

# Use of Resources

**London Borough of Brent**

Audit 2008/09

**November 2009**

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## Status of our reports

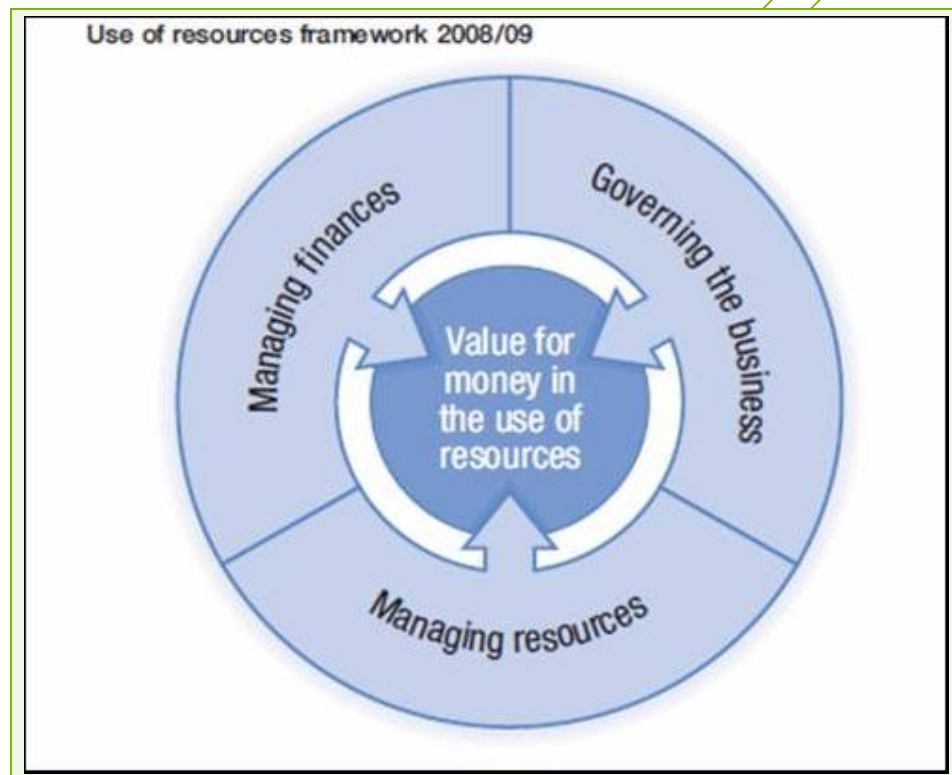
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# Introduction

- 1 The use of resources assessment considers how well organisations are managing and using their resources to deliver value for money and better and sustainable outcomes for local people. The assessment comprises three themes that focus on the importance of sound and strategic financial management, strategic commissioning and good governance, and the effective management of natural resources, assets and people. The three themes are illustrated below:

**Figure 1 The three assessment themes**



Source: Use of Resources Framework - overall approach and key lines of enquiry

- 2 Each theme comprises of a number of underlying key lines of enquiry (KLOE), which are set out in the Audit Commission's publication - Use of Resources Framework: Overall approach and KLOE. The KLOE are generic and applicable equally to all organisations subject to use of resources judgements under Comprehensive Area Assessment (CAA). This promotes consistency and demonstrates that all organisations within a CAA area are treated in exactly the same way and to the same standards.
- 3 This report relates our use of resources assessment for the financial year 2008/09. It is based on the KLOE for 2009 which were published in May 2008

following consultation. The assessment reflects the needs of CAA and incorporates a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working.

- 4 Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

**Table 1 Standard scale used for assessments and inspections**

1	Failure to meet the minimum requirements at level 2
2	Meets only minimum requirements – performs adequately
3	Exceeds minimum requirements – performs well
4	Significantly exceeds minimum requirements – performs excellently

- 5 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils for 2008/9, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from work in previous years and updated these for any changes and improvements to the Council's arrangements.
- 6 The three theme scores for the London Borough of Brent are set out in table 2 below. Under each theme summary we set out our key findings in relation to each theme and highlight key areas for improvement.

# Use of resources judgements

7 The Council has performed well this year and is assessed as a level 2.

**Table 2 Summary of scores at theme and KLOE level**

Key lines of enquiry (KLOEs)	Score 2009
<b>Managing finances</b>	
1.1 The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health.	3
1.2 The Council has a sound understanding of its costs and performance, and achieves efficiencies in its activities.	3
1.3 The Council's financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.	2
<b>Governing the business</b>	
2.1 The Council commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money.	2
2.2 The Council produces relevant and reliable data and information to support decision making and manage performance.	2
2.3 The Council promotes and demonstrates the principles and values of good governance.	2
2.4 The Council manages its risks and maintains a sound system of internal control.	2
<b>Managing resources</b>	
3.1 The Council makes effective use of natural resources.	2
3.2 The Council manages its assets effectively.	3

# Theme summaries

- 8 The key findings and conclusions for each of the three themes are summarised in the following tables.

## Managing finances

<b>Theme score - 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council clearly integrates financial and corporate planning and has a good record of delivering on its annual budget plans. The Council has taken swift action to review its treasury management strategy following the banking collapse in October 2008 and has moved to a risk averse treasury management strategy.</p> <p>The Council has used benchmarking to identify high cost areas (e.g. adult and children services) and has used transformation programmes to reduce costs in these areas. However, there remain areas such as waste services where costs are comparatively high. The Council has a clear efficiency programme in place and has continued to exceed its efficiency targets, despite increased demand for services.</p> <p>The Council has a robust budget monitoring process in place which delivers timely monitoring reports for all departments. Key variances are identified quickly, enabling timely intervention and forward planning. There is scope to develop systems for more flexible reporting. The Council needs to demonstrate greater involvement of external stakeholders to tailor external reporting. The financial statements were prepared in line with the statutory timetable. One material error was identified in the main financial statements (relating to the treatment of downward revaluation of fixed assets) and one material error was identified in the Pension Fund financial statements (relating to the valuation of private equity investments). These items were subsequently adjusted by the Council.</p>	
<b>Improvement opportunities</b>	
KLOE 1.1 The Council plans its finances effectively to deliver its strategic priorities and secure sound financial health.	<ul style="list-style-type: none"> <li>• Demonstrate greater involvement of external stakeholders in the financial planning process.</li> </ul>
KLOE 1.2 The Council has a sound understanding of its costs and performance, and achieves efficiencies in its activities.	<ul style="list-style-type: none"> <li>• Expand the use of comparative information on costs and performance.</li> <li>• Explore ways of driving down costs in areas of higher expenditure, such as waste services, whilst improving performance.</li> </ul>
KLOE 1.3 The Council's financial reporting is timely, reliable and meets	<ul style="list-style-type: none"> <li>• Develop systems that allow more flexible reporting and information accessible at</li> </ul>

## Theme summaries

Theme score - 3	
the needs of internal users, stakeholders and local people.	<p>any time.</p> <ul style="list-style-type: none"><li>• Continue improving processes to enable an early and efficient accounts closure.</li><li>• Demonstrate greater involvement of external stakeholders in the financial reporting process.</li><li>• Develop review procedures to ensure that any errors are 'clearly trivial' and that there are no significant matters to be reported to those charged with governance.</li></ul>

## Governing the business

<b>Theme score - 2</b>	
<b>Key findings and conclusions</b>	
<p>Overall the Council has a clear vision of what it wants to achieve based on comprehensive needs analysis and this has informed corporate strategies. However the use of commissioning and procurement to deliver the Council's desired outcomes is variable. Some service areas have commissioning strategies, but there is no overarching strategic approach to commissioning and procurement. A strategic procurement unit is in place, supported by a procurement strategy, but this is not clearly linked to the delivery of corporate objectives. There is variability in the effectiveness of commissioning practices and procedures across the Council, particularly in relation to market management and involving community and service users.</p> <p>The Council has an embedded process for measuring and reporting on performance. An information governance strategy is in place and sets out the requirements for data quality. There is scope to improve systems regarding the undertaking, processing, recording and reporting of performance information. For example, arrangements could be implemented/improved to robustly review third party data. Arrangements for reviewing data quality are not standardised across the organisation. The Council could introduce procedures that would share best practice and lead to more consistent arrangements. A Partnership Performance Management Group has been established to co-ordinate the collection of performance data for Local Area Agreement (LAA) targets and the National Indicator (NI) set. Performance monitoring includes scrutiny at Member and departmental level.</p> <p>The Council promotes and demonstrates the principles of good governance across all staff levels within the Council. The Council identifies and manages risks in line with its strategy. This strategy is fed down to all levels of staff through ongoing training and guidance. To assess the impact of this training of the Council's principles and values the Council could use staff surveys to identify how embedded the principles of good governance are across the organisation.</p> <p>A risk management strategy is in place. Risks and responses are reported to the Executive on a regular basis. Council and Executive reports consider risks as part of the decision making role on corporate policies, budget setting, major policy decisions, and major projects. The Council maintains a sound system of internal control and has an established Audit Committee in place that focuses on audit activities and internal control. The Head of Internal Audit opinion, issued in June 2009, was qualified due to governance failings at Foundation Schools. The Council obtains information from the London Borough Fraud Investigation Group and Department of Works and Pensions on housing benefit frauds. The Council could use this information to benchmark its counter fraud arrangements and address any weaknesses identified.</p> <p>Whilst systems and processes regarding governing the business are in place, it is difficult to link these to clear outcomes and achievements.</p>	
<b>Improvement opportunities</b>	
KLOE 2.1 The Council commissions and procures quality services and	<ul style="list-style-type: none"> <li>Develop a strategic approach to commissioning, which identifies how</li> </ul>



## Theme summaries

Theme score - 2	
supplies, tailored to local needs, to deliver sustainable outcomes and value for money.	<p>commissioning and procurement will help to deliver corporate priorities.</p> <ul style="list-style-type: none"> <li>• Provide ways of increasing the involvement of service users, current and potential providers and other key stakeholders in each stage of the commissioning cycle to ensure that commissioned and procured services meet local need.</li> <li>• Explore ways of improving the delivery of services through procurement to provide better outcomes for those who use local services.</li> <li>• Ensure all departments, who commission services, have a good understanding of the local market and development mechanisms to develop the local market to meet anticipated future need.</li> </ul>
KLOE 2.2 The Council produces relevant and reliable data and information to support decision making and manage performance.	<ul style="list-style-type: none"> <li>• Improve the consistency of data quality arrangements in place, regarding the undertaking, processing, recording and reporting of performance information. This will enable assurance to be gained over data received to support performance.</li> <li>• Robustly review data received from third parties to provide assurance over the information used in the calculation of National Indicators and other performance indicators. Our data quality spot checks on NI 192 (household waste sent for reuse, recycling and composting) and NI 156 (households living in temporary accommodation) identified weaknesses in this area.</li> </ul>
KLOE 2.3 The Council promotes and demonstrates the principles and values of good governance.	<ul style="list-style-type: none"> <li>• Improve self assessment tools to allow collection and analysis of staff responses to governance training and development. This approach should provide a clearer understanding of staff understanding of the Council's principles and values and of the impact of initiatives already introduced.</li> <li>• Improve governance arrangements from lessons learnt by the Council from <ul style="list-style-type: none"> <li>– governance failings at Foundation schools; and</li> <li>– investments in collapsed Icelandic</li> </ul> </li> </ul>

Theme score - 2	
	banks.
KLOE 2.4 The Council manages its risks and maintains a sound system of internal control.	<ul style="list-style-type: none"> <li>• Improve risk management and internal control arrangements from lessons learnt by the Council from: <ul style="list-style-type: none"> <li>– internal control failings at Foundation schools; and</li> <li>– investments in collapsed Icelandic banks.</li> </ul> </li> <li>• Use results of the fraud survey to benchmark counter fraud arrangements and take action to address any weaknesses identified.</li> </ul>

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### Managing resources

#### Theme score - 2

#### Key findings and conclusions

The Council has a Carbon Management Strategy and Implementation Plan prepared in conjunction with the Carbon Trust and has set a target of 20% reduction in CO2 emissions between 2006 and 2011. To enable progress against targets to be measured, the Council should ensure that there is reliable information to monitor its performance. The Council is currently revising its carbon reduction targets in conjunction with the Carbon Trust. To demonstrate best practice and to lead by example, the Council needs to demonstrate it works effectively with partners in developing, implementing and monitoring plans and communicate performance against planned targets to the public, stakeholders and staff.

Strategic asset management is leading to good outcomes through the use of assets to meet corporate priorities. For example, the acquisition of Brent House provided value for money, improved user experience and has provided a platform to develop the Council's accommodation strategy. The Council has a clear corporate approach to managing its assets with plans to further strengthen its corporate approach over the next twelve months. The Council is managing its asset base well to deliver value for money whilst improving user experience. The Council is currently exploring ways of jointly using assets with partners such as the police, the PCT and voluntary sector groups. This has included the possibility of partners having a presence at the new Civic Centre and exploring ways of transferring assets to the voluntary sector in response to the Quirk review.

#### Improvement opportunities

KLOE 3.1 The Council makes effective use of natural resources.

- Reduce the Council's environmental impact and consumption of natural resources across all areas of the organisation in line with targets that it has set itself.
- Work effectively with partners in developing, implementing and monitoring plans to reduce carbon usage.
- Communicate performance against planned targets to the public, stakeholders and staff, and engage effectively with them.

KLOE 3.2 The Council manages its assets effectively.

- Explore a long term strategic approach for the shared use of asset sharing with wider community partners, including the voluntary and third sector and community groups.