



# Auditor's Annual Report on the London Borough of Brent

**Year ended 31 March 2021**

London Borough of Brent  
September 2021



# Contents



We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) in 2020 requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. 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.



Section	Page
Executive Summary	3
Key recommendations	5
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Governance	11
Improving economy, efficiency and effectiveness	19
COVID-19 arrangements	28
Opinion on the financial statements	30
<b>Appendices</b>	
A - The responsibilities of the Council	
B - An explanatory note on recommendations	

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Executive summary



## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made



## Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Brent, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position. The Authority has put forward a series of proposals which forecast a balanced budget for the next two years. In addition, as at 31 March 2021, the Authority held general revenue reserves of £15.1m and held £358.2m of earmarked reserves.

This places the Authority in a strong financial position. Having planned its budgets for future years well in advance will enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority.

Further details can be seen on pages 7-10 of this report.



## Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements or improvement recommendations in relation to governance.

Further details can be seen on pages 11-18 of this report.



## Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 19-27 of this report.



## Opinion on the financial statements

We have substantially completed our audit of the Council's financial statements and plan to issue an unqualified audit opinion following the Audit & Standards Committee meeting on 22 September, in line with the national deadline of 30 September 2021. Our findings are set out in further detail on page 30.





# Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

The range of recommendations that external auditors can make is explained in Appendix B.

# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

Local authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 7 to 29.



# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

## 2020/21 and ongoing financial pressures

Brent has historically performed well, with a record of strong financial and budgetary management. Despite the challenging environment in which it is operating, the 2020/21 outturn position for the council prior to accounting for the impact of COVID-19 resulted in break-even for the General Fund, a £0.3m underspend for the HRA and a £5.0m overspend for the DSG. The impact of COVID-19, which added a further £42m of costs and income losses, was offset by emergency funding from government.

At the end of 2020/21 the Dedicated Schools Grant (DSG) deficit is £10.5m. This is due to pressures in the High Needs Block. As a result, cost avoidance is required over the next 5 years. A management plan has been put in place which assumes a slow down in the growth of these pressures and assumes that the HNB funding increases by an average of 7% over the next few years. Although the pressure is forecast to slow down, the cumulative deficit will increase before a reduction occurs which is likely to be by 2024-25.

Whilst DSG deficit positions can be carried forward against the grant for future years, the Authority is required to have a multi-year deficit recovery plan in place. This does present a risk of a significant weakness in terms of financial stability. However, the Council is aware of this risk and have a number of action plans in place to address this. The Council's management information is good, and there is targeted monitoring and oversight of this area (a specific task force has been appointed to oversee this, in addition to Cabinet and Committee oversight). It is considered that sufficient action is being taken to address this risk and it is not considered necessary to additionally report this from a VFM perspective. This deficit has been identified by the Council as one of the highest risks set out on the Corporate Risk Register. Ongoing monitoring will remain necessary – especially over the reduction in demand assumed in future years. These assumptions will need to be reviewed regularly.

The Council has a strong reserves position with £338.7m in reserves (£398m 2019/20). Only reserves already earmarked for managing short term budgetary constraints have been utilised during the year. These totalled £2m. Reserves management is seen by the Council as critical and it has been seen that members understand reserves are not available to be spent to "balance the books". There is a plan to maintain this reserves position, not to regularly or permanently reduce them (other than those earmarked to finance the Council's ambitious housebuilding capital programmes).

Future years' budgets are currently balanced, so there is no up front intention to utilise these reserves. Significant work has been undertaken by the Authority to identify savings opportunities to balance the books, and the medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain.

# Financial sustainability

## Savings plans

The Council monitors the delivery of planned savings, and mitigating actions where required, on a quarterly basis. These are reported to the Council Management Team (CMT) and to Cabinet. Over the last 10 years, the Council has successfully delivered a savings programme totalling £185m. Savings of £7.4m had been included within the 2020/21 budget. However, as a result of COVID-19, not all of these savings are considered achievable.

Overall, from a financial planning and budget setting point of view, the revised plan is broadly positive at this stage in that the majority of savings (63%) are on track to be delivered. The balance of planned savings is still expected to be delivered but with some slippage. This suggests that, other than re-profiling between years, the savings previously agreed should continue to be embedded in the MFTS. Work is ongoing to develop and oversee the mitigating actions considered necessary to implement the savings currently considered as unachievable.

## Status of savings following 2021 review

	2020/21 original saving (£000)	2022/23 original saving (£000)	2022/23 original saving (£000)	Total (£000)
Savings on track to be delivered	2,828	4,095	1,740	8,663
Slippage on delivery but still achievable	4,341	0	0	4,341
Savings unachievable	235	185	30	450

## Financial Planning

The Borough Plan clearly sets out corporate strategic priorities, which are referenced within the Council's financial planning. This planning aims to provide a framework to invest in the Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19.

The capital programme also supports the Council's corporate priorities. Its budget is mainly focused on the key aim of building new homes. The Council's actual capital spend was £171.8m in 2020/21, an outturn of 76% against budget. There was slippage in capital spending due to COVID, but the spending achieved does reflect the Council's priorities as set out in the Borough Plan. We are satisfied there is a clear linkage between the Medium Term Financial Strategy and the priorities set out in the Borough Plan.

Whilst discretionary spending is subject to close scrutiny when spending and savings plans are being considered, these two types of spending are not clearly differentiated in the financial planning reports which underlie the budget and MTFP. We have identified this as an improvement recommendation.

## Managing risks to financial resilience

The Council has incorporated uncertainty into its planning and based the MFTS on a mid-range scenario, having modelling three different scenarios of additional growth pressures. Based on this, the funding gap is estimated at £6.1m for 2021/22.

Some of this is being managed by planned savings. Some by a carry forward of COVID funding from 2020/21.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.

# Financial sustainability

## Medium term financial planning

Usually the Medium Term Financial Strategy (MTFS) is updated annually as part of the draft budget. Additionally, a fundamental review of the MTFS was undertaken in 2020 for the period 2020/21 to 2022/23. As part of this review, sensitivity analysis and scenario modelling was undertaken on all aspects of the MTFS, including income assumptions, expenditure assumptions and savings assumptions.

A further review of these assumptions was undertaken early in 2021 to identify the future impact of COVID-19. The Council now has a series of proposals which forecast a balanced budget for the next two years. This will place the Council in a strong financial position, as planning the budgets for future years well in advance will enable sensible phasing of proposals to minimise the impact on services to residents.

As such, we are satisfied the Council identifies and manages risks to financial resilience and challenges the assumptions underlying its plans.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified one opportunity for improvement, this is set out overleaf.





# Improvement recommendation



## Financial Sustainability

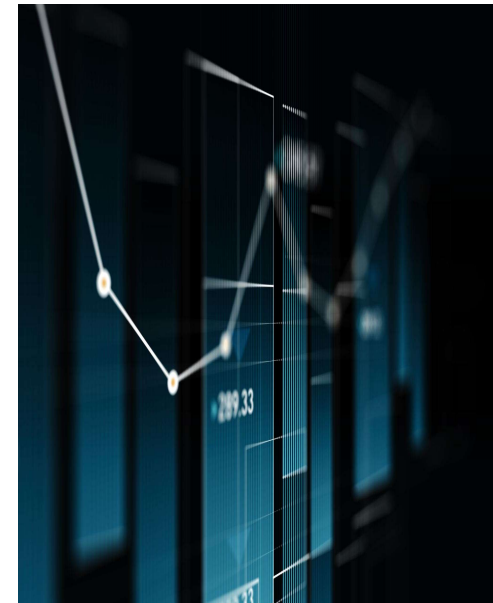
**Recommendation** Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.

**Why/impact** This would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside of or in addition to its statutory obligations.

**Auditor judgement** The different categories of spending could be made clearer. Currently it is not apparent whether any of the Council's spending is discretionary.

**Summary findings** No distinction is made in the financial information reported to TCWG between statutory and discretionary spending.

**Management comment** Officers will consider how this approach could be implemented.



The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards

## Monitoring and assessing risk

The Corporate Risk Register is updated annually. It is visually very informative, with a front page scorecard setting out in a graph the likelihood and potential financial impact of each of the 11 key/core risks identified this year. In addition to the potential financial impact of each of the risks, the potential reputational damage of service failure is also considered. This corporate register is informed by the eleven individual departmental level risk registers. These are also updated annually, and follow a similar format with a RAG rating of risks based on an assessment of their impact/likelihood. These could be improved by all departments following the same format.

The Cabinet consider risks as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Council Management Team also reviews these corporate risks through quarterly monitoring reports. These include feedback from the Risk Management Group. Risks are identified within individual Service Plans and considered on a regular basis within departmental management teams. Key operational risks are reported through to the Corporate Management Team. A recent external review of the effectiveness of the Risk Management approach established that risk is well understood across all levels of management at the Council.

Robust business continuity management arrangements also exist within the Council, with all critical services having business continuity plans in place. The Council's understanding of and planning for risks appears sound, and does not demonstrate a risk of a serious weakness.

There is a good audit and investigations function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. It has demonstrated itself to be a dynamic service capable of reacting and responding to changing circumstances. 32 audits were completed during the year, with a high level of recommendations accepted and implemented by management (over 90%). All recommendations which remain outstanding are reported to the Council Management Team for action and to the Audit and Standards Advisory Committee (ASC) for information.

Whilst no significant weaknesses from a VFM perspective have been identified by internal audit, we do consider there to be an opportunity to improve their own annual planning process. Internal audit do not undertake an independent review of recent or upcoming legislative changes which may impact the Authority. Currently, internal audit rely on management to identify legislation which may have an impact on their work. Whilst the extent of management involvement in the audit planning process is good and points to a positive working collaboration, we think an independent check on this to inform their plan would be a useful validation exercise.

Similarly, the Counter Fraud Specialists undertake a programme of work to support the ASC, including a mix of proactive and investigatory work. Findings are reported appropriately. There have been only minor instances of fraud identified as being perpetrated in 2020/21.

The payment of COVID grants to businesses, together with the urgency with which these grants were required to be paid, presented a new risk during the year. Payments were approved under emergency powers to ensure businesses in need were given immediate assistance. There appears to have been an appreciation of the risk posed by this situation, with internal audit involved from the start and all payments made using emergency powers subsequently reported to the ASC. We are satisfied the Council put in place procedures to review these payments. Subsequent internal audit reviews have also investigated these payments and further work is currently being undertaken to review any payments deemed inappropriate. We think members should also review and confirm whether any related parties were in receipt of these grants, and if so, whether any additional declarations should be made by members in respect of these grants.

# Governance

## Budgetary Setting Process

The budget-setting process is multi-layered and extremely thorough, with several stages. The draft budget is then presented to Cabinet for review in December, with additional papers presented to Cabinet to approve the budget in February. There is also a quarterly review of budget to outturn position by Cabinet.

The budget and MTFS are considered concurrently. There is not a separate, stand alone MTFS, but the longer-term projections and any risks to the medium term are incorporated into the reports accompanying the budgetary information considered by Cabinet quarterly.

This high level of scrutiny together with the Council's track record of achieving its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.



## Budgetary control

There are good systems in place for oversight of the budget. The Finance Department engages at least monthly with budget holders. As well as quarterly budget reports to cabinet, budget holders have access to real time information via self-service budget reports. These can be viewed either at a summary (high) level or at a detailed level. There is stringent in year oversight of the budget at a high level, with the Policy Co-ordination Group, Scrutiny Committees and Council Management Team reviewing and assessing the actual outturn and future risks to the budget. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are set out.

## Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates a Leader and Cabinet form of executive arrangements. In addition, there are two scrutiny committees which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established antifraud culture. We have identified some opportunities to strengthen these with a central register of members' interests and similarly a central register of gifts and hospitality declared.

## Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

## Conclusion

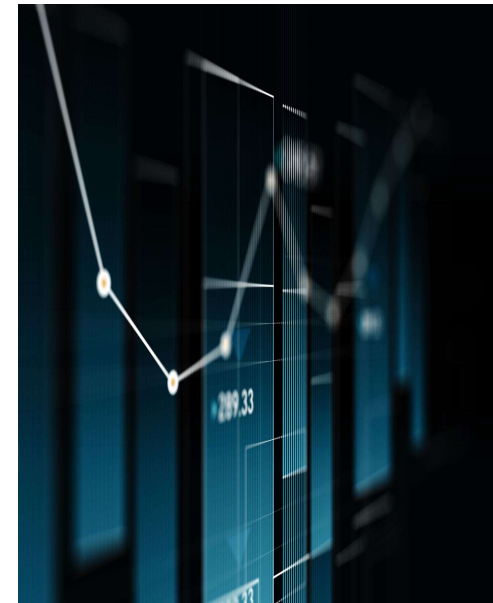
Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified some opportunities for improvement, set out overleaf.

# Improvement recommendation



## Governance

<b>Recommendation</b>	All COVID grant payments to business should be reviewed, and members should check and confirm whether payments were made to any related parties and if so, whether any additional declarations are required to be made by them.
<b>Why/impact</b>	There is a risk that these payments were made without being subject to the Council's usual level and timeliness of scrutiny. If payments have been made to related parties, this could pose a reputational risk for members and for the Council.
<b>Auditor judgement</b>	The risk of related parties being in receipt of these grants should be included any retrospective checking of these payments.
<b>Summary findings</b>	Whilst COVID grant payments were subject to later reviews to determine whether these were lawful and in accordance with grant conditions, it is not clear that these were checked against members' declared interests.
<b>Management comment</b>	Internal Audit will seek conduct a post assurance review of these payments.



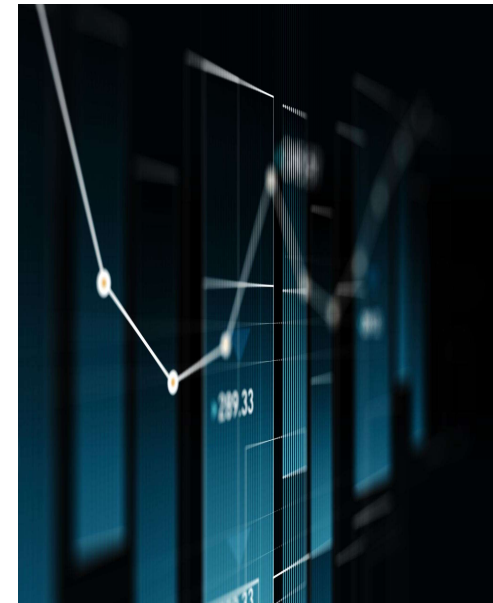
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Governance

<b>Recommendation</b>	In developing the annual plan, internal audit should consider an exercise to review legislation which has been enacted over the last year (or is due to be passed) which will have implications for the Council.
<b>Why/impact</b>	Whilst audit are part of management and collaborating with management is expected, audit could be more proactive to ensure they incorporate checking that there is compliance with new requirements (both statutory and other requirements) into their audit work.
<b>Auditor judgement</b>	There is scope to add a review of recent legislation in informing the internal audit plan. This would help ensure internal audit are reviewing all recent or updated compliance requirements.
<b>Summary findings</b>	Internal audit rely on management to inform them of legislative requirements. By performing an independent review themselves, internal audit can undertake a completeness check on this information.
<b>Management comment</b>	As part of current audit planning meetings with senior management and their respective DMTs, new or changing legislation is discussed and where necessary audits are included in the plan. As part of individual audits, compliance and awareness of legislation often forms part of the scope. Internal Audit are not strictly part of management, primarily to ensure that we maintain our required level of independence. Internal Audit will consider an exercise to review legislation passed over the last year.



The range of recommendations that external auditors can make is explained in Appendix B.

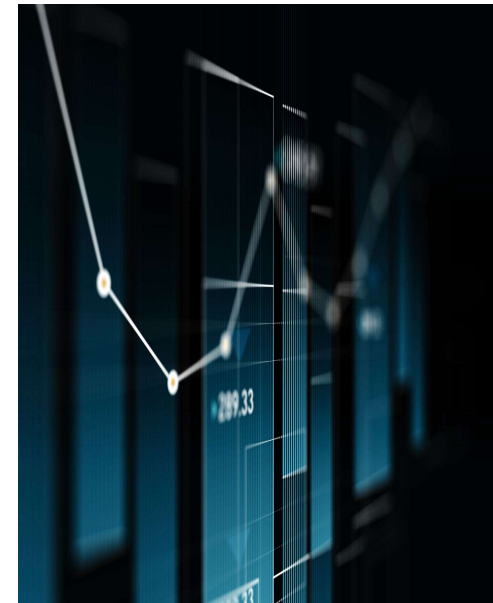


# Improvement recommendation



## Governance

<b>Recommendation</b>	All but two of the eleven departmental risk registers follow the standardised format. This format is good, with a scorecard at the front of the register setting out the weighting and the scoring of risks. We recommend that all departments use this model, as the weighting and scoring system is good and focusses the assessment of risks on those which are high.
<b>Why/impact</b>	Higher risk areas or key strategic risks may not be given due weight in the assessment process. Ensuring all registers follow the standard format forces the analysis to target key areas.
<b>Auditor judgement</b>	There is a risk that the more significant risks are omitted from the analysis found in the risk registers.
<b>Summary findings</b>	Two of the departmental risks registers do not follow the standardised format. The standard format includes a weighting risks and identification those which represent the most significant potential loss, either in revenue terms or reputational terms. It would be better practice for all departmental risk registers to follow this format.
<b>Management comment</b>	A revised risk register format is to be proposed at the next round of risk register updates. The revised format retains the current heat map with the detail now contained in an excel spreadsheet. This enables management to better see and analyse risk information. The spreadsheet will show current and previous risk scores as agreed with the Audit and Standards Advisory Committee.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Governance

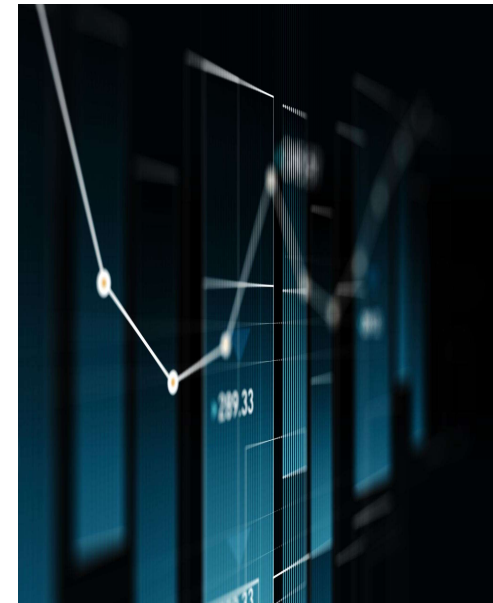
**Recommendation** Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.

**Why/impact** Having to check each member separately is piecemeal and makes it difficult to confirm the overall complexion of interests held.

**Auditor judgement** It is not immediately apparent if there are a number of interests or similar interests held by any particular committee or political grouping.

**Summary findings** Whilst there is a full register of members interests made available at the library, this is not available online as a single document. Transparency could be improved by making this information available in a single place online.

**Management comment** The creation of a central register for members' interests is a sensible recommendation for improving the council's transparency. However, having looked at the practicalities, it would require a duplication of effort as there is no functionality in the current system to download the data from individual members' entries. Set against the number of views we received on these webpages, the creation of merged registers seems a disproportionate response for a small number of users. We will revisit this proposal once the changes to the website have been implemented and in the meantime will investigate if other councils keep a central register and the systems they use to update it.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Governance

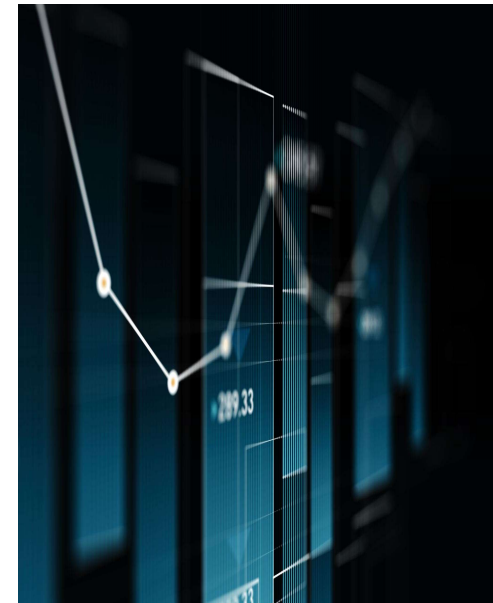
**Recommendation** Whilst gifts and hospitality received are declared, as with members interests there is not a central register of all gifts and hospitality received.

**Why/impact** Transparency of gifts and hospitality received is important. This protects members from inappropriate allegations of corruption or bias. Currently it is difficult to see the entirety of gifts and hospitality received by time period or by Committee.

**Auditor judgement** It is not immediately apparent if there is any consistency in the gifts and hospitality being accepted by any particular committee or political grouping.

**Summary findings** Transparency could be improved by making this information available in a single place online. This could help the Authority (and members) to demonstrate that gifts and hospitality are not tools being used to lobby or incentivise members.

**Management comment** The creation of a central register for members' gifts and hospitality is also sensible recommendation for improving the council's transparency, but the same issues as outlined above apply.



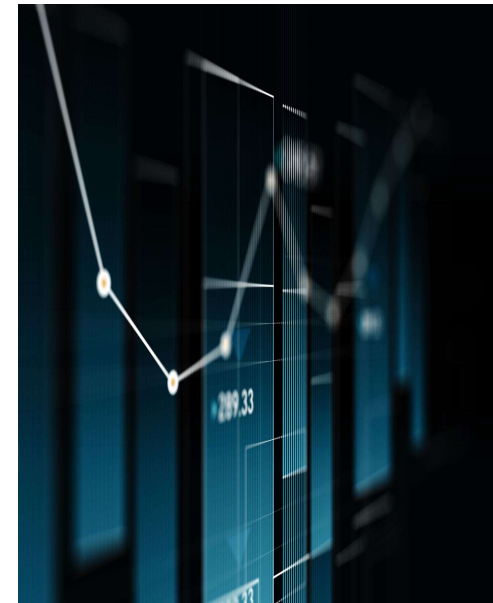
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# Improvement recommendation



## Governance

<b>Recommendation</b>	There is no requirement to register gifts or hospitality which have been declined. This could be helpful to report to other members as a matter of course, so they can be alert in case they are also approached and offered something which ought to be declined.
<b>Why/impact</b>	If there is a pattern of inappropriate gifts or hospitality being offered to members, this should be known and highlighted.
<b>Auditor judgement</b>	There is a risk that inappropriate gifts or hospitality could be accepted. Transparency could be improved by this knowledge sharing between officers and members.
<b>Summary findings</b>	Whilst all gifts and hospitality which have been accepted are recorded and published, it is not possible to see what has been declined. If one member or officer considers it inappropriate to accept a particular gift or offer of hospitality, it would be useful to share this (and the rationale for the refusal) with others.
<b>Management comment</b>	The same issues as above apply to this recommendation. In addition, the register for members' gifts and hospitality is linked to the Code of Conduct. Where gifts have been received creates a personal interest for the member in matters particularly affecting the giver of the gift or hospitality. This will also need to be considered as part of revisiting the proposals concerning the registers once the changes to the website have been implemented.



The range of recommendations that external auditors can make is explained in Appendix B.

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits

## Performance review, monitoring and assessment

The Council has a strong Performance Management Framework, overseen by the Corporate Performance Team (CPT), within the Chief Executive's Department. The CPT works with Departmental Management Teams to strategically align the Council's performance monitoring and reporting and coordinate the production of two main reports, the Quarterly Performance Report for Cabinet, and the Portfolio Performance Packs. Members play a regular role in performance management, and are expected to provide challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders also have regular meetings with Strategic Directors and review finance and performance indicators.

In addition, the review and follow up of both internal and external audit recommendations is sound, with regular reports to Cabinet on the progress in implementing these recommendations.

The performance information produced for scrutiny is very good. A highly detailed and explanatory performance scorecard is included within these reports. This scorecard has recently been revised to align more closely with the Borough Plan, and sets out RAG ratings for over 130 KPIs used to assess the Council's performance against the targets set out in the Borough Plan. The KPIs are set out by strategic priority, so members are able to focus on those which are relevant to their individual portfolios.

This scorecard clearly sets out areas for improvement with a helpful commentary against each KPI, explaining issues which have arisen and actions taken, and we are satisfied the monitoring of performance is good.

An additional purple category has been added to the RAG ratings this year, to highlight areas where performance deterioration is directly attributable to the impact of COVID. This provides a helpful context to the high number of performance targets not met this year.

Whilst this benchmarking provides good information to management and to members, it is only against the Council's own internally-derived targets. There is not a clear or consistent use of benchmarking against other authorities as a tool to assess the Council's performance or to identify areas for improvement.

The Borough Plan is an aspirational tool setting out a strategic vision for Brent. The work underpinning this plan is rigorous, as is the scrutiny and oversight of its delivery. The Council are clear that the strategies in this Plan must remain relevant to its communities and as such, it is reviewed every three years to ensure it remains current and demonstrates that the Council have listened to and responded to its communities. We have identified minor opportunities to improve this plan.

Where services are outsourced, contract review is delegated to the relevant service. As this review is disaggregated, the Council has established a Commissioners Network which provides tools and training to those officers with responsibility for the oversight and management of contracts. Training and knowledge sharing is also provided by this network. Whilst this is appropriate, we have identified that as contract monitoring currently sits within services, we recommend that monitoring of contracts on a 'business as usual' basis be included within a regular reporting cycle, be that to Scrutiny Committees or to relevant service committees. We have also identified an opportunity to strengthen and regularise this network.



# Improving economy, efficiency and effectiveness

## Partnership working

The Borough Plan sets out the objectives of partnerships, expected outcomes and deliverables. There is a formalised and rigorous oversight of the work undertaken by the Council in partnership with other bodies.

All the plans which make up the Borough Plan (e.g. Community Safety, Climate Strategy, Black Community Action Plan, Equality Strategy, Health & Wellbeing etc) are on a three-year cycle, all with annual delivery targets for both the Council and its partners. These plans are reviewed quarterly by the Council Management Team (officer level), Cabinet and Scrutiny Committees. Each plan has a lead provider (usually but not always the Council) and is overseen by its own Board.

A performance framework has been developed and implemented in 2021/22 to bring all the strategies together in one matrix. This will simplify reporting performance against plans and should be looked at as part of our 2021/22 VFM work.

The engagement with key stakeholders has increased over the pandemic (Brent Connects and other engagement activities became virtual, which resulted in increased participation). The number of partners with whom the Council works also increased as a result of the pandemic, with more third sector and voluntary organisations working in partnership with the Council. The Borough Plan makes partnership a key theme. However, how the Council works with its partners is not explicitly set out. We have identified this as an improvement recommendation.

## Procurement

The Council has an extensive and detailed procurement strategy, updated in 2021 to incorporate the Council's Social Value and Ethical procurement strategy, which had been a separate policy. It is good these have now been aligned. This strategy is reviewed and updated annually and is subject to Scrutiny Committee and other Committee approvals.

There are detailed KPIs in this procurement strategy. These KPIs are aspirational, but there is little information as to where Brent is now. Also, there are few numerical objectives in the KPIs in the procurement strategy. Together, this might make it difficult for stakeholders to measure success against this plan. Consideration should be given to defining social value in the procurement strategy, to setting out the Council's current position (against which to benchmark targets) and to adding numerical (rather than just aspirational) targets in the plan. As at the time of writing, we understand there is an annual procurement report due to be reviewed by members in October 2021. This report will provide some additional details on the achievement of the ambitions set out in the procurement strategy. There are also opportunities to strengthen the monitoring of suppliers against the social values set out in the procurement strategy.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified some opportunities for improvement, set out overleaf.

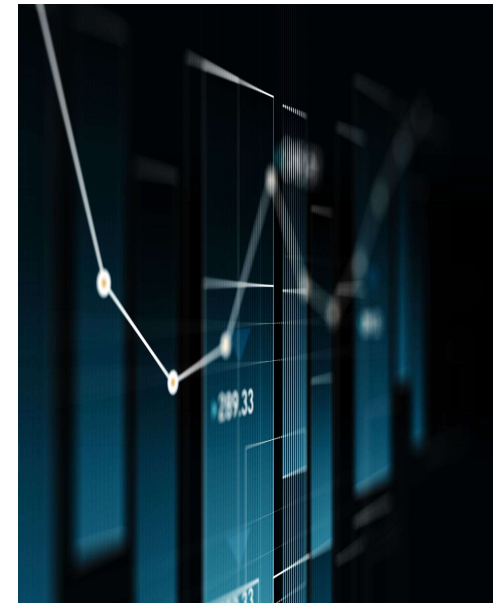


# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	The Council should consider including an analysis which benchmarks its performance against that of other authorities, both in its internal financial management information and in its corporate performance scorecard.
<b>Why/impact</b>	There is a risk the Council's performance monitoring is not sufficiently stretching or ambitious. There does appear to be some benchmarking within the Council, but this is ad hoc and not consistent across the services.
<b>Auditor judgement</b>	Benchmarking could indicate areas for improvement not immediately identified. There is a risk these opportunities could be missed.
<b>Summary findings</b>	We found little consistent use of benchmarking as a tool across the Council's services and within the Borough-wide plan. Benchmarking is a useful tool and including more benchmarking within the Council's self-assessment tools could improve this work.
<b>Management comment</b>	As noted the council uses Benchmarking as an analysis tool when making decisions. Benchmarking is only used when a credible dataset is available so a like for like comparison can be assessed. Over the last decade it has become increasingly difficult to find appropriate datasets as authorities have diverged from a standard model of delivery. However, officers are continuously looking for new datasets to support their analysis.



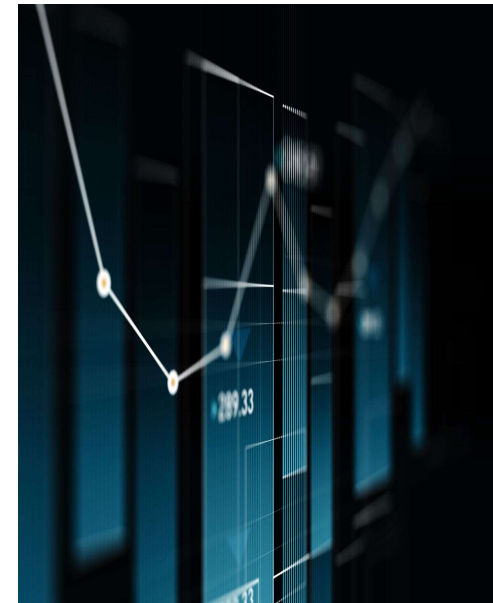
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	Routine reporting of services provided by external contractors should be included in the information provided to and reviewed by those charged with governance.
<b>Why/impact</b>	Currently, the performance of contractors is reviewed at a service level only. Whilst this is essential in securing oversight of service provision, a 'business as usual' oversight of major contracts is not routinely undertaken at committee level.
<b>Auditor judgement</b>	As contract monitoring is undertaken entirely at a service level, there is a risk that issues are not identified by or escalated to those charged with governance at an early stage.
<b>Summary findings</b>	We found that routine monitoring of contracts, whilst undertaken at a service level, is not reported to those charged with governance on a 'business as usual' basis.
<b>Management comment</b>	Summary performance metrics can be agreed for specific major contracts that a Committee would like updates on with the Directorates and included in the Annual Procurement Strategy Report.



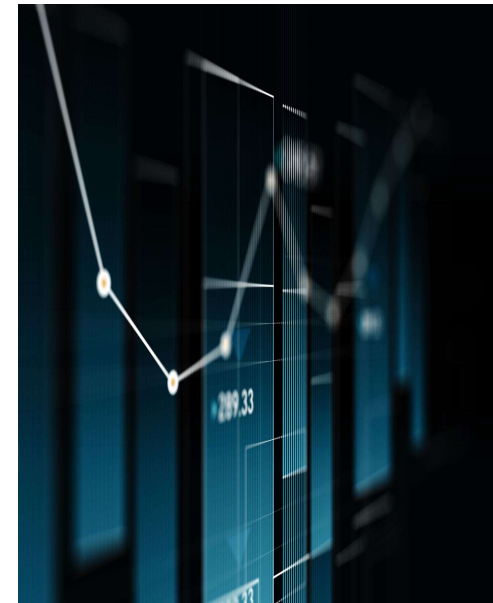
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	All those charged with the management and monitoring of contracts within their service should meet at least annually for refresher training. This should include establishing and monitoring KPIs for service performance, as well as dispute resolution and escalation.
<b>Why/impact</b>	This would provide an opportunity to knowledge share and to share best practices. This should also ensure contract managers are provided with an opportunity to consider whether their contract monitoring could be improved.
<b>Auditor judgement</b>	It is not clear whether there is a consistency in contract monitoring and management across the services. There is a risk that examples of weak contract management are not identified and acted upon.
<b>Summary findings</b>	More use could be made of the commissioners network to identify, gather and disseminate best practice across the authority. Officers charged with contract monitoring and management tend to operate within the silo of their directorate. Networking and knowledge sharing could be improved.
<b>Management comment</b>	Annual training and refresher sessions are offered as part of the Commissioning Network.



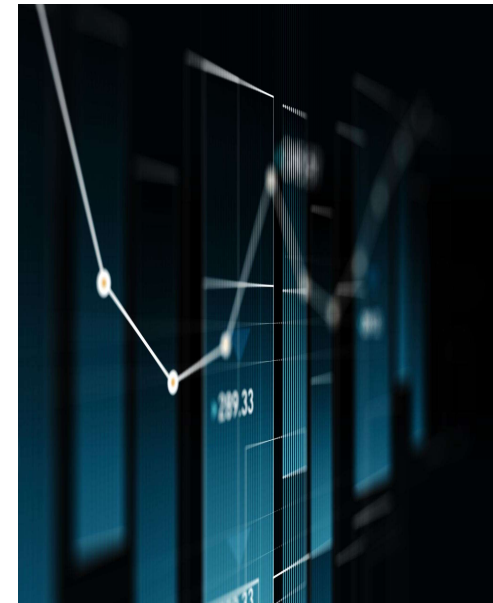
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	The Borough Plan is very high level with lots of strategic aims and goals, but it isn't very specific. It doesn't say <u>how</u> the Borough plans to achieve those goals. Consideration should be given to referring to the action plans in place in achieve these aims and objectives.
<b>Why/impact</b>	We are aware there are delivery plans which aim to set this out, and the Corporate Performance Scorecard also considers some of the actions taken to meet the aims of the Borough Plan, but this is not immediately accessible from reading the text of the Borough Plan. Consideration should be given to referring to the action plans in place in achieve these aims and objectives to enable a resident to understand what actions the Council is taking to achieve these objectives.
<b>Auditor judgement</b>	It is not clear from reading the Borough Plan in isolation what needs to change and how it needs to change to meet the objectives of the Borough Plan.
<b>Summary findings</b>	Any action plan(s) on which the Authority is embarking in order to meet the aims of the Borough Plan are is not clear from a read through of the Borough Plan. Adding some context setting out how these aims and objectives are to be achieved would help a reader to understand the route to achieving meaningful change.
<b>Management comment</b>	We are happy to take the recommendations on board and make these points clearer. We are about to do a full refresh for the next 3 year's delivery plan – starting with all staff sessions in October to review the Borough Plan. We will ensure there is a clear delivery plan.



The range of recommendations that external auditors can make is explained in Appendix B.

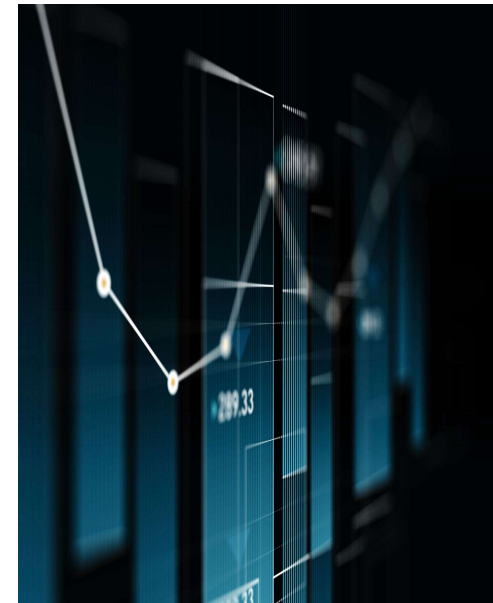


# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	Working with partners is a key theme throughout the Borough Plan. However, the plan is not explicit in setting out how it works with partners. Nor is it clear in the Corporate performance Scorecard which of the KPIs are being delivered by partners.
<b>Why/impact</b>	It might not be clear to residents on reading the Borough Plan what work the Council is doing with partners. Whilst there may be more detail in the delivery plans, more explicit references to the partners with whom the Council works might give the Borough Plan more of a context for residents.
<b>Auditor judgement</b>	Transparency could be improved if the work being undertaken by partners is set out explicitly in the Borough Plan.
<b>Summary findings</b>	It is not immediately apparent what work is being done by partners (either alone or supported by the Council) and what work is being done by the Council in meeting the aims and objectives of the Borough Plan.
<b>Management comment</b>	We are happy to take the recommendations on board and make these points clearer. We will be explicit about partner delivery and ensure their performance is recorded.



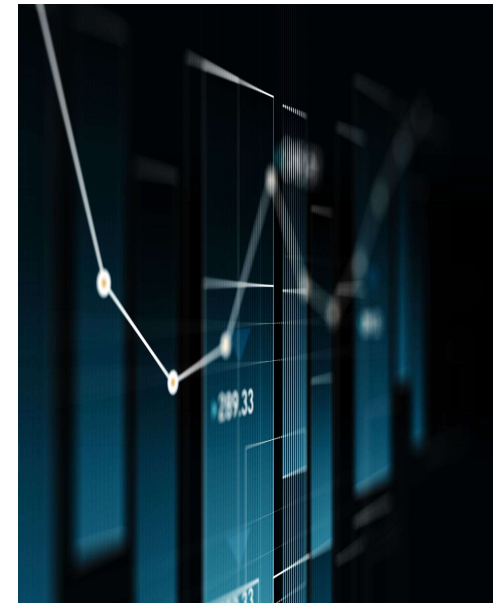
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	Consideration should be given to defining social value in the procurement strategy, to setting out the Council's current position (against which to benchmark targets) and to adding numerical (rather than just aspirational) targets in the plan.
<b>Why/impact</b>	The current reporting of performance does not enable stakeholders to assess the current performance of the authority against which the targets set.
<b>Auditor judgement</b>	It would be more transparent if the Council sets out its current position. Targets could then be assessed against the current position, and it would be clearer to a reader what needs to change for the Council to meet its social value goals.
<b>Summary findings</b>	The procurement strategy, which partly incorporates and refers to the Council's Social Value and Ethical procurement Strategy does not set out the Council's current position as a baseline against which to measure and assess the Council's actions and targets.
<b>Management comment</b>	There is a separate Social Value and Ethical policy which clearly sets out how we can support Council priorities through the delivery of Social Value. Clear outcomes/ KPI's are set out with a financial commitment set out against each priority that would be payable to the Council if not delivered. All Social Value over £100k has a weighting applied of 10% showing the importance the council place on this aspect.



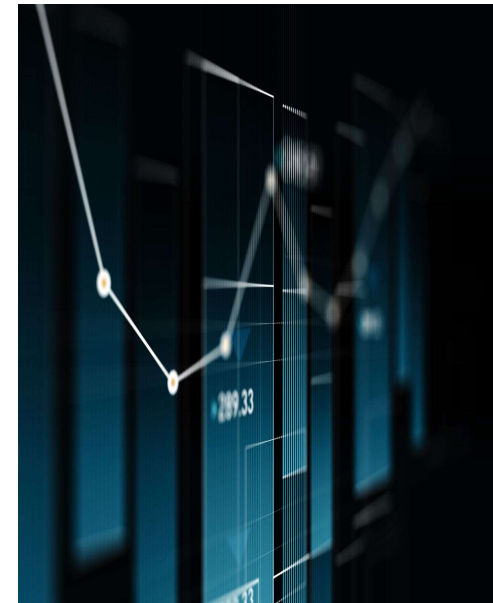
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	Whilst we understand the social values in the Council's procurement Policy have been communicated to its suppliers, it is not clear that mechanisms exist to measure whether these values are being met. The Council should consider the development of a mechanism to measure whether and how suppliers are meeting these goals.
<b>Why/impact</b>	We understand penalties are in place for non-compliance, but there is a risk that without formal measurement mechanisms in place, the Council's social value aspirations might not be met. This is linked to the above recommendation to define social value more clearly (where possible).
<b>Auditor judgement</b>	It would be helpful to suppliers if measurement mechanisms are explicitly set out in the procurement strategy (or in the social value and ethical procurement strategy referred to within and so captured as part of the procurement strategy). This would enable potential bidders to understand the Council's expectations in terms of social value.
<b>Summary findings</b>	The procurement policy and the social value and ethical procurement policy both set out the Council's aims and objectives, but are not explicit as to what suppliers need to do to meet the Council's criteria for social value.
<b>Management comment</b>	The Council have set up mechanisms of the Social Value committed to through our procurements. Using this capture template will now allow us to conduct follow up reviews at appropriate times with contract managers to determine progress.



The range of recommendations that external auditors can make is explained in Appendix B.

# COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

## Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of housing rents, Council Tax and Business Rates, and expenditure which has seen additional pressures, most notably on adult social care.

The COVID-19 related overspend by the Council was £42m comprising of £29.1m of additional expenditure and £12.9m of income losses to services.

This overspend has been offset by emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG) and corresponding COVID-19 related underspends in the General Fund.

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny. The MTFS was reviewed and updated during the year, and detailed quarterly reporting against the budget to cabinet was maintained throughout the year.

£13.2m of the remaining £13.3m of COVID-19 funding (combination of ring-fenced and non-ringfenced) received has been transferred to reserves to address any unbudgeted additional costs of COVID-19 in 2021/22 and £0.1m as deferred income.

Despite this 'cushion', the Council expects these financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22, with savings and efficiencies built in, the Council will undoubtedly need to maintain its high level of monitoring and scrutiny over its finances in order to achieve this budget.

## Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16<sup>th</sup> March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online.

All committees, but especially Cabinet and the Community & Wellbeing Scrutiny Committees have maintained a keen interest in the Council's response to the pandemic.

Internal audit have acted in an advisory capacity throughout, where processes and systems have had to adapt to changed circumstances. Internal audit also demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews required as a result of changed circumstances.

Despite this, internal audit still completed 32 audits in the year and a further 29 follow up audits. Additional, unplanned audits were carried out, notably on COVID grant payments. There has been a solid acceptance and implementation of prior year internal audit recommendations based on the follow up reviews carried out (see table below). Internal audit did not identify any serious weaknesses in internal controls over the course of the year.

<u>Action Status</u>	<u>Number</u>
Implemented	167
Partially Implemented	44
Not Implemented	9
No Longer Relevant	4

# COVID-19 arrangements

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

## Improving economy, efficiency and effectiveness

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

The Council has maintained its quarterly reporting of performance against the targets in the Borough Plan throughout the year. In addition, a purple category has been added to the RAG ratings on the Corporate performance Scorecard to highlight key performance indicators where the rating has declined or fallen short of target, but this has been primarily as a result of COVID.

This is good, and has enabled those charged with governance to understand which of the Council's activities have been most impacted and the extent of this impact.

Partnership working is a key theme of the Borough plan, and work with community partners increased during the pandemic. This is set out in the reporting to those charged with governance. During COVID the Council implemented a steering group to provide intelligence and oversight on the work of partners, to provide the Council with a cross-theme understanding of the lived experience of residents and the work of and with partners during that time.

## Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the COVID-19 pandemic.



# Opinion on the financial statements



## Audit opinion on the financial statements

We have substantially completed our audit of the Council's financial statements and plan to issue an unqualified audit opinion following the Audit & Standards Committee meeting on 22 September, in line with the national deadline of 30 September 2021.

## Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit & Standards Committee on 22 September 2021.

## Issues arising from the accounts

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed in the 20/21 Audit Findings Report, Appendix C.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and on the whole the supporting working papers continue to be of a good standard.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# Appendices



# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

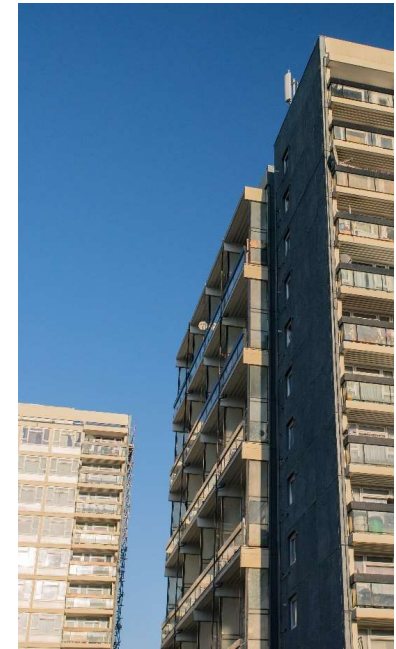
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure 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.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	FS p. 10 Governance p. 13-18 3Es p. 21-27



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