments (DPs) were introduced to those assessed as having eligible social care needs could receive social care funds directly to pay for their care needs as agreed within their care and support needs assessment. When a service user receives a DP, they are responsible for organising how their care is delivered to meet their assessed eligible needs. DPs may be made into a specific bank account set-up for the purpose or by pre-paid payment card in the name of the Service User or nominated person. Service users may ask the Council to signpost them to care providers or they may choose to engage care agencies themselves. Should service users employ staff directly, they must meet employment law requirements.

5.5 DPs should be reviewed after six weeks, followed by a six-month review, and then annually to ensure that they continue to be managed sufficiently and used appropriately to meet the service user's needs, and that the service user still has the eligible needs for receiving the direct payment. By signing-up to receive DPs, service users or their nominated person are deemed to have retained full legal responsibility for the administration and monitoring of their payments in accordance with DP policies. The payments are monitored by one team under the management of the Bi-Borough Direct Payments Finance team manager. The council will not process a direct payment until all the necessary documents have been completed.

5.6 The key areas where improvements to controls were required are:

- A Direct Payments Strategy is still in draft form and was not available for review (this was the case when the previous audit of Direct Payments was undertaken in 2018).
- The DP Process interlinks with several services and requires effective communication in order to operate properly. A number of issues were noted with regards to ownership of tasks between Practitioners and DP Finance, which lead to actions not being completed.
- There were concerns expressed regarding over and underspending of DP by service users. There were also concerns around the potential misuse of funds and the ability of some service users to manage their DP. As part of the last internal audit review in 2018, it was recommended that all clients were issued with updated contracts highlighting the importance of financial monitoring and the potential repercussions for misusing DPs. Discussion with senior management identified that this has not taken place. Sample testing identified a number of cases where signed or updated DP agreements were not on file. In some cases, contracts had not been renewed or reviewed since 2012 although there have been changes with HMRC regulations since then.
- Internal Audit reviewed a gap analysis report and noted that there were a significant number of reviews overdue. Due to a lack of evidence of meetings, we were unable to determine what action was being taken by the service to ensure that reviews are completed in a timely manner. It was also noted that the need for review was not always entered as a process on the case management system (Mosaic).
- DP finance is aware that there can be issues regarding recovering unspent funds from service users who had in excess of the nominal 8-week contingency limit or had been shown to have misused funds. At the time of the audit there was approximately £160k of debt that needed to be recovered or written-off. Sample testing identified in 12/20 cases financial reviews had not been undertaken in a consistent manner or the service user was over the 8-week contingency amount. In addition, Practitioners had identified cases where funds may have been misused but this had not been identified through financial monitoring.
- Sufficient information has been provided to service users regarding Statutory Employer Compliance. However, Internal Audit noted for cases where a DP finance review had taken place not all Service Users had the appropriate insurance or had made the necessary payments to HMRC.
- There was no evidence of the issues discussed at Performance & Finance Meetings or the actions arising.
- In a number of cases, the indicative budget for care differed from the payment being made to the service user. This could be because the service has identified cheaper or a free option to provide the care needed. Although this difference was raised in the previous audit of DPs, this continues to be an issue with either insufficient or no notes providing an explanation as to why the amounts differ.

5.7 Three high, five medium and five low priority recommendations have been made to address the weaknesses identified which have been accepted by management with an action plan in place to address the recommendations. A follow up review is expected to commence in January 2021.

6. Follow up

Five follow-up reviews were undertaken in the period (September to October 2020) which confirmed that 73% of recommendations made had been fully or partially implemented with good progress made to implement all recommendations:

Audit	**No of Recs Made**			**No of Recs Implemented**			**No of Recs in Progress**			**No of Recs not yet actioned**		
Client Affairs	11			2			6			3		
Barrow Hill Primary School	3			3			0			0		
Churchill Gardens (RA)	27			11			16			0		
Cemeteries Contract Management	13			8			4			1		
PCI DSS Compliance	2			1			1			0		
Total	**56**			**25**			**27**			**4**		
Priority of recommendations	H	M	L	H	M	L	H	M	L	H	M	L
	7	44	5	4	17	4	3	24	0	0	3	1

Follow up work is undertaken when the majority of the recommendations made are expected to have been implemented as indicated in an agreed management action plan. Sometimes recommendations cannot be fully implemented in the anticipated timescales. In these cases, where appropriate progress is being made to implement the recommendations, these are identified as “in progress”. Recommendations will be followed up until all high and medium priority recommendations are implemented or good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area

7. Financial Implications

There are no financial implications from this report.

8. Legal Implications

There are no legal implications from this report.

9. Staffing Implications

There are no staffing implications from this report.

10. Consultation

The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council's Executive Leadership Team and officers within the Council and supports the Executive Director's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's financial affairs.

If you have any queries about this Report or wish to inspect any of the Background Papers - please contact:

Moira Mackie on 07800 513 192 Email: Moira.Mackie@rbkc.gov.uk

or

David Hughes on 07817 507 695 Email: David.Hughes@rbkc.gov.uk

BACKGROUND PAPERS:

Internal Audit Reports

APPENDIX 2

Audit Plan 2020-21 – Status Report to end October 2020

Completed Audits:

Plan Area	Auditable Area	Issued	Assurance level given	No of High Priority Recs	No of Med. Priority Recs	No of Low Priority Recs	Reported to Committee
ASC/ Finance	Direct Payments	Oct-2020	Limited	3	5	5	Dec-2020
Finance & Resources	Contract Expenditure Controls	Aug-2020	Advisory	0	5	0	n/a

Status of Remaining Audits:

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Plan Area	In Progress	Being Scoped	Booked for Q4	To Be Confirmed	Defer/ Cancelled
Cross Cutting	• GDRP (information assets) – Advisory • Procurement & Pre-paid Cards • Finance/ HR/ Payroll Compliance • Digital Accessibility • Gifts & Hospitality (Ongoing)	• Business Continuity Compliance		• Risk Management • Contract Management • Procurement	
Adult Social Care	• Financial Assessments cfwd 2019/20 (DRAFT) • Test & Trace Grant (ongoing) • Deprivation of Liberty Safeguards (DRAFT)	• Mosaic Financial Controls		• Placements	

Audit Plan 2020-21 – Status Report to end October 2020

Plan Area	In Progress	Being Scoped	Booked for Q4	To Be Confirmed	Defer/ Cancelled
Children's Services	• Cost Sharing cfwd 2019/20 (DRAFT) • Supporting People (Ongoing)	• Contract Management/ Procurement		• Replacement system (possible advisory) • Registrar Service • Libraries	
Schools	• College Park Special • QEII Special • Soho Parish • St Stephen's • Edward Wilson • St Saviour's • Thematic Reviews (H&S and GDPR)		• St Peter's Eaton Sq • Robinsfield		
Finance & Resources	• Treasury Management • Income Compensation Scheme • Property Income cfwd 2019/20 (DRAFT)	• Council Tax • Housing Benefit • NNDR • IT Supplier Chain Management (Cyber) • IT Asset Management • BACS Interfaces		• Corporate Landlord Model • Property – Voluntary & Community Sector • Property Management Information Systems • Property Health & Safety • Procurement	
People Services	• Learning & Development Tools			• Cyclical review topic to be confirmed	

Audit Plan 2020-21 – Status Report to end October 2020

Plan Area	In Progress	Being Scoped	Booked for Q4	To Be Confirmed	Defer/ Cancelled
Growth, Planning & Housing	• H&S Asbestos Compliance • Resident Managed Halls (LALGRA) cfwd 2019/20 (DRAFT) • Management of Halls • Building Control Income cfwd 2019/20 • Westminster Community Homes cfwd 2019/20 • Emergency Planning integration of CWH with Housing cfwd 2019/20 (DRAFT) • Procurement of Temporary Accommodation cfwd 2019/20 (DRAFT)	• Major Works and Lessee Charges	• Capital Programme (advisory)	• Apprenticeships & Traineeships in Social Value & S106 cfwd 2019/20 (consider priorities)	
Environment & City Management	• Electric Vehicle Grant Claims (ongoing)	• Trading Standards • Food Safety • Corporate Health & Safety (Covid impact)		• Public Realm external funding	•

City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	Wednesday 2nd December 2020
Classification:	For General Release
Title:	Counter Fraud 2020/21 – Half Year Progress Report
Wards Affected:	All
Financial Summary:	There are no direct financial implications arising from this report.
Report of:	Gerald Almeroth, Executive Director of Finance and Resources
Report author:	Andy Hyatt, Tri-borough Head of Fraud email: Andrew.hyatt@rbkc.gov.uk 020 7361 2777

1. Executive Summary

1.1 The Audit and Performance Committee's Terms of Reference require that the Committee receive reports on internal and external fraud investigated by the Council. This report is intended to brief members of the Committee in respect of work undertaken by the fraud service during the period 1 April 2020 to 30 September 2020.

2. Recommendations

2.1 The Committee notes the content of the report.

2.2 The Committee indicate any areas of the report that require further investigation.

3. Reasons for Decision

3.1 To inform Members of how the City Council is delivering its anti-fraud and corruption strategy.

4. Background

4.1 This report provides an account of counter-fraud related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2020 to 30 September 2020.

4.2 CAFS remains a shared service providing the Westminster City Council with a full, professional counter fraud and investigation service for fraud attempted or committed against the authority.

4.3 All CAFS work is conducted within the appropriate legislation and through the powers and responsibilities as set out within the financial regulations section of the Council's constitution. CAFS ensures the Council fulfils its statutory obligation under the Local Government Act 1972 to provide the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

4.4 During the first six months of this financial year, 2020/2021, CAFS investigated 362 cases, including 199 new referrals, and concluded 147 investigations. A conclusion could mean support of a successful prosecution, successful prevention that stops fraud, a detection that identifies fraud and stops it continuing, an action that deters fraud, or no further action where there is no case to answer.

4.5 The table below shows this activity and details the fraud types that make up the closed cases, and the active caseload at the start of the current financial year.

Activity	Cases	Fraud types	Closed	Live
Live cases as at 01/04/20	163	Tenancy & Housing cases	64	126
New referrals received	199	Insider fraud	2	1
Closed investigations *(Positive outcome 104)*	147	Other Corporate	3	10
		Parking and Blue Badges	68	78
Live cases as at 01/10/19	215	POCA	0	0

4.6 For the period 1 April 2020 to 30 September 2020, CAFS identified 104 positive outcomes. Fraud identified has a notational value of over £137,168 and is detailed in the following table. The table also compares the achievements against those for the first six months of 2019/20.

Activity	Half-year 2019/20		**Half-year 2020/21**	
	Fraud proved	Notional Values (£'s)	**Fraud proved**	**Notional Values (£'s)**
Housing application fraud	6	7,600	**1**	**2,000**
Right to Buy	10	12,300	**17**	**22,700**
Advisory Reports (pro-active)	6	15,000	**-**	**-**
Prevention subtotal	22	34,900	**18**	**24,700**
Tenancy Fraud (Council and Registered Providers)	22	223,900	**1**	**17,500**
Insider fraud	1	2,000	**-**	**-**
High/Medium risk fraud (e.g. NNDR, Procurement)	3	45,000	**1**	**3,500**
Low-risk fraud (e.g. Freedom passes, Council Tax SPD)	4	5,299	**5**	**4,888**
Disabled Parking	33	64,600	**20**	**21,406**
Resident's Parking	7	5,300	**57**	**28,912**
Detection subtotal	70	346,099	**84**	**76,206**
Proceeds of Crime (POCA)	4	93,371 *(repaid to date £52,668)*	**2**	**36,262** *(repaid to date £10,340)*
Press releases and publicity	1	2,000	**-**	**-**
Deterrence subtotal	5	95,371	**2**	**36,262**
Total	97	476,370	**104**	**137,168**

5. Anti-Fraud and Corruption Strategy

5.1 The Council's Anti-Fraud & Corruption Strategy covering 2020/23 is based on five key themes:

i) Govern
ii) Acknowledge
iii) Prevent
iv) Pursue
v) Protect

5.2 The Strategy is designed to heighten the Council's fraud resilience and demonstrate its protection and stewardship of public funds. It contains an action plan to provide management with a tool to ensure progress and transparency with regards to counter-fraud activities.

i) GOVERN

A robust framework of procedures and policies

6.1 Minimising any losses to fraud and corruption is an essential part of ensuring that all of the Council's resources are used for the purposes for which they are intended and ensuring we remain resilient to the threat of fraud.

6.2 It is therefore vitally important that anti-fraud policies are kept up to date to support and guide Council staff, ensuring compliance with laws and regulations, giving guidance for decision-making, and streamlining internal processes.

6.3 The key anti-fraud policies are regularly reviewed, revised and presented to the Audit and Performance Committee for annual review and approval.

ii) ACKNOWLEDGE

Committing support and resource to tackle fraud

7.1 A vital element of a counter-fraud strategy is the ability of an organisation to call upon competent, professionally trained officers to investigate suspected fraud. Through the resourcing and support for CAFS, the Council demonstrates it is committed to tackling fraud.

7.2 Since April 2020 officers from CAFS have continued to progress their personal development, and have utilised the Council's Learning Zone to enhance their skills and their competencies.

7.3 Officers have covered topics such as equality and diversity in the workplace, communicating effectively, business report writing, unconscious bias and general IT skills. Additionally, officers have also undertaken more specialised counter-fraud courses, including data protection, anti-bribery and whistleblowing.

7.4 Collectively, CAFS officers have completed and passed learning assessments in over 72 courses.

iii) PREVENT

8.1 In addition to the specialist investigative role, CAFS continue to provide advice and support across the organisation, including the Council's partners and contractors.

8.2 This type of advice and support is essential during emergencies such as a pandemic when the fraud threat is higher than at other times for some services.

Corporate investigations

8.3 Corporate investigations cover a wide range of different counter-fraud activities including, but not limited to, financial investigations, complex third-party fraud investigations, contractor or employee fraud, or actions and activities that contribute towards an effective assurance framework.

8.4 Since 1 April 2020 corporate investigation work has included:

- Contractor (Staff) - CAFS received an anonymous referral via the online fraud reporting webpage suggesting a member of staff had made some very derogatory remarks on a public website.

- Employee - Referral received from WCC Libraries via Human Resources that suggested an employee had registered businesses at the library address following post being received at the library in the name of the business.

- Business rates refund - The business rates department received an application for a refund from a retail premises in Nugent Terrace, NW8. The refund was for £3,800 but initial checks showed this refund had been claimed and repaid in April 2019.

- Employee – CAFS received a referral from Human Resources that an employee had been using his council email address for personal business use, making offers to agree a commercial lease with the Council's property agents.

8.5 Case details are reported in Appendix 1.

Housing/Tenancy Fraud

8.6 CAFS provides an investigative service to all aspects of housing, including requests for the succession or assignment of tenancies, allegations of subletting or other forms of tenancy breaches as well as right to buys.

8.7 Achievements in this service area have been disrupted by the pandemic, where changes to legislation, per the Coronavirus Act 2020, and social distancing restrictions have affected the number of fraud recoveries CAFS have been able to achieve.

8.8 For the period 1 April 2020 to 30 September 2020, CAFS had successfully recovered a two-bedroom property, stopped a false housing application and prevented seventeen right to buy applications.

8.9 Although the pandemic has disrupted face to face investigations, CAFS have managed to continue operations by focusing resources on desk-based data analytics.

8.10 Working with data experts GB Group, over 13,500 tenancy records were processed against multiple sources of data including financial, business and social data as well as personal data to identify discrepancies that might require the cleansing and updating of existing Council data or indicated possible fraud.

8.11 The analytics found 11,708 records matched the third-party data which provides assurance that the vast majority of tenancy records are correct and that there is a minimum risk of fraud in these instances.

8.12 The remaining 1,960 records are being scrutinised by CAFS and progress to date is reported in the table below.

Data	Anomalies	Under review	Closed no fraud	Data cleansing in progress	Investigations file raised
Deceased indicators	49	-	15	29	5
High risk residency	5	-	5	-	-
New address indicator	817	772	33	3	9
Medium risk residency	526	526	-	-	-
Low risk residency	563	563	-	-	-
Totals	**1960**	**1,861**	**53**	**32**	**14**

Parking investigations

8.13 CAFS continue to investigate the misuse of disabled parking badges and fraudulently claimed residents parking permits. For the period 1 April, 2020 to 30 September 2020 CAFS successfully prosecuted one offender for misusing disabled parking permits.

8.14 The pandemic has significantly disrupted achievements in this area. On-street investigative activities were briefly suspended during lockdown due to temporary changes to traffic management controls and social distancing restrictions.

8.15 Investigations have now resumed following a revision of our standard operating procedures and the use of PPE to protect both the public and investigating officers.

8.16 Currently, a total of 33 cases are with Legal Services awaiting court appearances but due to backlogs at Magistrate Courts hearings these have been significantly delayed.

8.17 During the lockdown period, CAFS has continued to make better use of technology and analytics. It conducted a pro-active exercise to analyse parking permit data against other datasets to identify anomalies that might indicate fraud.

8.18 NFI data matching facilities were utilised to analyse residents parking permit data between Westminster City Council and the Royal Borough of Kensington and Chelsea (RBKC). The purpose of the exercise was to identify individuals or vehicles which currently have a resident's parking permit in both authorities and hence possibly committing fraud.

8.19 In May 2020, the NFI were supplied with details of 26,410 Westminster permits along with 31,562 records of permits issued by RBKC. This data was compared to each other as well as to third-party datasets including DWP death records.

8.20 CAFS obtained the results at the beginning of August, which were in the form of six reports containing a total of 124 matches. The reports regarding Westminster City Council matches were;

- Name and date of birth. This report identified individuals by name and date of birth who have permits in both boroughs.
- Registration number. This report identified vehicles by registration number which have permits in both boroughs.
- WCC to DWP deceased. This identified holders of WCC permits who are deceased.
- WCC to RBKC permits. This identifies individuals who have two WCC residential permits.

8.21 Each of the matches was examined to determine if they genuinely indicated fraud or error. The results for WCC are given in the table below.

Report type	Number of positive matches	No further action	Resident's parking permits cancelled	On-going investigation
Name & date of birth	7	6	0	1
Registration number	114	-	**48**	25
RBKC deceased	2	2	0	0
RBKC to RBKC permit	1	1	0	0

8.22 A total of 48 permits, with a notional fraud value of £24,960, have been revoked as a result of this exercise and the permits cancelled.

8.23 Currently, 26 investigations remain ongoing, and findings will be reported to the Audit and Performance Committee later in the financial year.

iv) PURSUE

9.1 Stopping fraud and corruption from happening in the first place must be our primary aim. However, those who keep on trying may still succeed. It is, therefore, essential that a robust enforcement response is available to pursue fraudsters and deter others.

9.2 Since April 2020, CAFS made successful claims for restitution in respect of falsely obtained resident's parking permits and managed to secure awards of £36,262 in compensation. The awards reflected the years of deception which caused a significant loss of income to the Council, plus the Council's investigation and administration costs.

v) PROTECT

10.1 This aspect of the Strategy covers counter-fraud activity to protect public funds, saving the Council from fraud and protecting itself from future scams.

10.2 CAFS remains an active member of the National Anti-Fraud Network (NAFN) who disseminate national fraud alerts which are circulated by CAFS to the appropriate departments. CAFS also offer support and advice to ensure proper action is taken in response to the warnings and to protect the Council from fraud.

10.3 During the lockdown, there was a significant increase of alerts detailing fraudsters that were targeting NNDR accounts details using COVID as a ruse to harvest data as well as fraudulent claims for business support grants.

10.4 One such alert raised concerns regarding two suspicious businesses who have previously been linked to stolen credit cards, but more recently following the pandemic they have been contacting councils to apply for backdated rent liability and, at the same time, are then claiming for the business grant payments.

10.5 Alert to the scam, vigilant business rates officers soon identified the two businesses when they tried to request backdated rent liabilities from addresses in Moreton Street, SW1, and to apply for a £25,000 business grant from the two addresses.

10.6 No payments were released, the case was referred to CAFS and investigations remain on-going.

David Hughes
Director of Internal Audit, Risk, Fraud & Insurance

Local Government Access to Information Act – background papers used:
Case Management Information

Officer Contact:
Andy Hyatt
Tri-borough Head of Fraud
Telephone 0207 361 3795
E-mail: andrew.hyatt@rbkc.gov.uk

PRO-ACTIVE OPERATIONS

Source	Fraud Review	Details	Risk
Pro-active data analytics	**Pensioners mortality check** The Cabinet Office advised that in emergency situations such as a pandemic it is understandable that family members fail to report the death of a loved one in a timely manner, but there is also the more serious risk that individuals fail to report a death for malicious reasons with the intent to commit fraud. The Cabinet Office's NFI programme therefore offered a national programme of mortality screening which CAFS took part in. **Strategic objective**: Making better use of technology to tackle fraud	**Background** The NFI mortality screening service matches against one of the most comprehensive, up-to-date and accurate mortality sources available in the UK that includes national insurance numbers. This data-matching service enables the Council to match records and to detect and recover potentially fraudulent overpayments quickly and efficiently, combating fraud committed by anyone trying to continue to receive payments or services after the recipients' death. **Findings** CAFS undertook a mortality check of individuals currently in receipt of a pension from Westminster City Council. In June 2020 the Council supplied records of the 6,153 people who are in receipt of a pension. This was screened, and NFI returned a report indicating that there are 90 people in receipt of Westminster pensions who were believed to be deceased. Enquiries in respect of these 90 individuals showed that 88 had been notified or the pensions stopped. There are two pensioners whose deaths occurred in April 2020 and payments continued, unnotified of the deaths, until the NFI screening results were received. These currently remain under investigation.	**N/A**

Pro-active data analytics	**Disabled Parking mortality check** The Cabinet Office advised that in emergency situations such as a pandemic it is understandable that family members fail to report the death of a loved one in a timely manner, but there is also the more serious risk that individuals fail to report a death for malicious reasons with the intent to commit fraud. The Cabinet Office's NFI programme therefore offered a national programme of mortality screening which CAFS took part in. **Strategic objective**: Making better use of technology to tackle fraud	**Background** The NFI mortality screening service matches against one of the most comprehensive, up-to-date and accurate mortality sources available in the UK that includes national insurance numbers. This data-matching service enables the Council to match records and to detect and recover potentially fraudulent overpayments quickly and efficiently, combating fraud committed by anyone trying to continue to receive payments or services after the recipients' death. **Findings** CAFS undertook a mortality check of individuals currently in receipt of a disabled parking permits (Blue Badge and White Resident Badge) from Westminster City Council. In June 2020 the Council supplied records of the 4,223 people who are badge holders. This was screened, and NFI returned a report indicating that there are 136 disabled badges issued to people who have died. Enquiries in respect of these 90 individuals showed that 43 had been notified and the badges cancelled. A total of 18 badges were cancelled where separate enquiries verified the death. Nine matches have indicated possible fraud. In each of these cases there has been a renewal of the badge following the death of the badge holder. These are now all under investigation. The further 66 matches remain under review.	**N/A**

NOTEWORTHY INVESTIGATIONS AND ACTIVITY

	Case Description
1.	**CASH INCENTIVE SCHEME** – A Council tenant living in Tickford House, NW8 notified the housing department with the intention of surrendering their tenancy. In doing so they made an application to the Council's Cash Incentive Scheme. The scheme is open to tenants who wish to move to a smaller home in Westminster, or relinquish their tenancy completely, to make housing stock available to those in need of housing support. The Tickford House tenant was deemed eligible for the payment and was due to receive £3,500. Prior to completing the application and payment, the housing department became suspicious and were concerned the tenant owned property elsewhere. Property ownership would null the application. The matter was referred to the Corporate Anti-Fraud Service who soon revealed the tenant's ownership of two properties in Brent, one from 2011 and one from 2014. However, enquiries found no evidence that either property had been owned at the time the tenant was awarded the Tickford House tenancy. No payments were made, and the one-bedroom property was recovered forthwith.
2.	**CONTRACTOR** – The Corporate Anti-Fraud Service received an anonymous referral via the online fraud reporting webpage suggesting a member of staff had made some very derogatory remarks on a public website, and was bringing the Council into disrepute. The referral provided screen shots from the Sky News Facebook account, where an individual had made inappropriate remarks in response to a news story. The remarks were made by a person whose Facebook account said they worked at Westminster City Council. The Council's human resources systems were interrogated but there was no link to a direct employee, however, further investigation traced the individual to one of the Council's contractors. Once alerted, the contractors took swift and immediate action to remove the individual from the Westminster contract and to commence their own internal investigations forthwith.

3.	**EMPLOYEE -** Referral received from WCC Libraries via WCC Human Resources, suggested that a Council employee had used one of the library addresses to register two limited companies. Their suspicions began when post was delivered to the library addressed to the two companies. The Service spoke to the employee and gave clear instructions to remove the link to WCC addresses, which the employee did forthwith. However, the library services referred the matter to the Corporate Anti-Fraud Service to obtain assurance that no other untoward activity was taking place. Companies House checks confirmed that both companies had been re-registered but that WCC address remains on the register as a former address for the company. There is no evidence of trading for either company. A fact-finding investigation report was issued to HR and the service area.
4.	**EMPLOYEE** – A referral from WCC Human Resources, suggested that two Council employees had used their WCC email address to make offers on commercial leases with the Council's property agent in relation to proposed outside business activities. The Council's IT systems were interrogated, but no further information was uncovered suggesting that was an isolated incident. Further investigations, including checks with Companies House and third party data confirmed that the employees were not linked to any limited companies, and there was no evidence of secondary employment taking place. A fact-finding investigation report was issued to HR and the service area.
5.	**BUSINESS RATES REFUND** - The business rates department received an application for a refund from a retail premises in Nugent Terrace, NW8. The refund was for £3,800 but initial checks showed this refund had been claimed and repaid in April 2019. When officers rejected the refund request, the applicant raised their concerns that the original refund must have been fraudulent because they didn't receive the money. The matter was referred to the Corporate Anti-Fraud Service who undertook some initial enquiries and traced the original payment made in April 2019. This was found to have been paid to the correct bank account, that of the shop owner. Following a telephone interview, it transpired that the most recent application coincided with change in management/ownership, and while in the process of reconciling accounts they were unaware that it had been claimed the previous year. The matter was closed no fraud.

City of Westminster

Audit and Performance Committee Report

Meeting:	Audit and Performance Committee
Date:	Wednesday 2nd December 2020
Classification:	For General Release
Title:	Counter Fraud Policy Review 2020/21
Wards Affected:	All
Financial Summary:	There are no direct financial implications arising from this report. However, the application of approved anti-fraud policies is intended to protect the Council against loss through fraud and corruption.
Report of:	Gerald Almeroth, Executive Director of Finance and Resources
Report author:	Andy Hyatt, Tri-borough Head of Fraud email: Andrew.hyatt@rbkc.gov.uk 020 7361 2777

1. Executive Summary

1.1 The Audit and Performance Committee is responsible for the effective scrutiny of anti-fraud arrangements and activities, the Committee:

- review and approve anti-fraud policies
- is responsible for gaining assurance that policies are kept up to date and are fit for purpose.

1.2 This paper contains three revised anti-fraud policies, reported in *Appendix 1,* for review and approval. They are:

- Fraud Response Plan
- Anti-Bribery Policy
- Anti-Money Laundering Policy

2. Recommendations

2.1 The Committee approve the revised anti-fraud and corruption policies.

3. Reasons for decisions

3.1 To inform the Committee of policy revisions and to provide assurance that policies are kept up to date and are fit for purpose.

4. Anti-fraud policies

4.1 Minimising any losses to fraud and corruption is an essential part of ensuring that all of the Council's resources are used for the purposes for which they are intended.

4.2 Staff are often the first to spot possible cases of wrongdoing at an early stage and are therefore encouraged and, indeed, expected to raise any concern that they may have, without fear of recrimination. Any concerns raised will be treated in the strictest confidence and will be properly investigated.

4.3 It is therefore vitally important that anti-fraud policies are kept up to date to support and guide Council staff, ensuring compliance with laws and regulations, giving guidance for decision-making, and streamlining internal processes.

David Hughes
Director of Internal Audit, Risk, Fraud & Insurance

Local Government Access to Information Act – background papers used:
Case Management Information

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Andy Hyatt
Tri-borough Head of Fraud
Telephone 0207 361 3795
Email andrew.hyatt@rbkc.gov.uk

WESTMINSTER CITY COUNCIL

FRAUD RESPONSE PLAN

City of Westminster

Date of Issue	Date of last issue	Review Date
December 2020	November 2019	December 2021

1. Introduction

1.1 The Council is committed to sound corporate governance and to protecting the public funds with which it has been entrusted. In discharging its responsibilities, the Council wish to discourage fraud and corruption, whether this is attempted by internal or external sources.

1.2 The Fraud Response Plan provides guidance on the action to be taken when a fraud is suspected or discovered and enables the Council to:

- Minimise and recover losses;
- Establish and secure evidence necessary for criminal and disciplinary action;
- Take disciplinary action against those involved; and,
- Review the reasons for the incident and ensure that actions are implemented to strengthen procedures, controls and prevent recurrence.

1.4 Any suspicion of fraud will be treated seriously and will be investigated in accordance with the Council's procedures and the relevant legislation.

2. Responsibilities

ALL EMPLOYEES

2.1 Individual members of staff, including agency staff, are responsible for:

- Acting with propriety in the use of resources and in the handling and use of public funds, whether they are involved with cash or payments systems, receipts or dealing with contractors or suppliers; and,
- Reporting immediately to their line manager or those named in this policy, if they suspect that a fraud has been committed or see any suspicious acts or events.

MANAGERS

2.2 In addition to those individual responsibilities, managers are responsible for:

- Identifying the risks to which systems and procedures are exposed;
- Developing and maintaining effective controls to prevent and detect fraud; and,
- Ensuring that controls are complied with.

3. Reporting a suspected fraud

ACTION BY EMPLOYEES

3.1 Staff are encouraged and, indeed, expected to raise any concern that they may have, without fear of recrimination. Any concerns raised will be treated in the strictest confidence and will be properly investigated.

3.2 Staff are often the first to spot possible cases of wrongdoing at an early stage. Staff should not try to carry out an investigation themselves. This may damage any subsequent enquiry.

3.3 In the first instance, any suspicion of fraud, theft or other irregularity should be reported, as a matter of urgency, to your line manager. If such action would be inappropriate, your concerns should be reported upwards to one of the following persons:

- Director of Audit, Fraud, Risk and Insurance;
- Head of Fraud; or,
- Executive Director – Finance and Resources.

3.4 Staff may choose to report concerns anonymously or request anonymity. While total anonymity cannot be guaranteed, every endeavour will be made not to reveal the names of those who pass on information.

ACTION BY MANAGERS

3.5 If you have reason to suspect fraud or corruption in your work area, or received information that might suggest wrongdoing, you should do the following:

- Listen to the concerns of staff and treat every report seriously and sensitively.
- Obtain as much information as possible from the member of staff including any notes or evidence to support the allegation. Do not interfere with this evidence and ensure it is kept secure.
- **<u>Do not</u>** attempt to investigate the matter yourself or covertly obtain any further evidence as this may adversely affect any criminal enquiry.
- Report the matter immediately to the Director of Audit, Fraud, Risk and Insurance or Head of Fraud.

REVIEWING ALLEGATIONS

3.6 Once reported the referral should be addressed by the Corporate Anti-Fraud Service and HR function to review any allegation, establish the facts of the statements made, and to recommend an investigation strategy (see flowchart at appendix 1).

MALICIOUS ALLEGATIONS

3.7 If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the person raising the concern. If, however, the allegations are malicious or vexatious, the action may be taken against the person making the allegation.

4. Investigation process

4.1 The Corporate Anti-Fraud Service is responsible for initiating and overseeing all fraud investigations and have a dedicated team of trained investigators who will lead the enquiries.

4.2 In accordance with Section 67(9) of Police and Criminal Evidence Act, officers of the Corporate Anti-Fraud Service are referred to as, "charged with the duty of investigating offences or charging offenders".

4.3 Investigations will be undertaken with consideration for the relevant legislation, regulations and codes. In certain circumstances, investigation work may be carried out by Departmental Management following agreement and liaison with Corporate Anti-Fraud Service and Human Resources.

4.4 Investigation results will not be reported or discussed with anyone other than those who have a legitimate need to know. Where appropriate the person raising the concern will be kept informed of the investigation and its outcome.

4.6 On completion of the investigation, the investigating officer, will prepare a full written report setting out the background, findings of the investigation, and recommendations to reduce further exposure if fraud is proven.

4.7 A brief and anonymised summary of the circumstances may be published in the half-yearly Corporate Anti-Fraud Report to the Audit and Performance Committee.

5. Disciplinary/Legal action

5.1 Where evidence of fraud is discovered, and those responsible can be identified:

- Appropriate disciplinary action will be taken in line with the disciplinary procedure.
- Where legal action is considered appropriate, full co-operation will be given to investigating and prosecuting authorities, including the police if appropriate.

6. Recovery of loss

6.1 Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained, and the recovery of costs will be sought from an individual(s) or organisations responsible for fraud.

6.2 The Corporate Anti-Fraud Service will utilise all relevant powers to recover fraud loses including the use of Financial Investigators working within the realms of the Proceeds of Crime Act.

6.3 Where an employee is a member of Council's Pension scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme, which are then reduced as advised by the actuary.

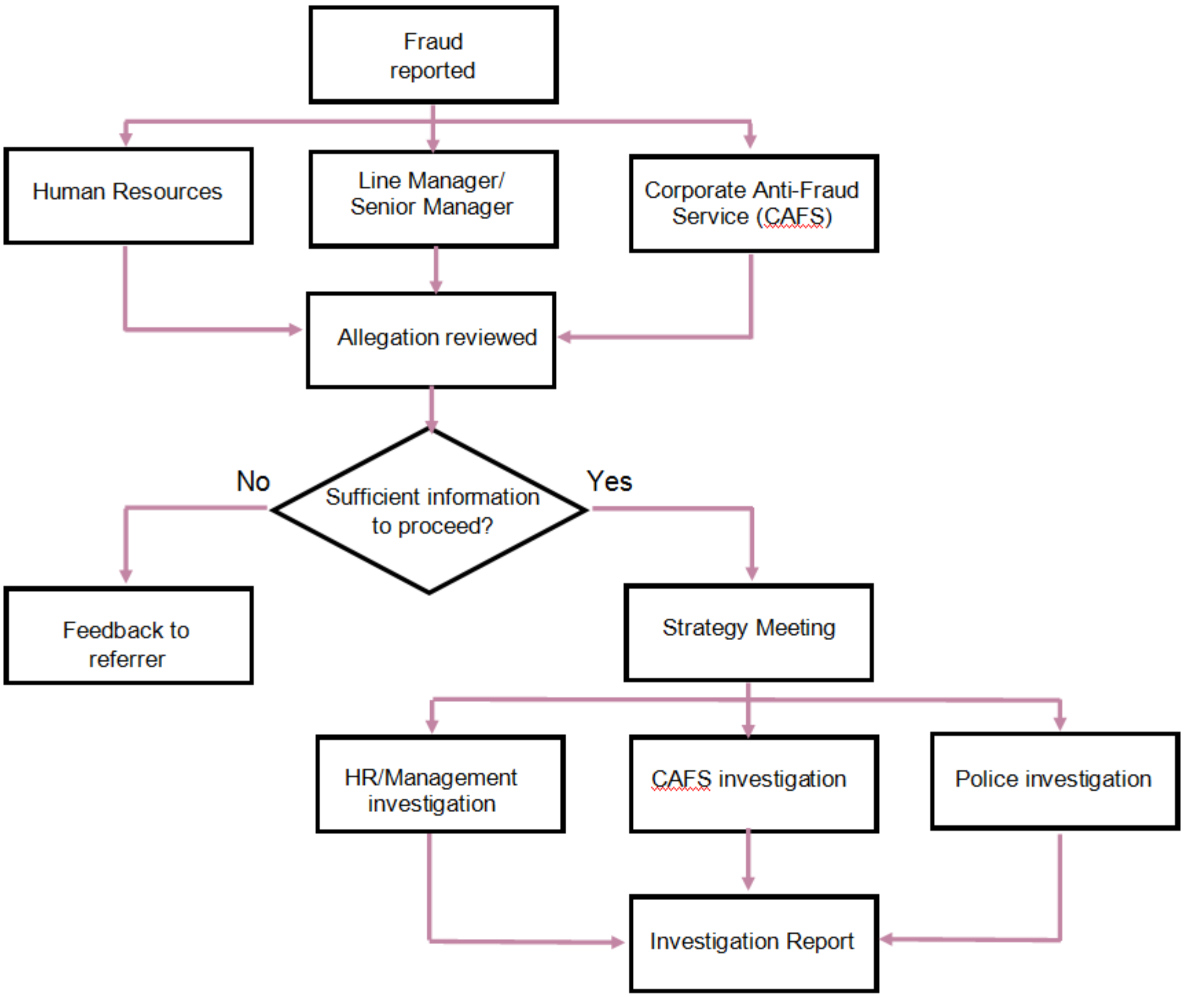
6.4 The Council may also consider taking civil action to recover the loss.

7. Internal contacts

7.1 Advice or guidance about how to pursue matters of concern regarding potential fraud or corruption may be obtained from any of the following contacts:

- Executive Director – Finance & Resources: Gerald Almeroth galmeroth@westminster.gov.uk, 020 7641 2904
- Director of Audit, Fraud, Risk and Insurance: David Hughes, David.Hughes@rbkc.gov.uk, 07817 507695
- Head of Fraud: Andy Hyatt, Andrew.Hyatt@rbkc.gov.uk, 07739 313817
- Fraud Hotline: 020 7361 2777

APPENDIX 1: The procedure for reviewing allegations (flow chart)



WESTMINSTER CITY COUNCIL

ANTI-BRIBERY POLICY

City of Westminster

Date of Issue	Date of last issue	Review Date
December 2020	November 2019	December 2021

1. Introduction: Policy statement

1.1 Bribery is an inducement or reward offered, promised or provided to gain a personal, commercial, regulatory or contractual advantage. Bribery is a criminal offence and punishable for individuals by up to ten years' imprisonment.

1.2 It is the Council's policy to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our activities.

1.3 We are committed to the prevention, deterrence and detection of bribery. We aim to maintain anti-bribery compliance "business as usual", rather than as a one-off exercise.

1.4 Those employed by or acting as agent for the Council and its schools will not pay bribes nor offer improper inducements to anyone for any purpose. Nor will those individuals accept bribes or improper inducements.

1.5 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not allow its staff or Members engage indirectly in or otherwise encourage bribery.

2. Objective

2.1 The purpose of this policy is to:

(a) Set out our responsibilities, and of those working for us, in observing and upholding our position on bribery and corruption; and,

(b) Provide information and guidance to those working for us on how to recognise and deal with bribery and corruption issues.

3. What is bribery?

3.1 A **"Bribe"** means a financial or other inducement or reward for action which is illegal, unethical, a breach of trust, or improper in any way. Bribes can take the form of money, kickback, gifts, loans, fees, hospitality, services, discounts, the award of a contract, or any other commercial or personal advantage or benefit.

3.2 **"Bribery"** includes offering, promising, giving, accepting or seeking a bribe.

3.3 All forms of Bribery are strictly **prohibited**. If you are unsure about whether an act constitutes bribery, raise it with your manager or contact People and Talent.

3.4 Specifically, you **must not**:

- give or offer any payment, gift, hospitality or other benefit in the expectation that a business advantage will be received in return, or to reward any business received;

- accept any offer from a third party that you know or suspect is made with the expectation that we will provide a business advantage for them or anyone else;

- give or offer any payment (sometimes called a facilitation payment) to a government official in any country to facilitate or speed up a routine or necessary procedure (even if these payments are common in certain countries); or

- threaten or retaliate against another person who has refused to offer or accept a bribe or who has raised concerns about possible bribery or corruption.

4 Conflicts of interest

4.1 All employees need to declare whether they have any personal interests that may conflict with the interests of the Council. Outside activities, additional employment or voluntary work can all create the potential for the interests of the employee to come into conflict with those of the Council.

4.2 Conflicts of interests can be damaging for the Council and those concerned, potentially leading to accusations of corruption and impropriety. In such situations the mere perception of wrongdoing can cause huge embarrassment, regardless of whether such accusations prove to be well founded or not.

4.3 All employees need to read the Council's advice regarding declarations of interest **(click here)** and decide whether they have any conflicting personal interests and to agree to inform the Council if these circumstances change. A copy of the declaration of interest and out of work activities form is attached at **Appendix 1**.

4.4 Because declarations of interest are fundamental to the effective operation and reputation of the Council, failing to declare an interest will always be dealt with by the Council as a disciplinary matter and is likely to be deemed gross misconduct which may result in your dismissal.

5 Gifts and hospitality

5.1 The acceptance of gifts and hospitality, even on a modest scale, may arouse suspicion and must be capable of public justification.

5.2 We must exercise discretion in offering and accepting gifts and hospitality. We consider how it might affect our relations with the party offering it and how elected Members, the public and other staff, might perceive it. If in any doubt we will discuss with our line manager.

5.3 Employees are therefore required by the Officers' Code of Conduct to record gifts or hospitality offered to them (whether accepted or not) and hospitality provided to others outside the Council. This should preferably be recorded as it happens, rather than at the end of a fixed period. In any case, it must be recorded within one month of the event (or the date of an offer of hospitality, if refused). Regular nil returns are not required.

5.4 Because the Council is a public body it is essential that all such items are recorded in an easily accessible and efficient way. To this end, an online gifts and hospitality register has been created – you can access the Council's policy (here) and access the register and further information by following this link.

6 Reporting your concerns

6.1 If in the course of your duties someone attempts to influence the outcome of a project, procurement or decision, you must politely refuse and immediately;

- Report the matter to your line manager, their manager or the Head of Service. If for any reason this is not possible you should speak to those named below.

- You should make a note of who attempted to influence you and what was offered, who they work for, their contact details and the date and time of the incident. Also you should note any witnesses, if any.

- Members should report the incident immediately to the Leader of the Council.

6.2 If an incident of bribery, corruption, or wrongdoing is reported, the Council will act as soon as possible to evaluate the situation. The Council has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind.

6.3 Employees can also raise their concerns in accordance with the Council's Whistleblowing Policy.

6.4 If you have any questions about this procedure, please contact:

- Executive Director – Finance & Resources: Gerald Almeroth, galmeroth@westminster.gov.uk, 020 7641 2904

- Director of Audit, Fraud, Risk and Insurance: David Hughes, David.Hughes@rbkc.gov.uk, 07817 507695

- Head of Fraud: Andrew Hyatt, Andrew.Hyatt@rbkc.gov.uk, 07739 313817

- Fraud Hotline: 020 7361 2777

APPENDIX 1

Declaration of Interests and Out of Work Activities Form
We are committed to being an open, transparent and accountable organisation. When completing this form please consider whether an external observer might reasonably think that you could be influenced by any interest. If in doubt, complete the declaration and discuss with your line manager.

Completing the Form
All parts of the form must be completed (enter “nil” or “N/A” as appropriate if you have no interests to declare under that heading). This form should be completed if your circumstances change. Attach additional sheets as required.

On completion of the Form,
Send to your line manager who will work with you to ensure any conflict of interest is avoided and upload a copy to your SAP electronic personal file.

1. Financial Interests	
Name of any other employer	
Name of organisations in which I am a partner or company of which I am a remunerated director	
Name of any incorporated body in which I have a beneficial interest	
Description of any contract for goods, services or works between WCC and myself or any organisation I am connected with.	
Address or other description (sufficient to identify the location) of any land in Westminster in which I have a beneficial interest.	
Address or other description (sufficient to identify the location) of any land where WCC is the landlord and the tenant is an organisation who I am connected with.	

2. Other Interests	
Membership or position of general control of public authorities or bodies exercising functions of a public nature	
Membership or position of general control of companies, charities or bodies directed to charitable purposes	
Membership or position of general control of bodies whose principal purposes include the influence of public opinion or policy	

3. Indirect Interests	
Any interest which my partner or other relative may have in WCC or in any organisation which may have an interest in WCC.	

4. In addition, if a holder of a designated post (Band 5 and above or any role with a significant involvement in contract matters or other work which requires a high level of transparency)	
Any paid or unpaid activity or work outside WCC employment (including appointments to organisations which are funded or grant-aided by the council)	
Any financial and/or non-financial interest I have in any Council business	
Any relationship with an organisation (or people who work for that organisation) where I may be required to provide advice on the management or funding of that organisation	
Any relationship (business or private) I have, or had, with an external contractor or potential contractor	

5. Additional Employment	
Any paid or unpaid activity or work outside WCC employment (including appointments to organisations which are funded or grant-aided by the council)	

Name	
Job Title	
Department	
Signature	
Date	

WESTMINSTER CITY COUNCIL

ANTI-MONEY LAUNDERING
POLICY AND PROCEDURE

City of Westminster

Date of Issue	Date of last issue	Review Date
December 2020	November 2019	December 2021

1. Introduction

1.1 The Council will take measures to prevent the organisation, its Members and officers being exposed to money laundering, to identify areas where money laundering may occur and to comply with legal and regulatory requirements.

1.2 The Proceeds of Crime Act 2002, the Terrorism Act 2000 and Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on the Council and its employees to establish internal procedures to prevent the use of their services for money laundering and the prevention of terrorist financing. The Council must also appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity.

1.3 It is the responsibility of staff and Members to be vigilant and act promptly where money laundering is suspected. Failure to comply with this Policy, and accompanying procedures, may lead to disciplinary action being taken against them. Failure by a Member to comply with the procedures may be referred to the Monitoring Officer.

2. What is Money Laundering?

2.1 Money laundering is a process of converting cash or property derived from criminal activities to give it a legitimate appearance. It is a process of channeling ‘bad’ money into ‘good’ money in order to hide the fact that the money originated form criminal activity, and often involves three steps:

- **Placement** - cash is introduced into the financial system by some means. For example, depositing the cash into bank accounts, exchanging currency or simply changing small notes for large notes (or vice versa).

- **Layering** - a financial transaction to camouflage the illegal source; transfers between accounts including offshore, offering loans, investments and complex financial transactions.

- **Integration** - acquisition of financial wealth from the transaction of the illicit funds. For example, buying residential and commercial property, businesses and luxury goods.

3. What is Terrorism Financing?

3.1 Terrorism financing is the act of providing financial support, funded from either legitimate or illegitimate source, to terrorists or terrorist organisations to enable them to carry out terrorist acts or will benefit any terrorist or terrorist organisation.

3.2 While most of the funds originate from criminal activities, they may also be derived from legitimate sources, for example, through salaries, revenues generated from legitimate business or the use of non-profit organisations to raise funds through donations.

4. What are the main offences?

4.1 There are three main offences:

- **Concealing:** knowing or suspecting a case of money laundering, but concealing or disguising its existence.

- **Arranging:** becoming involved in an arrangement to launder money, or assisting in money laundering.

- **Acquisition, use or possession:** benefiting from money laundering by acquiring, using or possessing the property concerned.

4.2 None of these offences are committed if:

- the persons involved did not know or suspect that they were dealing with the proceeds of crime; or,

- a report of the suspicious activity is made promptly to the Money Laundering Reporting Officer (MLRO).

5. What are the obligations on the Council?

5.1 The main requirements of the legislation are:

- To appoint a money laundering reporting officer (Nominated Officer);
- Implement a procedure to receive and manage the concerns of staff about money laundering and their suspicion of it, and to submit reports where necessary, to the National Crime Agency (NCA);

- To make those staff most likely to be exposed to or suspicious of money laundering situations aware of the requirements and obligations placed on the organisation, and on them as individuals; and,
- To give targeted training to those considered to be the most likely to encounter money laundering.

5.2 Providing the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.

5.3 The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

6. Nominated Officers

6.1 The regulations require the Council to appoint a Nominated Officer, sometimes known as Money Laundering Reporting Officer ("MLRO").

6.2 The MLRO and their appointed Deputy MLRO are responsible for receiving internal suspicious transaction reports (also known as disclosures), deciding whether these should be reported to the National Crime Agency (NCA), and making the report when required.

6.3 The Nominated Officers within the Council are;

- **MLRO: Section 151 officer: Gerald Almeroth** Executive Director – Finance and Resources, galmeroth@westminster.gov.uk
- **Deputy MLRO: Andy Hyatt**, Shared Services Head of Fraud (Andrew.hyatt@rbkc.gov.uk) 07739 313817

7. High value cash transactions

7.1 Those receiving or arranging to receive cash on behalf of the Council must ensure they are familiar with the Council's Anti-Money Laundering Policy.

7.2 The first stage of money laundering, placement, is where vigilance can often detect and prevent it happening, because large amounts of cash are pretty conspicuous.

7.3 No cash payment in excess of exceeds **£10,000** should be accepted, without referral to the MLRO or Deputy MLRO.

8. What should I do if I suspect money laundering?

8.1 Staff who know or suspect that they may have encountered criminal activity and that they may be at risk of contravening the money laundering legislation, they must report this as soon as practicable to the Money Laundering Responsible Officer (MLRO) or Deputy MLRO to advise of their concerns.

8.2 The disclosure should be at the earliest opportunity of the information coming to your attention, not weeks or months later.

- Refer to the Council's Anti-Money Laundering Procedures
- **Do not** tell the customer about your suspicions. "Tipping off" is a criminal offence
- Report your suspicions immediately to the Council's MLRO or Deputy MLRO
- Keep all records relating to the transaction(s). If you are unsure about what records or information to keep, please ask the MLRO.

8.2 More information about making a report to the MLRO is detailed at **appendix 1** and a flow chart illustrating the procedure for reporting money laundering is at **appendix 2**.

9. Suspicious Activity Report (SAR)

9.1 Once a suspicious transaction or activity is referred to the Nominated Officer it is their responsibility to decide whether they need to send a report or 'disclosure' about the incident to the NCA. They do this by making a Suspicious Activity Report (SAR).

9.2 The nominated officer must normally suspend the transaction if they suspect money laundering or terrorist financing. If it's not practical - or not safe - to suspend the transaction, they should make the report as soon as possible after the transaction is completed.

9.3 The NCA receives and analyses SARs and uses them to identify the proceeds of crime. It counters money laundering and terrorism by passing on important information to law enforcement agencies so they can take action.

APPENDIX 1: Making a report to the MLRO

If you suspect that money laundering activity is taking place (or has taken place), or think that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as possible to the MLRO or the Deputy MLRO. Considerations of confidentiality do not apply if money laundering is at issue.

In the first instance, the report may be made informally to allow the MLRO to assess the information and decide whether a Suspicious Activity Report (SAR) should be made to the National Crime Agency (NCA).

You should provide as much detail as possible, for example:

- Details of the people involved – name, date of birth, address, company names, directorships, phone numbers etc;
- Full details of the nature of the involvement;
- A description of the activities that took place;
- Likely amounts of money or assets involved; and,
- Why you are suspicious.

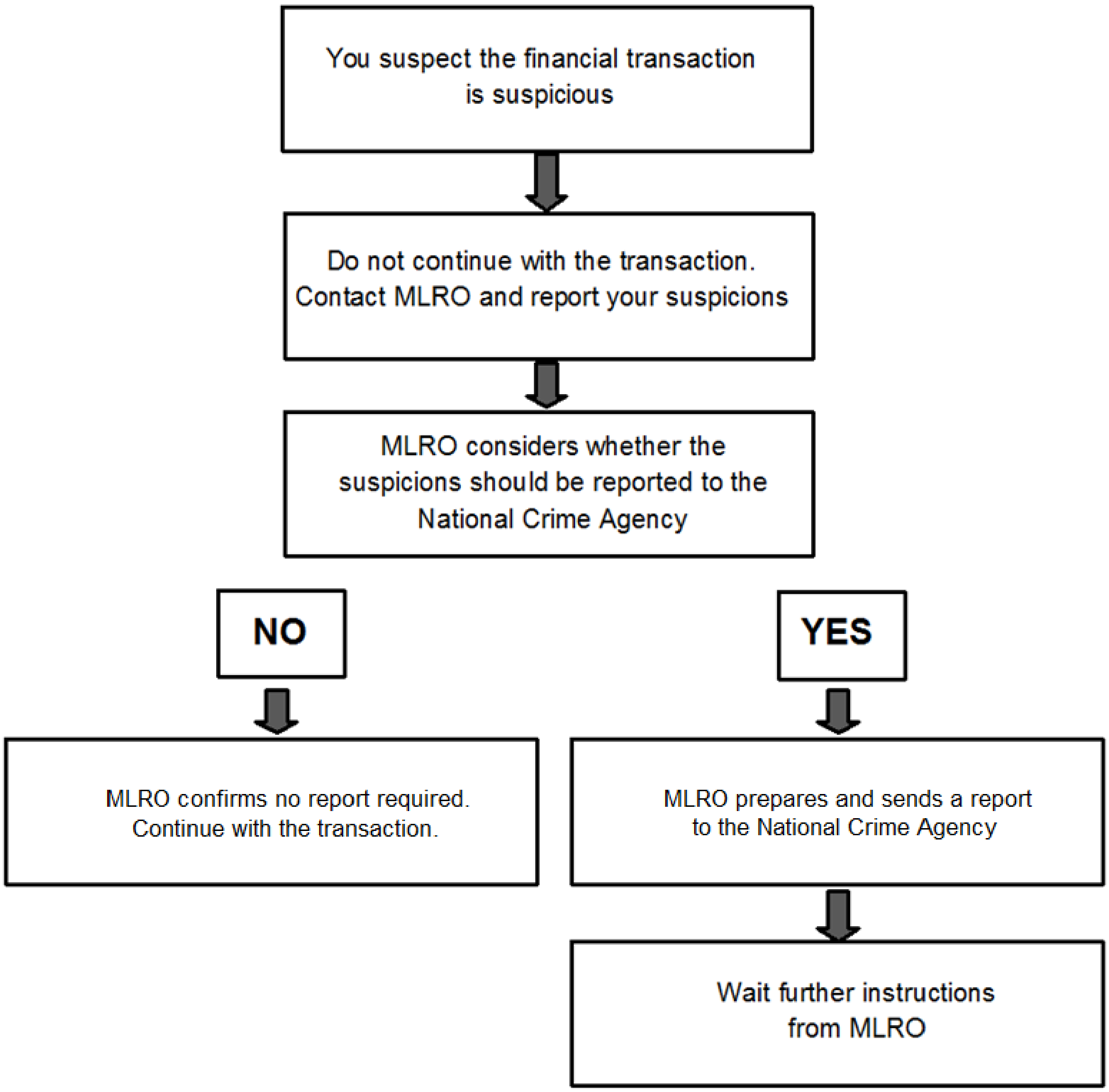
This will assist the MLRO to make a judgement as to whether there are reasonable grounds for assuming knowledge or suspicion of money laundering. The MLRO may initiate an investigation to enable him to decide whether a report should be made to the NCA.

In cases where legal professional privilege may apply, the MLRO must decide (taking legal advice if required) whether there is a reasonable excuse for not reporting the matter.

Once the matter has been reported to the MLRO, you must follow any directions they may give you. ***You must not make any further enquiries into the matter yourself***. Any investigations will be undertaken by the NCA. You should not make any reference on a client file to a report having been made to the MLRO – the client might exercise their right to see the file, and such a note would tip them off to a report having been made, and might make you liable to prosecution.

If the NCA has any queries on the report, responses to those queries should be routed via the MLRO to ensure that any reply is covered by appropriate protection against claims for breaches of confidentiality.

APPENDIX 2: The procedure for reporting (flow chart)



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Agenda Item 9

City of Westminster

Audit and Performance Committee Report

Date:	2 December 2020
Classification:	General Release
Title:	Treasury Management Strategy Mid-Year Review 2020-21
Wards Affected:	All
City for All Summary	To manage the Council’s finances prudently and efficiently
Financial Summary:	This report forms part of the monitoring of the treasury function as recommended in the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Treasury Management Code of Practice. It reviews the implementation of the strategy to date and allows for any changes to be made depending on market conditions.
Report of:	Gerald Almeroth Executive Director for Finance and Resources
Author:	Mathew Dawson, Strategic Finance Manager mdawson@westminster.gov.uk

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to:

- update Members on the delivery of the 2020/21 Treasury Management Strategy approved by Council on 4 March 2020; and

- approve the recommendations in paragraph 2.1.

1.2 Treasury management comprises:

- investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security of capital and liquidity. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

- managing the City Council’s borrowing to ensure funding of the Council’s future capital programme is at optimal cost. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long- or short-term loans or using longer term cash flow surpluses.

1.3 This report complies with CIPFA's Code of Practice on Treasury Management, and covers the following:

- a six-monthly review of the Council's investment portfolio for 2020/21 to include the treasury position as at 30 September 2020;
- a review of the Council's borrowing strategy for 2020/21;
- a review of compliance with Treasury and Prudential Limits for the first six months of 2020/21; and
- an economic update for the first part of the 2020/21 financial year.

1.4 The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) apart from one instance, which arose because of an exceptional banking receipt which was received too late in the day to be moved from the bank until the following day.

- £8.490m on 4th May 2020

2. RECOMMENDATIONS

2.1 The Committee is asked to approve the annual treasury strategy mid-year review 2020/21, noting the case of non-compliance.

3. TREASURY POSITION AS AT 30 SEPTEMBER 2020

3.1 As at 30 September 2020, the net cash position was £432.7m, an increase of £25.2m on the position at 31 March 2020 as shown below:

	30 September 2020 (£m)	31 March 2020 (£m)
Total Borrowing	(221.2)	(221.2)
Total Cash Invested	653.9	628.7
Net Cash Invested	**432.7**	**407.5**

3.2 The increase of £25m reflects the forecast pattern of the Council's cashflows and largely relates to the timing of grants, council tax and business rates received.

Investments

3.3 The Council's Annual Investment Strategy which forms part of the annual Treasury Management Strategy Statement (TMSS) for 2020-21 was approved by the Council on 4 March 2020. The Council's policy objective is the prudent investment of balances to achieve optimum returns on investments, subject to maintaining adequate security of capital and a level of liquidity appropriate to the Council's projected need for funds over time.

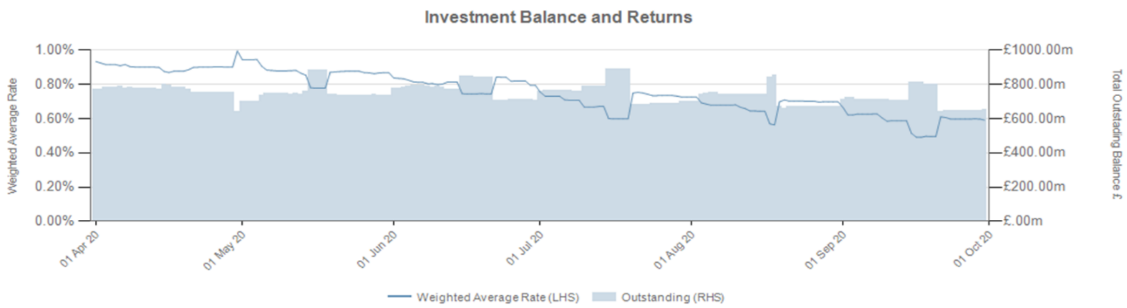
3.4 The table below provides a breakdown of investments, together with comparisons for the previous financial year end.

	Investment Balance 30 September 2020 (£m)	Investment Balance 31 March 2020 (£m)	Movement (£m)
Money Market Funds	195.9	30.1	165.8
Notice Accounts	40.0	18.6	21.4
Term Deposits	418.0	580.0	-162.0
Total:	**653.9**	**628.7**	**25.2**

3.5 In the current economic climate it is considered appropriate to keep new investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions. Liquid balances are managed through Money Market Funds providing same day liquidity. Cash has been invested in alternative and less liquid instruments, particularly term deposits. The average level of funds available for investment in the first six months of 2020-21 was £746.1m.

3.6 The shaded area in the chart below shows the daily investment balance from 1 April 2020 to 30 September 2020. The line shows the weighted average return of the investment portfolio, which has fallen streadily throughout the first half of 2020-21. The daily investment balance is shown by the grey shaded area. This balance rises and then falls each month and follows a monthly fluctuating cycle.

3.7 Daily investment balances have steadily decreased from £772.1m at 1 April 2020 to £653.9m at 30 September 2020.



3.8 On 4 August 2016, the Bank of England reduced the bank rate to 0.25%, staying at this level until 2 November 2017 when there was an interest rate increase to 0.50%. On 2 August 2018, there was another rate rise to 0.75% where it stayed until 11 March 2020 when it reduced to 0.25%. This was followed by a further decrease on 19 March 2020 to 0.10%. Given this risk environment and the fact that increases in the Bank Rate are unlikely to occur before the end of the current forecast horizon of 31 March 2023, investment returns are expected to remain low.

3.9 While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next six to 12 months, a few deposit accounts are already offering negative rates for shorter periods. Money Market Funds yields have drifted lower since the start of the financial year. Some have reduced their fee levels to ensure that net yields for investors remain in positive territory where possible and practical.

3.10 Investor cash flow uncertainty and the need to maintain liquidity in these unprecedented times, has meant there is a surplus of cash available at the very short end of the market. This has seen a number of market operators, now including the DMADF, offering nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions. Inter local authority lending and borrowing rates have also declined.

3.11 The table below shows the forecast investment income to be achieved in the year: budget versus actual and the variance. The Council's budgeted investment return for 2020/21 is £6.748m, and performance for the year is expected to be £0.218m below budget. The total portfolio weighted average yield performance for the first half of 2020/21 to 30 September 2020 was 0.76%.

Year 2020/21	Budget £000	Forecast Income £000	Variance £000
Investment Income	6,748	6,530	-218

3.12 Appendix 1 provides a full list of the Council's limits and exposures as at 30 September 2020.

Borrowing

3.13 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2020/21 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

3.14 At £221.2m, the Council's borrowing was well within the Prudential Indicator for external borrowing, namely, that borrowing should not exceed the estimated capital financing requirement (CFR) for 2020/21 of £880.0m.

3.15 During 2020/21, the Council maintained an under-borrowed position of £658.8m. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim funding measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing treasury investments also needed to be considered.

3.16 The table below shows the details around the Council's external borrowing as at 30 September 2020, split between the General Fund and HRA.

Total Borrowing	30 September 2020 (£m)	31 March 2020 (£m)
HRA	196.0	196.0
General Fund	25.2	25.2
Total Borrowing	**221.2**	**221.2**

3.17 The breakdown of the existing loans is shown below:

Borrowing Type	Loan Balance 30 September 2020 (£m)	Loan Balance 31 March 2020 (£m)	Movement (£m)
PWLB	151.0	151.0	0.0
LOBO	70.0	70.0	0.0
Mortgage Annuity	0.2	0.2	0.0
Total:	**221.2**	**221.2**	**0.0**

3.18 During 2020/21, the Council repaid £0.02m of loans using investment balances. This consisted of the repayment of two mortgage annuity loans.

3.19 Due to the increase in PWLB margins over gilt yields in October 2019, and the subsequent consultation on these margins by HM Treasury, which ended on 31st July 2020, the Authority has refrained from undertaking new long-term PWLB borrowing for the present.

Forward Borrowing

3.20 As anticipated in the 2020/21 TMSS, the Council has undertaken no new borrowing for this financial year due to the high level of cash holdings. Officers are monitoring market conditions and reviewing the need to borrow at current low rates if a requirement is identified for either the General Fund or Housing Revenue Account (HRA).

3.21 Due to the overall financial position and the underlying need to borrow for capital purposes, it is prudent for the Council to lock in affordability by placing some forward borrowing for the amounts it can be relatively certain it will need, while maintaining some forward flexibility as projects may or may not proceed within the expected timeframes.

3.22 During 2019/20, the Council arranged forward borrowing loans totalling £400.0m. These loans have enabled the Council to agree competitive rates in advance of need which eliminates the “cost of carry”, i.e. the difference between the loan interest cost and the rate of return on cash investments. An analysis of the deals arranged is shown below:

Counterparty	Amount (£m)	Start Date	Maturity Date	Rate (%)	Profile
Phoenix Group	37.5	15 March 2022	15 March 2062	2.706	Annuity
Barings LLC	150.0	15 August 2022	15 August 2052	1.970	Maturity
Phoenix Group	12.5	15 March 2023	15 March 2066	2.751	Annuity
Rothesay Life Plc	200.0	08 May 2023	08 May 2063	2.887	Equal Instalment of Principal
Weighted average interest rate	**400.0**			**2.579**	

4. COMPLIANCE WITH TREASURY LIMITS AND PRUDENTIAL INDICATORS

4.1 During the financial year to 30 September 2020, the Council operated within the Treasury Limits and Prudential Indicators set out in the TMSS approved by Council on 4 March 2020 as set out below.

4.2 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2020, the Council has operated within the treasury and prudential indicators set out in the Council’s Treasury Management Strategy Statement for 2020. The Executive Director of Finance and Resources reports that no difficulties are envisaged for the current or future years in complying with these indicators.

PI Ref		2020/21 Indicator	2020/21 Forecast	Indicator Met?
1	Capital expenditure	£431m	£237m	Met
2	Capital Financing Requirement (CFR)	£1,059m	£880m	Met
3	Net debt vs CFR	£853m underborrowing	£659m underborrowing	Met
4	Ratio of financing costs to revenue stream	GF (1.95)% HRA 24.07%	GF 15.05% HRA 21.92%	Met
5a	Authorised limit for external debt	£1,059m	£880m	Met
5b	Operational debt boundary	£257m	£257m	Met
6	Working Capital Balance	£0m	£0m	Met
7a	Upper limit for variable interest rate borrowing	£0m	£0m	Met
7b	Upper limit for fixed interest rate borrowing	£1,059m	£880m	Met
7c	Limit on surplus funds invested for more than 364 days (i.e. non specified investments)	£450m	£38m	Met
8	Maturity structure of borrowing	Upper limit under 12 months: 40% Forecast: 7% Lower limit 10 years and above: 35% Forecast: 62%	Upper limit under 12 months: 40% Forecast: 9% Lower limit 10 years and above: 35% Forecast: 63%	Met

Capital expenditure and borrowing limits

4.4 The capital expenditure forecast to 31 March 2021 totals £237.0m for both the General Fund and the HRA. The initial capital expenditure budget at the time of the approval of the annual Treasury Management Strategy Statement 2020/21 was £431.0m. The Council has worked hard to keep its development sites open and working during the pandemic. However, inevitably, there has been an impact with delays in projects that have been affected by the lockdown restrictions and social distancing. These delays will mean that projects will complete later than planned and this will create slippage in the capital programme. The Council has an ambitious capital programme, investing in delivery of new affordable homes, as well as significant public realm schemes such as the Oxford Street District Strategy programme.

4.5 External borrowing was well within the Capital Financing Requirement, Authorised Borrowing Limit and the Operational Boundary as shown in the table above:

- The Authorised Limit is a level for which the external borrowing cannot be exceeded without reporting back to Full Council. It therefore provides sufficient headroom such that in the event that the planned capital programme required new borrowing to be raised over the medium term, if interest rates were deemed favourable and a thorough risk analysis determined and the cost of carry was appropriate, this borrowing could be raised ahead of when the spend took place.

- The Operational Boundary is set at a lower level and should take account of the most likely level of external borrowing. Operationally, in accordance with CIPFA best practice for Treasury Risk Management, a liability benchmark is used to determine the point at which any new external borrowing should take place.

4.6 The purpose of the maturity structure of borrowing indicator is to highlight any potential refinancing risk that the Council may be facing if, in any one particular period there was a disproportionate level of loans maturing. The table below shows that the maturity structure of the Council's borrowing as at 30 September 2020 was within the limits set and does not highlight any significant issues.

Actual Maturity at 30 September 2020	Duration	Upper Limit	Lower Limit
9	Under 12 Months	40	0
0	12 Months and within 24 Months	35	0
9	24 Months and within 5 Years	35	0
19	5 Years and within 10 Years	50	0
63	10 Years and Above	100	35

4.7 The Council is not subject to any adverse movement in interest rates in its current loans portfolio as it only holds fixed interest borrowing.

4.8 The average rate on the fixed interest borrowing is 4.24% with an average redemption period of 18 years. This reflects the historical legacy of borrowing taken out some years ago which is now higher than PWLB interest rates for comparable loans if they were taken out now. Officers have considered loan re-financing but premiums for premature redemption are prohibitively expensive making this option poor value for money.

4.9 The Council's borrowing portfolio contains £70m of Lender Option Borrower Option loans (LOBOs). These are long-term loans of up to 60 years, which are subject to periodic rate re-pricing. The rates are comparable with loans for similar durations provided by the PWLB. There is some refinancing risk associated with these loans because of the lender option to increase interest rates. Some banks are offering premature repayment or loan conversion for LOBOs to fixed term loans and officers will remain alert to such opportunities as they arise.

Investment limits

4.10 Investment in non-specified investments at £38m is well within the limit of £450m for such investments. This reflects the fact that 94% of the Council's investments have a life of less than 12 months. The highest level of non-specified investments during the year was £58m.

4.11 Whilst the short duration is within approved limits, there is scope within the Investment Strategy to extend the duration of investments for up to five years. Using longer duration investments and marginally lower credit ratings is likely to increase the yield the Council earns from its investments.

5. THE ECONOMY AND INTEREST RATES

5.1 As expected, the Bank of England's Monetary Policy Committee (MPC) kept the Bank Base Rate unchanged on 6 August 2020. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in GDP in the first half of 2020 was revised from -28.0% to -23.0% (subsequently revised to -21.8%). This is one of the largest falls in output of any developed nation. However, it is to be expected as the UK economy is heavily skewed towards consumer facing services, an area which was particularly vulnerable to being damaged by lockdown.

- The peak in the unemployment rate was revised down from 9.0% in Q2 to 7.5% by Q4 2020.

- It forecast that there will be excess demand in the economy by Q3 2022, causing CPI inflation to rise above the 2.0% target in Q3 2022 (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation is still projected to be above 2.0% in 2023.

5.2 It also discounted the possibility of imposing negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.

5.3 The MPC expected the £300bn of quantitative easing purchases announced between its March 2020 and June 2020 meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

5.4 In conclusion, this would indicate that the Bank could now monitor the situation as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term.

5.5 In addition, uncertainties arising from the UK's exit from the EU ahead of the year-end deadline are likely to be a drag on economic recovery. The absence of an EU trade deal by 31 December 2020 is a current major concern for the UK economy.

5.6 Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June 2020 through to August 2020 which left the economy 11.7% smaller than in February 2020. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending.

5.7 One key addition to the Bank's forward guidance was a new phase in the policy statement, namely, that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2.0% inflation target sustainably". That seems designed to say, in effect that, even if inflation rises to 2.0% in a couple of years' time, we should not expect any action from the MPC to raise Bank Rate until it can clearly see a level of inflation that is going to be persistently above target if it takes no action to raise Bank Base Rate.

5.8 The Financial Policy Committee (FPC) report on 6 August 2020 revised down its expected credit losses for the banking sector. It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

6. BACKGROUND

6.1 The Local Government Act 2003 ("the Act") requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

7. FINANCIAL IMPLICATIONS

7.1 Financial implications are contained in the body of this report.

8. LEGAL IMPLICATIONS

8.1 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Act to monitor its borrowing and investment activities.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:
Mathew Dawson, Strategic Finance Manager (07890 380286 or mdawson@westminster.gov.uk)

BACKGROUND PAPERS:

Full Council Report

Treasury Management – Annual Strategy for 2020/21, including Prudential Indicators and Statutory Borrowing Determinations – 4 March 2020.

Appendix 1: Limits and Exposures as at 30th September 2020 (below)

Limits and exposures as at 30th September 2020 **Appendix 1**

Category	Limit per Counterparty (£m)	Duration Limit	Counterparty Name	Current Exposure (£m)	Interest Rate (%)
UK Local Authorities	£100m per local authority; £500m in aggregate	3 years	Cardiff Council	8.0	1.80
			Colchester Borough Council	10.0	1.38
			Denbighshire County Council	10.0	1.00
			Doncaster Metropolitan Borough Council	5.0	1.05
				5.0	1.16
				5.0	1.16
			Dudley Metropolitan Borough Council	10.0	1.32
				10.0	1.55
				10.0	1.70
			East Ayrshire Council	30.0	1.10
			Fife Council	5.0	1.30
			Isle of Wight Council	10.0	1.10
			London Borough of Croydon	10.0	1.30
			London Borough of Southwark	10.0	1.00
			London Borough of Sutton	15.0	0.93
			Redcar & Cleveland Borough Council	10.0	0.88
				20.0	1.10
			Thurrock Council	20.0	1.25
				10.0	1.55
			West Dunbartonshire Council	5.0	0.20
Money Market Funds	£70m per fund. £300m in aggregate.	Three day notice	Aberdeen Sterling Liquidity Fund	60.0	
			Deutsche Platinum Sterling Liquidity Fund	0.1	
			Federated Sterling Liquidity Fund	16.5	
			JP Morgan Sterling Liquidity Fund	60.0	
			Morgan Stanley Sterling Liquidity Fund	59.3	
UK Banks (A-/A3/A)	£50m	3 years	Goldman Sachs International	20.0	1.00
				5.0	1.02
				25.0	0.56
			Lloyds Bank	10.0	1.10
				20.0	0.15
			Santander UK Plc	20.0	0.40
				20.0	0.36
				10.0	0.40
			Standard Chartered	20.0	0.98
				30.0	0.17

Non-UK Banks (AA-/ Aa2/ AA-)	£50m	5 years	Svenska Handelsbanken	40.0	0.20
Non-UK Banks (A/A2/ A)	£35m	3 years	Hessen-Thueringen Girozentrale (Helaba)	20.0	0.47
TOTAL				**653.9**	**0.60**

Agenda Item 10

City of Westminster

Audit and Performance Committee Report

Date:	2 December 2020
Classification:	General Release
Title:	ISOS Review of Westminster Schools
Wards Affected:	All
City for All Summary	Building vibrant communities
Report of:	Sarah Newman Bi-Borough Executive Director of Children's Services
Author:	Andrew Tagg, Director of Operations and Programmes, Children's Services andrew.tagg@rbkc.gov.uk

1. EXECUTIVE SUMMARY

1.1 This paper sets out the findings of a review of falling pupil numbers in primary schools in Westminster, and the associated impact on primary school finances, carried out by Isos Partnership.

1.2 On pages 10 to 15 several recommendations were made for the Schools Forum to consider. The paper also sets out a brief proposal for further work that would be needed in the autumn term to make progress on the recommendations, as agreed by Schools Forum.

2. RECOMMENDATIONS

2.1 The Committee is asked to:

- review the findings of the ISOS Partnership as summarised below;

- note the areas for action;

- consider the 11 principles submitted to the Schools Forum; and

- approve these principles or recommend any additions to these.

3. OVERVIEW

Scope of work

In June 2020, Isos Partnership was commissioned by the Schools Forum to undertake a short review of the falling number of children in Westminster's primary schools and the related pressure this is placing on primary school finances. The specific focus of the review was to:

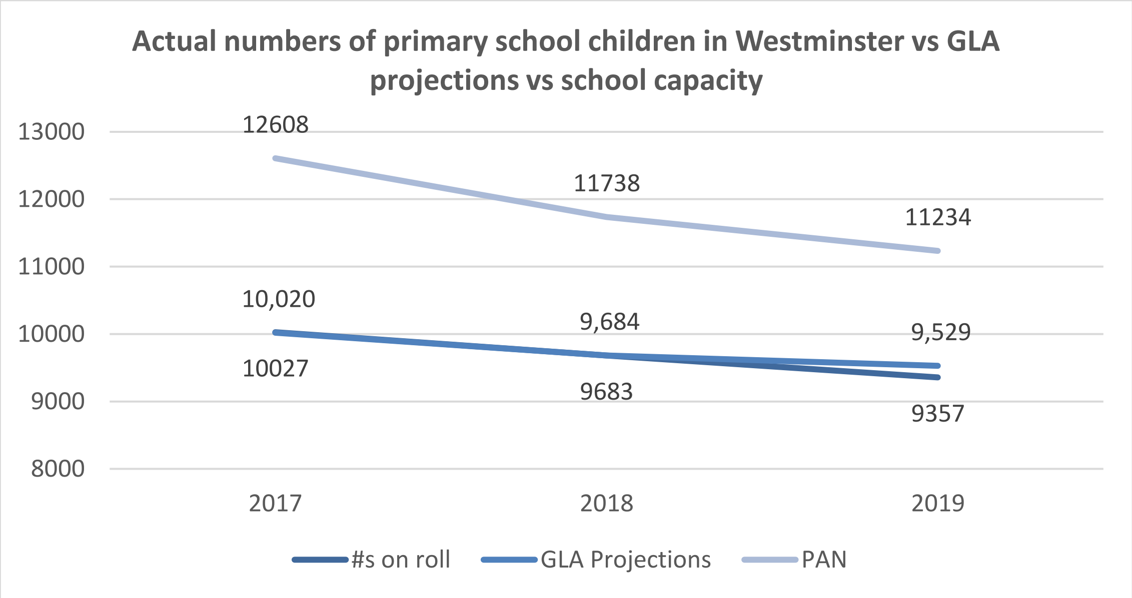
- support the local authority and schools in developing a forward plan for addressing the shortfall in primary-aged children;
- strengthen systems around monitoring and reporting on primary school finances;
- establish a shared understanding of the current context and future projections for primary rolls;
- capture good practice in how schools have addressed existing financial and capacity challenges;
- shed light on successful approaches that have been used elsewhere; and
- recommend a process and governance options for taking forward decision-making in relation to primary capacity / financial monitoring.

Explicit consideration of the impact on school finances arising from pressures in both Early Years and SEND did not form part of the scope of this work, although clearly these issues are also contributing to financial instability at school level.

In carrying out the review we held individual interviews with headteachers, and in some cases also chairs of governors, in 15 primary schools; analysed the relevant data and documentation; engaged elected members and key local authority officers; and invited all primary headteachers and chairs of governors to two online workshops. This report brings together the findings of this process.

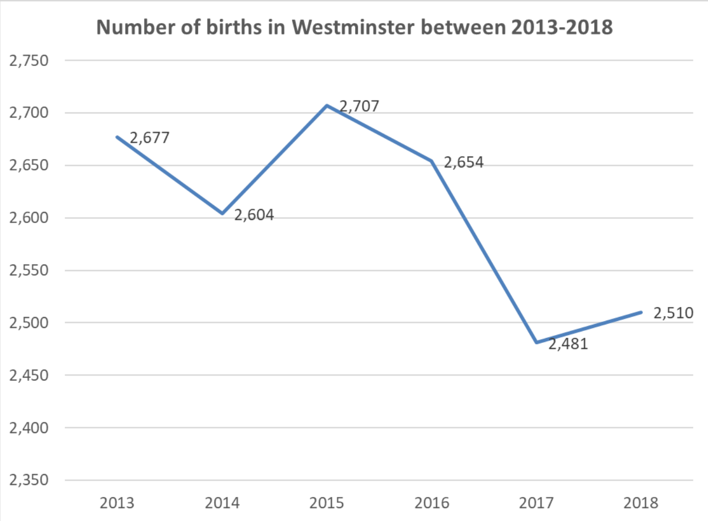
Current situation in terms of vacancies at borough level - Overall vacancy numbers

As the chart below shows, the last three years have seen a reduction in 7% of the numbers of pupils on roll in Westminster primary schools. The local authority and schools have acted together to take around six forms of entry out of primary schools – equating to 1,190 places – in response to falling pupil numbers. However, there remain 1,877 surplus places as of January 2020 – a vacancy rate of 16.7% across the whole borough. The Department for Education recommends that to enable a degree of parental choice and to have some flexibility in the system, surplus places should ideally be in the range of 5% to 10%. The vacancies are not evenly distributed across the primary age-range – currently vacancies in Reception are almost three times the level of those in Year 6.



Why are Westminster primary schools experiencing vacancies?

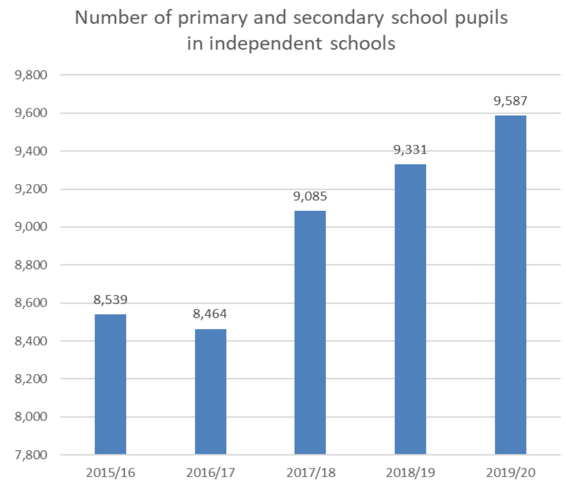
The experience of reducing numbers of primary-aged children is not unique to Westminster. It is being seen, to a greater or lesser extent, across Inner London boroughs. There are several factors which appear to be contributing to the reductions in primary aged children. Perhaps the most pertinent, and the easiest to demonstrate in terms of data, is the falling birth rate. The chart below shows that live births in Westminster fell from 2,700 in 2015 to 2,400 in 2018. The September 2020 cohort of children entering Primary school was born in 2016, so the full extent of a falling birth rate has not yet fully worked through the system. This suggests that primary schools should prepare for further pupil reductions.

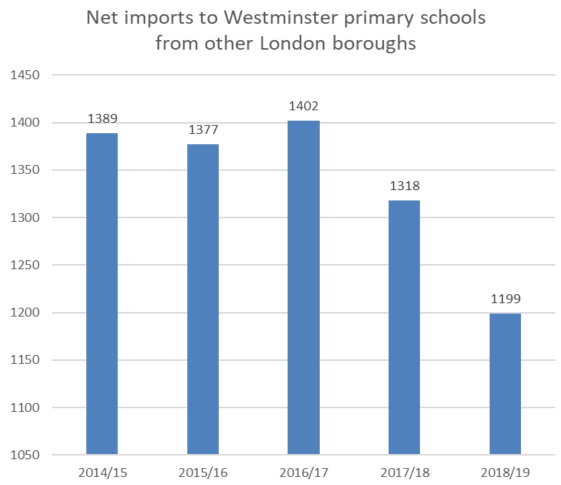


However, a falling birth rate is not the only factor contributing to the drop in pupil numbers. There is also evidence from schools, and others who engaged in the review, that:

- reducing levels of inward migration, either as a result of Brexit or other economic or social forces, is leading to fewer families moving to London;
- benefit caps and pressure on social housing has led to families being rehoused in other areas outside Westminster;
- the affordability and scarcity of family housing means that increasing numbers of families choose to move out of central London as their children get older;
- competition from the independent sector means that more families are opting to educate their children outside the state sector; and
- increasing levels of vacancies in primary schools in other Inner London boroughs supports increased movement of primary-aged pupils across LA boundaries.

These compounding factors explain why, in addition to higher vacancy rates in the Reception, Year 1 and Year 2, schools are also experiencing increasing levels of pupil mobility leading to vacancies in older age ranges. Data shows that between 2018/19 and 2019/20 there were 635 pupil exits from schools across Westminster, compared with 227 between 2017/18 and 2018/19. The charts below reinforce this point. They show that the numbers of children (both primary and secondary phase) educated in independent schools in Westminster has grown by around 1,000 pupils since 2016/17. At the same time, while Westminster remains a significant net importer of pupils, there are 200 fewer pupils from other boroughs in Westminster schools than there were three years ago.





Future projections

Projecting the number of primary places needed in the future is extremely complex. Like any projections, estimates of pupil numbers tend to become less reliable the further forward one looks. The factors which are taken account in pupil projections include some known variables, such as the birth rate, and a range of unknown variables such as future levels of migration (both inwards and outwards), pupil yield from planned housing developments, parental decisions about whether to educate their children in the state sector or the independent sector, and movement of pupils between boroughs.

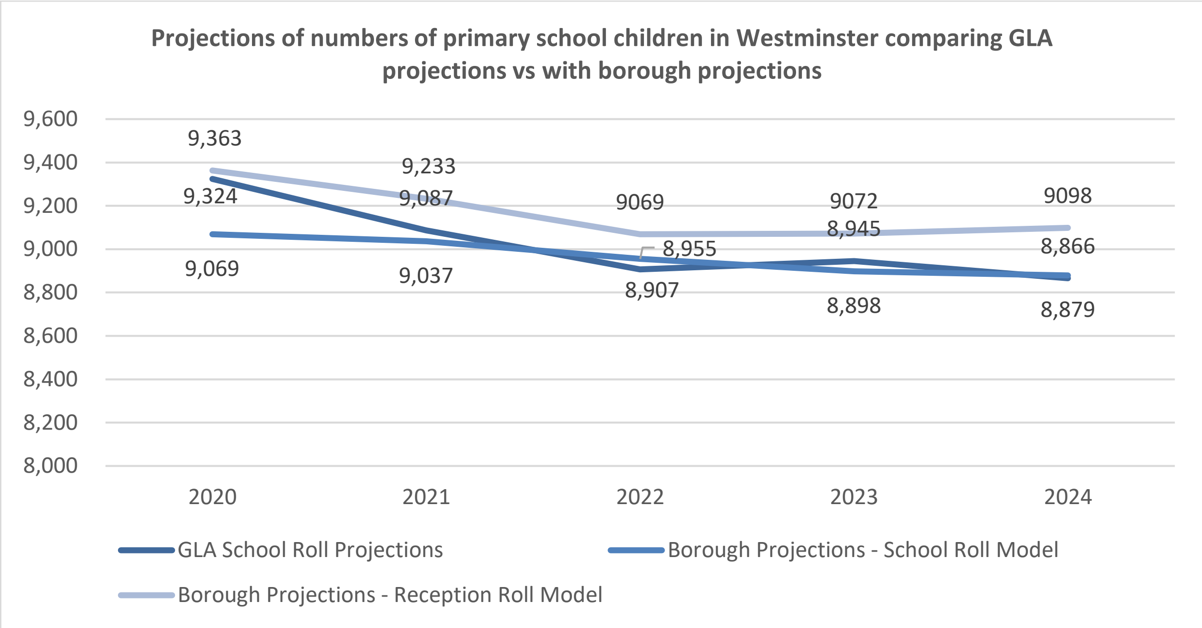
Pupil Projection methodologies

For the purposes of this review we considered three different projection methodologies. The first was the GLA projections which take into account birth rates, migration flows and pupil yields from planned developments. GLA projections have been subject of some controversy of late as the 2016 projections failed to account for reduced inward migration into London and consequently over-estimated the number of primary places local authorities would need. This led to some local areas responding too late to reductions in pupil numbers that were not foreseen. However, the GLA adjusted its forecasting methodology in 2018 and current projections appear to be more in line with actual numbers of pupils coming through the system. Despite recent difficulties, the GLA projections remain the most reliable and comprehensive estimates of pupil numbers.

In addition to the GLA estimates, we also considered two other methodologies for pupil projections developed by Westminster City Council. Referred to as the “School Roll Model” and the “Reception Roll Model”, a short definition of each is captured below:

- School Roll Model is based on two main assumptions: that WCC’s primary school (aged 4-11) pupil roll size will remain constant as a percentage of the borough’s total projected population aged 4-11 (ONS mid-year population data), and that each school’s Reception to Year 6 pupil roll size will remain constant as a percentage of WCC’s projected primary pupil roll, as calculated in the first assumption.
- Reception Roll Model is based on three main assumptions: that WCC’s Reception (aged 4) pupil roll size will remain constant as a percentage of the borough’s total projected population aged 4 (ONS mid-year population data), and that a school’s Reception pupil roll size will remain constant as a percentage of WCC’s projected Reception pupil roll, as calculated in the first assumption. There is the expectation that there will be net zero change in each year cohort throughout the projection period.

Plotting each of these projections at borough level for the next five years, it is striking that they follow a very similar trajectory, of a fall of around 200 further pupils followed by a period of stability. Based on the information available at this point, it would therefore be prudent to plan on the basis of a primary pupil roll of around 9,000 by 2024.



Impact of Covid 19 pandemic on pupil numbers

There is an even greater degree of uncertainty at present around future pupil numbers due to the unknown impact of the Covid 19 Pandemic. It is likely that the full ramifications will not be known for a few years. This makes it all the more important to build flexibility into any future decisions. At present schools are anticipating that Covid may have a significant impact on two variables. The first is the decisions taken by families on where to live. Some believe that fear of overcrowding in cities, and greater latitude in working from home, will encourage more families to move out of London. Others hope that ongoing difficulties around transport and commuting might, conversely, encourage more families to move closer to work (and into London). The second variable is the choices made by families over independent versus state-sector education. On the one hand job insecurity may lead more families to opt for state sector education. On the other hand, the ISC has reported that requests for independent education rose significantly in response to the more comprehensive offer of online learning delivered by independent schools during school closures. It is, as yet, too early to say definitively how these different factors may impact on pupil numbers going forward.

Our earliest indicator on the potential pupil effects is the numbers coming into primary schools this September.

Projections for individual schools

If pupil projections at borough level are complex, pupil projections for individual schools are fraught with difficulty. It was very evident from our interview and workshops with schools, and from analysis of the data, that the conditions that govern whether an individual school is empty or full are extremely difficult to model. School vacancies will of course be determined by the number of children of primary school age living in the immediate area, and by the concentration of other primary schools within walking distance. However, the popularity of the individual school, the ease of access and the demographic make-up of the intake will also play a significant part. For example, a school serving a relatively affluent population may lose more pupils to transfers to the independent sector or international families relocating with work. Schools serving more deprived communities may lose more pupils as a result of changes to benefits and rehousing outside London where social housing is not locally available.

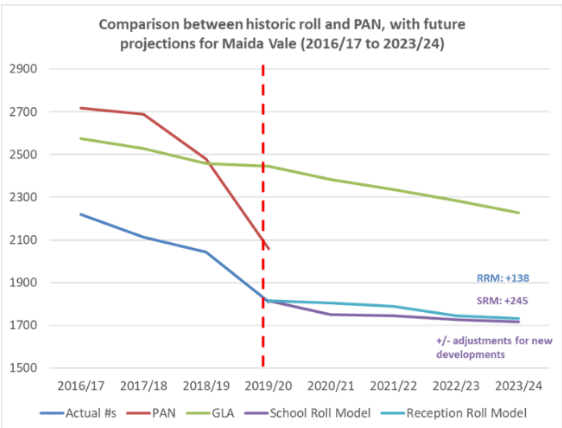
It is also apparent that as overall pupil numbers fall, greater flexibility in the system allows for more parental choice which means that the difference between more or less popular schools in an area becomes amplified. Furthermore, oversubscribed schools are able to draw on their waiting lists if vacancies occur. This, in effect, means that the vacancies are passed on to other schools that are not oversubscribed. In terms of projecting future pupil numbers, existing models tend to assume for both transparency and simplicity, that reductions in pupil numbers going forward will be experienced equally by schools, in proportion to their current share of the overall number of pupils. However, this does not take into effect the significant impact of parental choice and the additional cushion for schools that have a long waiting list. Looking forward, to enable schools to plan better, some of these considerations may need to be taken into account in developing school-level pupil projections.

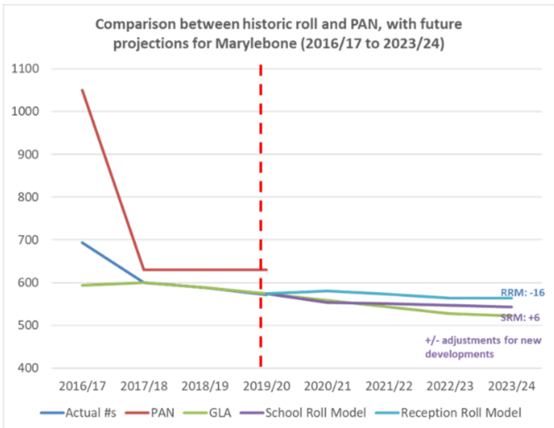
Implications at planning area and school level

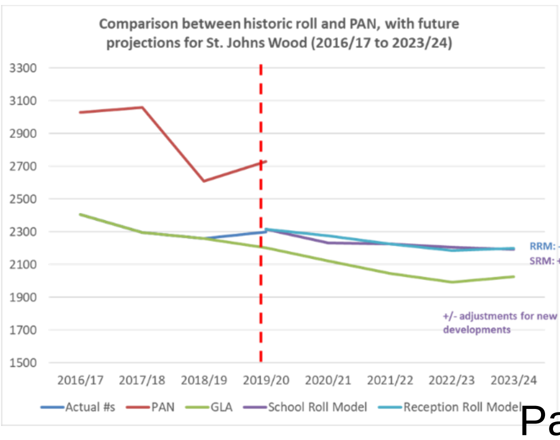
Although the borough average level of vacancies currently stands at 16.7% this differs markedly between planning areas and between schools.

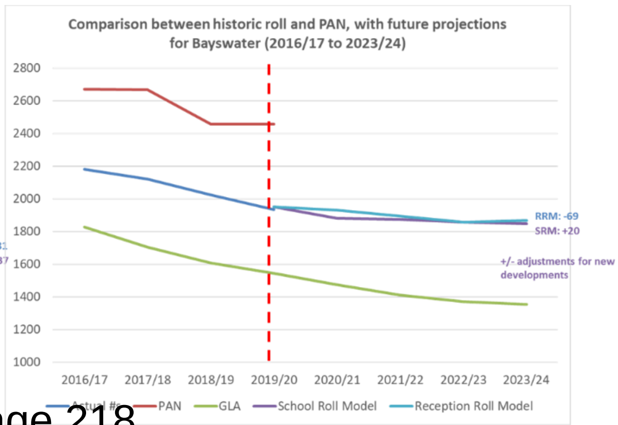
Variation in vacancy levels by planning area

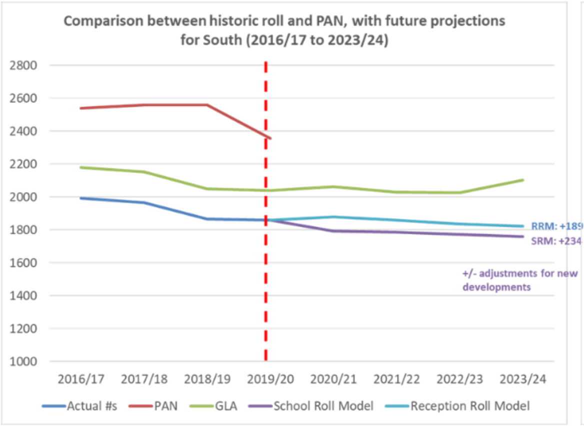
The six charts below show the current levels of vacancies, and future projected pupil numbers in each of Westminster's planning areas. As can be seen, vacancies range from a low of 9% in Marylebone to a high of 21% in Bayswater and the South. The charts also show the significant reductions in Pupil Admission Numbers that have already been made, particularly in Maida Vale and Marylebone, that have helped to ameliorate the overall position. The table below summarises the position for each planning area and recommends how plans to remove additional primary capacity in the short term might be targeted geographically.

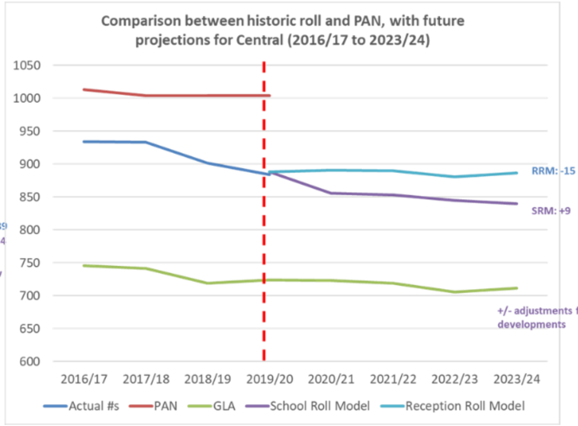










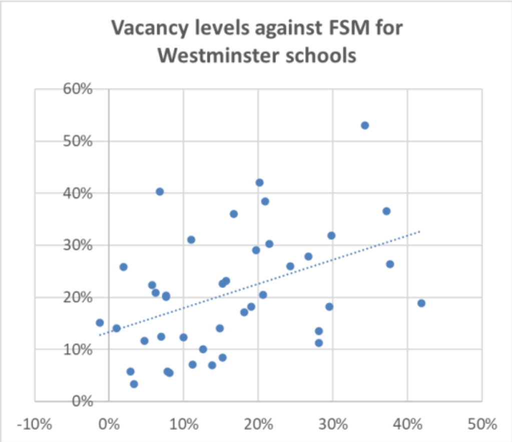


Planning area	Surplus places	Percentage surplus	Population trend	Planned development	Recent changes	Possible action
Maida Vale	249	12%	Down	Yes	Reduced by c. 600 places	Consolidate recent reductions
Marylebone	58	9%	Flat	No	Reduced by c. 400 places	Keep under review
St John's Wood	431	16%	Down	Yes	Reduced by c.300 places	Reduce by 1FE
Bayswater	523	21%	Down	No	Reduced by c. 200 places	Reduce by 1 to 2 FE
South	496	21%	Flat	Yes	Reduced by c. 200 places	Reduce by 1 FE
Central	120	12%	Flat	No	None	Keep under review

Variation between individual schools

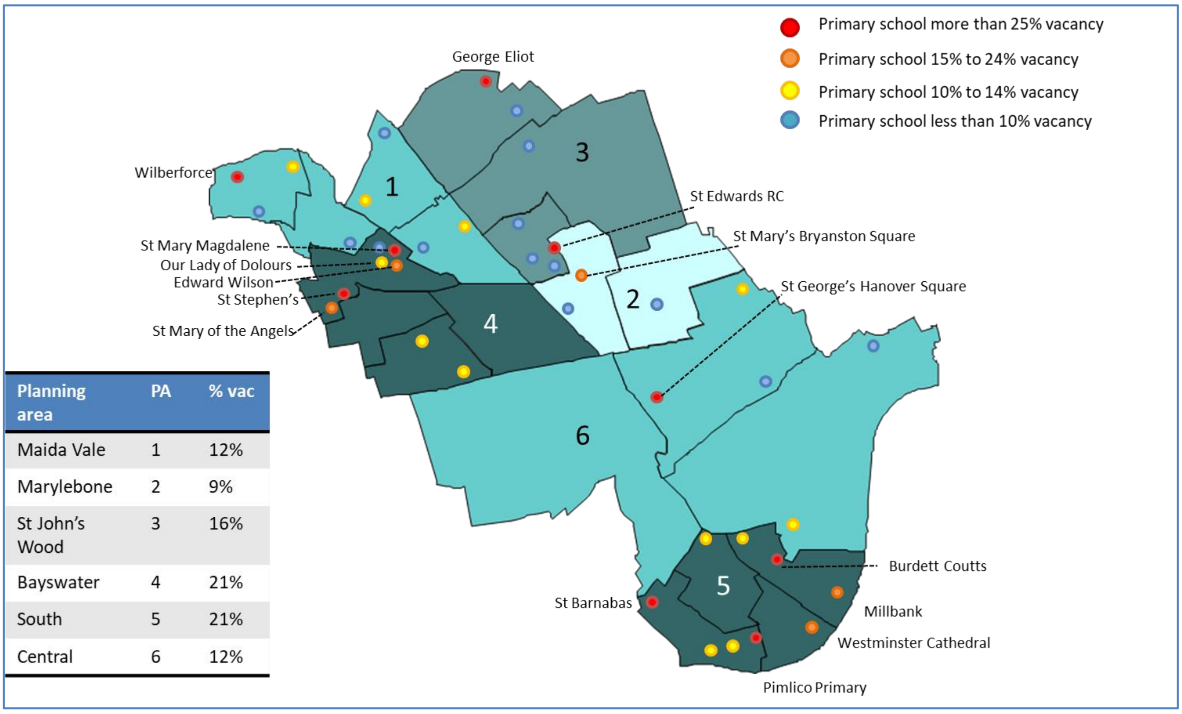
At individual school level the variation in vacancies is unsurprisingly even more marked than at planning area level. The chart below shows vacancies by school based on a September 2020 pupil count and the most recent Pupils Admissions Numbers which take into account permanent and temporary capping. It shows that vacancy levels currently range from x to y.

It is interesting that there appears to be a correlation between higher levels of Free School Meals and higher levels of vacancies. There are several hypotheses why this might be the case:



- More vacancies lead to increased opportunity for parents to act on preferences between schools. Some families may elect to send their children to schools where they perceive there to be a more varied demographic mix.
- Schools with a high proportion of children eligible for FSM are likely to have more families affected by benefits changes and/ or pressure on social housing.
- Birth rates may be changing more quickly / falling faster in lower income households.

The map below shows all schools and their level of vacancy. It is also apparent from the geographical distribution that localities with very high concentrations of primary schools within a comfortable walking distance tend to have one or more schools with high vacancy levels. It also highlights the potential vulnerability of schools very close to a local authority border.



Planning area	PA	% vac
Maida Vale	1	12%
Marylebone	2	9%
St John's Wood	3	16%
Bayswater	4	21%
South	5	21%
Central	6	12%

Financial implications of low pupil numbers

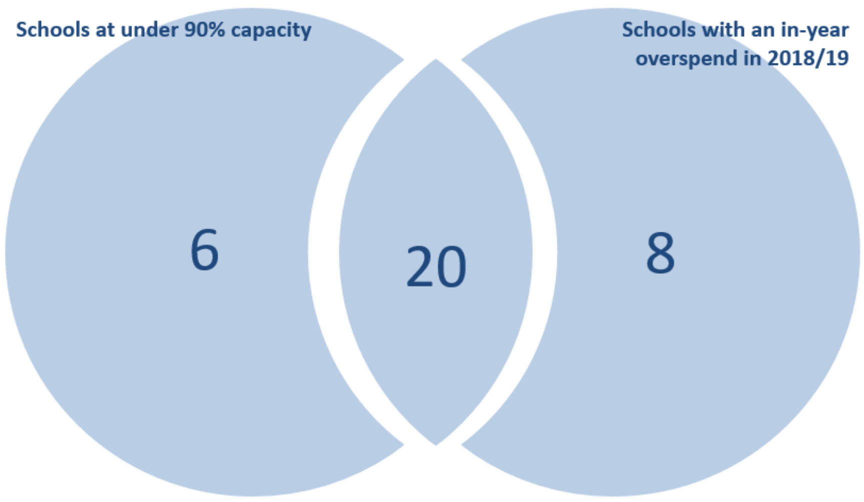
Overall finance situation

In Westminster, the overall financial situation for primary schools is extremely challenging. Over 70% of schools had an in-year deficit in 2018-19 and by March 2020 over a third of maintained primary schools were reporting an overall deficit. 12 primary schools have been in deficit for more than one financial year.

Our discussions with schools suggest that, while many headteachers and governing bodies are taking direct and personal leadership of financial management during this difficult period, that is not uniformly the case. There is a risk that, in some schools, management of the budget is delegated to the bursar or school business manager without strong strategic leadership for, and scrutiny of, financial decision-making which is critical during a period in which budgets are under pressure. While guidance by the local authority on deficit budgets, falling rolls funds, SEND funding and other finance issues were generally clear they were not sufficiently understood by all schools. This may highlight a need for specific training or additional communication.

Relationship between pupil numbers and finance

Clearly there is a strong relationship between low pupil numbers and financial insecurity at school level. Of the 26 primary schools in Westminster which had vacancies of more than 10%, 20 also reported an in-year overspend in 2018/19. Estimating the financial impact of losing a pupil is challenging due to the range of different funding streams which can attach to individual pupils. However, in Westminster the range is between £3,616 accounting just for AWPU through to £5,918 taking into account pupil premium. Not all the headteachers and governors to whom we spoke were working through the potential budget implications for their school of falling rolls over the next three years.



Other contributing factors

Not all schools with low pupil numbers are struggling financially, and not all schools struggling financially have low pupil numbers so there are clearly other contributing factors at play. Westminster is unusual for the high percentage of 1 form entry primary schools. In the current financial climate headteacher and governors have said to us that 1 form entry primaries are sustainable if they are staffed economically, they are full, and they are not trying to address expensive premises issues. If these conditions are not in place it can be very difficult to run a one form entry school within the allocated budget. This is chiefly because non-discretionary elements, such as leadership, core staffing and premises, tend to make up a higher proportion of the overall budget leaving less flexibility for reducing costs overall.

A second factor contributing to financial instability is the dependence of some schools on additional income and fundraising. Analysis of DfE benchmarking information shows that on average Westminster schools receive around £160 per pupil in donations income, but in some schools that is considerably higher. One school, for example, received over £1,000 per pupil in donations income in 2018/19. Many schools are anticipating that these additional sources of income, from fundraising events to business donations, may be severely curtailed in coming months in response to the Covid 19 pandemic. This will be a real challenge where the additional income streams are being used to pay for core expenditure – for example staff salaries – rather than non-essential items that can be turned off and on more flexibly.

The third issue which was of concern to many schools was the financial implications of supporting children with SEND, in particular those with EHCPs. Their specific anxieties, which are not unique to schools in Westminster, were that:

a) They were struggling to find the first £6,000 in support costs for each child with an EHCP from their base budgets after EHCPs reached a certain threshold.

b) The money spent in supporting a child with significant SEND between the child arriving at the school and having an EHCP in place was often substantial and could not be recouped.

c) The rate for top-up funding does not cover the actual support costs experienced by schools.

Addressing these issues are beyond the scope of this piece of work but are noted here as schools felt that it was one of the key factors contributing to the financial pressure they were experiencing. It is worth remarking that, on the face of it, there does not appear to be a strong relationship between numbers of children with EHCPs and in-year deficit levels. However, the relationship may be masked by the presence of additional resourced provision in some schools.

How schools and the local authority are responding to these pressures

The local authority, schools and partners such as the Dioceses have already taken action to address the combined issues of falling rolls and financial pressure. Since September 2018, six forms of entry have been permanently removed from the primary estate through the closure of Minerva Academy and Paddington Green, and through the permanent reduction to one form of entry at Burdett Coutts, two forms of entry at Hallfield and one form of entry at Wilberforce. Temporary caps also occurred at St Edward's from two to one form entry in Reception, Year 1 and Year 2, and Pimlico Primary Academy in Year 5. This has helped to alleviate what would otherwise have been extremely high vacancy levels.

At the same time, schools have been working to address the financial pressures. 20 schools have been successful in eliminating or significantly reducing their overall deficit in the last three years through tight financial management and restructuring their staff complement. Many schools report working more closely together to share staff and other costs such as caretaker services or school business managers. There are now ten primary schools which share an executive headteacher, which can lead to savings of around £40,000 across two one-form entry primary schools. Three schools have taken a further step towards integration and collaboration and have formed federations in which the governance and leadership of the two or more schools is combined.

Recommendations for the future

To ensure the continued high quality, resilience, and sustainability of primary education in Westminster going forward will require a strategic and collaboration approach to planning and financial management over the next period. Set out below are recommendations for Schools Forum to consider in how this might be achieved.

Principles

It is important to have an agreed set of principles that can underpin the work in future. Although these may seem self-evident our work on similar issues in other London Boroughs suggests that an agreed set of principles, to which everyone is signed up, can provide a useful reference point when difficult decisions have, inevitably, to be made. The draft principles that we have generated, based on our initial discussions with schools and LA colleagues are:

- Focus on the quality of the educational offer.
- Ensure that we have sustainable and resilient schools.
- Build flexibility into the future offer to manage unforeseen changes.
- Retain skilled staff and leaders.
- Ensure a balance of provision across the borough that matches local need and strengthens local communities.
- Ensure that there continues to be a good balance of secular and faith education that supports families' preferences.
- Continue to prioritise inclusion in our primary offer.
- Ensure that a high-quality state education is the first choice for as many families as possible.
- Use the opportunity to improve and maximise the potential of sites and premises.
- Maximise opportunities for children, families and professionals by working across institutions.
- Maintain a strong ethos of collaboration and partnership working across the borough.

It is recommended that, subject to any further refinement, these principles are formally adopted by the Schools Forum as a foundation for the work going forwards.

Governance

It will also be important to put in place a robust governance structure to oversee decision-making in the next phase of work. There is already discussion underway within the local authority and with partners to establish as Education Partnership Board. It is therefore proposed that this should be one of the workstreams that ultimately reports to the board. However, this work will also require more hands-on and regular oversight. To achieve this, Schools Forum may wish to consider setting up a formal working group or other governance structure which would have the capacity to meet regularly, oversee progress and report to Schools Forum and the Education Partnership Board. In conversations with schools it was clear that the governance structure set up to oversee this work will be most effective if it is seen to be fully representative of all types of school in borough and is committed to establishing clear and regular communications with all schools on progress and decisions. Schools are anxious, for example, about feeling excluded from decisions that may have a significant impact on their future viability.

Three areas of action

With a strong governance structure and agreed set of principles in place, we are then recommending a focus on three key areas of action – maximising pupil numbers, tighter financial planning and reducing surplus capacity.

Maximising pupil numbers

Although an individual school may be successful in increasing its own pupil numbers, there are only three sources of additional pupils for the borough as a whole: the first is children in independent schools; the second is children in primary schools in other London Boroughs; the third is children of parents who work in Westminster but do not live in Westminster. All three of these can be a source of additional pupils, and the local authority, schools and other partners should do all they can to maximise pupil numbers through these routes. However, this work should be undertaken with clear and sensible expectations in mind. A focus on these areas may yield some additional pupils and may ameliorate the situation for a minority of schools. But, on their own, efforts to attract additional pupils, however carefully crafted and executed, are unlikely to solve the problem.

Actions to attract more families to opt for state-sector rather than private-sector education might entail:

- Undertaking market research with families in PVI nurseries to understand the factors that might influence their decision about state or independent primary school.
- Identifying schools where a lot of families leave for independent school at Y3 or Y5 and talking to them about what might encourage them to stay.
- Actively promoting schools in areas where there is a high concentration of independent school take up and consider how the core offer might be made more attractive to these families.
- Holding ‘Meet the parents’ style workshops in specific communities.

In order to reduce cross border exits and encourage more Westminster parents to choose Westminster schools, further analysis will be needed on travel to school patterns to understand which communities / localities are most likely to travel and then focus on strongly promoting schools near the border to those families.

Efforts to attract the children of parents who work rather than live in the area may be more effective when the impact of the current pandemic on patterns of travelling to work become clearer. However, it may be worth targeting promotion at large employers (including public sector employers) combined with smart wrap-around childcare options.

Tighter financial planning

For primary schools, managing the next five years with increasingly tight budgets and falling pupil rolls will require headteachers and chairs of governors to take increasingly difficult strategic decisions underpinned by a clear understanding of their financial position. In order to enable this to happen routinely, in every school, we are making some recommendations for how financial planning and oversight might be strengthened in the borough. Many of these recommendations build on the work that the Schools Forum has been leading over recent years:

- Headteachers, chairs of governors and chairs of finance committees taking strong personal ownership of financial planning where that is not already happening.
- Offer of individual strategic finance support and planning to schools to offer ongoing dialogue on reshaping provision to meet budgetary challenges.
- Bespoke training for headteachers, bursars and governors on managing budgets during periods of financial uncertainty and understanding income and CFR finance modelling.
- Developing a pupil projection model to support income planning for use by all schools.
- Developing a range of worked-through models of cost saving, from executive headships to sharing staff and resources, including the use of zero-based budgeting.

- Communication of and training in the tighter controls around use of Falling Rolls funding that have been agreed, for school bursars and headteachers.
- Headteachers, Schools Forum and the Local Authority agree tighter controls around authorisation of deficit budgets, to align with DfE recommendations.
- Schools to consider impact of reduced additional income as a result of the Covid pandemic and clarify how they can maintain core provision from main income.
- Continue strategic discussions together around implications of reducing the Minimum Funding Guarantee and falling pupil premium funding.

Reducing surplus capacity

Finally, strategic action needs to be taken to continue to reduce surplus capacity. Without doing so some primary schools will enter a period of slow but irreversible decline which is not good for the children educated there, or indeed the staff who work there. The full gamut of approaches to reducing places should be in consideration from capping, to amalgamations, all-through schools and school closures.

We are suggesting, based on our analysis, conversations with schools and discussions with Local Authority officers, that taking out four to five forms of entry relatively quickly would serve to bring some stability to the system and allow a longer-term consideration of the shape of primary education in the borough over the next decade. We are therefore recommending:

1. The development of a risk indicator set

This would be a basket of indicators which, in combination, would highlight which schools are most at risk and allow mitigation strategies to be put in place and inform strategic decisions about reducing surplus capacity. The risk indicator should be objective, transparent and agreed with schools. An initial proposition for the indicators that might be included is set out below. However, more thought needs to be given to these both individually and in terms of how they interact. For example, a school may not be ‘high-risk’ if it hits just one of the risk indicators, but it may be if it hits three or more or if it exhibits both rolls risk and financial risk simultaneously. Further thought also needs to be given to the rapidity with which schools can change and therefore the time period over which the risk indicator set might be applied.

	Negative Pupil Progress	Negative Reserves Balance	Negative In Year Spend Balance	Above 10 % Vacancy	Falling Intake next year	Reliant on self-generated Income	Premises require significant investment
No of schools	9	9	28	27	14	7	?

2. Short term action to stabilise the system

We are recommending that the Local authority, working with the Dioceses, develop proposals to take out around 4 or 5 forms of entry over 1 to 2 years to bring some rapid stability to the primary system. These proposals to be discussed, refined and agreed with schools as partners in the process. Any final decisions on school reorganisation will of course rest with school governing bodies and be subject to the normal consultation processes. Significant changes for September 2021 (such as closures or amalgamations) would require consultation to start by the end of September 2020.

3. Medium term action to re-imagine the shape of primary provision for the next decade

We are recommending that primary schools, secondary schools and nurseries might come together in local clusters for facilitated discussions about how primary provision might evolve over the medium to long term. This would be an opportunity to think imaginatively about new forms of delivery and different patterns of provision, including integrating with other schools and settings. It is likely that these conversations will be more productive if they are facilitated and based on a strong initial evidence base relevant to the locality.

Planned next phase of work

If Schools Forum agrees with the analysis and recommendations set out in this paper, then the following actions could begin from September:

Overarching

- Putting in place the overarching governance arrangements; and
- Refining and agreeing the principles.

Maximising pupil numbers

- Undertaking market research to understand why families are choosing independent schools;
- Additional analysis of areas where independent school take up is highest;
- Journey to school analysis to understand which schools may be losing children to other boroughs;
- Developing promotional materials for individual schools or Westminster primary schools more broadly; and
- Initial conversations with large employers about marketing Westminster schools to their staff.

Strategic support for financial management

- Developing the offer of strategic financial and planning support to schools.
- Developing a further training offer for heads and governors on specific finance issues, including deficit budgets and use of falling rolls fund.
- Developing a 'ready-reckoner' tool to support schools' income and financial planning
- Developing worked-through examples of cost-saving opportunities.

Reducing surplus capacity

- Developing and agreeing the risk indicator set with schools, and then applying it.
- Carrying out more detailed analysis of individual schools and local clusters.
- Developing proposals for how to remove around 4 or 5 forms of entry in ways that will support the long-term vision for the borough.

- Facilitating dialogue in local clusters about the future primary offer, informed by more granular analysis at catchment area level.
- Making the link with housing and development.
- Considering the implications for early years, in partnership with primary.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Andrew Tagg, Director of Operations and Programmes, Children's Services
andrew.tagg@rbkc.gov.uk

BACKGROUND PAPERS:

Not applicable

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City of Westminster

Audit & Performance Committee Report

Date:	**2 December 2020**
Classification:	**General Release**
Title:	**Work Programme**
Wards Affected:	**N/A**
Financial Summary:	**No direct financial implications arising from this report**
Report of:	**Head of Committee and Governance Services**
Report Author:	**Artemis Kassi** **Senior Committee and Governance Officer**

1. Executive Summary

1.1 The Committee is invited to review its Work Programme for the 2020/21 municipal year attached at **Appendix 1**, and to confirm the agenda items for its next meeting on 17 February 2021.

1.2 The Committee is asked to note changes to the Work Programme since its last meeting on 23 September 2020.

1.3 These changes include the report to update the Committee on the delivery of the 2020/2021 Treasury Management Strategy and for the Committee to approve the Annual Treasury Strategy Mid-Year Review 2020/21, including any cases of non-compliance. This report will be presented at the meeting on 2 December. This replaces the Corporate Complaints report on the volume and details of complaints received by the City Council in 2020/2021, which will be presented at the February meeting.

2. Recommendations

It is recommended that the Committee:

2.1 agree the agenda items for its next meeting on 17 February 2021, as set out in Appendix 1 to the report;

2.2 note the actions which arose from the last meeting, as detailed in Appendix 2 to the report;

2.3 consider the addition of an item at the April 2021 meeting to review Westminster Builds, the council's wholly owned development company responsible for delivering a large part of the council's development and regeneration; and

2.4 note for information the dates of the Committee's meetings in the 2021/2022 municipal year which are as follows:

Thursday 17 June 2021, Wednesday 14 July 2021, Wednesday 29 September 2021, Wednesday 1 December 2021, Wednesday 16 February 2022 and Wednesday 13 April 2022.

2.4 It is further recommended that the Committee review its work over the last year and present an Annual Report at its April meeting.

3. Choosing items for the Work Programme

3.1 The draft Work Programme for 2020/21 is attached at Appendix 1 to this report.

3.2 Members' attention is drawn to the Terms of Reference for the Audit and Performance Committee (attached at **Appendix 3,**) which may assist the Committee in identifying issues to be included in the Work Programme.

3.3 The Work Programme will be reviewed at each meeting of the Committee and items can be removed or added as necessary.

4. Task Groups

4.1 There are no Task Groups operating at present.

5. Monitoring Actions

5.1 The actions arising from each meeting are recorded in the Action Tracker attached as Appendix 2. Members are invited to review the work undertaken in response to those actions including any actions which remain outstanding.

6. Resources

6.1 There is no specific budget allocation for the Audit & Performance Committee.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Artemis Kassi, Senior Committee and Governance Officer

Tel: 078 1705 4991 or email: akassi@westminster.gov.uk

APPENDICES:

Appendix 1 – Work Programme 2020/21

Appendix 2 – Committee Action Tracker

Appendix 3 – Terms of Reference

BACKGROUND PAPERS: None

Work Programme 2020/21

Audit and Performance Committee

27 May 2020

	CANCELLED	

18 June 2020

Agenda Item	Reasons & objective for item	Lead Officer
2019/20 Annual Accounts and Outturn	Report of the Executive Director, Finance and Resources.	Gerald Almeroth (Finance)
Treasury Management Strategy Outturn 2019/20	Report of the Executive Director, Finance and Resources	Gerald Almeroth (Finance)

15 July 2020

Agenda Item	Reasons & objective for item	Lead Officer
Year End Performance Report	To review the City Council's performance at the end of the 2019/20 financial year.	Gerald Almeroth (Finance) Mo/Rahman / Damian Highwood (Performance)
Period 2 Finance	To review and consider the report of the	Gerald Almeroth

Report	Executive Director of Finance and Resources	(Finance)
2019/20 School Balances Outturn Position Report	To receive an update on the level of school balances at the end of the 2019/20 financial year	Gerald Almeroth Steve Muldoon (Finance) Andrew Tagg
Annual Report on internal Audit and internal Control 2019/20	To consider the work of Internal Audit in 2019/20.	David Hughes Moira Mackie (Internal Audit)
Anti-Fraud and Corruption Strategy Review 2020	To consider the revised anti-fraud and corruption policy and strategies for 2020.	Andy Hyatt (Anti-Fraud)
Counter Fraud 2019/20 - End of Year Report	To review work undertaken by the fraud service during the period 1 April 2019 to 31 March 2020.	Andy Hyatt (Anti-Fraud)
Work Programme 2020/21	The Committee is invited to review its work programme for the 2020/2021 municipal year.	Artemis Kassi

10 September 2020

Agenda Item	Reasons & objective for item	Lead Officer
Statement of Accounts 2019 / 2020	To receive and review the audited Statement of Accounts for the Council and the Pension Fund following a public inspection period of the accounts from 19th May 2020 to 1st July 2020	Gerald Almeroth (Finance)
Audit Findings Report 2019-2020 for the General Fund and Pension Accounts	To receive the report by Grant Thornton	Gerald Almeroth (Finance) / Grant Thornton

23 September 2020

Agenda Item	Reasons & objective for item	Lead Officer
Immunisations	To review immunisation rates in Westminster	NHSE / Public Health
Finance & Performance Business Plan Monitoring Report	To monitor the City Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 1 performance results against the 2020/21 business plans	Gerald Almeroth (Finance) Mo Rahman / Annelie Drabu / Marine Andre (Performance)
Annual Contracts Review 2019/20 and Procurement Update	To review the City Council's contracts, including details of contracts awarded, waivers and performance. Also to review progress and key performance indicators for the new operating model.	Kevin Goad (Procurement) Annabel Saunders Etiene Steyn Simon Sluys (Commissioning)
Update on HRA Capital Programme	To consider a report on the HRA Capital Programme outturn against forecast and mitigation measures to address any underspend.	Gerald Almeroth (Finance) Debbie Jackson (GPH)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes Moira Mackie (Internal Audit)
Internal Audit Charter	To review the City Council's Internal Audit Charter which is maintained by the Shared Services Director for Internal Audit, Fraud, Risk and Insurance in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS)	David Hughes Moira Mackie (Internal Audit)

CityWest Homes Performance	To receive a report from the City Council's Housing Directorate and CityWest Homes on operational performance.	Debbie Jackson/ Neil Wightman (Housing)
Work Programme 2020/21	To review the work programme for the remainder of the 2020/21 municipal year	Artemis Kassi

2 December 2020

Agenda Item	Reasons & objective for item	Lead Officer
Progress and Update on 2020/21 Audit	To consider an update on the 2020/21 Audit and key information on accounting changes and emerging issues for local government	Paul Jacklin Paul Dossett (Grant Thornton)
Finance and Performance Monitoring Report	To monitor the Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves.	Gerald Almeroth (Finance) Annelie Drabu /Mo Rahman/Marine André
Mid-Year Counter Fraud Monitoring Report	To oversee and monitor the success of the Counter Fraud Service.	Andy Hyatt (Anti-Fraud)
Review of Anti-Fraud Policies	To review and approve the following which are maintained by the Corporate Anti-fraud Service: • Fraud Response Plan • Anti-bribery Policy • Anti-money Laundering Policy (including procedures)	Andy Hyatt (Anti-Fraud)

Treasury Management Strategy Mid-Year Review	To receive an update on the delivery of the 2020/2021 Treasury Management Strategy and to approve the Annual Treasury Strategy Mid-Year Review 2020/21, including any cases of non-compliance	Phil Triggs
Strategic Review of school finance in Westminster	To consider a report of a strategic review of school finance in Westminster Invite ISOS partnership to attend	Andrew Tagg (Children's Services)
Work Programme 2020/21	To review the work programme for the remainder of the municipal year 2020/21	Artemis Kassi

17 February 2021

Agenda Item	Reasons & objective for item	Lead Officer
Grant Thornton Certification of Claims and Returns Annual Report (Audit 2020/21)	To report the findings from the certification of 2019/20 claims and the messages arising from the assessment of the City Council's arrangements for preparing claims and returns and information on claims that were amended or qualified.	Paul Jacklin Paul Dossett (Grant Thornton) Martin Hinckley (Finance)
Grant Thornton Annual Audit Letter 2020/2021	To consider Grant Thornton's assessment of the Council's financial statements and its arrangements to secure value for money in its use of resources.	Paul Jacklin Paul Dossett (Grant Thornton)
Grant Thornton Annual Audit Plan 2020/2021	To set out the audit work proposed by Grant Thornton for the audit of the financial statements and the value for money (VFM) conclusion for 2020/2021.	Paul Jacklin Paul Dossett (Grant Thornton)
Maintaining High Ethical Standards at the City Council	To maintain an overview of the arrangements in place for maintaining high ethical standards throughout the City Council.	Tasnim Shawkat (Monitoring Officer) Hazel Best

Finance & Performance Business Plan Monitoring Report	To monitor the City Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 2 performance results against the 2020/21 business plans.	Gerald Almeroth (Finance) Mo Rahman / Damian Highwood (Performance)
Internal Audit Monitoring Report	To oversee and monitor the success of the Audit Service in planning and delivering outcomes and establishing an effective and robust internal control framework.	David Hughes Moira Mackie (Internal Audit)
Internal Audit Plan 2020/21	To review and comment on the draft audit plan for 2020/21	David Hughes Moira Mackie (Internal Audit)
Corporate Complaints 2020/2021	To report on the volume and details of complaints received by the City Council in 2020/2021.	Sue Howell (Complaints)
Westminster Housing Service	To receive a report on performance from the City Council's Housing Directorate.	Barbara Brownlee / Neil Wightman (Housing)
Draft Annual Report and Work Programme	To consider a draft Annual Review and to review the work programme for the remainder of the 2020/2021 municipal year	Artemis Kassi

20 April 2021

Agenda Item	Reasons & objective for item	Lead Officer

Draft Annual Statement of Accounts and Outturn 2020/2021	To review the draft 2020-2021 Annual Statement of Accounts and outturn.	Gerald Almeroth (Finance)
Draft Audit Findings Report 2020/2021	To review the reports from the City Council's external auditors on the key findings arising from their audit of the City Council's 2020-2021 financial statements (Council and Pension Fund)	Paul Dossett Paul Jacklin (Grant Thornton)
Finance & Performance Business Plan Monitoring Report	To monitor the City Council's financial position including revenue forecast outturn, revenue expenditure including key risks and opportunities, capital expenditure and HRA revenue and capital expenditure and reserves. To monitor Quarter 3 performance results against the 2020/21 business plans	Gerald Almeroth (Finance) Mo Rahman / Damian Highwood (Performance)
Annual Report and Work Programme 2021/22	To finalise the Annual Report and consider the Work Programme for the forthcoming municipal year 2021/2022	Artemis Kassi

Unallocated Work Programme Items

Agenda Item	Reasons & objective for item	Lead Officer
Metropolitan Police Basic Command Unit	To monitor and review the performance of the Metropolitan Police Service Basic Command Unit for Westminster.	Metropolitan Police Service / WCC officer tbc
Immunisations	To monitor and review progress since the previous report to the Committee of 23 September 2020	NHSE/ Natalia Clifford/Jeffrey Lake/Sarah Crouch

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APPENDIX 3

AUDIT AND PERFORMANCE COMMITTEE TERMS OF REFERENCE

CONSTITUTION

Four Members of the Council, three Majority Party Members and one Minority Party Member, but shall not include a Cabinet Member.

TERMS OF REFERENCE

Audit Activity

1. To consider the head of internal audit's annual report including the auditor's opinion on the Council's control environment and a summary of internal audit and anti-fraud activity and key findings.

2. To consider reports, at regular intervals, which summarise:

    - the performance of the Council's internal audit and anti fraud service provider/s
    - audits and investigations undertaken and key findings
    - progress with implementation of agreed recommendations

3. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

4. To consider specific reports as agreed with the external auditor.

5. To comment on the scope and depth of external audit work and to ensure it gives value for money.

6. To liaise with the Independent Auditor Panel (once established) over the appointment of the Council's external auditor.

7. To comment on the proposed work plans of internal and external audit.

Regulatory Framework

8. To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

9. To review any issue referred to it by the Chief Executive or a Director, or any Council body.

10. To monitor the effective development and operation of risk management and corporate governance in the Council.

11. To monitor Council policies on ‘Raising Concerns at Work’, the Council’s complaints process and the Antifraud and Corruption Strategy; specifically the effectiveness of arrangements in place to ensure the Council is compliant with the Bribery Act 2010.

12. To oversee the production of the authority’s Statement on Internal Control and to recommend its adoption.

13. To consider the Council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

14. To consider the Council’s compliance with its own and other published standards and controls.

15. To maintain an overview of the arrangements in place for maintaining High Ethical Standards throughout the Authority and in this context to receive a report annually from the Head of Legal and Democratic Services and the Chief Finance Officer.

Accounts

16. To review the annual statement of accounts and approve these for publication. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

17. To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts.

Performance Monitoring

18. To review and scrutinise the financial implications of external inspection reports relating to the City Council.

19. To receive the quarterly performance monitoring report and refer any issues which in the Committee’s view require more detailed scrutiny to the relevant Policy and Scrutiny Committee.

20. To review and scrutinise personnel issues where they impact on the financial or operational performance of the Council including but not limited to agency costs, long-term sickness, ill health early retirements and vacancies; and

21. To review and scrutinise Stage 2 complaints made against the City Council and monitor progress.

22. To consider and advise upon, prior to tender, the most appropriate contractual arrangements where a proposed contract has been referred to the Committee by the Chief Executive.

23. To maintain an overview of overall contract performance on behalf of the Council.

24. To review and scrutinise contracts let by the Council for value for money and adherence to the Council's Procurement Code.

25. To review and scrutinise the Council's value for money to Council tax payers.

26. To scrutinise any item of expenditure that the Committee deems necessary in order to ensure probity and value for money.

Staffing

27. To advise the Cabinet Member for with responsibility for Finance on issues relating to the remuneration of all staff as necessary.

28. In the course of carrying out its duties in respect of 27 above, to have regard to the suitability and application of any grading or performance related pay schemes operated, or proposed, by the Council.

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