

## 2002/2003 AUDIT LETTER

Key Issues	PwC Comment	Council's Response
<p><b>1. Financial Standing and the Level of Balances</b></p>	<p>We commented in our 2001/02 Audit Letter that the Council's overall financial standing was significantly weaker than it had been 12 months before, due to a range of financial pressures. We are pleased to note that whilst the Council overspent by £4.8million in 2002/03, this overspend was effectively covered by existing reserves and/or met from grant income. Furthermore, the expenditure monitor in September 2003 shows that the Council was forecasting break even against the 2003/04 budget. The Council is striving to meet the challenges of restoring its level of reserves, whilst maintaining front line services and simultaneously allocating sufficient resources to make corporate improvements judged as necessary to improve its CPA rating. £3.0million was set aside in the 2003/04 budget to increase working balances to £4.0million at 1 April 2004. Members and officers now need to maintain their risk-based approach to financial management and to ensure that a credible strategy for reserve replenishment is adopted as soon as an overspend is foreseen.</p>	<p>Since this section of the Audit letter was completed the overspending on the Special Educational Needs budget (SEN) was identified from the Autumn Term 2003. However, in line with the Medium Term Financial Strategy the balances, of up to £1.6m, which will be needed to fund the additional expenditure have been re-instated as part of the 2004/2005 budget. Additionally next year's budget has been increased by £2m to meet estimated costs. The Best Value Review of SEN is also providing recommendations to help control expenditure. Balances for 2004/2005 have been set at £4m. This was based on a risk assessment set out in Section 5 of the Budget Report. Full Council again endorsed that Service Areas will need to meet any overspending from their own budgets.</p>

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<p><b>2. Social Services Expenditure</b></p>	<p>The likelihood of social services expenditure exceeding the 2002/03 budget was foreseen in September 2002 and ultimately, the final outturn was £6.3million over budget. This was in part attributable to external factors such as escalating demand and the continuing costs of the Council's dependency on agency staff. But it is also clear that the Council's financial systems were not sufficiently developed to assist cost centre managers in budgetary control and neither were the links between activity and financial data sufficiently robust to support reliable forecasting. The 2003/04 base budget for Social Services was increased by some £10.0million and together with strengthening of accounting support arrangements and improvements to systems, the September 2003 monitor is showing that Social Services expenditure is currently within budget. Members and officers need to ensure that the disciplined approach to Social Services financial control and reporting is maintained. It is of equal importance to consider the cultural aspects of the various financial initiatives and to ensure that there is sufficient training and support.</p>	<p>The Directorate is continuing to forecast spending within budget in 2003-2004. It is expected it will also prove possible to improve the level of provisions for doubtful debts.</p> <p>Considerable effort has been devoted in 2003-2004 to improving the quality of budget monitors. These are now being submitted routinely to Brent Financial Services within the monthly deadline. Monitors do not have the inexplicable volatility from month to month exhibited in 2002-2003.</p> <p>Draft cash limits for 2004-2005 have already been issued to Service Unit Managers, well ahead of the financial year. The financial dimension of service planning for 2004-2005 is therefore well progressed.</p> <p>A new whole-directorate financial accounting system (Oracle) comes into operation April 2004. This will lead to significantly improved accounting and monitoring. There will also be an integrated system (Abacus) for provider payments across older people and adults in operation from April 2004</p> <p>A new permanent Assistant Director (Finance and Resources) starts May 2004.</p>

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<p><b>3. Performance Management Arrangements</b></p>	<p>An essential component of Brent's improvement agenda has been the importance of strengthening performance management at every level within the Council. This initiative is a response inter alia to CPA and to the Audit Commission's 'Patterns for Improvement' publication. Establishment of a corporate approach to performance management has been treated as a priority and steps have also been taken to ensure that appropriate structures are in place and individuals' roles have been developed to provide the necessary level of support. The Corporate Strategy 2002-06 and service development plans provide a robust framework for the development of unit work programmes and individual officer's objectives.</p> <p>Members too are beginning to play a more active role in performance management, both through Performance &amp; Finance Select committee and in member-led task groups focusing on areas where performance is judged to be weaker. A further important initiative is the Leader's Performance Board, through which Cabinet members and lead officers are questioned about aspects of their services.</p>	<p>The focus on improving performance management arrangements has included:-</p> <ul style="list-style-type: none"> <li>• Providing better monitoring and reporting data on a regular basis.</li> <li>• Establishing the right structures and officer /Member forums to assess and review performance.</li> <li>• Creating greater accountability for performance issues.</li> </ul> <p>Future work will centre on the development of robust unit level plans that take forward the Corporate Strategy 2002-2006 and ensuring that the individual appraisal procedures are operating effectively.</p> <p>The Leaders Performance board regularly assesses the key performance measures and is provided with detail briefings from officers on the actions being put in place to improve performance. A particular focus has been adopted on the critical CPA improvement priorities and environmental issues which top the list of residents concerns.</p>

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	<p>To assist members, a basket of 25 key performance indicators (Vital Signs) has now been selected and reporting mechanisms for these are currently being agreed. The emphasis is now firmly on targeted intervention – identifying services that are under-performing and questioning officers and contractors to ensure that they have robust improvement plans in place. It will be important for the Council to demonstrate over the next twelve months that these new arrangements are having a positive impact on performance.</p>	<p>The Vital Signs are now reported on a quarterly basis to CMT, The Executive and the Performance and Finance Select Committee. The are used to highlight areas for further investigation and Member questioning.</p> <p>Officers are requested to provide detailed responses to Members questions on performance levels and planned actions to improve performance in the future.</p>
<p><b>4. CPA from Fair to Excellent</b></p>	<p>The Council was rated 'Fair' in the 2002 CPA review and has set itself a clear policy objective of securing the highest CPA rating of 'excellent' in the 2005/06 CPA assessment. This is a challenging goal and further evidence that Brent continues to respond in a positive fashion to the inspection regime. Naturally much needs to be achieved over the next two financial years. The Council has to deliver against each of its six improvement priorities and be in a position to demonstrate to inspectors that there is improvement in front line services such as housing, education and social services. These achievements have to be balanced against the need to incorporate the cross-cutting nature of the Corporate Strategy into growth bids, increasing revenue reserves and ensuring that there is sufficient investment in systems and support structures to provide officers and members with reliable management information.</p>	<p>The revised Improving Brent Action Plan is based upon the objective of achieving an Excellent rating in future CPA rounds. The plan sets out detailed targets for improved performance in council services as well as generic management practices.</p> <p>Considerable emphasis is placed on supporting senior managers across the Council and equipping them with the skills required to drive service performance. All Brent's senior managers will complete the Management Development Programme by the end of 2004. In addition a raft of HR programmes are being implemented at all levels of the organisation to increase the capacity and skills base of staff to deliver better local services.</p>

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	<p>“From Fair to Excellent” is not seen as just an aspirational statement. The Council’s ambition is founded in identifiable improvements planned over the next 2-3 years. There is a challenging timetable to improve service excellence and stretching improvement targets cascaded throughout the organisation. Key milestones are also recognised. Developmental plans are not just driven by CPA: they are also evident in the Local PSA, part of the internal agenda for service excellence and also through initiatives such as the cross Council Investors in People accreditation scheme.</p> <p>We will continue to monitor developments with the Council and its Relationship Manager throughout the following year.</p>	