

Auditor's Annual Report on London Borough Brent

2022/23

October 2023



Contents



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.



Section	Page
Executive summary	03
Use of auditor's powers	05
Securing economy, efficiency and effectiveness in its use of resources	06
The current LG landscape	07
Financial sustainability	09
Financial governance	13
Improvement recommendations	14
Governance	17
Improvement recommendations	20
Improving economy, efficiency and effectiveness	23
Improvement recommendations	25
Follow-up of previous recommendations	27
Opinion on the financial statements	29
Other reporting requirements	35
Appendices	
Appendix A – Responsibilities of the Council	37
Appendix B – An explanatory note on recommendations	38

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

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 2022/23 is the third 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but five improvement recommendations made	A No significant weaknesses in arrangements identified, but two improvement recommendations made	↓
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but three improvement recommendations made	A No significant weaknesses in arrangements identified, but three improvement recommendations made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but three improvement recommendations made	A No significant weaknesses in arrangements identified, but three improvement recommendations made	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Financial sustainability

The significant challenges facing the Local Government sector in England mean that the Council is having to make tough decisions in order to balance the budget and ensure it maintains its finances on a sustainable footing. For the first time in recent years the Council is having to make cuts in some services while moving forward with its overall plans for improving the future of Brent. We found that its financial planning both short term and longer term were based on sound judgements and the Council has a good track record in setting and achieving balanced budgets. It has identified and is responding to key financial risks to which it is exposed. There are further challenging decisions ahead for the Council requiring continued careful monitoring of its financial position.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised five improvement recommendations which have been accepted by Management. See pages 9-16 for more detail.



Governance

The Council's arrangements for managing risk and taking decisions appear appropriate. There is no evidence of concerns regarding standards and behaviours by either officers or members. The Council has taken steps to further improve arrangements for identifying and monitoring risks.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised three improvement recommendations which have been accepted by Management. See pages 17-20 for more detail.



Improving economy, efficiency and effectiveness

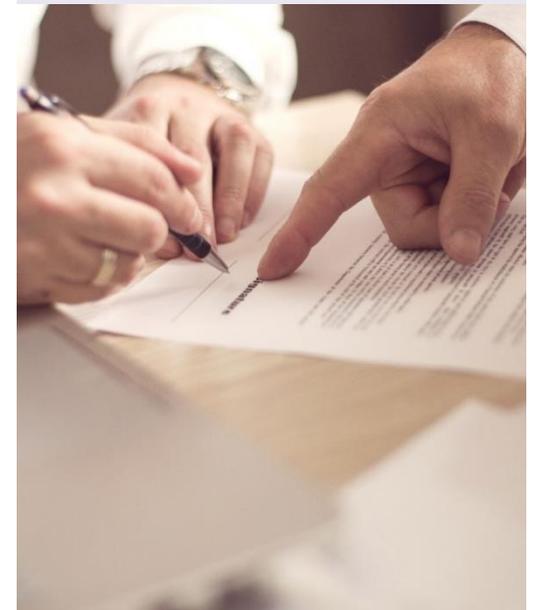
The Council makes good use of performance and financial information in order to review and improve its systems, processes and services. These arrangements have been further enhanced recently following the arrival of the Council's new Chief Executive. The Council works collaboratively with a number of key partners, including voluntary sector organisations, local community groups, multi faith groups and other public sector organisations such as the NHS and Metropolitan Police.

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised three improvement recommendations which have been accepted by Management. See pages 21-25 for more detail.



Financial Statements opinion

We have completed our audit of your financial statements and we plan to issue an unqualified opinion on the Council's financial statements on 12 October 2023. Our findings are set out in further detail on pages 29 to 34.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

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 did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

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 did not issue 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 did not make an 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 authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority 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 did not issue any advisory notices.

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 an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not make an application for 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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 26.

The current local government landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current local government landscape (continued)



Local context

The London Borough of Brent (the Council) is situated in north-west London. Brent's population is estimated to be 339,800. Major districts are Kilburn, Willesden, Wembley and Harlesden, with sub-districts Stonebridge, Kingsbury, Kensal Green, Neasden, and Kenton. Brent has a mixture of residential, industrial and commercial land. It includes many districts of inner-city character in the east and a more distinct suburban character in the west, part of which formed part of the early 20th century Metroland developments.

Brent continues to experience levels of unemployment and poverty higher than the rest of London. The unemployment rate in Brent was 4% in September 2019, lower than the London average of 4.6%. However, by June 2022 this had risen to 8.2% - significantly higher than the London average of 5.3%. 36% of people in Brent live in poverty, the second highest level in London; and 30% of residents are estimated to be earning below the Living Wage. Brent therefore has a large number of vulnerable people who are already financially challenged and who face further deprivations as a result of the cost of living crisis. According to the Council's own analysis the cost of living crisis is continuing to have a significant impact on the residents of Brent. The Council has committed to doing what it can to assist those in greatest need, in particular providing support via a Resident Support Fund (RSF) and a local Council Tax Support (CTS) scheme. The Brent Resident Support Fund (RSF) has been in place since August 2020. In the period August 2020 to January 2023, RSF has supported 6,940 households with a total of £12.2 million. 27,495 households are supported through CTS of which 18,923 are working age and 8,572 are pension age. Pension age residents are entitled to full Council Tax support depending on their income, savings and household composition. The total support given to households is around £32m per annum.

Service demand has continued to rise due to demographic changes which affect all age groups, with particular pressures on adults' and children's social care and the homelessness budget. The Council appointed a New Chief Executive in May 2023. Although this happened after the year under report we have where appropriate commented on any key changes in arrangements as a result of initiatives introduced by the new Chief Executive. Those new arrangements will of course be reported against in more detail in future reviews.

The Council was formed in 1965 and elections take place every four years, with currently 57 councillors being elected at each election. The Labour Party has been the largest single party on the council for about half its history and the Conservatives and the Liberal Democrats have each been the largest party at other times, and there have been several periods when no party has had overall control. Labour have been the administration since 2010 and as of the most recent elections in 2022, the council is composed of 49 labour councillors, five conservative councillors and three liberal democrat councillor.

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.

Short and medium term financial planning

Whilst the position remains one of extreme pressure on Council's finances the Council demonstrates financial prudence in its approach. This is evidenced by the fact that budget to outturn variances in 2021/22 and 2022/23 were minimal and the Council achieved 93% of its targeted savings over that period as shown in Table 1 on page 10 of this report. The Council has set a revenue budget of £358.4m for 2023/24 a 9% increase overall compared to 2022/23. Planned savings of £13.5m represents 3.7% of net revenue.

There is little headroom in the budget given that the Council has not achieved 100% of planned savings in each of the previous two years. The Council undertook a series of scenario analyses and sensitivity analyses on various budget assumptions to develop a best case, mid-case and worst-case assessment. Savings targets are currently based on the Council's mid-case scenario plan. It would be prudent for the Council to also set out how it would address a budget shortfall based on its worst case scenario. An improvement recommendation has been made in this respect.

In July 2022, The Council agreed a revised Medium Term Financial Strategy (MTFS), outlining the financial framework for the financial years 2023/24 to 2024/2025. The programme forecasted a two-year savings target of £28m (£18m 2023/24 and £10m for 2024/25). In line with its reserves strategy the Council did not intend to utilise reserves to fund recurrent revenue expenditure.

A bid has been made to the Department for Education for the Council to build its own Children's Home. If successful this should help the Council manage growth challenges in the Children and Young Persons area caused by increased demand and placement costs.

The Council has embarked on an extensive Capital Plan to invest c£1,080m over 5 years, over the period 2023/24 to 2027/28. However £530m remains as pipeline provision and those schemes have not yet been approved within the current Capital Programme.

The cost of borrowing means that additional funding is required to service the Capital Programme. Based on the Council's latest estimate of its capital financing requirement (CFR) on 31st March 2023 the Minimum Revenue Provision in the budget for 2023/24 has been set at £12.0m. The Council has a General Fund Capital Reserve from which additional funds could be drawn. At March 2023 this reserve contained £58m.

At 31st December 2022, the Council held £781m of borrowing (£695.3m long term and £85.7m short term) and £116.2m of investments. The level of borrowing is within CIPFA Prudential Code limits.

Major capital projects include: South Kilburn Estate Regeneration (£63.1m over 5 years); Wembley Housing Zone redevelopment (£130m); Highways Capital Scheme Programme (£15m over 4 years); Integrated Street Cleansing and Waste Fleet (£21m); Special Educational Needs School Places (£44.2m); General Fund Housing development (£170m over 4 years); New Council Homes Programme (£265m over 4 years), and Fulton Road Housing (£85.6m).

This is an ambitious capital plan in the current economic climate however the Council is aware of this and is carefully monitoring and adapting its plans accordingly. The agreed capital programme reflects the broad aims of the Borough plan however the Council will need to ensure that the desire to achieve its Borough plan in the short term does not overly burden the financial position in the long term.

The Council's performance against key financial and performance metrics is set out in Table 1 on page 10 of this report.

Financial sustainability (continued)

Short and medium term financial planning (Cont'd)

The quarter 2 budget monitoring report 2023/24 has identified a potential adverse variance of £13.5m (3%) as a result of increased demand and costs relating to the provision of temporary accommodation to homeless persons. Given that this was a known risk at the time of setting the 2023/24 budget in February 2023 the Council should review how demand forecasts and future costs are estimated to identify any lessons to be learned for setting future budgets. An improvement Recommendation has been made in this respect.

Financial planning and strategic priorities

The Council has developed a Climate and Ecological Emergency Strategy 2022-2024 with a detailed delivery plan. The Budget Scrutiny Task Group raised concerns that the draft 2023/24 budget did not clearly align to the revised Borough Plan for 2023-27. In particular the strategic priority relating to climate change and its goal to be net zero by 2030.

We note that the Climate Strategy delivery plan contains the financial implications of each element of the plan, but only in general terms i.e. whether covered by existing budgets or external funding. There are no detailed costings for each element. Without detailed costings it is not clear how the Council is assessing the value for money achieved from each part of the plan. It is also good practice to consider what the costs or impacts would be if the Council didn't take the specified action. An improvement recommendation has been made in this respect.

We also note that the latest MTFS for the Council only runs to the 2024/25 financial year. We have made an improvement recommendation that the MTFS should cover the full period of the borough plan. This will bring transparency with regard to the financial implications of delivering against that plan.

	2022/23	2021/22
Planned revenue expenditure	£312m	£305m
Actual revenue expenditure	£316m	£306.4m
Planned capital spend	£232m	£220m
Actual capital spend	£191m	£165.4m
Planned savings target (recurrent/non-recurrent)	£2.7m	£8.5m
Actual savings delivered (recurrent/non-recurrent)	£2.3m	£8.1m
Year-end cash position	£134.5m	£136.4m

Financial sustainability (continued)

Identifying savings

As a result of a more favourable local government settlement in December 2022 planned savings of £13.5m for the 2023/24 budget set in February 2023 are slightly lower than envisaged in the July 2022 MTFS where the Council had previously identified a need for a total of £18m savings in 2023/24. The identified savings for 2023/24 mainly related to efficiency savings including digital transformation. A small level of cuts to services as well as restructuring were also planned. Planned reductions in services included library stock reduction and streetlight dimming.

The Council is anticipating that further significant savings will be required in order to continue to balance the budget beyond 2024/25. The Council has provisionally assessed the gap across 2024/25 and 2025/26 as £8m but has caveated that with a +20% margin of error which would mean the requirement could be closer to £10m.

The Council has a good track record in achieving set savings targets (93% of targeted savings in 2021/22 and 2022/23). Overall the Council has delivered savings of £196m since 2010. However the savings of £13.5m required in 2023/24 represents a significant increase in the total savings set for 2021/22 (£8.5m) and 2022/23 (£2.7m). We feel that in setting its plans the Council should distinguish between those savings which are non-recurrent (i.e. only apply to one year) and those which are recurrent i.e. those savings will continue in future years. An improvement recommendation has been made in this respect. The Council is still not planning to utilise reserves to fund recurring budget gaps which means further cuts in services are likely to be needed as opportunities for further efficiency savings will have diminished.

The Council's Housing Revenue Account (HRA) has a savings target of £3.1m for 2023/24 in order to achieve a balanced budget. This compares to £0.5m efficiency savings achieved in 2022/23. Therefore the £3.1m looks highly ambitious at more than 6 times the savings achieved for 2022/23. Some of the identified savings opportunities such as reduced staffing (£0.9m) and a reduction in support services (£0.3m) may be easier for the Council to achieve, however the plans to reduce turnaround times on voids (£1.2m) and a reduction in contract costs (£0.7m) maybe more difficult to achieve. This will require close monitoring by the Council.

Each department monitors the delivery of planned savings, and mitigating actions where relevant, at its Department Management Team. A comprehensive Savings Tracker is reported to Council Management Team and to Cabinet.

	2023/24
Planned savings	£ 13.5m
Planned savings as a % of income	3.5%
Planned savings (recurrent/non-recurrent)	£100% recurrent
Planned saving schemes rated amber/green	£100%

Financial sustainability (continued)

Financial planning and other operational plans

The Council has an ongoing commitment to deliver 5,000 new affordable homes in the borough by 31 March 2024, this includes the provision of 1,000 to be delivered directly by the Council. As of November 2022, 684 new homes had been delivered. Due to the ongoing need for affordable housing in Brent, the Council has committed to directly deliver an additional target of 700 new affordable homes by 31 March 2028 and was awarded £111m of grant funding from the Greater London Authority (GLA). The forecast capital investment on acquisitions and building new council homes in 2023/24 is estimated close to £140.2m. However it is likely that a number of schemes will need to be paused or re-evaluated as cost increases arising from inflation may make some schemes unviable.

The number of Brent schools experiencing difficulties in 2022/23 has increased with 67% projecting an in-year deficit. 23% of these schools plan to use over 50% of reserves to balance their budgets in 2022/23. A number of Brent schools are also experiencing falling rolls and as a result have had significant reductions in funding. Alongside measures to support schools, such as capping admission numbers, the Council has established a School Place Planning Working Group to review the sustainability of provision in primary planning areas.

The overall Dedicated Schools Grant (DSG) outturn for 2022/23 was £210.6m, a surplus of £1.3m, against total grant funds of £211.9m for the year. This in-year surplus is mainly driven by a £1m underspend against the Early Years Block due to the Department of Education's (DfE) in-year adjustment and a £0.3m surplus against the High Needs Block (HNB), a positive outturn for the HNB. The cumulative DSG deficit carried forward from 2021/22 was £15.1m. Under government regulations the surplus must be held in a separate fund which can be used to help balance future years' budget and therefore the carried forward deficit remains £15.1m. This is an improvement on the position envisaged at the time of setting the 2022/23 budget in February 2022 where the Council had estimated that the overall deficit would continue to increase.

In 2022/23 The Council was invited to participate in the DfE programme called Delivering Better Value (DBV) in Special Educational Needs and Disabilities (SEND) for local authorities which provided dedicated support and funding to help local authorities with HNB deficits reform their high needs systems. The first phase of the programme included a comprehensive diagnostic to identify root cause cost drivers, mitigating solutions or reforms and support in developing a quality assured Management Plan. The findings confirmed that in Brent, the increased expenditure leading to the deficit was fuelled by increases in the number of children with Education Health and Care Plans (EHCPs). It also confirmed that Brent had already taken steps via the existing Management Plan to identify mitigating solutions.

Following the discovery phase, Brent successfully bid for a £1 million grant to deliver the actions in the Management Plan. The funding is over 2023/24 and 2024/25 financial years.

Managing risks to financial resilience

The Budget papers presented to Cabinet in February 2023 contain a detailed assessment of financial risks. Since that time an additional risk with reinforced autoclaved aerated concrete (RAAC) has been identified nationally. The Council has undertaken a number of surveys of all buildings owned or maintained by the Council to determine the likely scale of the issue. Those surveys have found one school with confirmed RAAC presence and four schools with suspected RAAC issues. These schools are all academies and are not local authority schools so these are not a direct financial risk for The Council. Further surveys are being completed so the position on this is likely to change, and this is something we will be monitoring as part of our future VfM work.

There are other potential financial hurdles identified by the Council. These include:

- The current statutory override which prevents the need for the Council to fund the DSG deficit of £14m (as at March 2023) from General Fund reserves is due to be reviewed by the government in 2025/26. If the statutory override were to end then this would put strain on the Council's reserves, reducing the usable reserves' balance significantly.

Financial governance

Managing risks to financial resilience (Cont'd)

- There are potential reductions in funding regarding the government Homelessness Prevention Grant from 2025/26. Such a reduction would have an even greater impact due to rising demand in this area.
- The Council's environment contracts in Resident Services are due to be indexed for inflation in 2025/26. Current inflation levels mean that this could have a significant financial impact.

The Council is aware of these risks and taking action accordingly. The Council's General Fund Reserve 31 March 2023 was £18m. At 5% of revenue budget this is in line with the Council's aim of maintaining 5% of net revenue. The Council plans to increase reserves further by 31 March 2024. The Council does hold further earmarked reserves to cover inflation risk (£10m) and Future Funding Risks (£6.1m).

Annual budget setting

Annual assumptions built into the budget include demographic growth, general inflation, contract inflation, pay inflation, as well as unavoidable service delivery changes. For 2023/24 the budget included £49m of such growth pressures from the 2022/23 base. As stated previously the Council undertook a series of scenario analyses and sensitivity analyses on various budget assumptions to develop a best case, mid-case and worst-case assessment. The budgeted growth was primarily based on taking the mid-case scenario. This growth was partially offset by planned increases in Council Tax and Business Rates as well as an overall increase in specific grants, predominantly the Social Care Grant where an increase of £8.6m was received.

In setting the budget for 2023/24 however the Council still envisaged a shortfall of £13.5m which it planned to address through identified savings.

A Budget Scrutiny Task Group (BSTG) assessed the impact of the draft budget proposals. That group was formed of six members from across the Council's two permanent scrutiny committees. The group operated under agreed terms of reference and received evidence from members, officers and other stakeholders including a focus group with key voluntary and community sector partners. The task group described itself as a 'critical friend' in the process.

The BSTG challenged the Council to consider how it could generate additional income from parks.

Equalities Impact Assessments (EIA) were undertaken on each individual element of the budget proposals. The BSTG recommended that a cumulative EIA be undertaken to assess the cumulative impact of budget decisions since 2018. We have made an Improvement Recommendation that a cumulative EIA should also include the assessed impacts projected over the full period of the MTFs.

Budgetary control

As reported in our 2021/22 Annual Audit Report the Council has strong budget monitoring arrangements involving Cost Centre Managers, Heads of Service and Directors with support from Finance Business Partners. Those arrangements have been further strengthened with the establishment of a Budget Assurance Panel (BAP).

The BAP met for the first time in September 2023 where it undertook a deeper dive into temporary accommodation and homelessness pressures. As well as scrutinising budget monitoring reports, the BAP will undertake deep dives into particular parts of the budget at each of its monthly meetings as well as scrutinising achievement of savings plans. Membership of the panel includes the Chief Executive (Chair); Corporate Director of Finance & Resources (Vice-Chair); Head of Internal Audit; Heads of Services and representatives covering Governance and Transformation.

Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability. Whilst arrangements are deemed appropriate, we recognise that the ability to balance the revenue budget into the medium term will become increasingly difficult. We found that its financial planning both short term and longer term were based on sound judgements and the Council has a good track record in setting and achieving balanced budgets. It has identified and is responding to key financial risks to which it is exposed. There are further challenging decisions ahead for the Council requiring continued careful monitoring of its financial position.

We have made four improvement recommendations set out on pages 14 to 16.

Improvement recommendations

Improvement Recommendation 1	The Council should set out options for how it would plan to address any budget shortfall arising from its worst-case scenario planning. It would also benefit from specifying whether savings achieved are recurrent v non-recurrent savings in its plans and reporting
Improvement opportunity identified	To provide a headroom in its financial plan
Summary findings	The Council has historically achieved 93% of its savings target each year. Savings targets are currently based on the Council's mid-case scenario plan. The Council does not currently distinguish between recurrent and non-recurrent savings in its financial plans and reporting
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted
Improvement Recommendation 2	The Council's MTFS should cover the full period of the Borough Plan i.e. until 2026/27
Improvement opportunity identified	To ensure plans are fully costed and achievable
Summary findings	
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 3

The Council should undertake a cumulative Equality Impact Assessment (EIAs) covering the impacts assessed across the full life of the MTFS and establish review dates for all EIAs to monitor the actual impacts and adjust actions accordingly.

Improvement opportunity identified

To ensure the Equality Impacts are understood across the full life of the MTFS and are monitored and reviewed appropriately

Summary findings

EIAs are conducted on individual elements of the annual budget.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

This recommendation is accepted and will be considered alongside the existing framework for conducting Equality Impact Assessments

Improvement Recommendation 4

The Council should specify detailed costings for each planned action in its Climate Strategy and compare these to the costs of not taking those actions.

Improvement opportunity identified

Detailed costing and comparisons will help determine the value for money of each element of the strategy

Summary findings

The Climate Strategy delivery plan contains the financial implications of each element of the plan, but only in general terms i.e. whether covered by existing budgets or external funding. There are no detailed costings for each element.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Detailed costings and financial appraisals are undertaken on all actions where necessary, but not published in strategy reports. Any future reports will provide additional details where relevant.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 5

The Council should review how demand forecasts and future costs are estimated to identify any lessons to be learned for setting future budgets.

Improvement opportunity identified

To improve the accuracy of the Council's financial projections

Summary findings

A potential adverse variance of £13.4m (5%) has been identified at the end of Q2 2023/24 as a result of increased demand and costs relating to the provision of temporary accommodation to homeless persons. This was a known risk at the time of setting the 2023/24 budget in February 2023.

Criteria impacted



Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

This recommendation is accepted. The main cause of the forecast overspend is the provision of temporary accommodation. High levels of demand due to a rise in homelessness and a reduction in supply of suitable accommodation have combined to create significant pressures on the Council's budget. The rise in demand for housing services is a national issue, but is particularly acute in London. At the time of setting the budget for 2023/24, growth was built into the MTFS to account for a rise in demand that was being experienced in 2022/23. However, the pressures currently being experienced are unprecedented and the forecast in 2023/24 is beyond the worst case scenario modelling that was undertaken at the time of budget setting. If pressures are not reduced as a result of management interventions or further funding from government, consideration will need to be taken as part of the 2024/25 setting process.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. 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 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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal controls

As at February 2023 there were 8 strategic risks listed on the strategic risk register. Five of those risks showed the risk as increasing with only one (Increased Demand from Migration and People Movement) showing a decrease in residual risk score. Two of the risks (Increase in Dedicated Schools Grant High Needs Block (HNB) Deficit and a Lack of supply of affordable accommodation scored the maximum 25 on the Council's risk matrix. The Council has determined that this overall worsening of the risk environment is mainly attributable to the cost of living crisis.

As stated previously the Council has developed a Climate and Ecological Emergency Strategy 2022-2024 with a detailed delivery plan. There is no reference to the impacts on this strategy from any of the risks identified in the Strategic Risk register. If the Council does not consider that any of the existing strategic risks are relevant then it should assess whether a new specific risk should be added to the register. An improvement recommendation has been made in this respect.

In the Annual Governance Statement (AGS) the Council has identified "second line" gaps in controls, which includes the monitoring, reporting and challenge over 'first line' controls. The 'first line' is the provision of services and the application of an internal control framework to manage associated risks; and 'second line' responsibilities include the monitoring, reporting and challenge of the effectiveness of 'first line' functions. The same weakness was identified in 2021-22 and has still not been addressed. Effective second line controls are essential to effective risk management. The Council should address this risk without delay and we have made an improvement recommendation in this respect.

The Council's Internal Audit function was subject to an External Quality Assessment in January 2023. The conclusion of that assessment was that overall, the internal audit service is a well led, professional and respected service that adds value and provides evidence based, reliable assurance over the Council's governance, risk management and internal controls. It rated the service as generally conforms with the Public Sector Internal Audit Standards. This is the highest rating that can be given. A number of actions have been recommended and a detailed action plan developed. This plan includes a refresh of the Council's Risk Management Policy which has not been updated since June 2017.

Counter Fraud arrangements were strengthened in 2022/23 through agreement that the Council obtain full membership access to an Enhanced Internal Fraud Database (EIFD) that has been developed and maintained by CIFAS (a not-for-profit UK fraud prevention service). The EIFD is a repository of fraud risk information that can be used to reduce exposure to fraud and other irregular conduct and inform decisions according to risk appetite. This system is focussed on employee fraud and recruitment controls. The system will enable the Council to have additional assurance around recruitment and provide the Investigations team with additional resource when conducting internal investigations.

Governance (continued)

Informed decision making

The number of audits completed in 2022/23 was in line with previous years and provides reasonable coverage based on assessed risks. A summary of the annual audit work for 2022/23 against plan is provided in the Table 3 opposite.

The Council scores favourably in the Council Climate Plan Scorecard assessed by Climate Emergency UK with a score of 73%. It scores less well in measuring and setting emissions targets. Although this latter element was a low scoring area for most Councils it is perhaps an area of development for the Council to consider. An Improvement recommendation has been made in this respect.

For the South Kilburn Regeneration Programme external consultants were appointed to help identify the most appropriate method of procurement. Those consultants have been retained to advise on taken forward procuring a single delivery partner.

An Ofsted inspection of Children's Services in 2022 highlighted that services for children in care and care leavers have declined from outstanding to good from 2018 -2022. A key issue identified was reduced oversight in some areas of social work practice and challenges in recruitment and retention of staff. The Council has reviewed its recruitment and retention payments for children and young persons social workers as a result. The Council also agreed a new Workforce Strategy 2022-25 with aim to recruit, retain and reward a diverse, highly skilled, flexible and motivated workforce. Council Management Team receive reports on progress in achieving the outcomes of the new Workforce Strategy twice a year. It is too soon to assess whether these initiatives are having the desired effect and we will further monitor this in future VfM work.

Table 3 Summary of Internal Audit Activity 2022/23 [as at 30 April 2023]	Num ber	%
Audits included in 2022-23 plan	35	
Audits carried forward from 2021-22	14	
(Audits cancelled/deferred)	(9)	
Additional Audits added to plan	3	
Total Planned Audits for 2022-23	43	
- Completed	33	77%
- Draft Report Stage	3	7%
- Fieldwork completed	1	2%
- In progress	6	14%

Governance (continued)

Standards and behaviours

There were 53 complaints to the Local Government Ombudsman regarding Brent Council in 2022/23. Out of these 20 were upheld.

Out of those upheld, 8 related to the Council's housing department. In particular allocations and treatment of homeless persons. This has highlighted that homeless persons were not getting access to the housing register in an appropriate manner. As a result the Council is having to take urgent steps including changes to its policy in this respect.

There were 4 complaints made by members of the public regarding behaviour and standards of members of the Council. None of these complaints led to an investigation and all were dismissed as no breaches of the Member Code of Conduct.

Conclusion

The Council's performance against key governance metrics is set out in Table 4 below. In conclusion we have not identified any significant weaknesses in Governance arrangements. There is no evidence of concerns regarding standards and behaviours by either officers or members. The Council has taken steps to further improve arrangements for identifying and monitoring risks. We have made four improvement recommendations set out on pages 20 to 21.

Table 4 Performance against key governance metrics	2022/23	2021/22
Annual Governance Statement (control deficiencies)	<ul style="list-style-type: none"> second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls. rate of implementation of 'medium risk' audit recommendations; and absence and/or updating of policies and procedures. 	<ul style="list-style-type: none"> second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls
Head of Internal Audit opinion	Reasonable	Reasonable
Ofsted inspection rating	Good	

Improvement recommendations

Improvement Recommendation 6	The Council should consider how it can improve its Council Climate Plan Score for Measuring and setting Emissions Targets
Improvement opportunity identified	Setting and measuring effective targets will help the Council deliver against its Climate Strategy
Summary findings	The Council scores favourably in the Council Climate Plan Scorecard but scores less well in measuring and setting emissions targets.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted
Improvement Recommendation 7	The Council should develop a plan for how it will address the second line' gaps in control, which includes the monitoring, reporting and challenge over 'first line' controls .
Improvement opportunity identified	Improvements in second line control monitoring is an essential element of an effective system of internal controls
Summary findings	The AGS identifies "second line' gaps in controls, which includes the monitoring, reporting and challenge over 'first line' controls.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This issue has previously been reported by Internal Audit in both 2021-22 and 2022-23. Internal Audit continue to monitor this and report progress to ASAC as part of its regular updates. This will also be monitored by the Brent Assurance Board, Chaired by the Chief Executive.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 8	The Council should review the strategic risk register to assess if risks to its Climate Strategy are adequately addressed.
Improvement opportunity identified	To ensure all strategic risks impacting on the Council's Climate Strategy are identified
Summary findings	There is no reference to the impacts on this strategy from any of the risks identified in the Strategic Risk register.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This risk is currently managed at departmental level. Consideration will be given to escalating this to the Strategic Risk Register if/when the risk score exceeds set thresholds.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. 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 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.

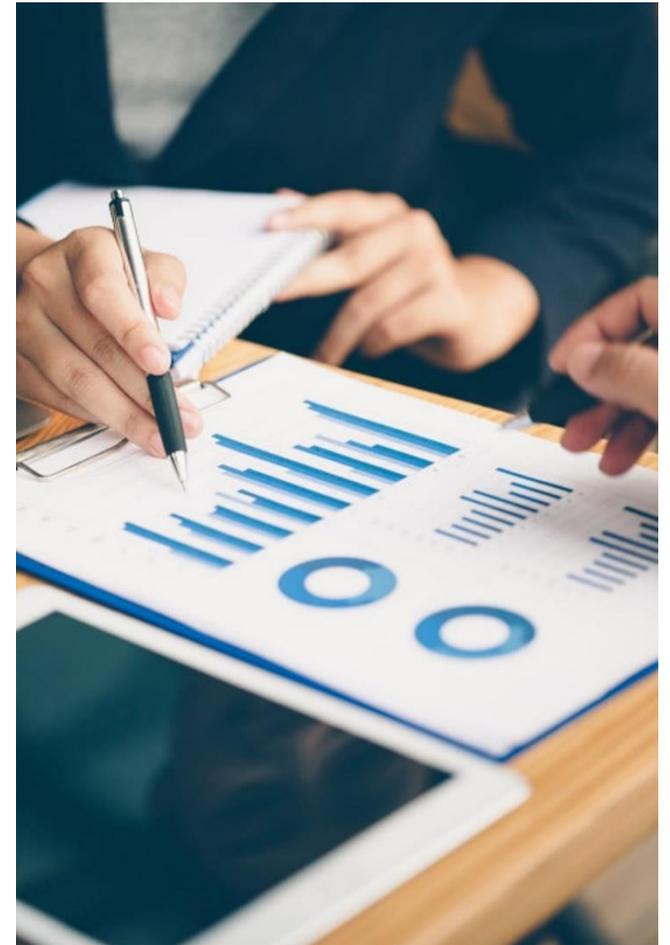
Use of financial and performance information

The Council makes effective use of financial and performance data. As already mentioned, a new Borough Plan 2023-2027 was approved in March 2023. As a result the Council is currently reviewing its performance monitoring reports to reflect the new plan. A new Performance Management Framework (PMF) has been approved by the Council Management Team (CMT) and this sets out the new arrangements for corporate performance reporting and monitoring. The framework has been developed in the context of the formation of the Office for Local Government (Oflog) part of the Department for Levelling Up, Housing and Communities (DLUHC) tasked with providing authoritative and accessible data and analysis about the performance of local government and support its improvement.

The Council's new Performance Management Framework has been designed to align with Oflog reporting to ensure the data used by Oflog is effectively monitored locally. A balanced scorecard has also been developed which is also aligned to the Oflog reporting as well as the Council's strategic risk register. A Balanced Scorecard provides a holistic view of metrics that gauge performance over the four areas (or 'perspectives') most relevant to the organisation's vision and strategy. The four areas identified by the Council are: Finance; Customer; Internal and Learning Growth and Culture.

The new reporting arrangements will be implemented by the end of 2023 and their effectiveness will be considered as part of our 2023/24 value for money audit. We note the intention that the new Key Performance Indicators (KPIs) will be aligned to the Strategic Risk Register however it is not clear how the risk register will be reviewed and refreshed to take account of actions arising from the monitoring of Council performance. We have made an improvement recommendation in this respect.

Corporate directors are responsible for ensuring that their departments have effective processes in place for recording data in accordance with the council's Data and Insight Strategy 2023/27 and central performance reporting system (SPINE). Data quality 'spot-checks' will be undertaken by the Corporate Performance Team. Any concerns identified will be fed-back to the appropriate data-owner.



Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

The new Performance Management Framework has a clear line of sight from the Borough Plan down to individual performance as shown in the diagram below:

Performance Management Framework



Partnership working

The Council works collaboratively and effectively with a number of voluntary sector organisations; multi faith groups as well as other public bodies such as NHS bodies and the Metropolitan Police. It is not always clear however what specific monitoring measures are in place to determine the success of such partnerships. An improvement recommendation has been made in this respect.

Examples of such partnership working include:

- In response to the risk that a sustained increase in migration and movement of people could result in increased demand on the Council's critical front-line services and also impact on the wider cohesion of the community, a multi-agency migration coordination working group has been set-up. This includes officers from strategy, housing, public health, community protection, looked after children and legal services, as well as Brent NHS and the Metropolitan Police. Meetings have also been called with the multi-faith forum and the voluntary sector. No specific outcome measures have been established to monitor the impact of these arrangements.
- The Council entered into a partnership arrangement, under Section 75 of the National Health Service Act 2006, in respect of delivery of the approved Better Care Fund Plan with North West London Integrated Commissioning Board for 2023/24 and onwards. In considering the report, members noted the innovative approach to the use of the Better Care Fund within Brent as part of a process of well-established collaboration and joint working between the Council and local health services through the Integrated Care Partnership. No specific outcome measures have been established to monitor the impact of these new arrangements.
- The Council has agreed to lease out buildings to various voluntary and community groups at less than market rate in return for added social value. How social value will be assessed and whether this achieves value for money in terms of the lost rent received has not been defined. In this context it may be helpful for the Council to adopt the Social Value measurement methodology used in its Contract Management.

Improving economy, efficiency and effectiveness (continued)

Partnership working (continued)

- The West London Alliance (WLA) is a public sector partnership between seven West London local authorities of Barnet, Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon and Hounslow. Priority areas of focus include social care and housing as well as the local economy. It is governed by the Leaders of each member Council and a Chief Executives' Board. Day to Day programme management is through representative Directors from each Council. It is not clear how the impacts from this work and value for money achieved is assessed by the Council.

Commissioning and procurement

As referenced in the partnership working section of this report, the Council has developed a framework for assessing the Social Value provided by suppliers under its Contract Management arrangements. Evidence of this is also sought as part of Contract Management audits. This work will be of value to the partnerships team who are looking to develop similar assessments for partners.

Commissioning and Procurement arrangements have been further strengthened throughout 2022/23. In particular:

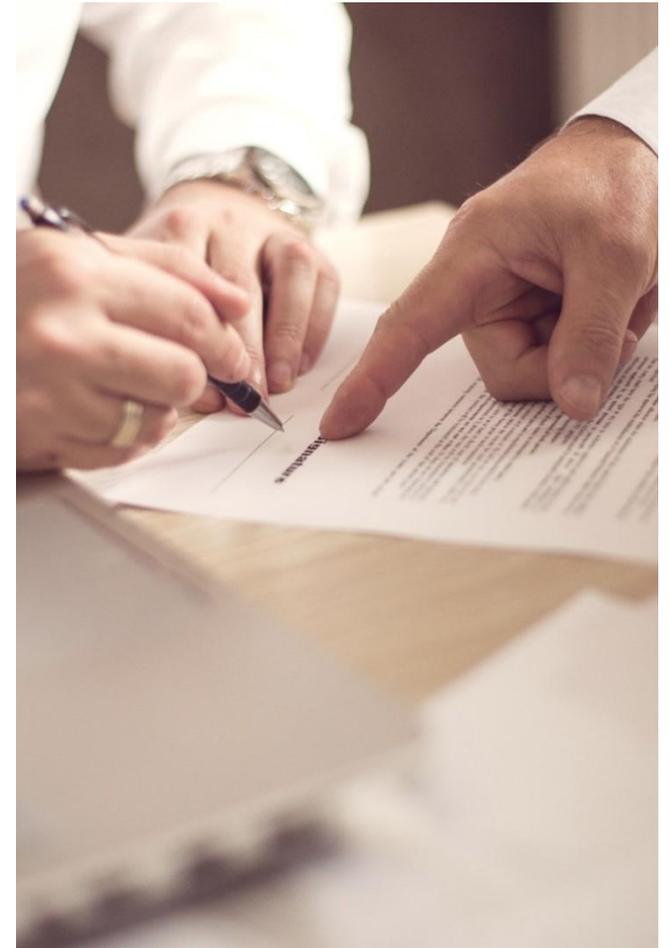
- A new 'Gateway 4' process has been agreed to work with the Directorates to review commissioning intentions to determine if there are any opportunities through decommissioning, economies of scale or savings that can be delivered to support council objectives for contracts that require re-procuring for contracts up to Mar 24. All contracts that require a Gateway 4 are presented at the Commissioning and Procurement Board for comments and agreement. It is not clear how total savings or efficiencies achieved as part of this process will be tracked and reported. An improvement recommendation has been made in this respect.

- All Strategic Contracts have been identified in a Strategic Contract Register approved by CMT. This will enable better proactive management of the renewal of those contracts.
- All other contracts are now recorded in a central contract register that will be updated as new contracts are signed. Each Directorate is provided with their extract to review and provide feedback on the accuracy of the detail kept. Further reconciliation of the Contracts register and Online register has been undertaken by the Central procurement team to ensure all the contracts published online are on the Contracts register. Additional work on supplier spend above £500k is to be conducted to reconcile against the Contract register to identify if there is a current compliant contract and if not on the register, locate and add to the register. If there is no contract then a procurement process will be undertaken to ensure the Council is delivering services in a compliant manner.

Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council improves economy, efficiency and effectiveness. The Council makes good use of performance and financial information in order to review and improve its systems, processes and services. These arrangements have been further enhanced recently following the arrival of the Council's new Chief Executive. The Council works collaboratively with a number of key partners, including voluntary sector organisations, local community groups, multi faith groups and other public sector organisations such as the NHS and Metropolitan Police.

We have made three improvement recommendations set out on pages 25 to 26.



Improvement recommendations

Improvement Recommendation 9	The Council should review how it measures and monitors the success and value for money achieved from partnership working initiatives.
Improvement opportunity identified	To ensure the Council is achieving value for money from these arrangements
Summary findings	It is not always clear however what specific monitoring measures are in place to determine the success of such partnerships
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This recommendation is accepted
Improvement Recommendation 10	The Council should agree a process by which the strategic risk register is updated to reflect actions and issues arising from the monitoring of performance and financial data.
Improvement opportunity identified	To ensure there is effective feedback from performance into the management of risks
Summary findings	The newly developed KPIs will be aligned to the Strategic Risk Register however it is not clear how actions arising from the monitoring of Council performance will then feedback and inform review of the risk register.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	This is something that has been newly introduced and is a best practice/notable practice process (not many other Council's directly link performance KPIs to the Strategic Risk Register). These will effectively serve as KPIs in the risk register

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 11	The Council should review how it measures and monitors the success of the new 'Gateway 4' procurement process
Improvement opportunity identified	It is important to monitor how the Gateway 4 process is helping the Council to achieve value for money
Summary findings	It is not clear how total savings or efficiencies achieved as part of this process will be reported.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Savings and efficiencies that can be delivered from the Gateway 4 process will be recorded and followed up by Procurement with evidence of delivery obtained from the Service and reported to the Commissioning and Procurement Board.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should continue to review the reasons for procurement related delays to the Capital Programme to identify any lessons learned	Improvement	February 2023	Any delays in the delivery of the Capital Programme are reported to the internal Capital Programme Board and the Cabinet quarterly.	Yes	No
2 The Council should continue to ensure that assumptions made about future yield from commercial property remain cautious.	Improvement	February 2023	The property strategy sets out the overarching framework for how these assets are managed.	Yes	No
3 The Corporate Risk Register impact matrix should include legal and regulatory impact assessments	Improvement	February 2023	The legal and regulatory impacts form part of the 'Reputation' and 'Financial' assessments to any risks on the Risk Register	Yes	No
4 The Council's Audit and Standards Advisory Committee (ASAC) should ensure timely implementation of the CIPFA Financial Management code requirements.	Improvement	February 2023	Outputs from this work are regularly reported to Cabinet as part of updated to the Medium Term Financial Strategy. Given the current financial challenges, a report to ASAC committee is planned for early 2024	Yes	No
5 The Council should regularly review the governance arrangements relating to its subsidiary companies to ensure they are operating effectively	Improvement	February 2023	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.	Yes	No
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	Improvement	February 2023	A new Performance Management Framework and Balanced Scorecard approach, including corporate level KPIs, KPIs for the Borough Plan and benchmarking has been agreed and due to go live in Q4.	Yes	No

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7 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	Improvement	February 2023	A new business plan was agreed by the board in July 2023	Yes	No
8 Arrangements for the Procurement Function to provide oversight of Contract Management compliance should be improved	Improvement	February 2023	The Annual Procurement Strategy, which includes the Strategic Contract list, is planned to go to Cabinet in November and then annually thereafter.	Yes	No
9 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	September 2021	The Council has raised this with Mod.Gov and this requirement is not within their product offering. The service is considering an alternative way of presenting this information.	No	Yes
10 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	September 2021	The benchmarking information was made available to members as part Budget Challenge meetings for the 2023/24 and 2024/25 budget setting process.	Yes	No
11 Routine reporting of services provided by external contractors should be included in the information provided to and reviewed by those charged with governance.	Improvement	September 2021	The Annual Procurement Strategy, which includes the Strategic Contract list, is planned to go to Cabinet in November and then annually thereafter.	Yes	No

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

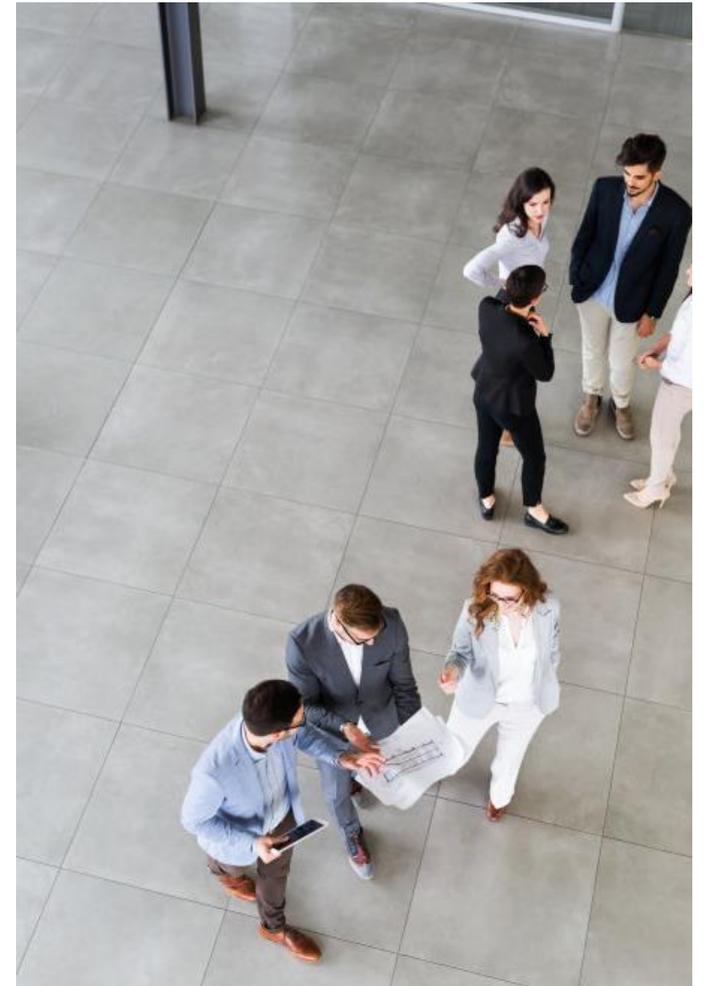
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Council's financial statements on 12 October 2023.

The full opinion is included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



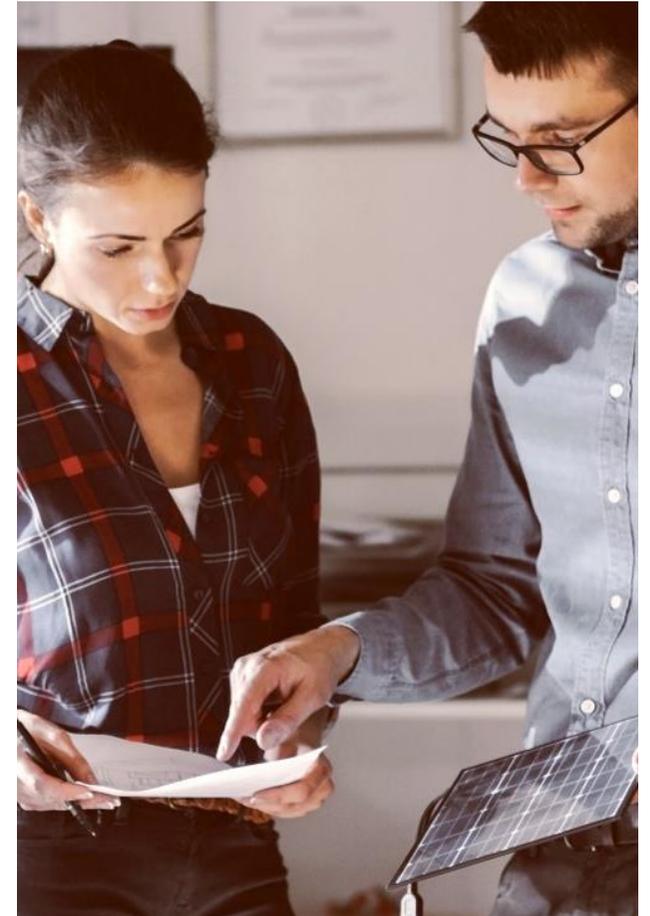
Timescale for the audit of the financial statements

- The Audit Plan was issued to the Audit and Standards Committee on 18 July 2023.
- Our audit work was completed remotely during July-September.
- The Council provided draft financial statements in July in line with the national timetable
- The Council team worked constructively with the audit team to ensure that audit evidence requested were provided on time and of sufficient quality. There was clear and open communication between the audit team and the Council officers which ensured that the audit process went smoothly.
- The opinion on the financial statements will be issued on 12 October in line with the national timetable

Findings from the audit of the financial statements

We have shown on slides 31-34 the findings on the significant risks on the financial statement audit

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit and Standards Committee on 26 September 2023. Requests for this Audit Findings Report should be directed to the Council.



Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness
- reviewed and tested transfers between the General Fund and HRA and inter group journals

During our work on journals, we identified The Council posted approximately 25,000 journals with a total value of £22 billion during the year. A total of 37 employees can raise a journal, and 22 employees can approval a journal. We considered the number of people posting journals to be high and we raised a control point for management to reduce the total number of people who post journals.

We observed the download of the GL for each month and the size of the November GL was considerably larger than the other months due to Council tax direct debit journals for April up to October were all created in November.

We recommended to management that the Council creates these entries as close to the month they relate to as possible prevent this issue in following years.

Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan

The revenue cycle includes fraudulent transactions (rebutted)

Commentary

We rebutted the presumed risk of fraud in revenue, and such there is no specific work planned for this risk. There are no changes to our assessment reported in the audit plan.

In order to get assurance over revenue, we have ;

- selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy and occurrence, and completeness
- inspected transactions which occurred in the year and ensured that they have been included in the correct year.
- confirmed our understanding of the business process and determined if there were any relevant controls.

We identified a misclassification of a grant of £6.1m as a ring-fenced grant instead of a non-ring-fenced grant. We recorded this error under the adjusted misclassification/ disclosure error in the Audit findings report.

Valuation of land and buildings

The council re-values its land and buildings on a five yearly rolling programme to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size and numbers involved (£1,097.8m) as at 31st March 2023 and the sensitivity of the estimate to key changes in assumptions.

Additionally, management needs to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
- engaged our own expert, Gerald Eve, to provide commentary on;
 - The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
 - The valuation methodology and approach, resulting assumptions and any other relevant points.
- challenged the information and assumptions used by the Valuer to assess the completeness and consistency with our understanding;
- tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.

Our audit work on Valuation of land and building is still in progress. Our work to date has not identified any matters which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.

Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan

Valuation of Council Dwellings

The Council owns 8220 dwellings as 31 March 2023, and it is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar types.

The Council performed a full revaluation of its properties in the prior year. For 2022/23, the Council engaged the Valuer (Wilks, Head and Eve) to perform a market review from 01 April 2022 to 31 March 2023. The Council used the indexes in the market review report to carry out indexation on the full council dwelling properties from 01 April 2022 to 31 March 2023. The valuation of the properties after indexation for 22/23 is £827.8m. This represents a significant estimate by management in the financial statements due to the size and numbers involved, and the sensitivity of the estimate to changes in key assumptions.

We identified the valuation of Council dwellings, as a significant risk, which was one of the most significant assessed risks of material.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate;
- evaluated the competence, capabilities and objectivity of the valuation expert.
- discussed with and written to Wilks, Head and Eve (the valuer) to confirm the basis on which their valuation was carried out
- engaged our own expert, Gerald Eve, to provide commentary on;
 - The instructions process in comparison to requirements from CIPFA/IFRS/RICS; and
 - The valuation methodology and approach, resulting assumptions and any other relevant points.
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding;
- tested revaluations made during the year to see if they have been input correctly to the Council's asset register.
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year end.

Our audit work on Valuation of Council Dwellings is still in progress. Our work to date has not identified any matters yet which we want to bring to the attention of the Audit and Standards Committee. We will update the Committee following the completion of our work.

Fraud in expenditure recognition (Completeness of Non-Pay expenditure)

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition for instance by deferring expenditure to a later period.

There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period, but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

We have :

- Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; compared size and nature of accruals at year to the prior year to help ensure completeness.
- Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.
- Evaluated the accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set,
- Gained an understanding of your system for accounting for non-pay expenditure and evaluated the design of the associated controls,
- obtained and tested a listing of non-pay payments made in April and May 2023 to ensure that they have been charged to the appropriate year.

Our audit work has not identified any issues in respect of the completeness of non-pay expenditure.

Opinion on the financial statements

Findings from the audit of the financial statements

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£262m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

We have:

- updated our understanding of the process and controls put in place by management to ensure that the council's pension fund net liability is not materially misstated and evaluate the design of the associated controls
- assessed the competence, capabilities, and objectivity of the actuary who carried out the council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- tested the consistency of the pension fund asset and liability and disclosure in the note to the core financial statement with the actuarial report from the actuary.
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedure suggested within the report.

We noted an error where the "other experience of" amount £53.2m was not disclosed in the draft accounts, however, the total net pension fund liability was disclosed correctly. We have recorded this error under the adjusted misclassification/ disclosure error in the audit findings report.

Our work is substantially complete subject to receiving the IAS 19 assurance letter from the pension fund auditor. We will update the Audit and Standards Committee following the completion of our work.

Other reporting requirements



Other opinion/key findings

We are required to report on a number of matters by exception in a number of areas:

- if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,
- if we have applied any of our statutory powers or duties.
- where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.

We have nothing to report on these matters.

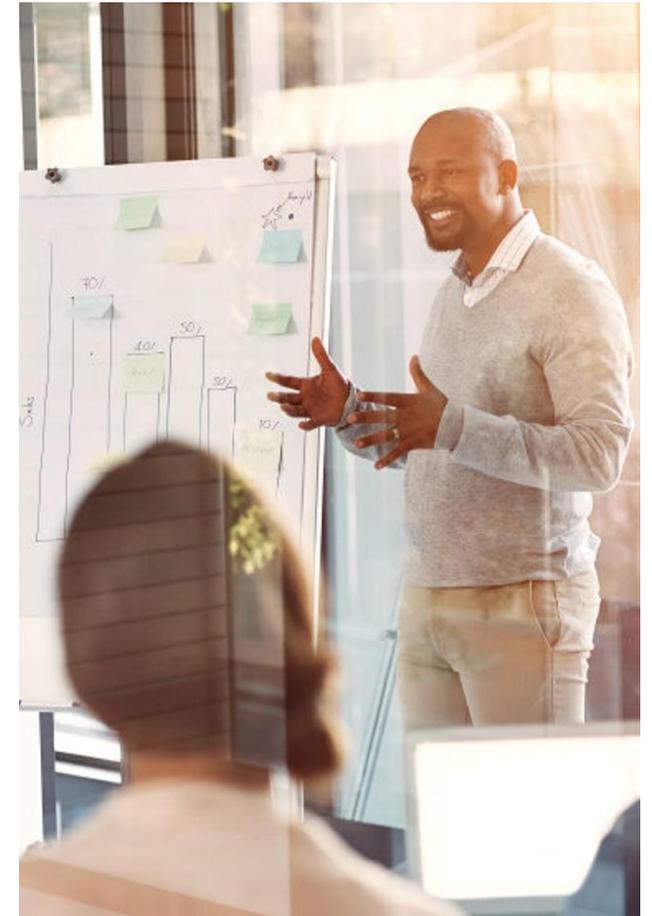
Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 26 September 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The London Borough of Brent does not exceed the threshold.



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.

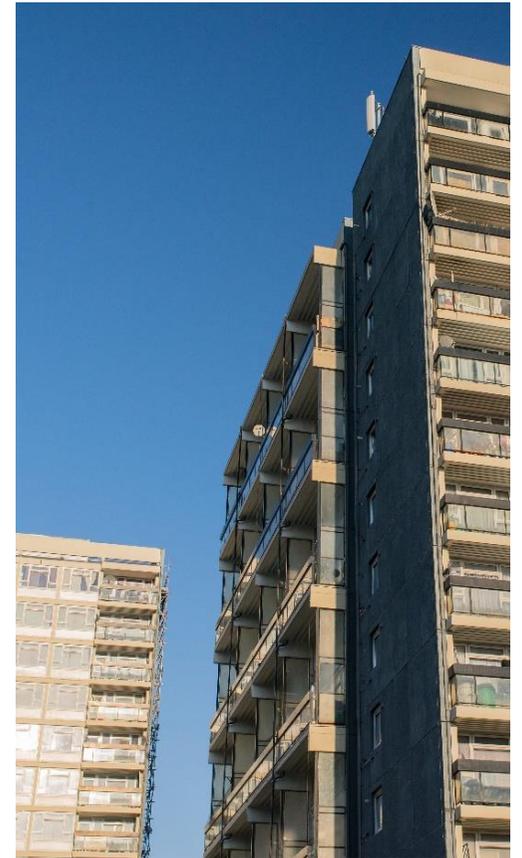
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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(s)
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 the Council's 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	14-16 20-21 25-26



[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2023 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.