

# Auditor's Annual Report on London Borough of Brent

2021/22

Final Report

February 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council 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) 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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# Executive summary






## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

The Council continues to operate with an increasing amount of turmoil in the economic environment. Brent, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term. There will continue to be added pressures from significant increases in capital costs, inflation and continued increases in demand for services from some elements of the population that the Council would not previously have had much contact with, as well as the longer-term impacts of Covid-19. The Council has continued to maintain a good financial position including continuing to achieve planned savings.

Our work has not identified any significant weaknesses in arrangements but has identified improvement recommendations in relation to securing financial stability at the Council.

Further details can be seen on pages 7 -12 of this report.



## Governance

Our work this year has focussed on further developing a detailed understanding of the governance arrangements in place at the Council and in particular those relating to the two wholly owned subsidiary housing companies and key partnerships.

Our work has not identified any significant weaknesses in arrangements but has identified improvement recommendations in relation to governance.

Further details can be seen on pages 13-17 of this report.



## Improving economy, efficiency and effectiveness

The Council 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 but improvement recommendations have been made in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 18-23 of this report.



We have not yet completed our audit of the financial statements for 2021-22 and therefore we have not yet issued an audit opinion.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have not yet completed our audit of the financial statements for 2021-22 and therefore we have not yet issued an audit opinion.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any Statutory recommendations

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a Public Interest report

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not made any application to the court

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the Council or an officer of the Council:

- is about to make or has made a decision which involves or would involve the Council incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued an advisory notice

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of a Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for a Judicial Review



# Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils 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. The Council's responsibilities are set out in Appendix A.

Councils 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) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Council 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).



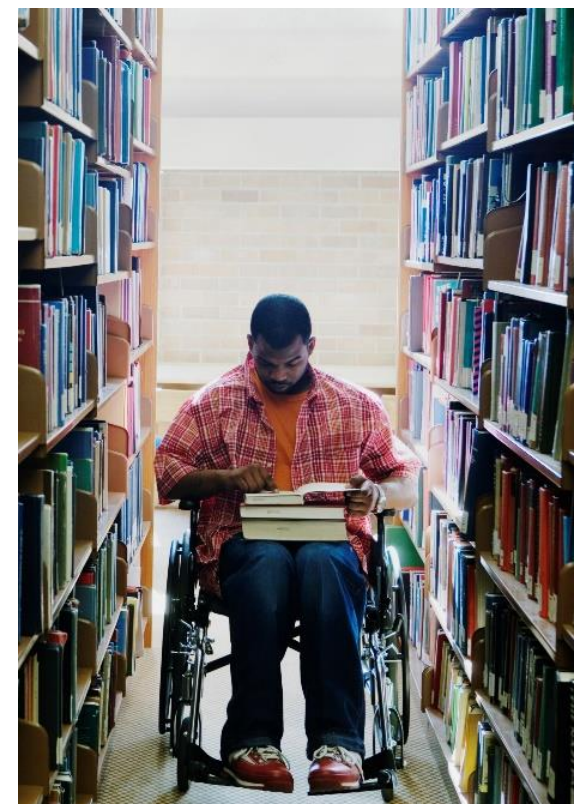
## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 23.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Outturn 2021/22 and budget 2022/23

The 2021-22 General Fund outturn position for the Council prior to accounting for the impact of Covid-19 was break even compared to the original budget on the General Fund. There was a £4.6m overspend on the Dedicated Schools Budget (DSG) and a £0.6m overspend on the Housing Revenue Account (HRA). The total gross Covid-19 impact across the Council was £20.7m.

The Council set a two-year budget in February 2021 with a total £11.2m savings required over the two years in order to achieve a balanced budget (£8.5m in 2021-22 and £2.7m in 2022-23). These savings targets were not revised in February 2022 when finalising the budget for 2022-23. All savings plans were fully assessed for equalities impact and consulted on with external stakeholders including local businesses, residents and key partners. The budget for 2022-23 was clearly aligned to priorities set out in the Borough Plan.

There was slippage of £0.8m on the £11.2m savings set in total for 2021-22 and 2022-23. The full value of those savings will still be achieved during the life of the Medium Term Financial Strategy (MTFS).

Homelessness continues to be a significant issue for the Council. In March 2022 the Council approved the purchase of a site at Edgware Road to meet temporary accommodation needs.

The Council has a commitment to paying the London Living Wage (LLW) where possible, including enabling contractors/providers to pay their workers LLW. This has a particularly large impact on the provision of homecare.

Income reduced as a result of the cessation of some Covid-19 compensation schemes (e.g. Council Tax, Business Rates, fees and charges). Continued restrictions on movement of people was expected to impact on footfall which in turn impact on business rates, fees and charges. The Council experienced a 9% contraction in economy with a 2.6% fall in jobs (compared to 1.9% for West London and 1.5% UK).

## Housing Revenue Account (HRA)

The HRA is a ring-fenced budget meaning this money cannot be used for any other purpose. The Council introduced a rent increase of 4.1% generating an additional £2m income for 2022-23. The concierge service charge was also increased to balance the budget and re-procurement of this contract is planned for 2022-23.

Unmetered communal lighting and heating charges were increased by 30% to reflect increased energy prices with the bulk energy contract to be renewed in 2022-23. The heating tariff for metered usage by residents was increased by 55%.

A £7.1m refund to tenants was necessary as a result of a court ruling that Council's had overcharged residents on water and waste-water charges. This was funded through a reduction in the revenue contribution to the HRA capital programme. HRA set a balanced budget for 2022-23 with efficiency savings planned of £0.5m.

## Dedicated Schools Grant (DSG)

The DSG budget is also a ring-fenced budget. Within the DSG budget the High Needs Block funding was in deficit of £10.5m carried forward from 2020-21 increasing to £15.9m deficit at the end of 2021-22. A Deficit Recovery Action Plan has been in place since April 2021 to address the deficit.

# Financial Sustainability (cont'd)

A members' Schools Forum monitors these actions. A revised Education Health and Care Plan (EHCP) assessment, planning and review process was implemented from April 2021. The number of EHCPs grew by 6% in 2021-22 but this was a lower growth rate than 2020-21 (16%) indicating that the plan is having an effect. £44m Capital Investment was agreed by Cabinet in January 2022 to deliver 427 additional Special Educational Needs (SEND) places. Even with these additional measures the cumulative DSG deficit is envisaged to grow to a total deficit of £21m by 2025-26. This is slightly lower than the £23m deficit envisaged under the initial plan and £6m less than was estimated without the plan in place.

The Council cannot fund a deficit from the General Fund without the Secretary of State's approval as the DSG is a ring-fenced grant. An arrangement is in place until the end of the financial year 2022/23 which allows Council's to treat the deficit as a payment in advance that has first call on the following year's DSG. In December 2021 the Department for Education (DfE) announced new additional funding as part of the Delivering Better Value in SEND programme. This scheme is aimed at assisting Councils which have substantial cumulative deficits. The Council will participate in the three-year programme which includes conducting comprehensive analysis to identify the underlying cost drivers of the high needs system and potential reforms to manage/mitigate these cost drivers more effectively.

The Council has recently modelled the implications on reserves should the deficit need to be met from General Funds. The Council has sufficient unallocated reserves to enable it to meet the deficit in the short-term but this would have a significant impact on longer term financial plans and reduce reserves to a level which would not be sustainable.

## Medium Term Financial Strategy (MTFS)

The MTFS is aligned to the Borough Plan and a further £12m savings will be needed in total for 2023/24 and 2024/25 in order to balance the budget. However with uncertainties in funding arrangements as well as increased demand led pressures the Council reported in the 2022-23 budget report that in a worst case scenario there could be a +20% margin for error and that savings requirements could be between £9.6m and £14.4m.

The Council reported in the February 2022 budget report that inflationary pressures (even at 4 or 5%) would mean that adult social care funding reforms could apply pressure to front line services and mean that new funding may not be sufficient to bridge the gap. The Council received £13.3m Improved Better Care Fund and £13.7m Social Care Grant and £6.1m Services Grant to cover new burdens such as National Insurance increases and other inflationary pressures and a £0.91m grant towards paying a fair cost of care. The Council has therefore assumed these increased grants to be revenue neutral.

The Public Health Grant was increased by £0.6m in 2022-23 but this is seen by the Council as a real term cut due to increased demand flowing from impacts of pandemic. Similarly the Homelessness Prevention Grant increased by £0.1m and again this is seen by the Council as a real term cut.

Annual growth assumptions built in to the MTFS include contract inflation, pay inflation, and the demands of a growing population. Future years' budgets are currently balanced, so there is no current plans to utilise unallocated reserves. Significant work has been undertaken to identify savings opportunities to balance the books, and the Council has a strong track record in delivering savings. The medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain as demand for services is likely to grow and current economic environment will impact the Council's costs.



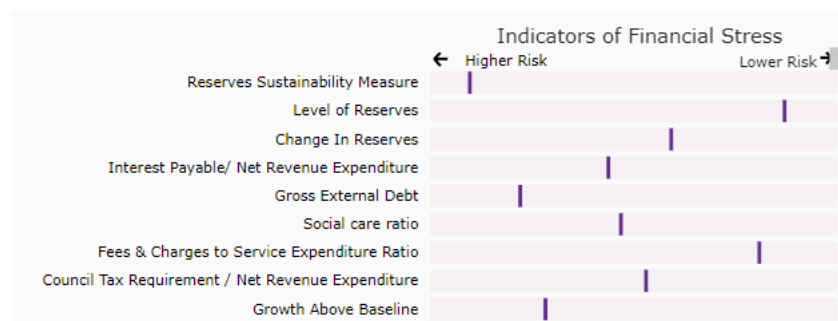


# Financial Sustainability (cont'd)

## Reserves

The Council has a reserves strategy which is aligned to the MTFs. This reserves strategy aims for 5% of net revenue expenditure for general usable reserves (General Fund balance and service pressure reserve). The General Fund Balance at 31/03/2022 was £15.1m against net revenue spend of £280m, which at 5.3% is in line with this strategy. In addition the Council has a transformation/services pressure reserve of £11.4m and specific Covid-19 pressure reserves of £14.1m. In July 2021 the Council agreed £17.5m funding from reserves for projects aimed at supporting the most impacted communities and businesses and addressing health inequalities. The Council also created a Resident Support Fund funded from reserves. This dispersed £3m in 2021-22.

The below chart shows the Council's risk status against various indicators of financial stress under the CIPFA Financial Resilience Index.



Of particular note is the level of reserves indicates a low risk for the Council as does fees/charges to service expenditure ratio. The Reserves Sustainability measure is however showing as very high risk.

The reserves sustainability measure is the ratio between the current level of reserves and the average change in reserves in each of the previous 3 years. Given that the Council's reserves have increased over the last 3 years, primarily due to grants received for COVID-19, this does not appear to be a high risk for the Council.

## Capital Programme and Borrowing

The Council spent £165.4m on its capital programme in 2021-22 against a budget of £220m. This is an underspend of £56.9m.

The Council has a New Council Homes Programme to deliver 5,000 new affordable homes by end 2024 including 1,000 directly delivered by the Council. The Council had delivered 563 as of November 2021. This required capital investment of £47.9m in 2021-22 and £32.1m in 2022-23. This programme is essential in order to avoid reliance on emergency temporary accommodation, which would adversely impact the quality of life for residents and increase costs for the Council.

The Council had total debt of £709m in 2021-22 and £698m in 2022-23 against a Capital Financing Requirement (CFR) of £1.004bn and £1.123bn respectively. Debt is projected to fall to £660m by 2026/27 against a CFR of £1.332bn. The total debt figures are approximately half of the affordable borrowing limits. Financing costs charged to revenue are set to rise from £31.5m in 2021/22 to £57.1m in 2025/26 (11% and 17.5% of net revenue channel respectively). The level of external borrowing is within CIPFA prudential limits.

The Council's wholly owned subsidiary First Wave Housing (FWH) identified in September 2021 that 110 homes (Granville New Homes) required remediation work to address cladding and fire safety issues. The total cost of this work is estimated at £18.5m. This would have meant that the FWA business plan would have been unviable. The Council considered a number of options against the following criteria :

- Putting the properties back into a good state of repair as quickly as possible;
- Causing the least disruption to residents;
- Allocating risks to where they can best be managed; and
- Utilising the structures of the Housing Revenue Account (HRA), General Fund, and its housing subsidiaries in a way that is most financially beneficial to the Council overall.

# Financial Sustainability (cont'd)



The Council decided that FWH would dispose of the properties to the Council HRA. The HRA would then carry out the remediation work. FWH will continue to manage its other housing provision. The transfer was at zero value based on the fact that the refurbishment costs exceeded the asset valuation of £12.5m.

The increase in the cost of borrowing together with the rising construction costs from high inflation are making the viability of capital projects extremely challenging. For schemes within the Council's existing programme, work is ongoing to identify mitigations to allow delivery to continue; however, this may result in a scope reduction or pausing delivery for a further evaluation at a later date. For schemes within the pipeline and yet to form part of the main programme, updated financial assessments are being undertaken to reflect the increased borrowing costs and scheme costs and the impact on project viability.

There was slight slippage across some parts of the programme including reported delays in commissioning, delays in procurement or contract negotiations as well as supply chain issues and inflationary pressures on budgets requiring additional management. Although there is no evidence that this is a trend for previous years, the fact that these slippages have occurred across different projects, the Council has agreed to explore these to determine if there are any broader lessons to learn. An improvement recommendation has been made in this respect.

Although the Council has not invested in new commercial property it does however derive some income from historically held properties. These properties with a value of £27m generate a yield of £3.1m (15%). This is a very favourable yield when compared to other investment opportunities however performance of such investments is inextricably linked to the wider economic outlook and therefore the Council should continue to be cautious in its assumptions about the level of future yields for the purposes of its financial planning. An improvement recommendation has been made in this respect.

## 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 weakness but have identified two improvement recommendations which are set out on pages 11-12.

# Improvement recommendations



## Financial Sustainability

### Recommendation 1

The Council should continue to review the reasons for procurement related delays to the Capital Programme to identify any lessons learned

### Why/impact

Delays in the procurement process could increase costs and delay the Council achieving a return on investment.

### Auditor judgement

The procurement delays have not been explored by the Council to determine if any improvements to arrangements need to be made.

### Summary findings

There was slippage across many parts of the Capital programme including delays in commissioning , delays in procurement or contract negotiations as well as supply chain issues and inflationary pressures on budgets requiring additional management.

### Management Comments

Any delays in the delivery of our Capital Programme are reported through the internal Capital Programme Board and included in the reporting to Cabinet on a quarterly basis. If there has been a significant impact on project delivery for example a failed procurement the reasons for this are also reported to Cabinet. The Council will review the key drivers of the procurement delays experienced and ensure the findings are incorporated into future procurement processes.



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

# Improvement recommendations



## Financial Sustainability

### Recommendation 2

The Council should continue to ensure that assumptions made about future yield from commercial property remain cautious.

### Why/impact

A drop in yield could adversely impact the Council's financial plans.

### Auditor judgement

Performance of such income is inextricably linked to the wider economic outlook and therefore the Council should be cautious in its assumptions about the level of yield going forwards.

### Summary findings

The Council has a very favourable yield from commercial property, particularly when compared to other investment opportunities. The Council has £20.7m worth Commercial Property generating a yield of £3.1m (15%).

### Management Comments

The Council is developing a property strategy for the commercial property estate which will provide an overarching framework for how these assets will be developed and managed. This will support our assumptions around the future yield anticipated from these assets whilst reviewing the impact of future economic uncertainty.



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

# 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Monitoring and assessing risk

**The Corporate Strategic Risk Register was updated in March 2022 and aligned to the Borough Plan. 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 reviews these corporate risks through quarterly monitoring reports.** The Corporate Risk Register impact matrix does not explicitly include legal and regulatory impact assessments. An improvement recommendation has been made in this respect.

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.

An external quality assessment (EQA) of the Internal Audit Service was last carried out during 2018/19. This concluded that the Service conformed to the Public Sector Internal Audit Standards. The next EQA is scheduled for Q4 2022-23. The Annual Governance statement for 2021/22 issued by the Council states that in the opinion of the Head of Audit and Investigations there is reasonable assurance over the adequacy and effectiveness of the Council's overall framework of governance, risk management and control.

31 internal audits were undertaken during 2021-22 including 13 audits carried forward from 2020-21. The audit plan for 2021-22 included 37 planned audits 8 of which have been carried forward to 2022-23. 11 Audits have been deferred. In addition 8 School Reviews were completed against a planned 10 reviews with two reviews carried forward to 2022-23. The number of audits carried forward each year has decreased slightly however the Council is in a position where audits are deferred to accommodate additional in-year reviews which the Council has identified as being higher risk. No significant weaknesses from a VFM perspective have been identified by internal audit.

Counter fraud arrangements include notable practice such as the introduction of identity verification tools for housing teams and a Counter Fraud Specialist apprenticeship scheme for customer service team members. Specific fraud risk registers have also been prepared at departmental level.

There were no data breaches reported in 2021-22. The Council achieved Cyber Essentials accreditation in February 2022, demonstrating compliance with a minimum level of controls to mitigate the risk from common cyber threats. The Council has a 4-year Cyber Security Strategy agreed in March 2022.

The Council's understanding and management of risk does not demonstrate a risk of a serious weakness.

## Budget Setting Process

The budget-setting process is thorough and receives a high level of scrutiny both internally and externally. An equalities impact assessment is undertaken on all proposals. A budget scrutiny task group is formed consisting of members of the two scrutiny committees (Resources & the Public Realm and Community Wellbeing). There is extensive external consultation with residents, community organisations and local businesses.

The Council completed a major project to implement the CIPFA Financial Management Code in 2021-22. An initial self-assessment was undertaken and a detailed action plan presented to the Audit and Standards Advisory Committee (ASC) in December 2021. This identified an 18-month programme of tasks to fully implement the code. Progress with that programme of work was to be managed and monitored using a formal project management governance approach. The project envisaged delivering quick wins by 31 March 2022, with remaining tasks to be delivered by 31 December 2022. Key tasks included: a review of the Council's Value for Money framework; completion of a financial resilience assessment and introducing the use of an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. The action plan was approved by Cabinet in February 2022 however no further updates have been provided to the ASAC. An improvement recommendation has been made in this respect.



# Governance (cont'd)



## Budget Monitoring

As part of the budget monitoring cycle, any actuals or forecasts are scrutinised by managers with increasing levels of seniority. This is done with the support of the Finance business partner. Cost Centre managers input a forecast, which is then reviewed by the Head of Service, and then the Operational Director. Amendments to the forecast are made where necessary. This is then reviewed by the Head of Finance and taken to the departmental management team meetings for review.

Figures are added to the Quarterly Financial report which is reviewed by the Director of Finance. All Budget Managers review the financial data at different stages within the forecast review process. This provides effective assurance that what is presented to Council and its sub-committees is accurate.

## Financial Systems and Processes

The Council has moved to Oracle Cloud across the Council's various Enterprise Resource Planning (ERP) systems. A number of efficiencies have been achieved by automating many manual processes and reconciliations, as well as improving data accuracy and data security for payroll, procurement, cash management, Accounts Payable and Accounts Receivable. In addition support for the previous version of the Oracle system (R12) expired in December 2021. This meant that regulatory updates, such as tax changes in payroll, changes to pension regulations and bug fixes would not be issued by Oracle after that date.

Moving to Oracle Cloud also enabled the transfer of risk and costs of having on premise data centres to external specialist providers, so that they manage the software and hardware, including backups, disaster recovery and cyber security arrangements on behalf of the Council. This is in line with the Council's Digital Transformation Strategy.

## Council Wholly Owned Subsidiary Housing Companies

The Council has two wholly owned subsidiary housing companies: i4B Holdings Ltd (i4B) and First Wave Housing Ltd (FWH). There are two shareholder meetings per year for each company attended by the Chief Executive and S151 officer. One meeting reviews the business plan and performance year to date and agrees priorities with the companies. The other reviews the outturn position including performance and the financial position. In addition the Audit and Standards Committee receives a report from the Auditor and the Chair of the Board on the accounting statements performance in the year and any key risks that need to be monitored. The Council receives financial benefits from i4B, mainly through reducing the use of temporary accommodation. The latest annual report states that i4B brings a gross annual benefit of £1.784 million to the Council. i4B made an operating profit after taxation of £1.898 million and FWH £3.362m in the 2021-22 financial year. The current adverse economic climate could pose a significant risk to i4B's acquisition strategy and FWH tenant rent affordability. This is being closely monitored through the Companies and the Council's own strategic risk register. A recent internal audit of the governance arrangements in place for the subsidiary companies identified a number of recommendations which have been implemented in 2022. The Council should ensure that these recommendations have been implemented and operating effectively. An improvement recommendation has been made in this respect.

## 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 made three improvement recommendations which are set out on pages 15-18.

# Improvement recommendations



## Governance

### Recommendation 3

The Corporate Risk Register impact matrix should include legal and regulatory impact assessments

### Why/impact

To ensure the full potential impacts of the risks is understood.

### Auditor judgement

Legal and regulatory impact assessment is a key part of risk management.

### Summary findings

The Corporate Risk Register impact matrix does not explicitly include legal and regulatory impact assessments.

### Management Comments

Legal and regulatory impacts already form part of the 'Reputation' and 'Financial' assessments to any risks. Where appropriate, we will consider how best to more explicitly draw out any legal/regulatory impacts.



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

# Improvement recommendations



## Governance

### Recommendation 4

The Council's Audit and Standards Advisory Committee (ASAC) should ensure timely implementation of the CIPFA Financial Management code requirements.

### Why/impact

The Council may not be compliant with the requirements of the code.

### Auditor judgement

Progress reports have not been provided to the ASAC.

### Summary findings

An initial self- assessment was undertaken and a detailed action plan presented to the ASAC in December 2021. This identified an 18-month programme of tasks to fully implement the code. The project envisaged delivering quick wins by 31 March 2022, with remaining tasks to be delivered by 31 December 2022. The action plan was approved by Cabinet in February 2022 however no further updates have been provided to the ASAC.

### Management Comments

Outputs and decisions arising from the FM Code work are already reported regularly in the main finance update reports to Cabinet. A further update will be provided to ASAC when the project is substantially complete.



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

# Improvement recommendations



## Governance

### Recommendation 5

The Council should regularly review the governance arrangements relating to its subsidiary companies to ensure they are operating effectively

### Why/impact

Risks including conflicts of interest may not be effectively managed.

### Auditor judgement

The governance roles of certain officers has been clarified in 2022 but the operational effectiveness of these changes has not been assessed.

### Summary findings

A recent internal audit of the governance arrangements in place for the subsidiary companies identified a number of recommendations which have been implemented in 2022. The Council should ensure that these recommendations have been implemented and operating effectively.

### Management Comments

Reports to the Shareholder/Guarantor, as well as the annual business planning process, and reports to the Audit and Standards Advisory Committee provide information to enable the Council to gain assurance of the operation of the companies. We will continue to review and refine the Governance process and ensure the recommendations from the internal audit are implemented and operating effectively.



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

# 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance review, monitoring and assessment

The Council's Performance Management Framework is 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. Cabinet receives a report on performance each quarter. Cabinet portfolio holders also have regular meetings with Strategic Directors and review finance and performance indicators.

The performance information produced for scrutiny is highly detailed and an explanatory performance scorecard is included within these reports. This scorecard aligns to the Borough Plan, and sets out RAG ratings for all KPIs used to assess the Council's performance against the targets set out in the Borough Plan. Notable achievements reported include:

- Employment and Apprenticeships secured (273 against a target of 225).
- 4813 students enrolled on Brent Start courses against a target of 4,000.
- The number of households in temporary accommodation reduced to 1,683 against a target of 1,850
- 550 affordable homes have been delivered by external partners against a target of 211

At the end of Q4 2021-22 four KPIs were recorded as Amber and 9 Red.

KPI areas reported by the Council as underperforming include:

- Housing Voids (gaps between tenancies)
- The rate of referrals per 10,000 children was 610 against a target of 540.

The scorecard clearly sets out areas for improvement with commentary against each KPI rated Amber or Red, explaining issues which have arisen and actions taken. There is less visibility regarding how performance is linked to financial performance and vice versa. An improvement recommendation has been made in this respect.

A new 'direction of travel' indicator has been added to the reports to show how each theme in the plan is progressing. This 'direction of travel' has not been reported at individual KPI level and an improvement recommendation has been made in this respect.

The Council adopts a number of methods to receive feedback from user groups across the Council. An annual resident survey samples 1,000 residents profiled for borough demographics. This provides data on what residents want against what they are receiving. This is feedback to departments, some departments will also commission feedback. The Council also holds resident forums, quarterly meetings with local people and feedback to departments.

The Council uses various benchmarking reports including a London specific benchmarking report and CFI. As part of this review we undertook our own analysis using CFI and identified four areas of relative high cost for the Council. This included spend on Social care where costs have increased due to the Council's policy to pay the LLW.



# Improving economy, efficiency and effectiveness (cont'd)

Benchmarking data is mainly used by the Finance Team but it is not evident how benchmarking data is used to improve service performance levels. An improvement recommendation has been made in this respect.

We have identified notable practice in the way in which the Council uses data to obtain a single view of residents across the Council's services. The Financial Inclusion draws together data from across various datasets, including Council Tax support and benefits. This enables the Council to quickly identify vulnerable customers and identify which geographic and demographic areas are using the most services, or where the Council may need to alter its plans or strategy.

Data quality is assured by the Corporate Performance team. This process gives assurance that data is being collected, stored and reported using strong data practices. In addition data is submitted to the Performance Team as base data rather than just being sent a count or a calculated percentage. This ensures that there has been no human or rounding errors. The performance Team use a system which calculates monetary and performance figures based on annually agreed calculations which are set out in method statements.

A Capital Programme Board overseas major projects.

## Partnership working

The Borough Plan sets out the objectives of partnerships, expected outcomes and deliverables. Scrutiny is provided through the Resources and Public Realm Scrutiny Committee as well as Cabinet oversight. The Council takes part in regular liaison meetings with the most senior officers through its lead role in Strategic Partnerships Board, for example Police, Health, GLA, major Developers and large employers. The Borough Plan has been amended to now include the description of 'anchor institution'. This enables clear demonstration of what is achieved through the Council's role as an enabler in the borough. The Council also takes the lead on discussions with key partners where issues arise. For example there were incidents where Brent residents were allegedly implicated in race riots in Leicestershire. The Council brought together relevant faith leaders to formulate a plan to tackle the issue.

The Council has a Shared Technology Service (STS) covering three Councils (Brent, Lewisham and Southwark). A Joint Executive Committee (JEC) has been established and an officer management board is also in place. A new Service Level Agreement was agreed in January 2021. A detailed risk register is maintained and reviewed by the JEC.

In 2020-21 there were 15 audits across the three partner Authorities covering the work of STS. The JEC had full visibility of all of these audits however the Council's Audit Committee only has visibility of those audits undertaken by its Internal Audit team. These arrangements have been reviewed by the Council and plans made to include all STS related audits in its 2022/23 reporting.

LGA Digital Services is a company limited by shares, which the Council jointly owns 50/50 with the Local Government Association (LGA). LGA digital was set up in July 2016 to allow the Council to manage ICT services for the LGA. Board and governance support is provided by the Council's Transformation team. The Board of the Company is chaired by an LGA Head of Service, with remaining members being made up of Council and LGA representatives. Board meetings are held on a quarterly basis. The company maintains its own risk register and the business plan is reviewed on an annual basis. The current business plan does not contain any financial information and simply sets out the key service deliverables. The longer-term vision for the company is unclear and it is not clear how the Council determines the value for money delivered by the company. An improvement recommendation has been made in this respect.



# Improving economy, efficiency and effectiveness (cont'd)

## Procurement

The Council has a comprehensive procurement strategy, updated in 2021 to incorporate the Council's Social Value and Ethical Procurement Policy. Oversight is provided by a Procurement and Commissioning Board which is chaired by the Head of Legal. Contract Management has been devolved to Commissioning Managers with guidance and training provided by a central Procurement function. There is a lack of oversight of this process by the Procurement function which means that trends and issues will not get picked up at a corporate level. An improvement recommendation has been made in this respect.

A recent Internal Audit of contract management arrangements has also highlighted the lack of a complete central register of contracts as well as a lack of segmentation identifying key contracts. Work is underway to address this and a new 'Gateway 3' process introduced so that contracts over £2m in value will be reviewed by the Procurement team half-way through their term, so for example a contract that is set to run for 5 years with a possible 2-year extension will be reviewed after 2.5 years to determine if the contract should be extended for the extra 2 years. A further 'Gateway 4' is also planned to review contracts coming to an end and looking at whether to be renewed and whether terms should be reviewed to achieve better efficiency.

The Social Value element of the procurement strategy is key to the Council's aim to improve the local economy by utilising local suppliers. Suppliers also identify key social performance indicators which they pledge to meet. These KPIs and the reporting of them is currently being considered by the Procurement and Commissioning Board.

## 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 three improvement recommendations which are set out on pages 22-24



# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 6

Improvements to performance management should be made to include: The 'direction of travel' should be included on performance reports at individual KPI level; Benchmarking data should be utilised to benchmark service performance, and the report narrative should include relevant financial performance information

#### Why/impact

Effective Performance Management is critical to the Council delivering value for money

#### Auditor judgement

The current performance management arrangements can be improved

#### Summary findings

A new 'direction of travel' indicator has been added to the reports to show how each theme in the plan is progressing. This 'direction of travel' has not been reported at individual KPI level.

Benchmarking data is mainly used by the Finance Team but it is not evident how benchmarking data is used to improve service performance levels. An improvement recommendation has been made in this respect.

There is less visibility regarding how performance is linked to financial performance and vice versa.

#### Management Comments

The Corporate Performance Team accept this recommendation and will include direction of travel at the individual KPI level once new KPIs are in place following the adoption of the new Borough Plan 2023 -2027. In addition, stronger alignment of performance and financial performance, including use of benchmarking information, will be considered going forwards.



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

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 6

The LGA Digital Ltd business plan should be reviewed to identify the key financial deliverables to the Council as well as a longer term strategy to determine how value for money will be achieved.

### Why/impact

The financial benefits and value for money achievements for the Council will not be understood.

### Auditor judgement

Financial benefits to the Council including longer-term vision and value for money are unclear.

### Summary findings

The current LGA Digital Ltd business plan does not contain any financial information and simply sets out the key service deliverables. The longer-term vision for the company is unclear and it is not clear how the Council determines the value for money delivered by the company.

### Management Comments

The LGA Business Plan will be revised to specify key financial deliverables to the Council and longer term strategy on achieving value for money. The revised Business Plan will be presented at a LGA Digital Board meeting in February 2023



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

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 7

Arrangements for the Procurement Function to provide oversight of Contract Management compliance should be improved

### Why/impact

Contract Management trends and issues will not get picked up at a corporate level.

### Auditor judgement

There is a lack of oversight of Contract Management compliance

### Summary findings

Contract Management has been devolved to Commissioning Managers with guidance and training provided by a central Procurement function. There is no second line oversight of compliance with contract management arrangements.

### Management Comments

Arising out of an Audit of contract management it was recently agreed by CMT that in future CMT receive an annual contract management report prepared by Procurement covering 10-15 of the council's most high cost/risk contracts. The report will highlight the performance of the key contracts to include identified risks and mitigation plans. The production of the report will be a collaborative exercise, between the relevant contract managers and facilitated by Procurement. There have been discussions at the Commissioning and Procurement Board to identify which contracts should be included and the list is in the process of being finalised.



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



# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	A clear distinction could be made between statutory and discretionary spending in the budgetary information provided to members and published on the web.	Improvement	Sept 2021	The Council will continue to assess ways of providing key budget information to members as part of its budget setting process. That being said, the distinction between statutory and discretionary services is not as clear as it would have been prior to the beginning of austerity, where the number of discretionary services has reduced.	No	No
2	All Covid-19 grant payments to business should be reviewed, and members should check and confirm whether payments were made to any related parties and whether any additional declarations are required to be made by them.	Improvement	Sept 2021	The Council has reviewed the process for Council Members and Chief Officers to declare/disclose 'related party transactions' with the Council on an annual basis, and shared a summary of our findings with appropriate colleagues. As part of the 21-22 Related Party process, Members are reminded that the Council made a significant amount of payments to businesses since March 2020 and they should take this into consideration when completing their 21-22 Related Party return.	Yes	No
3	In developing the annual plan, internal audit should consider an exercise to review legislation passed over the last year (or due to be passed) which will have implications for the Council.	Improvement	Sept 2021	A comprehensive risk assessment process is followed in preparing the annual plan. As part of this process, risk assessments are performed per each department. One of the risk factors considered includes the implementation of any new legislation.	Yes	No
4	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..	Improvement	Sept 2021	All Departmental risk registers follow a standardised format. Over the past 12 months the Council has made considerable progress in developing its strategic risk register. The began with an exercise at Senior Managers Group in December 2021 - led to two papers being presented to CMT - and resulted in the refreshed strategic risk register being taken to Audit and Standards Advisory Committee in June 2022. The Strategic Risk Register now forms a significant part of internal audit planning - and Internal Audit prepare an assurance risk map against all strategic risks.	Yes	No

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	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.	Improvement	Sept 2021	The Mod.Gov system used to maintain the register of interests does not support a central register. Other boroughs using this system have the same approach as Brent and do not maintain a manual central register.	No	The Council will raise with Mod.Gov whether this is something they are, or could, include in future development of their product.
6	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.	Improvement	Sept 2021	The Council has advised it will not be implementing this recommendation for the following reasons. The register of gifts and hospitality is linked to the Code of Conduct. Where a gift is received a personal interest that must be declared at meetings is created and may affect participation. Including declined gifts may lead to confusion and undermine the effectiveness of this mechanism. In the view of the Council it would not be proportionate for members to be in breach of the Code of Conduct with the consequences that entails for failing to register something they have refused.	Yes	No
7	The Council should consider including an analysis which benchmarks its performance against that of other authorities, both in its internal management information and in its corporate performance scorecard. implications for the Council.	Improvement	Sept 2021	Benchmarking reports/dashboards are made available to all performance and management teams as and when they are published. Benchmarking data has been previously included and consideration can be given to including benchmarking data in the future.	No	The benchmarking analysis should form part of the budget approval process so that members have a clear view when making decisions.
8	Routine reporting of services provided by external contractors should be included in the information provided to and reviewed by those charged with governance.	Improvement	Sept 2021	A recent Internal Audit of Contract Management has been undertaken.	No	Implement recommendations of IA report

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9	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.	Improvement	Sept 2021	A recent Internal Audit of Contract Management has been undertaken.	No	Implement recommendations of IA report
10	The Borough Plan is very high level with lots of strategic aims and goals, but it isn't very specific. It doesn't say how 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..	Improvement	Sept 2021	A new Borough Plan is in draft. The new plan includes details of the success measures we aim to achieve. Action plans to monitor delivery are held in the departments and form the basis of quarterly performance reporting	Yes	No
11	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.	Improvement	Sept 2021	The Council's partnership arrangements allow multiple interactions across our priorities. Partners contribute to the delivery of many KPIs but arrangements vary from goodwill to formal commissioning arrangements.	No	The Council should include where possible.
12	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.	Improvement	Sept 2021	The Procurement strategy has been updated in this respect and a Social Value ambassador appointed.	Yes	No

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
13 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.	Improvement	Sept 2021	The Director of Communities heads up the Council's corporate performance team and is now the Social Value ambassador for the Council and is currently reviewing all relevant KPIs and reporting. This work is set to conclude in 2023.	Yes	No

# Appendices



# Appendix A – Responsibilities of the Council

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.	No	
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	
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	Pages 11-12 Pages 15-17 Pages 21-23

