

**LONDON BOROUGH OF BRENT**  
**PERFORMANCE AND FINANCE SELECT COMMITTEE**  
**19 November 2003**

**FROM THE DIRECTOR OF FINANCE**

**NAME OF WARD(S)**  
**ALL**

**REPORT TITLE:** **Potential Financial Risks for potential investigation by the Committee**

Above  Below   
Confidential Line

**1. Summary**

- 1.1 This report discusses areas of the Council's services where there are financial issues that may need to be investigated by the Performance and Finance Select Committee.

**2. Recommendations**

- 2.1 The Committee is recommended to consider the issues set out in this report and decide which, if any, should be included in its work programme.
- 2.2 The Committee is recommended to consider the procedure that they will adopt to carry out any investigations taking into account the advice set out in 5.2 below.

**3. Financial Implications**

- 3.1 There are none arising directly out of this report.

**4. Staffing Implications**

- 4.1 There are none arising directly out of this report.

**5. Background**

- 5.1 At previous meetings of the Committee there has been discussion about potential areas for investigation. Some of this is related to the performance information, and in particular the "Vital Signs" document. There is a separate issue about the

financial and other risks associated with service activity. It was agreed that the Director of Finance would produce a short report setting out his view of where those areas lay and his reason for taking that view.

- 5.2 Should the Committee decide to carry out investigations, they will want to consider the procedure to be adopted. The Director of Finance will provide some resource to help Members understand the issues and provide lines of enquiry they may want to pursue. However, it is probably worth in each case asking the service area to prepare a report describing their work and some of the key issues they face as a preliminary to a formal question and answer session. In some instances the time required for a meaningful investigation may be greater than the Committee as a whole can give through its normal meetings. Members may wish to set up separate task groups to deal with particular issues.

## **6. Areas of risk for potential investigation**

- 6.1 The following items are not necessary exhaustive and they are to some extent subjective, as they are based on the Director of Finance's perception of areas of risk across the Council arising from a number of sources. It may be that these risks are understood and being actively managed by the service units affected, but it is also the Director of Finance's view that it is important that Members are aware that this is the case. If there are any weaknesses in the management of these risks, then it is in the interests of the Council that they are exposed and action taken to mitigate them.

### **Revenues and Benefits**

- 6.2 The collection of Council Tax and business rates and the payment of housing and Council Tax benefit represent an area of very large financial income and expenditure, with turnover of the order of £300m per annum. Current performance particularly of council tax collection and benefits is poor, and performance reports are already regularly produced for this Committee.
- 6.3 There may be a case for a more forensic examination of the issues facing the service, and in particular the barriers to improved performance and what can be done to overcome them. This could be done through examination of the various improvement plans that have been produced and a more detailed questioning of service managers and contractors than is usually possible during normal committee meetings.

### **Learning disabilities**

- 6.4 The financial management of social services has been transformed over the past twelve months, with a reorganised financial management team, more reliable and timely estimates of expenditure and a matching of activity data to forecasts of spend. The service overall remains subject to regular monitoring by leading Members. It is forecasting to break even in 2003/4 financial year, although there are still risks as we enter the winter period.

- 6.5 While almost any part of the social services budget can be considered a risk, there are some separate considerations that suggest that Learning Disabilities might benefit from a more detailed examination. This is an area of the service, which provides very expensive services to a small number of clients who have very disparate needs. It is one area that is still forecasting to overspend. There are still doubts as to whether the service has completely updated its methods of recording and tracking clients and matching them against spending needs.

### **Transport**

- 6.6 The Council spends around £5.7m per annum providing transport services for social services clients and home to school transport mainly for pupils with special educational needs. The client budgets have regularly been overspent mainly as a result of pressures for additional transport for SEN pupils. In Education the cost of providing taxis with escorts have led to cases of individual pupils costing over £40,000 per annum. Social services have expressed considerable concern at the cost of the service. There is a doubt about the long-term tenure of the existing depot and the need to relocate to a new permanent site.
- 6.7 There have been a number of Best Value Reviews and other reviews of the service, but none have produced recommendations that have solved the underlying problems. There are actions that may be needed to reduce demand and to reduce costs. There is the continued problem of “down-time” during the middle of the day, to reduce overheads when clients take steps to reduce demand (instead of merely re-apportioning them), and to take advantage of the new powers to levy charges for discretionary services and to trade.

### **Special Needs Provision**

- 6.8 This is clearly related to the previous item. Part of the high cost of transport services is driven by the high numbers of pupils with statements and the inability of the borough to place them in special or mainstream schools within Brent. Sometimes this cannot be avoided, as case law has given significant rights to parents to choose the school where their children are taught despite the high transport costs this creates. The initiative to expand autism provision within Brent has been a success, and there is a case to examine other initiatives of similar type to help reduce the cost of the service.

### **Streetcare**

- 6.9 The Committee has previously expressed its concern about the street cleaning and refuse collection service and the performance of our main contractor Onyx. There is a range of emerging problems that need to be tackled. Members have raised concerns that performance in collecting refuse has declined. This may be due to increased operational difficulties but may also be due to the resource that the contractor is investing. There are concerns that trade waste is being included in the domestic waste stream and about the management and operation of vehicles entering and leaving the depot.

- 6.10 The Committee has already asked Streetcare managers to prepare a report, which appears elsewhere on this agenda. In the light of that they may want to discuss how further to monitor this contract and the performance standards which depend upon it.

### **Core Logic**

- 6.11 Social services are investing in a replacement for their current information database SSID called Core Logic. This is a major IT project and its successful implementation and subsequent use will be a key factor in achieving improvements in the service. There is a need to gain assurances about this process – in particular about the progress in data cleansing and ensuring that the existing database is up to date, in getting the commitment from front line staff that the new systems will be used, and in ensuring that the new system has the appropriate links to the costing and financial information systems.

### **Section 106 Policy**

- 6.12 There is already a separate and very detailed review underway of the existing S106 funds that the Council holds in order to ensure that these funds are being used as quickly as possible for the benefit of Brent residents. There may be a case for an examination of the underlying policy that leads to the priority needs in S106 agreements to ensure that they are consistent with the Council's Corporate Strategy and Community Plan, and to explore how they can be made consistent if there are any differences. The Council's flexibility in this area is constrained by a number of external factors including particularly the need for a link between S106 agreements and the individual developments to which they relate.

### **Empty Homes**

- 6.13 Brent faces large demands for affordable accommodation, and it also has a large number of empty private sector homes. The Council has a range of mechanisms for influencing the private sector including use of grants and the allocation of resources from the capital programme. The Council faces considerable financial risks in respect of meeting demands from homeless families, and so there may be a case to examine the empty property strategy as a method of mitigating those risks.

### **Regeneration issues**

- 6.14 The Council helps support a wide range of regeneration projects across the borough. In many instances the Council stands as payer of last resort and therefore runs a considerable financial risk. There may be a case for examining that risk in more detail and understanding the controls in place to prevent it arising or to mitigate its impact if it did arise.

## **One Stop Shop**

- 6.15 The Council faces increasing demand from its customers for use of its OSS and call centre services consequent on the increased demand for Council Services. There is a risk that these services will not be able to cope without further expansion with a potential reduction in customer satisfaction. There is a need to examine alternative strategies for managing that growing demand so that it can be met substantially from existing resources.

## **Internal Audit reports, the Management letter and Risk Management**

- 6.16 There is a separate report on the agenda summarising the activity of Internal Audit. This covers a range of system based audits covering (inter alia) management of Transportation's capital programme, management of asylum seekers, the parking control account and building control. There is also a summary of concerns raised as a result of the audit of end of year accounts and financial controls. Some of these areas of concern are much more significant than others, and Members may wish to add some items to their work programme arising from this work.
- 6.17 Each year the external auditors produce a management letter than raises issues of concern for the authority as a whole and making recommendations for further action. This report should be considered once available, as there may well be some items that are considered to be within the remit and scope of this Committee.
- 6.18 The Council is developing its overall approach to risk management. There is training underway across the Council and this year's Service Development Plans should have begun to identify key risks facing services. There is also a strategic officer led Risk Management Group overseeing the development of strategy and policy, which ultimately will result is a Council wide Risk register. Once that work is more advanced there may well be other issues identified that can be the subject of review and investigation by this Committee.

**Stephen Hughes**  
**Director of Finance**