



**CITY OF WESTMINSTER**

# MINUTES

## **Audit and Performance Committee**

### **MINUTES OF PROCEEDINGS**

Minutes of a meeting of the **Audit and Performance Committee** held on **Tuesday 27th February, 2024**, rooms 18.06-07, 18th Floor, 64 Victoria Street, London, SW1E 6QP.

**Members Present:** Councillors Paul Fisher, Alan Mendoza, Jessica Toale and Aziz Toki (Chair).

**Independent Person Present:** Mark Maidment.

**Also Present:** Gerald Almeroth (Executive Director of Finance and Resources), Jo Brown (Audit Partner, Grant Thornton), Nick Byrom (Strategic Performance Manager), Lyndsay Gamble (Head of Strategic Finance), Joyce Golder (Principal Solicitor, Bi-Borough Legal Services), Debbie Jackson (Executive Director of Regeneration, Economy and Planning), Frances Martin (Executive Director of Environment, Climate and Public Protection), Moira Mackie (Head of Internal Audit), Sarah Newman (Bi-Borough Executive Director of Children's Services), Clare O'Keefe (Lead Policy and Scrutiny Advisor), Manisha Patel (Director of Adult Social Care Operations, Governance and Oxford Street), Neetu Singh (SFM Accounts and Capital), Sophie Shore (Director of Strategy and Intelligence) and Sarah Warman (Strategic Director of Housing and Commercial Partnerships).

#### **1 MEMBERSHIP**

1.1 The Committee noted that there were no apologies.

#### **2 DECLARATIONS OF INTEREST**

2.1 The Committee noted that there were no declarations of interest.

#### **3 MINUTES**

3.1 The Committee approved the minutes of its meeting on 28 November 2023.

#### **RESOLVED:**

3.2 That the minutes of the meeting held on 28 November 2023 be signed by the Chair as a correct record of proceedings.

## **4 MATTERS ARISING AND WORK PROGRAMME**

- 4.1 The Committee noted the work programme set out the Committee's programme of items for the 2024/25 municipal year.

### **RESOLVED:**

- 4.2 That the Committee noted and approved the work programme for the 2024/25 municipal year.

## **5 Q3 PERFORMANCE REPORT**

- 5.1 The Committee received an overview from Nick Byrom (Strategic Performance Manager) and noted that the quarter 3 Performance Report covers the period October to December 2023. The Committee was informed of errors in the report relating to Commercial and Housing Improvement Programme KPIs (Key Performance Indicators) and a correction would be issued to the Committee and public. The Committee understood that since quarter 2, detail has been added to the Strategic Risks section of this report and in the next report the KPIs will reflect the redistribution of teams in the old Innovation and Change directorate across the Council.
- 5.2 The Committee queried the plans of the Council to mitigate against the potential 30 percent reduction in staffing of the Integrated Care Board (ICB). The Committee noted that there are significant pressures within NHS England, from which the 30 percent reduction derives, but there is not a clear view as yet of where the efficiencies will be made within the national system. The Committee acknowledged that whilst officers understand staffing and structural inefficiencies will be addressed, including cuts from management rather than frontline roles, and as a result there will likely be less capacity within the ICB to work on shared ambitions, it is difficult to have a clear image until more information is received from the ICB. The Committee raised concern that grants and funding the Council receives would be allocated to replace ICB services, especially those relating to preventative care and carers. The Committee was pleased to note that the Council is in constant dialogue on this and in the meantime is looking internally to determine how its own resource can shore up service areas and strengthen its own arrangements to mitigate negative impact on the City's communities. The Committee requested to be updated on this in due course, including visibility of what is happening across London in relation to the cuts.
- 5.3 The Committee asked how the Council will achieve a coordinated approach to compliance to the Building Safety Act, especially regarding its housing stock. The Committee noted that there is a vast programme of work currently underway, which includes a strategic coordination group directing this. Significant governance is in place to ensure a robust approach to the rollout, but the Committee understood that there is a lot of work to be undertaken. The Committee requested to receive regular updates on this work in due course. The Committee asked for clarity on the number of high rises noted in the report and whether they were the only buildings on the register required under the Act and was informed that those high rises are the focus of the first

tranche of work. The Committee requested that the number of buildings in Westminster with cladding similar to that used on the Grenfell building be shared. The Committee also held a detailed conversation about the Building Safety Act providing new claim periods for defects found in buildings, and buildings being fit for habitation, and the risk this poses to the Council. The Committee requested that a detailed response on this risk be provided.

- 5.4 The Committee questioned the new Planning Guarantee and the Planning Service's implementation of a new monitoring framework. The Committee was informed that the Planning Guarantee has the focus of ensuring that planning applications are determined in a timely manner: monitoring the validation point and amount of time it takes to determine the application to ensure the Council has full sight of applications that may go over the deadlines. The Committee noted that the Council already has processes in place to manage this but there is a new monitoring framework being developed to ensure that the new, shorter, deadlines are met. The Committee also questioned the financial impact of the new Guarantee. The Committee requested to be updated on the monitoring framework in due course when it has been fully worked up.
- 5.5 The Committee queried the number of KPIs in the Children's Service that are at risk of failing to meet their targets. The Committee was pleased to note that the Council sets very high targets in the Children's Service to ensure that its excellent standard is maintained: when the KPIs are benchmarked against other local authorities, the Service is still outperforming. Whilst the Service is facing significant and complex demands, the KPIs are still in the top quartiles of performance.
- 5.6 The Committee stated that it acknowledged the data regarding the performance of the Corporate and Housing Customer Services Contact Centre in the Performance Report is retrospective, and the mitigations noted are robust, but asked for a verbal update on this. The Committee understood that the contact centres faced an uncommon and difficult set of circumstances in the last quarter, coupled with the Housing Contact Centre facing a significant volume of calls during this period. The Committee was pleased to note that it is hoped the centres will be back on track to meet their targets at quarter 4 and improvements are being made across both the centres which includes working off of the same IT systems and upskilling staff to ensure that resilience is increased.
- 5.7 The Committee queried the statement that the Westminster Adults Employment Service target of 500 clients is unlikely to be achieved by quarter 4, and asked what learning the Service will take away from this. The Committee noted that the current profile will be 400 jobs by the end of quarter 4, which is an 8 percent increase from the previous year. The Committee acknowledged that there have been capacity challenges within the team, and whilst outreach levels and demand is high, the Cost-of-Living Crisis has made clients increasingly wary and bringing clients in through the system has been more challenging. The Committee noted that the service model will be examined and there will be an emphasis on: client outcomes, managing the data available to inform delivery and react promptly to trends, encouraging more employers across the City towards London Living Wage, moving clients

to alternative services more suitably resourced for them and close monitoring of performance to put in place remedial activity.

- 5.8 The Committee raised concern about construction pricing and the construction market challenges which continue to make the delivery of programmes challenging and may affect the viability of future phases, particularly that of the Church Street and Ebury Bridge schemes. The Committee queried the decisions that may need to be made if the volatility of the construction market continues. The Committee understood that there is always a limit to the funds available for the schemes and as they progress, and viability modelling becomes clearer, the decisions that are made are as evidence-led as possible.
- 5.9 The Committee noted the ongoing trend of customer services failing to meet targets and queried whether the services are facing significant increases in demand. The Committee noted that officers are in particular aware of issues such as Stage 2 complaints increasing, and customer calls increasing due to repair demands. The Committee noted that officers are working hard to address the challenges facing customer services and recognise the importance of acknowledging, investigating, solving in good time and embedding learning. The Committee stated that this issue should be referred to the relevant Policy and Scrutiny Committee for greater investigation.

**RESOLVED:**

- 5.10 That the Committee noted the performance updates at quarter 3.
- 5.11 That the Committee indicated any areas where it requires more information or clarification.

**ACTIONS:**

- 5.12 That the Committee will receive an update in the Year End Performance Report of the 30 percent reduction in staffing of the Integrated Care Board (ICB) and the impact on the Council, including visibility of what is happening across London in relation to the cuts.
- 5.13 That the Committee will receive regular updates in subsequent Performance Reports regarding the Council's approach to compliance to the Building Safety Act.
- 5.14 That the Committee will receive information regarding the number of buildings in Westminster with cladding similar to that used on the Grenfell building.
- 5.15 That the Committee will receive a detailed response on the risk to the Council which the new claim periods in the Building Safety Act poses.
- 5.16 That the Committee will receive an update of the response to the new Planning Guarantee in a future Performance Report, once the monitoring framework has been fully worked up.

- 5.17 That the relevant Policy and Scrutiny Committee consider the issue of customer services failing to meet targets and investigate this.

## **6 Q3 FINANCE MONITOR**

- 6.1 The Committee received a summary of the quarter 3 finance monitor from Gerald Almeroth (Executive Director of Finance and Resources). The Committee noted at quarter 3, the General Fund revenue position had an overspend forecast of £2.7m which, at quarter 2 was £2.4m, despite higher than average interest earnings. This is largely due to an increase in temporary accommodation (TA) and other variations including town planning income. The Committee noted that the Housing Revenue Account is facing a deficit of just under £2m, which is largely driven by an increase in repair costs. Lastly, the Committee was informed that the Capital Programme has a forecast underspend of £35m, which is around 13 percent of the gross budget. This underspend can be attributed to TA acquisitions which, whilst an ambitious plan, has faced challenges which means that the programme will be carried forward and expanded through the next year.
- 6.2 The Committee queried the response to the forecast showing that contract inflationary pressures will be £3m higher than originally budgeted and was informed that these pressures have been taken into account when considering the Budget, which is due to go to Full Council on 6 March 2024, and built into the base. The Committee, when asking about the Market Sustainability and Improvement Fund and Discharge funding, was informed that this is now continuing.
- 6.3 The Committee held a detailed conversation about the worst-case scenario detailed in the report regarding TA. The Committee noted that whilst the situation is volatile and challenging to predict, officers monitor the TA situation each week and the interventions to contain the pressures. Furthermore, the Committee noted that the pressure of TA has been largely offset by the favourable interest position in the current climate and was reassured that the Council has built into its modelling an anticipated fall in inflation, and therefore interest, in future months and years. In addition, the Council is doing what it can to reduce TA costs, including prevention activity, acquisitions and turning voids around promptly. The Committee discussed the challenges facing the acquisition programme, and the assumptions behind forecasted figures of families being accommodated in certain types of accommodation. The Committee also raised concerns about the use of high-cost hotels, supplied by specific brokers, the expenses relating to these, and emphasised that this process must be made as transparent as possible: these issues are due to be raised when TA goes to the Housing and Regeneration Policy and Scrutiny Committee on 4 March 2024.
- 6.4 The Committee questioned the financial risk of families who have no recourse to public funds and was informed that the cost of this has risen significantly across the nation and is not a factor that can be predicted accurately or controlled. The Council has spent around £900k on this and, recognising that it has become a greater pressure than it had been previously, will plan to build the pressure into future Budgets.

- 6.5 The Committee raised the implied permanence of a reduction in planning income and noted that whilst it had been anticipated that the level of planning applications would return to pre-COVID-19 pandemic levels, it has not materialised and this fall has been built into the base Budget position. The Committee noted that road management income has exceeded pre-COVID-19 pandemic levels and discussed the reasons behind this increase. The Committee requested further information on this. The Committee also discussed the commercial waste income and the cost of running the service, as well as Penalty Charge Notice income, including the additional enforcement resources, parking revenue and fines.
- 6.6 The Committee noted that the collection rates of both business rates and council tax are still recovering post-COVID-19. The Committee understood that whilst business rates are expected to come in on target at year end, council tax collection rates still remain behind and some of the challenge can be attributed to a transient population which makes collection difficult. The Committee was also informed that the underspend on Member's allowances reflects flexibility in the budget to allow for in-year changes, such as changes to the Cabinet.
- 6.7 The Committee queried the savings which are stated in the report to be achieved and part-achieved and understood that they are all on-track. The Committee also queried the Prudential Indicators in the report, at Appendix 3, and requested that this is clarified.

**RESOLVED:**

- 6.8 That the Committee noted the current monitoring and forecast position at quarter 3 for 2023/24.

**ACTIONS:**

- 6.9 That the Committee will receive details regarding road management income, particularly that which relates to its recent increase.
- 6.10 That the Committee will receive clarification on the Prudential Indicators in Appendix 3 of the report.

**7 ETHICAL STANDARDS REPORT**

- 7.1 The Committee received an overview from Joyce Golder (Principal Solicitor, Bi-Borough Legal Services) of the Ethical Standards report and understood that the report's compilation was a collaborative effort with colleagues across the Council and provides a breakdown of the ethical governance that is taking place. The Committee noted that there is a requirement for this report to be provided to the Audit and Performance Committee in its Terms of Reference. The Committee was informed that the report considers the conduct of all Members of the Council, staff and contractors.
- 7.2 The Committee noted that the three complaints put forward against Councillors were not referred for a hearing to the Standards Committee, but

queried whether the Monitoring Officer considered that the alleged breaches in the Members' Code of Conduct have been addressed by the training provided. The Committee was pleased to note that the Monitoring Officer spoke directly to the Councillors involved and was confident after those conversations, and the training provided to all Councillors, the concerns had been adequately resolved.

- 7.3 The Committee was pleased to note that the trend of Staff Disciplinary Cases, Whistleblowing and Grievance issues is decreasing and asked whether there are any factors that can be attributed to this decrease. The Committee was informed that the Council does not remain complacent and ensures that adequate monitoring is undertaken, and a new framework has been developed.
- 7.4 The Committee queried whether the changes to the Procurement Code addresses the claims of unethical conduct in awarding contracts, even though these claims were unsubstantiated. The Committee noted that there are ongoing and significant changes to the Procurement Code to ensure that the Council is compliant, with a new strategy to be launched imminently which will improve the modern slavery statement, and also align local authority due diligence requirements with those of central government. The Committee understood that whilst this refresh is significant, the continual changing landscape of procurement may mean that there needs to be a refresh conducted annually.
- 7.5 The Committee raised the two cases which were opened in 2022/23 regarding ethical conduct and requested detailed feedback on the cases.
- 7.6 The Committee questioned the Council's Declarations of Interest, Gifts and Hospitality policies for both Councillors and officers. The Committee held a detailed discussion on the importance of transparency, especially in a local government setting, and raised concern as to whether the Councillor's policy also includes declaring gift and hospitality offers over £25 which have been declined: if this is accurate, the Committee requested this to be communicated to Councillors as soon as possible. The Committee was reassured to note that at a recent meeting of the Statutory Officers Group, the staff declaration of interests, gifts and hospitality register was reviewed, and this is published and maintained regularly.
- 7.7 The Committee noted that inappropriate behaviour at work, bullying and harassment remained at 13 percent, which is a large number for an organisation of the size of the Council. The Committee also raised concern that 10 percent of respondents indicated that they would prefer not to say which could imply a lack of trust in the process. The Committee appreciated that it is recognised a percentage of 13 percent is not adequate and was informed of the upcoming internal campaign to address the issue of inappropriate behaviour in the workplace. The Committee stated that if processes are made easier, that can lead to an uptick in responses.

**RESOLVED:**

- 7.8 That the Committee noted the 2023 Annual Report and actions taken to maintain high standards of ethical governance throughout the Council.
- 7.9 That the Committee suggested any areas of ethical governance which have not been addressed in this report, for inclusion in the next annual report for 2024.

**ACTIONS:**

- 7.10 That the Committee will receive detailed feedback on the two ethical conduct cases which were opened in 2022/23.
- 7.11 That if the Councillor policy of Gifts and Hospitality includes declaring gifts and hospitality offers over £25 which have been declined, then this should be communicated to Councillors as soon as possible.

**8 INTERNAL AUDIT PROGRESS REPORT**

- 8.1 The Committee received a brief overview from Moira Mackie (Head of Internal Audit) of the content of the Internal Audit Progress report. The Committee was pleased to note that whilst many of the audits are still in progress, they are on target to be completed imminently and by the end of the reporting period. The Committee was informed of the one audit with limited assurance and that progress is being made on the recommendations which will be followed up accordingly. The Committee welcomed the update that there are no issues of concern.

**RESOLVED:**

- 8.2 That the Committee considered and commented on the results of the internal audit work carried out during the period.

**9 INTERNAL AUDIT PLAN 2024/25**

- 9.1 The Committee received a summary from Moira Mackie (Head of Internal Audit) of the Internal Audit Plan for 2024/25. The Committee noted the challenges which are faced when developing an audit plan, particularly relating to risks which change frequently. The Committee was informed that the plan is a result of cooperation between the audit team and staff across the Council and gives an overview of the process undertaken to get to this stage. Each progress report that the Committee receives in the coming financial year will set out a quarterly plan of work and the Committee noted that it should consider this in due course.
- 9.2 The Committee held a detailed discussion on cyber-attacks. The Committee noted that cyber-attacks remain a continually high risk for the Council and, whilst this risk is not specifically audited every year, there are regular conversations about the controls needed to provide assurance against the risk. The Committee referred to the human element of cyber-security and queried the tests that are undertaken at both officer and Councillor levels. The Committee was pleased to note that there is mandatory cyber-security training



for all officers, cyber-security was also part of the Councillor induction course in May 2022, and an external consultant provides advice to the Council on this. There is a plan to roll out more communications to increase awareness of cyber-attacks and the Committee requested the issue is raised directly with Councillors.

- 9.3 The Committee discussed the inclusion of financial risks in the strategic risks noted in the audit plan.

**RESOLVED:**

- 9.4 That the Committee reviewed the early draft of the Annual Audit Plan, as set out in Appendix 1, and commented on the audit work due to be undertaken in the first quarter of 2024/25 and identified any specific audits to be considered during the coming year.
- 9.5 That the Committee reviewed the Strategic Audit Plan, as set out in Appendix 2, and considered whether it covers the persistent risks that the Council faces and outlines the business areas or themes that need to be considered as part of a 5-year plan.

**ACTION:**

- 9.6 That the issue of cyber-security, and awareness of cyber-attacks, will be raised directly with Councillors.

**10 EXTERNAL AUDIT PLAN**

- 10.1 The Committee received an overview of the External Audit Plan from Jo Brown (Audit Partner, Grant Thornton). The Committee noted that the Auditor's Annual Report combines both 2021-22 and 2022-23 reporting years. The Committee understood that the report is predominantly backward-looking but contains forward-looking elements which refers to sustainability and improvement actions. The Committee was pleased to note that the overall summary is positive, with recommendations which recognise the challenges faced in particular by the Housing Service and the importance of working at pace to respond to the recommendations.
- 10.2 The Committee noted that the Auditor's Annual Report covers a long time period and queried if this would be an annual report going forward. The Committee was informed that the drafting of the report for 2023/24 will be undertaken concurrently with the financial statement audit in November 2024. The Committee noted that the responses to recommendations would be reported in due course and that items of significance will be brought to the Section 151 Officer's attention as needed.
- 10.3 The Committee queried how the Council will work with Grant Thornton to respond to the recommendations made in the Auditor's Annual Report. The Committee noted that the Council has been party to the drafting of the report and findings, which can be evidenced by the management comments that respond positively to the recommendations made. The Committee understood

there are areas where the Council can improve, and learn from, and this is welcomed. The Committee noted that the Council had already internally identified that the Housing Service performance was an issue, and a substantial corporate programme was established to manage this.

- 10.4 The Committee stated that, on 25 November 2024, it is due to discuss the audited accounts and final statement of accounts, including the annual report and asked whether the work will be completed by the statutory publishing deadline of 15 November. The Committee was pleased to note that the Council is first in Grant Thornton's resourcing plan and Grant Thornton will endeavour to work to the timetable set out in the report.
- 10.5 The Committee put its thanks on record to Grant Thornton in recognition of the dedication and effort of their team to get the last set of audited accounts to the Committee in November 2023 despite the sector-wide challenges faced. This was very much appreciated and the Committee stated its gratefulness for the professionalism shown by Grant Thornton.

**RESOLVED:**

- 10.6 That the Committee considered the External Audit Plan.

The meeting ended at 20:29

**CHAIR:** \_\_\_\_\_

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