

MEETING

AUDIT COMMITTEE

DATE AND TIME

TUESDAY 21 SEPTEMBER 2010

AT 7.00PM

VENUE

HENDON TOWN HALL, THE BURROUGHS, HENDON NW4 4BG

TO: MEMBERS OF THE COMMITTEE (Quorum 3)

Chairman: Councillor Monroe Palmer

Vice Chairman: Councillor Tom Davey

Councillors:

Alex Brodkin

Sury Khatri

Andreas Tambourides

Geof Cooke

Graham Old

Substitute Members:

Dean Cohen

Alan Schneiderman

Agnes Slocombe

Jack Cohen

Mark Shooter

Susette Palmer

**You are requested to attend the above meeting for which an agenda is attached.
Aysen Giritli – Acting Democratic Services Manager**

Democratic Services contact: Chidilim Agada 020 8359 2037

Media Relations contact: Chris Palmer 020 8359 7408

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CORPORATE GOVERNANCE DIRECTORATE

ORDER OF BUSINESS

Item No.	Title of Report	Pages
1.	MINUTES	-
2.	ABSENCE OF MEMBERS	-
3.	DECLARATION OF MEMBERS' PERSONAL AND PREJUDICIAL INTERESTS	-
4.	PUBLIC QUESTION TIME (If any)	-
5.	MEMBERS' ITEMS (If any)	-
6.	Presentation - External Audit Progress Report: September 2010 (approximately 15 minutes)	-
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14.	ANY OTHER ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	
15.	MOTION TO EXCLUDE THE PRESS AND PUBLIC:- That under Section 100A (4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the Act (as amended) shown in respect of each item.	
X1.	Contract for the provision of Councillors new IT equipment	1 – 27
X2.	ANY OTHER EXEMPT ITEMS THAT THE CHAIRMAN DECIDES ARE URGENT	

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AGENDA ITEM: 7 Page nos. 1 - 8

Meeting	Audit Committee
Date	21 September 2010
Subject	Internal Audit Progress Report
Report of	Interim Assistant Director Audit and Risk Management
Summary	Members are asked to note the Progress Report and Appendix.

Officer Contributors	Interim Assistant Director Audit and Risk Management
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A Internal Audit Progress Report Appendix B list of Audit Opinions
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Richard King, Interim Assistant Director Audit and Risk Management 020 8359 3167

1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the Report and the actions being taken to address the deficiencies.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 At the Audit Committee meeting on 11 March 2010m members accepted that there would be progress reports to all future meetings of the Committee and, that for all “limited” or “no assurance” audits, there should be a brief explanation of the issues identified.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 All internal audit planned activity is aligned with the Council’s objectives, particularly the “Better Services with Less Money” priority, and, thus, supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

4. RISK MANAGEMENT ISSUES

- 4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council’s objectives. Internal Audit does this by identifying areas for improvement.
- 4.2 Internal Audit work contributes significantly to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess as appropriate the differential aspects on different groups as found in the recent NNDR and Council Tax audits.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 None directly as a result of this Report but it is for management to determine whether any resources should be used to enhance the management of risks in the identified deficient areas.

7. LEGAL ISSUES

- 7.1 None directly. Advice and assistance is readily available to Directorates to ensure the Council properly complies with the Public Contracts Regulations 2006.

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution Part 2 Paragraph 3.3 recognises that the annual audit opinion plays an essential part in advising the Council that risk management procedures and processes are in place and operating properly.

9 BACKGROUND INFORMATION

- 9.1 This report provides details of the audits carried out during April to July 2010 and also gives the assurance level for each audit. These will ultimately lead to the overall assurance opinion for the year.

10. LIST OF BACKGROUND PAPERS

- 10.1 Any person wishing to view any of the background papers should telephone 020 8359 3167.

Legal: HP
Finance: AT

Appendix A

Internal Audit Progress Report for the period ending 31 July 2010

Introduction

In approving the Internal Audit Annual Plan for 2010/11 at the Audit Committee on 11 March 2010, members accepted my proposal that future progress reports for each “limited” or “no assurance” audit results should be in the following format:

- the subject of the audit;
- the assurance level;
- when the audit was carried out;
- brief details of the subject area, including quantitative detail; and
- the principal findings of the audit.

This report includes some audits that were finalised in the period but were started in the 2009/10 financial year. There are inevitably some outstanding audits to be finalised at each year end just because of the timing of work throughout the year.

It is my ambition to keep these rolled over audits to an absolute minimum but to some extent, the resolution is beyond my control. I anticipate, that through the revised clearance of audit reports processes that have been agreed with directors, the number of such audits should reduce in future years.

Progress

In the period since my last report to the Committee, 29 further pieces of work have been completed. The full list of completed Audits is given at Appendix A. This comprises of 9 system audits, 1 project audit, 4 follow up audits and 15 schools audits. Of the 29, all but 5 were graded at either satisfactory or substantial assurance. The 5, for which more detail follows, were all given limited assurance. These are:

Environment & Operations: Cashless Parking (2010/11)

Date of Audit: 21 June 2010

Opinion: Limited Assurance

The objective of the Cashless Parking service is to provide parking within the Borough at the lowest possible overheads. The option of paying for parking in a cashless manner offers new payment options for parking, encouraging different communities to maintain their independence, and increase the opportunities for them to receive services that best meet their needs. (Cabinet Resources Committee – Waiver of Contract Procedure Rules report dated 5 March 2009) The service is contracted out to Verrus to administer and collect parking charges in Council owned off-street car parks. All transactions should comply with the financial regulations and basic principles of accounting.

There was a lack of compliance with basic financial controls for income collection and supplier payment, though the amounts involved at this stage are less than

£100K (net) collected annually (representing under 13% of aggregate Parking Income), leaving the council exposed to the risks of not realising the business return of the service.

Management have agreed to implement actions to mitigate the identified risk deficiencies by 30 September 2010.

Adult Social Services: Procurement (2009-10)

Date of Audit: 7 July 2010

Opinion: Limited Assurance

The objective of the procurement function is to obtain value for money and best outcomes for service users from outsourced providers. The procurement framework should support personalised and individualised services as well as existing “traditional” social care services, responsible, accountable, and legal procurement and improved services delivery outcomes for social care service users in Barnet. All procurement should comply with The Public Contracts Regulations 2006 and the Council's Contract Procedure Rules. There are currently 540 external providers involving a total spend of £79M with 7672 clients.

Audit found that though procurement practices have developed since the team was established in 2008-09, there still remain a number of areas where improvements are required to attain the value for money objective. A procurement strategy has not been formalised to address key aspects of purchasing social care and a sufficiently comprehensive, and complete, database to obtain a fuller overview of contracts has not been implemented. Systematic value for money and benchmarking tests could not be confirmed in all instances. Clear, sufficient, and appropriate local performance indicators have not been identified to assess the effectiveness of the procurement activity. Formal contract and service specifications have not been implemented for all providers.

Senior management have agreed to implement actions to mitigate the identified risk exposures by 31 December 2010.

Adult Social Services: Internal Control Checklist (2009/10)

Date of Audit: 15 June 10

Opinion: Limited Assurance

The objective of the Internal Control Checklist (ICC) process within the Adult Social Services Directorate is to provide a continuous process of review of the effectiveness of the Directorate's internal control and risk management systems, so as to give assurance on their effectiveness and to produce a management action plan to address any identified weaknesses.

Four risks were highlighted, including one priority 1 issue. The audit found that although the Performance Team review each individual checklist, actions are not always being taken to address errors and omissions and to ensure that service managers are re-visiting areas where assessments showed an unsatisfactory

standard. There is, therefore, a risk that the consolidated ICC summary may reflect an inaccurate or incomplete assessment of the risks and weaknesses across the Directorate.

The other main issue was that for areas assessed as medium and high risk, a well-defined mitigation plan including agreed action, implementation date and responsible officer was not always designed and documented. Where no specific action plans are formulated, there is a risk that weaknesses identified in the system of internal controls may not be addressed in an appropriate and timely manner.

Management has instituted revised arrangements for the ICC process which should significantly reduce the identified risks to an acceptable level.

Children's Service: St. Mary's and St. John's C.E. Primary School (2010/11)
Date of Audit: 18 June 2010
Opinion: Limited Assurance

St Mary's & St John's Primary is a two-form entry Voluntary Aided School with places for 465 children aged between 3 and 11 years of age. The School budget for 2010-11 is £1,824,207 with employee costs of £1,462,232 (80% of the delegated budget). The audit was carried out as part of the planned School audits for 2010-11 and the audit review covered the period April 2008 to March 2010.

The School was assessed as 'Good' by OFSTED in May 2007 and was awarded the Financial Management Standards in Schools (FMSiS) certification in March 2008.

The aim of the audit was to provide assurance on key areas of financial management as prescribed by the Financial Management Standards in Schools, (a set of standards developed by the Department for Children Schools & Families), the "Keeping your Balance" document (developed jointly by the Office for Standards in Education and the Audit Commission) and Barnet's Scheme for Financing Schools and related Financial Guide for Schools.

The following represent the key findings of the audit.

- The current Financial Management and Procedures Policy document did not reflect current working practices
- There was no visible evidence to confirm that checks had been carried out to ensure that goods were received correctly for 19 orders.
- A total of 11 orders had not been signed by an authorised signatory, in accordance with the School's Authorised Signatories mandate. These had been signed by the caretaker and the secretary;
- A review of procedures and controls over the income system found no separation of duties in the collection, recording and banking of all income received by the School. The same officer carried out all these duties.

- The reimbursement of costs paid from the School's delegated budget relating to lettings had not been made on a half-termly basis, as required by section 11 of the School's Financial Management Policy document.
- Entries recorded within the School's electronic inventory register were found to be incomplete. Not all entries included references to order numbers; dates of acquisition; suppliers; price etc. (the last dated entry was 15th March 2007).
- An annual physical stock check of sample inventory had been not carried out.

The audit confirmed satisfactory results for Financial Planning, Budget monitoring, Banking, Payroll, Tax and Vat, Insurance and Data Security.

The Headteacher has agreed to implement actions to mitigate the identified control weaknesses with immediate effect.

APPENDIX B

Audit Opinions on 2010-11 Completed Audits up to 31 July 2010

Systems Audits	Assurance
1 2010-11 Cashless Parking	Limited
2 2009-10 Council Tax (Key System)	Satisfactory
3 2009-10 NNDR/ Business Rates (Key System)	Satisfactory
4 2009-10 Data Quality (Planning, Housing & Regeneration)	Satisfactory
5 2009-10 Day Care	Satisfactory
6 2009-10 Postal Voting	Satisfactory
7 2009-10 Exclusion	Satisfactory
8 2009-10 Internal Control & Risk Management Adult Social Services	Limited
9 2009-10 Procurement Adult Social Services	Limited

Audit of Projects	Assurance
1 2010-11 Contact Point	Satisfactory

Follow-up Audits	Assurance
1 Choice and Independence Supply Management	Sat from Sat
2 SEN Budget and Control 2nd follow-up	Sat from Ltd
3 Registrars 2nd follow-up	Sat from Ltd
4 Capital Expenditure 2nd follow-up	Substantial from Ltd

School Audits	Assurance
1 Oak Lodge	Substantial
2 Claremont	Satisfactory
3 Livingstone	Satisfactory
4 Menorah	Satisfactory
5 Oakleigh	Satisfactory
6 <u>Osidge</u>	Satisfactory
7 Queenswell Jun	Satisfactory
8 Rosh Pinah	Satisfactory
9 Sacred Heart	Satisfactory
10 Holy Trinity	Satisfactory
11 Coppetts Wood	Satisfactory
12 Beis Yaakov	Satisfactory
13 St Paul's N11	Satisfactory
14 Parkfield	Satisfactory
15 St Mary's & St John's	Limited

AGENDA ITEM: 8

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Meeting	Audit Committee
Date	21 September 2010
Subject	External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2009/10
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	To consider the detailed reports from the external auditor on matters arising from the audit of the 2009/10 accounts. This includes the pension fund accounts.

Officer Contributors	Maria G. Christofi, Assistant Director Financial Services, Finance Directorate Anisa Darr, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	ISA 260 report – Statement of Accounts 2009/10 (to follow)
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Anisa Darr, Finance Manager (020 8359 7106) or Maria G. Christofi, Assistant Director Financial Services (020 8359 7122).

1. RECOMMENDATIONS

1.1 That the matters raised by the external auditor relating to detailed aspects of the 2009/10 accounts, including the pension accounts, audit be noted.

1.2 That the officer response to matters raised by the external auditor be noted.

2. RELEVANT PREVIOUS DECISIONS

2.1 The Statement of Accounts for 2009/10 were approved, subject to audit, by the Audit Committee on 21 June 2010.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Review of reports made under the International Standard on Auditing (ISA) 260 are an integral part of corporate governance, this is inline with Barnet's Corporate Plan within "Better Services with less money"

4. RISK MANAGEMENT ISSUES

4.1 A positive external audit opinion on Barnet's Statement of Accounts plays an essential and key role in providing assurance that Barnet's financial risks are managed in an environment of sound stewardship and control

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

6. USE OF RESOURCES IMPLICATIONS (FINANCE, PROCUREMENT, PERFORMANCE & VALUE FOR MONEY, STAFFING, ICT, PROPERTY, SUSTAINABILITY)

6.1 External Audit's opinion on the Statement of Accounts, as summarised in the ISA 260, is the main factor that determines the Council's score in the Financial Reporting theme of the Use of Resources assessment. As a result, it plays a key role in determining the Council's overall Use of Resources score.

7. LEGAL ISSUES

7.1 None other than what may be contained in the body of the report.

8. CONSTITUTIONAL POWERS

8.1 Within the Council's Constitution, the functions of the Audit Committee are detailed and include "To consider the external auditor's annual letter, relevant reports and the report to those charges with governance".

9. BACKGROUND INFORMATION

- 9.1 In accordance with International Standard on Auditing (ISA) 260, the External Auditor is required to issue detailed reports on matters arising from the audit of the Council's accounts and Pension Fund accounts.
- 9.2 The ISA 260 report has to be considered by "those charged with governance" before the External Auditor can sign the accounts, which legally has to be done by 30 September 2010.
- 9.3 The ISA 260 report contains matters raised by the auditor, their recommendations on the issues, and the management response. Any further update on these items will be given verbally at the meeting. To assist members in reviewing the external auditor's comments the Statement of Accounts 2009/10 are attached for information.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MM
Finance: AT

AGENDA ITEM: 9

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Meeting	Audit Committee
Date	21 September 2010
Subject	One Barnet: Review of Governance Arrangements
Report of	Assistant Director, Commercial Services
Summary	To consider the report of the External Auditors on the above and the response of Commercial Services to the report

Officer Contributors	Julie Oldale, Assistant Director Commercial Services Claire Johnston, One Barnet Programme Manager
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix – Report on One Barnet: Review of Governance
For decision by	Audit Committee
Function of	
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Claire Johnston, One Barnet Programme Manager, 020 8359 7022

1. RECOMMENDATIONS

- 1.1 That the report of the External Auditors and the Council's Action Plan in response to their findings be noted.**
- 1.2 That the One Barnet Programme Manager report back to future meetings of this Committee on progress against the Action Plan.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee, 11 March 2010, Item 8 (AUDIT PLAN 2009/10 (Report of the Interim Assistant Director of Finance))
- 2.2 Cabinet, 21 October 2009, Decision 8, Future Shape of the Council

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:
 - Better services with less money
 - Sharing opportunities, sharing responsibilities
 - A successful London suburb
- 3.2 The One Barnet Programme has three overarching aims:
 - A new relationship with citizens
 - A one public sector approach
 - A relentless drive for efficiency
- 3.3 The following are strategic objective and performance targets that fall within the remit of Corporate Governance Directorate:
 - Improve council policy and decision making through greater involvement by non-executive members

4. RISK MANAGEMENT ISSUES

- 4.1 All External Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives.
- 4.2 Internal Audit work contributes significantly to increasing awareness and understanding of risk and controls amongst managers and thus, leads to improving management processes for securing more effective risk management
- 4.3 An ineffectively managed One Barnet Programme would be likely to result in failure to realise the overarching aims of the programme (see 3.3) or the potential efficiencies and benefits identified in the Future Shape of the Council Cabinet paper (21 October 2009). The External Auditor has identified areas for improvement and the response to their report in Appendix B sets out the planned mitigating actions which will reduce the risk of failure

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is an overriding principle that services provided to the whole community represent value for money in terms of quality, efficiency and effectiveness.

This supports the Council's obligations in meeting public duties under equalities legislation

- 5.2 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 None directly as a result of this Report.

- 6.2 Resource implications will be considered as part of delivering the recommended outputs, for example, the business case and benefits realisation plan.

7. LEGAL ISSUES

- 7.1 None in the context of this report.

8. CONSTITUTIONAL POWERS

- 8.1 The Audit Committee's terms of reference are noted in Part 3, Section 4 of the Council's Constitution includes to monitor the effective development and operation of risk management and corporate governance in the Council.

9 BACKGROUND INFORMATION

- 9.1 The review of the One Barnet Programme by Grant Thornton was to be undertaken as part of the 2009/10 Use of Resources (UoR) framework. By the conclusion of the review the requirement for a UoR assessment had been abolished, but emerging findings have been used to inform the indicative UoR score for the Council.

- 9.2 Key findings show that the programme is strongly aligned to the council's corporate objectives and that the governance is generally robust. Attached at Appendix A is the External Auditor's report, detailing the findings and their six recommendations.

- 9.3 The programme supported the premise of the review and management comments are included in the body of the report.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: MAM
Finance: CM

London Borough of Barnet

Review of the Governance Arrangements of the One Barnet Programme

Value for Money Review 2009/10

September 2010

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1 Executive Summary

1.1 Background

The London Borough of Barnet ("the Council") commenced the Future Shape of the Council Programme in May 2008 to meet a number of significant challenges it was facing, such as increasing customer demand, having to provide more services for less money, static public satisfaction levels, and intractable problems such as disadvantage where public expenditure seemed to have little effect.

An interim report on Phase 2 of the programme was presented to Cabinet in July 2009, which set out a new direction for the Council and agreed a programme of activity under three key principles:

- a one public sector approach
- a relentless drive for efficiency
- a new relationship with citizens

The final report of Phase 2 of the programme was presented to Cabinet in October 2009. The philosophy and principles of the Future Shape programme have subsequently been incorporated into the One Barnet programme, which was established in February 2010. A Programme Management Office was established in March 2010 to oversee the delivery of the programme, and to establish the management and governance arrangements for the programme.

The One Barnet programme represents a significant financial and service undertaking for the Council and it is important that the Council is able to demonstrate the wider value for money and benefits that this programme will realise.

1.2 Scope of our work

Our original terms of reference was for this review to be undertaken as part of the 2009/10 Use of Resources (UoR) framework. However, prior to its conclusion the new Coalition Government abolished the Comprehensive Area Assessment (CAA), which included the requirement for a UoR assessment.

Notwithstanding this, we used the emerging findings from this review to inform our indicative UoR score for the Council, prior to the cessation of UoR audit related activity.

In addition, because the fieldwork and analysis relating to this review was completed by the time of the new Government's announcement on the future of UoR, we have concluded the reporting stage of this work as part of the 2009/10 Value for Money (VFM) Code of Audit Practice work ("the Code"). The Code allows auditors to

undertake separate pieces of audit work that would feed into our overall VFM conclusion.

The scope of our work was as follows:

- To review how the One Barnet programme supports the achievement of the Council's priorities;
- To review the current programme management and governance arrangements against best practice to identify any gaps and issues;
- To review project management arrangements in place for live projects; and
- To review the Council's approach to risk management in relation to the programme

The primary purpose of our review has been to identify any gaps between current governance arrangements and best practice. We have used throughout OGC's Managing Successful Programmes (MSP) as the basis of best practice comparison.

1.3 Key Findings

Context

It is clear that the Council has invested significant resource in developing its strategy for the future shape of the authority, and how it delivers services. This investment is critical to delivering this new and innovative agenda. Unsurprisingly, given the investment in the Future Shape programme, our review has found that the One Barnet programme is strongly aligned to the Council's corporate objectives.

We recognise that the One Barnet programme only moved to the operational phase in February 2010. Nonetheless, this review is being undertaken at an appropriate juncture to determine the effectiveness of what we would expect to have been completed at this stage of the programme's life cycle.

The approach taken by the Council in relation to programme management and programme governance is generally robust, but we have identified a number of opportunities where the Council can improve or enhance current arrangements. Central to our recommendations is the need for the Council to ensure that the One Barnet programme successfully delivers the Future Shape outcomes that have been identified.

Programme Management and Governance Arrangements

Whilst Future Shape has provided a set of clear principles for the One Barnet programme, the Council needs to develop and agree a more fundamental mandate for the programme by developing a programme level business case that sets out the planned costs, benefits, timescales, risks and outcomes of the programme.

There are a number of programme documents, such as a programme resource strategy, programme quality strategy, transition plan, and stakeholder engagement strategy which should be developed to ensure that the Council has the capacity to deliver the programme whilst maintaining business as usual, it is clear about how stakeholders need to be engaged, and how performance improvement will be managed.

One Barnet is a key programme for the Council to realise its corporate objectives, which includes providing better services for less money, and it is critical that the programme develops and agrees a Benefits Realisation Framework, so that benefits are clearly identified, accountability for realising them is understood, and that their achievement is effectively

tracked and recorded. In addition it is critical that there is an alignment between the programme's benefits, the programme's vision and its desired outcomes.

Project Management Arrangements

Project Management is generally in line with good practice. The programme would be improved by developing and maintaining a high level programme plan to support the programme level monitoring of projects. The programme would also benefit from a clearer understanding of project tolerances, and how these are reported, and projects would benefit from developing their approach to stakeholder communication.

Risk Management Arrangements

The programme has adopted the Council's corporate risk management approach. We have identified a number of factors that indicate the approach to risk and issues management requires embedding across the programme. For example, risks highlighted in the Future Shape Phase 2 interim report to Cabinet do not appear in the One Barnet risk register.

These messages are consistent with our overall Use of Resources assessment within the internal control Key Line of Enquiry (KLoE) where we identified some opportunities to improve risk management arrangements, to be used as a support tool for the achievement of strategic objectives.

Current arrangements within the One Barnet programme could be enhanced by ensuring that risk management and issues resolution standards are clearly defined so that, for example, all projects understand how risks are to be recorded, reported and escalated.

Given the nature of this programme it is clear that the Council needs to embed more deeply a wider understanding of the identification, mitigation and management of risks. A number of recent reports on risk management to the Audit Committee have illustrated that further work is still needed to embed appropriate approaches for individual programmes.

1.4 Conclusion

The overall arrangements for the programme are adequate in a VFM context.

Our recommendations are designed to strengthen the current programme governance and programme management arrangements.

Given the current economic climate and the financial challenges ahead, an innovative approach to service delivery needs to be encouraged. Our recommendations are made within the context of the Council wanting to devolve decision making, including its approach to risk management. The Action Plan included with this report is for internal use, for management to determine how they would like to respond to our recommendations.

1.5 Recommendations

Our detailed recommendations are set out in the body of this report, and summarised in an action plan, which is set out in Appendix A

1.6 Acknowledgements

We would like to take this opportunity to thank the Council's officers for their assistance provided during the course of our review.

1.7 Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Practice and should not be used for any other purpose or copied to third parties without our written consent. We assume no responsibility to any other person.

**Grant Thornton
June 2010**

2 Alignment with Corporate Priorities

2.1 Background

The Council initiated the Future Shape Programme in 2008 to help meet a number of significant challenges the Council was facing, such as increasing customer demand, having to provide more services with less money, static public satisfaction levels, and intractable problems such as disadvantage where public expenditure seemed to have little effect. The global recession has subsequently exacerbated the position.

The Future Shape Phase 2 interim report proposed a new direction for the Council and in July 2009 the Cabinet agreed a programme of activity - subsequently to form the One Barnet programme - underpinned by the following key principles:

- **A relentless drive for efficiency:** in which the Council plays a leading role in ensuring that public services as a whole are as efficient as they can be.
- **A one public sector approach:** in which our strategies and services and those of our public sector partners are integrated and aligned, so that we can work together to improve outcomes for people in Barnet. An important aspect will be placing democratic accountability at the heart of it all.
- **A new relationship with citizens:** in which citizens will have a much greater involvement in designing services and actively participating in improving their lives and Barnet.

The Phase 2 interim report primarily focussed on the first of these two principles, and the final Phase 2 report, which was presented to Cabinet in October 2009, focussed on the new relationship with citizens.

2.2 Findings

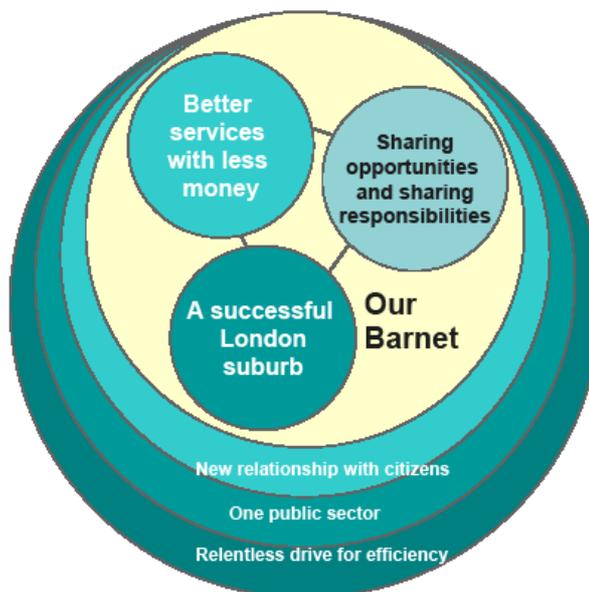
The 2009-10 Corporate Plan stated that "efficiency has always been important to us but when there is even less to go around we have to squeeze all the value we can out of taxpayers' money. We will focus relentlessly on the efficiency of what we do to ensure we deliver ever increasing value for money."

The Phase 2 Future Shape review has clearly informed the development of the new Corporate Plan for the period 2010-2013¹. The new Corporate Plan sets out the strategic priorities as:

- Better services with less money;
- Sharing opportunities and sharing responsibilities; and
- A successful London suburb.

These priorities are underpinned by the three key principles identified by Future Shape, which is set out in the graphic below.

¹ Draft Corporate Plan 2010-2013 Version 12 (Cabinet, 12 April 2010).



Barnet Council Corporate Priorities

The Corporate Plan sets out a vision for each corporate priority, the strategic objectives, key projects and key performance indicators associated with the priority.

The principles of the Council's future approach, derived from Future Shape, are set out in the new Corporate Plan as follows:

- **A relentless drive for efficiency:** delivering more choice for better value.
- **A one-public-sector approach:** working together in a more linked up way with out public sector partners across the borough to deliver better services.
- **A new relationship with citizens:** where we enable residents to help one another to access the information and support they need, where we provide residents with personalised services and support them to change damaging behaviours such as smoking and drug use.

We note that the definition of each Future Shape principle has changed from those included in the July 2009 Cabinet report, but whilst the definitions are more summary in nature, they retain their original objective.

The new Corporate Plan forms the basis of the 2011/12 One Barnet plan, and the implementation of the new Sustainable Community Strategy.

In summary, therefore, it is clear there is a strong alignment between the One Barnet programme and Corporate Priorities.

3 Programme Management and Governance Arrangements

3.1 Introduction

Central to our review has been identifying any issues that relate to the overall management and governance of the programme.

To identify any issues, and gaps to expected practice, we have considered key programme management activities against a best practice framework².

The summary of this analysis is set out below, with further detail provided at Appendix B.

Programme Start Up	Expected Actions Completed?
LBB has confirmed its commitment to the change programme	Y
Business Need Confirmed	In part
Appointment of Senior Responsible Officer (SRO)	Y
Produce Programme Brief	In part
Check Success Potential	In part
Strategic Assessment	In part
Approval to proceed	In part
Build Programme Vision	N
Design programme organisation	Y
Develop programme governance strategies	In part
Design programme plan	Y
Develop programme business case	N
Approval to Proceed	In part
2. Programme Governance	Expected Actions Completed?
Establish Programme Structures	Y
Establish Physical Programme Environment	Y
Establish Risk Management/Issues Resolution Standards	Y
HR Management	N
Procurement and Contract Management (PCM)	Y
Programme Communications	In part
Reporting, Monitoring and Control	Y
Information Management	Y
Management of Programme Activity	Y
Maintaining Business as Usual (BAU)	To develop

² OGC Managing Successful Programmes

Interim reviews	n/a
3. Managing Project Portfolio	Expected Actions Completed?
Project Start Up	Y
Aligning Projects	N
Monitoring Progress	In part
Managing Risks	In part
Project Closure	n/a
Managing Stakeholders	N
4. Programme Closure	Expected Actions Completed?
Confirm Programme Closure	n/a
Programme Review	n/a
Finalise Programme Documentation	n/a
Disband Programme Team and Support Functions	n/a
Inform Stakeholders	n/a
5. Managing Benefits	Expected Actions Completed?
Establish benefits measurement framework	N
Refining the benefits profile	n/a
Benefits monitoring	To develop
Transition Management	To develop
Supporting Benefits Realisation	To develop
Measuring Benefits	To develop

We set out below our key findings, on an exception basis, in relation to the programme management and governance arrangements of the One Barnet programme.

3.2 Programme Start Up

At the time of our review, most key actions relating to the start up of the programme had been commenced, and in some cases completed.

The key gaps, in terms of actions that need to be completed at this stage in the programme's life cycle, relate to the need for an overall programme business case to be developed and approved. At present, the programme has received high level Cabinet approval to proceed, and projects are beginning to develop content that can be aggregated at a programme level. However:

- There is no formal programme mandate document.
- Further work is required to develop the programme vision and the organisational blueprint to which the programme needs to be aligned.
- High level cost and benefits, both qualitative and quantitative, expected from the programme, and the programme's impact on business needs are to be finalised.

A programme business case would include much of the content highlighted in the list above, and is a critical milestone in the set up stage of the programme to ensure the Council effectively understands how Future Shape is being operationalised, and the programme has a robust mandate.

Recommendation 1

The Council develop and agree a business case for the One Barnet programme, incorporating:

- the planned benefits and outcomes of the programme;
- the estimated cost of the programme;
- overall timescales of the programme, including key anticipated milestones; and
- a high level risk profile.

We also note that some key programme documents need to be developed or finalised, as follows:

- **Resource Management Strategy:** to ensure that Council resource deployed on the projects that make up the programme, and the programme management function, is properly understood, appropriate resource can be applied, and any resource gaps be identified and managed. This should include resource required to support the programme, such as financial, legal and commercial).
- **Quality Management Strategy :** to ensure that senior management have a framework that identifies the over arching strategy for performance improvement outcomes of the programme. This would include key principles relating to customer focus, continuous improvement, stakeholder involvement, and the approach to leadership and decision making for the programme.
- **Stakeholder Engagement Strategy:** to ensure that all stakeholders affected by the One Barnet programme are formally identified, and communication channels, frequency of communication, and responsibility for communication, are agreed.
- **Benefits Management Strategy:** to ensure that the approach to managing and monitoring benefits realisation is agreed.

Recommendation 2

Programme documents noted above are developed and approved to ensure that the Council has the capacity to deliver the programme, is clear about how stakeholders will be engaged, and how performance improvement and programme benefits will be managed.

3.3 Programme Governance

The programme governance arrangements are set out in the One Barnet Programme Organisation document³. This sets out:

- The purpose, role and membership of the Programme Board.
- Project life cycle within the programme.
- The structure of the programme.
- Roles and responsibilities of the Programme Management Office, Upper Management, the Operational Group, and Work Stream leads.

The document also sets out the governance structure of the programme, which is replicated in Appendix C to this report.

The Programme Board is chaired by the Leader of the Council and its membership comprises senior officers and members from the Council, and representatives from the NHS, Metropolitan Police, Middlesex University and the voluntary sector. The high level terms of reference for the Board is clearly set out.

The Chief Executive is the Senior Responsible Officer for the programme, and he chairs the Operational Group. The membership of this group comprises senior officers from the Council and is responsible for overseeing the delivery of the programme.

A Programme Management Office (PMO) has been set up to manage the day-to-day delivery of the programme. The Programme Director post has been filled, on an interim basis, and the Programme Manager is in post. Three other posts have been established to support programme administration, finance and communications, and the Council was in the process of recruiting to these posts during the course of our review.

The programme governance arrangements are generally in line with expected good practice, but we note the following exceptions:

- The PMO has provided guidance on communication issues for projects to consider, and a communication strategy has been drafted⁴. However, further work on the strategy is required to ensure that the communication requirements of all internal and external stakeholders are better understood and incorporated in the programme and project communication plans.
- There is no formal transition plan in place to ensure continuous service is maintained during the implementation of the One Barnet programme, there is an alignment to the Council's HR Strategy, and any associated risks are mitigated and managed. Related to this, we note that the programme has a People and Culture work stream, which is good practice, but that a Resource Strategy has not yet been developed, as mentioned in section 3.2 above.

³ Version 8, 11 February 2010.

⁴ Communications Materials: Future Shape Programme, April 2010

Recommendation 3

The Council:

- (a) develops a Transition Plan to ensure business as usual is maintained during the delivery of the programme, and
- (b) finalise and agrees a programme Communication Strategy.

3.4 Managing Benefits

At the time of our review no live projects had entered their benefits realisation stage. However, it is important for a programme of this nature to have established a benefits measurement framework in advance of the stage when projects are receiving their approval to proceed.

We have already noted in Section 3.2 that a benefits realisation strategy should be considered. To compliment this strategy, the Council also needs to develop and agree a benefits realisation framework to confirm how benefits are to be measured and evidenced. In addition, the "as is" position needs to be agreed so that benefits have an effective baseline to be measured against.

Currently, live projects include content on benefits, but the PMO must develop a standard framework for all projects so that:

- benefits are identified and defined consistently and clearly, and are realistic;
- projects are committed to the identified benefits and their realisation;
- benefits are used to direct the programme and provide a focus for delivering change;
- benefits realisation is evidenced, tracked and recorded, and achievements are properly identified and recognised; and
- there is an alignment between the programme benefits, the programme's vision and it's desired outcomes (i.e. the programme business case).

Recommendation 4

The Council should consider developing and agreeing a Benefits Realisation Framework.

Our findings in relation to Managing Projects is covered in Section 4. A review of the Council's approach to Programme Closure has not been undertaken, due to this not being appropriate, given the timing of our review in relation to the programme's life cycle.

4 Project Management Arrangements

4.1 Introduction

The Council has established a Project Consultancy Team. This team does not form part of the One Barnet PMO, but develops capacity and capability of all Council projects, including those within the One Barnet programme portfolio.

The Project Consultancy Team also has a key role in supporting the corporate Investment Approvals Board (IAB) and the One Barnet Programme.

4.2 Findings

The IAB

The IAB was established in Autumn 2009. The overarching role of the IAB is to provide assurance that the Council is establishing projects that are aligned to its corporate objectives, and they are being effectively managed. This includes projects that form part of the One Barnet programme. The IAB provides quarterly monitoring reports to Directors as part of the Council's overall corporate performance management framework.

We have reviewed the IAB's current terms of reference, which was agreed in February 2010, and confirm they conform to good practice.

The Project Consultancy Team

The Project Consultancy Team ensure that the Council's corporate project management methodology and associated templates are adhered to and adopted by projects. We have reviewed a sample of project documentation relating to the One Barnet programme and are satisfied that the project management processes and templates are in line with good practice.

Project managers currently sit within the service to which the project relates, but we understand that there are plans to locate all One Barnet project management resource within the PMO. The Project Consultancy Team will continue to review project management skills, familiarise new project management staff with the corporate project management methodology, and provide project management training courses.

The Project Consultancy Team currently co-ordinate project monitoring and reporting arrangements for both IAB, the One Barnet Programme Board and One Barnet Operational Group, and work closely with the One Barnet PMO. We have reviewed a sample of One Barnet monitoring reports and note that the approach adopted is broadly in line with good practice.

We have identified the following opportunities for improvement:

- Some activity undertaken by the Project Consultancy Team supporting One Barnet projects needs to be aggregated by the PMO at a programme level, such as project interdependencies, outputs, milestones and benefits. This includes the development of a high level programme plan, such as a GANTT chart.

- Project tolerances need to be agreed, for example in relation to budget and timescale.
- Project communication plans need to be developed and finalised.

Recommendation 5

The Project Management Arrangements are enhanced by ensuring that:

- A high level programme plan is developed and maintained.
- Project tolerances are set and agreed
- Project communication plans are developed and implemented.

5 Risk Management Arrangements

5.1 Introduction

This section sets out our findings on the current risk management arrangements that have been adopted and are being used by the One Barnet programme.

5.2 Findings

The One Barnet programme has adopted the Council's corporate risk management methodology and associated templates. We understand that the PMO plans to develop a Risk Management Strategy for the programme, but that the corporate strategy is being used as an interim measure.

Our recent, separate, UOR assessment of internal controls identified opportunities to improve overall corporate and service level risk management arrangements. Most importantly, we noted that risk management needed to improve to support the Future Shape agenda, and minimise organisational risk. It is also viewed as essential that the risk management strategy be updated to include Future Shape, and reflect the structures and groups in place to manage risk.

Underpinning the findings from this separate review was a lack of understanding of what the purpose of risk management arrangements were, and a lack of examples of positive outcomes. For example, that a mitigating action has had a positive impact on reducing risk to a tolerable level. It is clear that it will be some time before risk management arrangements are embedded within the Council. These separate findings should be referred to when developing risk management within the One Barnet programme.

The One Barnet Programme Organisation Document states that: "in line with corporate standards the PMO will keep a comprehensive, up to date monitor of all risks and issues affecting the programme, to be presented to the Operational Group at their monthly meetings, and to the One Barnet Programme Board in cases where the Operating Group has deemed it appropriate."

The monthly highlight report presented to the Operational Group includes a high level risk rating for programme work streams and individual projects, using a Red/Amber/Green (RAG) rating. We have been advised that the PMO that this risk assessment incorporates project based risks identified via the IAB reporting cycle.

Whilst the approach to risk management adopted by the programme has elements of good practice, we have noted the following:

- The corporate Project Initiation Document (PID) template includes a section on risks. However, from our sample of PIDs relating to the programme, we note that not all projects have included an initial risk register, and those that have done so, do not include the same content. For example, they do not all include the probability and impact of the risks identified.

- There is a programme risk register and programme issues log in place, and both documents are managed by the PMO. Whilst this is good practice, it is not clear if and how project level risks are being incorporated at a programme level.
- In addition, both documents include content that was updated only on 18 February, so it is not clear how up-to-date these documents are, and how much focus the PMO is placing on risk management and issues resolution.
- The Future Shape Phase 2 interim report (July 2009) set out high level risks for the programme, but these do not appear in the One Barnet programme risk register.
- It is not clear how risks can be escalated by project managers, work stream leads, the PMO or the Operational Group.

Recommendation 6

The approach to Risk Management be enhanced by ensuring that the programme has established risk management and issues resolution standards for all projects. For example, so that all PIDs adopt the same, corporate standard content, when setting out risks, and the process for escalating risks is clearly understood.

Appendix A: Action Plan

Our recommendations are summarised in the following action plan.

No.	Recommendation	Priority (H/M/L)	Responsibility	Agreed	Comments
1	<p>The Council develop and agree a business case for the One Barnet programme, incorporating:</p> <ul style="list-style-type: none"> • the planned benefits and outcomes of the programme; • the estimated cost of the programme; • overall timescales of the programme, including key anticipated milestones; and • a high level risk profile. 	H	Programme Management Office (PMO)	Yes	<p>The majority of live projects within the programme are still assessing options with regard to the future of our services. It is unlikely that we will have an exact list of benefits until these options have been fully assessed and business cases produced in each case. We are able, however, to articulate the desired outcomes and estimated benefits of the programme, along with costs, timescales and a risk profile</p> <p>Action:</p> <p>Business case signed off (12 October 2010)</p>

No.	Recommendation	Priority (H/M/L)	Responsibility	Agreed	Comments
2	Additional programme documents are developed and approved to ensure that the Council has the capacity to deliver the programme, is clear about how stakeholders will be engaged, and how performance improvement and programme benefits will be managed.	M	PMO / Corporate Programmes Office	Yes	<p>A Communication and Engagement Strategy is being produced by the Internal Communications Manager working on the programme. This is to be reviewed by the Operational Group in September 2010. The Internal Communications Manager is already working with project managers to ensure project level communication and engagement plans are in place</p> <p>Actions:</p> <p>The following documents will also be produced and communicated –</p> <p>Resource Strategy (12 October 2010)</p> <p>Benefits Realisation Framework (end October 2010)</p>

No.	Recommendation	Priority (H/M/L)	Responsibility	Agreed	Comments
3	<p>The Council:</p> <p>(a) develops a Transition Plan to ensure business as usual is maintained during the delivery of the programme, and</p> <p>(b) finalise and agrees a programme Communication Strategy.</p>	M	PMO	Yes	<p>HR resources within the programme are responsible for putting a Transition Plan in place for each project. Transition planning at a detailed level cannot begin, however, until projects begin to narrow down options and build business cases. A Transition Strategy can be produced for the programme at this stage.</p> <p>HR will also support the production of the resource strategy to ensure there is resource in the business so that organisational performance is not negatively affected</p> <p>Action:</p> <p>Transition Strategy to be signed off (end November 2010)</p> <p>Transition Plans to be put in place in accordance with the programme plan – linked to project plans (date dependent on each project / programme of activity)</p>
4	The Council should consider developing and agreeing a Benefits Realisation Framework	H	PMO	Yes	<p>The realisation of benefits is paramount to the success of this programme, therefore a framework will be put in place to support this work stream</p> <p>Action:</p> <p>Benefits Realisation Framework signed off (end October 2010)</p>

No.	Recommendation	Priority (H/M/L)	Responsibility	Agreed	Comments
5	<p>The Project Management Arrangements are enhanced by ensuring that:</p> <ul style="list-style-type: none"> • A high level programme plan is developed and maintained. • Project tolerances are set and agreed • Project communication plans are developed and implemented. 	M	PMO PMO /project boards PMO / project boards	Yes	<p>There is no budget tolerance for any project in this programme</p> <p>Actions:</p> <p>Programme Plan produced and signed off (12 October 2010)</p> <p>Project tolerances to be set and agreed for live projects (at September project boards, where not already done, for existing projects and then at each subsequent stage. New projects to have tolerances signed off at each stage)</p> <p>Project communications plans for live projects to be produced and signed off (end September 2010)</p>
6	<p>The approach to Risk Management be enhanced by ensuring that the programme has established risk management and issues resolution standards for all projects. For example, so that all PIDs adopt the same, corporate standard content, when setting out risks, and the process for escalating risks is clearly understood</p>	M	Operational Group / PMO	Yes	<p>Action:</p> <p>Risk Management Framework, including risk and issue management standards signed off (12 October 2010). Framework to be communicated to all live and pending projects and stakeholders within one week of sign off</p>

Appendix B: Analysis of Programme Management Actions

1. Programme Start Up	Actions Required	Notes
LBB has confirmed commitment to the programme	<ul style="list-style-type: none"> • Overall business change strategy has been approved by Council Directors Group and Cabinet • Programme sponsoring group appointed. • Understand likely investment required 	<ul style="list-style-type: none"> • Cabinet paper Oct 2009 approved next stage of One Barnet programme, following conclusion of Future Shape work. • Have set overall objectives (VFM, relationship with citizens and One Barnet) and authority for Chief Executive to operationalise programme. • Programme Sponsoring Group set up (One Barnet Programme Board). Chaired by Leader, including reps from other local public sector bodies. Operational Group internal to Barnet - subset of CDG. • Budget established for 2 years. Likely investment still to be confirmed.
Business Need Confirmed	<ul style="list-style-type: none"> • Change contributes to LBB's corporate strategy • Programme mandate developed • Inter-dependencies identified 	<ul style="list-style-type: none"> • Programme contributes to various elements of LBB's corporate strategy. October 2009 Cabinet report identified links between programme objectives and corporate objectives. New corporate plan has recently been finalised, that also highlights these links. • No specific programme mandate document. Content included in Oct 2009 Cabinet report - i.e. have political mandate to operationalise programme. • Some interdependencies identified (in projects that have come forward in project brief or PID, depending on where in project life cycle). • Further to be identified as progress. Cabinet report did not provide steer on sequencing and priorities.
Appointment of Senior Responsible Officer (SRO)	<ul style="list-style-type: none"> • Programme level SRO appointed from the sponsoring group 	<ul style="list-style-type: none"> • Chief Executive is chair of operational group. Defined as SRO in terms of reference in programme manual. Responsibilities below SRO within programme have been

		agreed, e.g. Work Stream leads.
Produce Programme Brief	<ul style="list-style-type: none"> • Vision statement setting out planned outcomes • High level benefits and how they will be measured • Identification of programme level risks and issues • Estimated costs and timescales • Identify candidate projects 	<ul style="list-style-type: none"> • SRO has confirmed priority activity for programme. • Content on vision within individual projects. Some content in October 2009 Cabinet report, but no formal programme vision. • Programme tracking those benefits already identified (1-2 of 25+ planned projects). October 2009 Cabinet report includes content. • Have established programme risk register and issues log. • Finance have estimated programme support costs and captured initial project costs. • Have project database setting out planned portfolio of projects.
Check Success Potential	<ul style="list-style-type: none"> • Establish readiness for the organisation to respond to and manage change. • Identify inhibitors to change • Clarify inter-dependencies with other change projects or programmes • Identify change communication requirements 	<ul style="list-style-type: none"> • Have work stream on people and culture in the programme. Established a project team to manage this work stream. • More thinking required regarding capacity and prioritisation. • Not yet identified change inhibitors. • Interdependencies to be managed via corporate Investment Approvals Board process. Planning service directorate representation on operational group to support interdependency identification. • Currently completing change communication strategy.
Strategic Assessment	<ul style="list-style-type: none"> • High level assessment of programme's costs and benefits and impact on business needs 	<ul style="list-style-type: none"> • Not fully completed - see above.
Approval to proceed	<ul style="list-style-type: none"> • Clear statement of costs, benefits, risks and timescales 	<ul style="list-style-type: none"> • Cabinet 2009 report represents approval to proceed in principle, but this was not based on fully costed proposals, with high level benefits (etc) identified.
Build Programme Vision	<ul style="list-style-type: none"> • Develop Vision Statement • Develop organisational blueprint • Define benefits profile 	<ul style="list-style-type: none"> • Vision statement not yet further developed. • Debate commencing on organisational blueprint (e.g. target operating models) • Not yet moved to benefits profiling.

Design programme organisation	<ul style="list-style-type: none"> • Define roles and resources required to manage delivery of change programme 	<ul style="list-style-type: none"> • Programme roles defined (in programme organisation document) and PMO established.
Develop programme governance strategies	<ul style="list-style-type: none"> • Benefits Management Strategy • Benefits Realisation Plan • Stakeholder Management Strategy and Communications Plan • Risk Management and Issue Resolution Strategies • Quality Management Strategy • Resource Management Strategy 	<ul style="list-style-type: none"> • Stakeholder Management Strategy being developed. • Risk Management and Issues Resolution Strategy developed. • Other strategies are being developed or have not yet been developed.
Design programme plan	<ul style="list-style-type: none"> • Project evaluation / appraisal framework • Project portfolio • Programme schedule • Transition Plan • Monitoring and Control Activities to measure programme performance 	<ul style="list-style-type: none"> • Investment Approval Board established (corporate board, but forms part of programme structure). • Project database in place. • Timelines and sequencing at high level in development. • No transition plan. • IAB advises approved projects how and when re: monitoring. Programme board incorporates this for own monitoring purposes. • No high level programme plan. • Corporate project management system (Hydra) used by Project Consultancy - currently reviewing how to progress roll out across authority.
Develop programme business case	<ul style="list-style-type: none"> • Strategic Objectives • Planned benefits and outcomes • Overall risk profile • Estimated Cost • Overall timescales including scheduled programme milestones 	<ul style="list-style-type: none"> • Not yet developed.
Approval to Proceed	<ul style="list-style-type: none"> • Approve programme and confirm associated investment decision 	<ul style="list-style-type: none"> • Not at programme business case level. Approval to proceed (Oct 2009 Cabinet report) to operationalise programme.

2. Programme Governance	Actions Required	Notes
Establish Programme Structures	<ul style="list-style-type: none"> • Appoint Programme Director • Appoint Programme Manager and other programme resource • Establish Programme Board. 	<ul style="list-style-type: none"> • Programme Director appointed (on an interim basis). • Programme Manager appointed (permanent). • Operational Group is in effect the programme board.
Establish Physical Programme Environment	<ul style="list-style-type: none"> • Re-deploy existing facilities to provide office space and services for programme • Acquire technology and tools to support programme 	<ul style="list-style-type: none"> • PMO office space made available. • Access to all necessary tools and software (e.g. corporate risk register).
Establish Risk Management and Issues Resolution Standards	<ul style="list-style-type: none"> • Define risk and issues management framework. • Review Project Initiation Documents (PIDs) to ensure alignment with programme management framework. • Integration of project level information to standardise programme level reporting. • Agree reporting requirements. 	<ul style="list-style-type: none"> • High level risk and issues management framework. • Programme has adopted corporate project management methodology and templates. • PIDs (and project briefs and OBCs/FBCs) approved by IAB in process and governance terms, Operational Group approves investment. • Reporting requirements are set by IAB, in conjunction with PMO. At project level have quarterly highlight reports. Project Consultancy team also look at each project's timescales for more practical approach to reporting between quarterly reports.
HR Management	<ul style="list-style-type: none"> • Resource Management Strategy should identify HR requirements for the programme 	<ul style="list-style-type: none"> • Resource Management Strategy to be developed by PMO. To include project resource requirements, plus resources to support programme (e.g. financial, legal and commercial). • Programme has people and culture work stream.
Procurement and Contract Management (PCM)	<ul style="list-style-type: none"> • PCM requirements defined within corporate policies and standards (possible tailoring to suit needs of programme) 	<ul style="list-style-type: none"> • Currently programme has adopted LBB contract standing orders.
Programme Communications	<ul style="list-style-type: none"> • Roll out the Stakeholder management strategy and communications plan • Develop opportunities for 	<ul style="list-style-type: none"> • Developed Communication Strategy. PMO provided communication guidance for projects to consider.

	<ul style="list-style-type: none"> • promoting successes to wider local government audience 	<ul style="list-style-type: none"> • Further work required, e.g. with other public sector partners re: promotion.
Reporting, Monitoring and Control	<ul style="list-style-type: none"> • Roll out reporting, monitoring and control requirements defined in the Programme Plan across the programme and its projects • Escalation process agreed to ensure momentum of delivery is not compromised 	<ul style="list-style-type: none"> • Roll out as projects come on stream. Highlight report developed. • Escalation process defined in programme organisation document.
Information Management	<ul style="list-style-type: none"> • Establish programme document management system • Update and refine programme documentation as programme progresses 	<ul style="list-style-type: none"> • Use corporate guidance.
Management of Programme Activity	<ul style="list-style-type: none"> • Manage Programme Team • Work with other programme delivery providers 	<ul style="list-style-type: none"> • Programme Director, reporting to Director of Commercial Services. • As required.
Maintaining Business as Usual (BAU)	<ul style="list-style-type: none"> • Planning to ensure continuous service is maintained during change programme. • Plan for transition activities when new ways of working introduced 	<ul style="list-style-type: none"> • To be developed.
Interim reviews	<ul style="list-style-type: none"> • Interim reviews of progress in realising benefits • Review effectiveness of programme management activities 	<ul style="list-style-type: none"> • Not yet required, but to be established.

3. Managing Project Portfolio	Actions Required	Notes
Project Start Up	<ul style="list-style-type: none"> • Establish project evaluation / appraisal process for projects not currently part of programme. • Define project management standards required for live projects within the programme. • Ensure project team for each project in the programme understand project brief and project management standards required. • Review projects that 	<ul style="list-style-type: none"> • Via IAB. • Corporate project management standards being applied. • Have Projects Consultancy Team responsible for managing IAB, and assisting projects with project management discipline. Sits outside PMO, but work closely together. • No live projects adopted by programme to date.

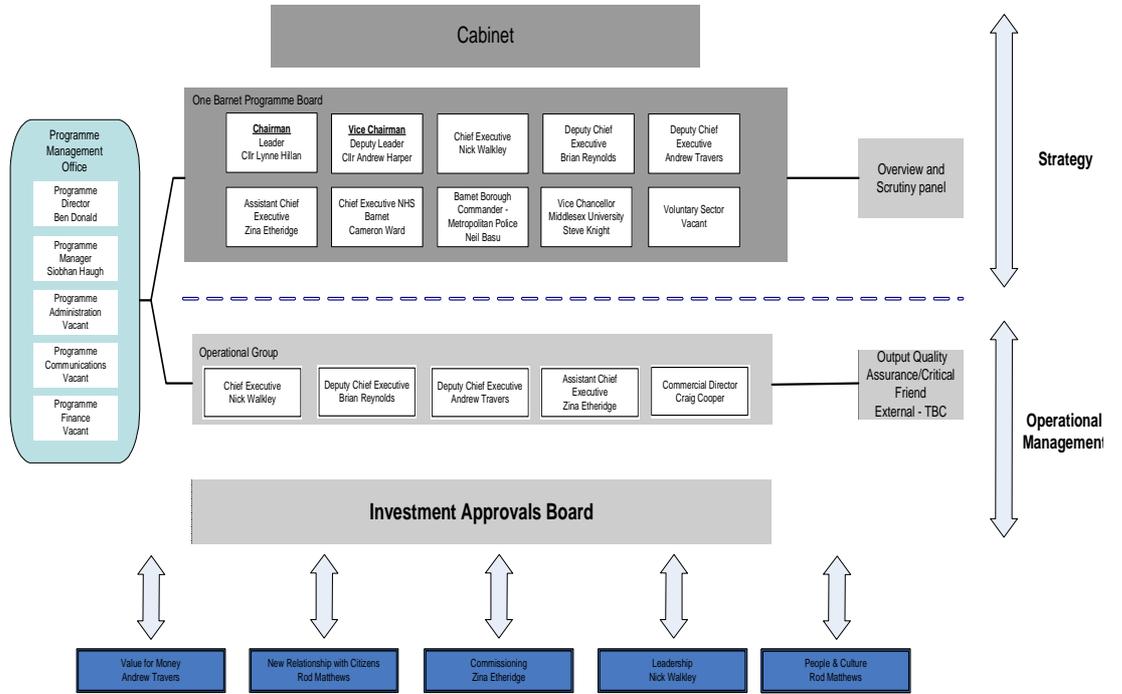
	<p>commenced prior to programme delivery to ensure project standards are aligned to programme requirements.</p>	
Aligning Projects	<ul style="list-style-type: none"> • Ensure required benefits and outcomes can be realised via the project outputs • Re-scope projects as required to align with the programme’s blueprint and benefit realisation plan. 	<ul style="list-style-type: none"> • Task identified at project level. To be completed - projects need to align to future blueprint. • Projects informing programme - programme will evolve as result of research and assessment activity (concept stage).
Monitoring Progress	<ul style="list-style-type: none"> • Monitoring of project outputs, milestones, expenditure and funding. • Reviewing project risks and issues • Avoid unintentional scope creep • Establish Programme Board reporting tolerances 	<ul style="list-style-type: none"> • IAB has central role in project monitoring. • Highlight report provides some of this content at programme level. • Reporting tolerances not yet defined. Some projects have included tolerances in project brief (particularly time), but as initial stage of delivery, being given greater tolerance in assessment period, but anticipated will tighten. • Tolerances need to be formalised.
Managing Risks	<ul style="list-style-type: none"> • Ensure project risks are appropriately tracked and managed 	<ul style="list-style-type: none"> • IAB ensures this requirement a condition. • Risks managed at a project level. PMO takes IAB reporting content from projects for programme board.
Project Closure	<ul style="list-style-type: none"> • Formal confirmation of project outputs • Start of transition and integration of outputs into business operations. 	<ul style="list-style-type: none"> • Not applicable - no projects have yet completed.
Managing Stakeholders	<ul style="list-style-type: none"> • Programme and project communication to end beneficiaries and those implementing change. 	<ul style="list-style-type: none"> • Communication Strategy not yet operationalised. Generally ad hoc approach to stakeholder engagement. • Particular need to focus on internal stakeholders - activity taking place, but needs to be structured and documented (e.g. change in personnel in future) • At a strategic level, there is good engagement with LSP.

4. Programme Closure	Actions Required	Notes
Confirm programme closure	<ul style="list-style-type: none"> • Formal confirmation from the Senior Responsible Officer and Sponsoring Group that programme business case has been realised 	<ul style="list-style-type: none"> • Programme still live.
Programme Review	<ul style="list-style-type: none"> • Evaluate performance of the programme to identify lessons learned 	<ul style="list-style-type: none"> • Programme reviews required, but not yet mapped out.
Finalise Programme Documentation	<ul style="list-style-type: none"> • Review and update all programme documentation to ensure any remaining issues, risks and outstanding actions have been with dealt with appropriately 	<ul style="list-style-type: none"> • Programme still live.
Disband programme team and support functions	<ul style="list-style-type: none"> • Individuals return to other duties or are assigned other duties • Any contracts finalised and closed. 	<ul style="list-style-type: none"> • Programme still live.
Inform stakeholders	<ul style="list-style-type: none"> • Inform all stakeholders of programme closure and its outcome • Marketing activity as required. 	<ul style="list-style-type: none"> • Programme still live.

5. Managing Benefits	Actions Required	Notes
Establish benefits measurement framework	<ul style="list-style-type: none"> • Measure “as is” position to baseline the benefits profile • Confirm how benefits are to be measured and evidenced. 	<ul style="list-style-type: none"> • Programme needs to define baseline position. • Projects to establish baseline position (either new piece of work or taken from last year's Future Shape work). Expect this to form part of options appraisal that will feed into programme Business Case. • Measurement of benefits requires further work.
Refining the benefits profile	<ul style="list-style-type: none"> • Regular review and adjustments as required during the programme 	<ul style="list-style-type: none"> • Highlight report includes content for benefit monitoring. • Within Future Shape making provision to monitor benefits.
Benefits monitoring	<ul style="list-style-type: none"> • Monitor progress against overall business case, programme plan, benefits realisation plan and blueprint • Understand impact of unplanned events on benefit targets and re-focus programme objectives as 	<ul style="list-style-type: none"> • To develop.

	required.	
Transition Management	<ul style="list-style-type: none"> • Utilise route map included in Programme Plan. • Alignment to Programme Communications Plan and HR Management Strategy • Communicate benefits realised. 	<ul style="list-style-type: none"> • To develop. • Starting to involve HR.
Supporting Benefits Realisation	<ul style="list-style-type: none"> • Embedding of change into the business so that benefits are realised • Identification of any dis-benefits and additional costs arising during implementation 	<ul style="list-style-type: none"> • To develop.
Measuring Benefits	<ul style="list-style-type: none"> • Measure achievement against benefit targets against baseline. 	<ul style="list-style-type: none"> • To develop.

Appendix C: One Barnet Programme Organisation





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AGENDA ITEM: 10 Page nos. 46 - 52

Meeting	Audit Committee
Date	21 September 2010
Subject	Carbon Reduction Commitment
Report of	Assistant Director of Finance
Summary	This report sets out to clarify a number of issues raised at the last meeting of the Audit Committee in respect of the Council's approach to Carbon Reduction Commitment (CRC) and the risks associated with this new statutory framework.

Officer Contributors	Nigel Bell, Senior Asset Manager – Asset Management Commercial Directorate
Status (public or exempt)	Public
Wards affected	Not Applicable
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not Applicable

Contact for further information: Chris Malyon – 020 8359 7172

1. RECOMMENDATIONS

1.1 That the contents of the report be noted.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The presence of strong risk management policies and procedures is paramount to the Council achieving all of its corporate priorities and as such impacts on all the corporate objectives.

3.2 There is one risk from the Directorate's Risk Register currently included in the Corporate Risk Register. The risk is:

- Environmental Management - organisation making effective use of natural resources (KLOE 3.1).

4. RISK MANAGEMENT ISSUES

4.1 The risks associated with the Council's approach to Carbon Reduction Commitment (CRC) were first raised in the Sustainability First Stat in June this year. At this point, a potential cost of £8.5m was identified as a possible impact. This is the worst case scenario and this was used to highlight that carbon reduction needs to be taken seriously by organisations as the potential cost of ignoring the CRC, or reporting it incorrectly, could, if audited in year 5, result in substantial backdated fines.

4.2 Under the CRC there are penalties associated with late and inaccurate data reporting but we are not envisaging that we will incur such fines and work is currently in progress to collect the necessary data in time.

4.3 Provision for the cost of allowances has been built into the Council's medium term financial plan in the sum of £300K. The actual allowances required may be in excess of or less than this sum.

4.4 No provision has been made for non compliance with reporting requirements but these requirements are being proactively managed.

4.5 CRC has been highlighted as a key Council operational risk.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 This proposal will not give rise to any issues under the Council's Equalities and Diversity policies.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 The potential financial implications are set out under Section 4 above.

7. LEGAL ISSUES

7.1 None other than what is contained in the main body of the report.

8. CONSTITUTIONAL POWERS

8.1 Constitution part 3 Responsibility for functions, section 2 responsibility for Council functions, details the terms of reference for the Audit Committee to provide independent assurance of the adequacy of the risk management framework.

9. BACKGROUND INFORMATION

9.1 At the last meeting of this Committee, a report was presented on the Environment and Operations risk register. One item on the register related to a potential financial risk, in respect of the Councils readiness and progress of the statutory carbon reduction commitment. A number of questions were raised regarding the potential impact of this risk, and whether any provision should be included within the accounts of the authority in relation to this risk. The purpose of this report is to provide further clarification on those issues raised.

9.2 What is the Carbon Reduction Commitment?

- The CRC Energy Efficiency Scheme (CRC) is a regulatory incentive to improve energy efficiency in large public and private sector organisations. The scheme started in April 2010 and is currently administered by the Environment Agency. The CRC arises as part of the UK's strategy for improving energy efficiency and reducing carbon dioxide emissions as required by the Climate Change Act 2008.
- It is a mandatory scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide (CO₂) emitted in the UK.
- CRC will affect large organisations in both the public and private sector. Organisations that meet the qualification criteria, which are based on how much electricity they were supplied in 2008, will be obliged to participate in CRC. Participating organisations will have to monitor their emissions and purchase allowances, initially sold by the Government, for each tonne of CO₂ they emit. The more CO₂ an organisation emits, the more allowances it has to purchase. So there is a direct incentive for these organisations to reduce their emissions.
- By increasing energy efficiency, the scheme will help organisations save money by reducing their energy bills. These savings should be well in excess of the costs of participating in the scheme.
- In addition, the better an organisation performs in terms of reducing its emissions, the higher it will appear in the annually published league tables showing the comparative performance of all participants. This in turn provides a further benefit: all the revenue raised from selling allowances is 'recycled' back to participants, and their league table position affects how much of the revenue each organisation receives.
- Organisations face penalties associated with inaccurate or delayed reporting of performance.

9.3 Reporting

For administrative purposes, the scheme is divided into set phased time periods with each phase comprising a number of principle components:

Qualification period - Organisations assess whether or not they qualify to make an information disclosure or participate fully in CRC based on qualifying electricity consumption from January 2008 to December 2009.

Registration period - Organisations which are required to take action under the scheme must either submit their information disclosure or register as a participant with the administrator between April and September 2010.

Footprint Year - Organisations are required to monitor their total emissions in energy use and determine what emissions must be included in the CRC and also provide a footprint report to the administrator - April 2010 – March 2011.

Compliance Years - These run from April to March, during which time all participating organisations must purchase allowances for each tonne of CO₂ they emit based on expected energy use and monitor their usage. First compliance year is April 2010 – March 2011.

Reporting - Organisations must report their actual emissions by the end of July after each compliance year and surrender allowances to cover to their reported emissions.

Revenue Recycling - In the October following reporting, participants will receive a Revenue Recycling Payment based on their performance in that year.

At present, we are completing the compilation of the necessary data for scheme registration and are working with Legal Services to define the Council's structure under the CRC. This will enable the Council to provide a realistic estimate of allowance requirement.

At the same time, energy supplier information is being gathered for the corporate estate and schools to enable us to request the appropriate supplier statements of consumptions towards the end of the current financial year. This will enable us to purchase the necessary allowances and submit our annual report next year.

9.4 Penalties & Allowances

The reference to the £8.5M potential cost of the CRC was originally presented at the Sustainability First Stat in June this year where it was used to highlight that carbon reduction needs to be taken seriously by organisations, and potential cost of ignoring the CRC, or reporting it incorrectly, could if audited in year 5, result in substantial backdated fines.

- 9.4.1 Under the CRC, there are penalties associated with late and inaccurate data reporting, but we are not envisaging that we will incur such fines and work is currently in progress to collect the necessary data in time.

- 9.4.2 Under the CRC, there is not an emissions target set, but participants including both public and private sector organisations are league tabled. A penalty or recycling payment is made depending on a league table position, which is based on the extent to which participants have reduced emissions. It is acknowledged that over time each league table position are likely to change dramatically as organisations with poor performing assets catch up and potentially have more scope to improve.
- 9.4.3 In relation to the £300K (potentially in the range £300-£500K), this refers to the annual cost of purchasing allowances for the Council's emissions and is not a fine. A bonus or penalty of up to ± 10 per cent is administered at the end of the first year with the maximum bonus or penalty increasing by 10 per cent each year for the first five years. Although significantly it should be recognised that in order to purchase £300K of allowances the organisation will have spent in the region of £4M on energy use.
- 9.4.4 The bulk of the potential fines result from producing inaccurate/incomplete data or providing data/reports beyond the required deadline. There are some fines (Incorrect reporting; failure to keep adequate records & Failure to comply with the performance commitment - surrendering sufficient allowances) which are based upon the figure of £40 for each tCO₂; these are the fines which can swiftly add-up.
- 9.5 Risks

League table ranking: Participants who fail to perform under the CRC will be “named and shamed” by the publicity of the league table, and will in effect bear extra costs (because they will not benefit from recycled payments).

League table metrics: Participants seeking to expand their UK operations (or number of portfolio properties) may be penalised by the league table ranking system which (following the introductory phase) largely considers a participant's absolute growth in emissions which would naturally increase with an expansion in business operations/growth.

Cost: The CRC is likely to significantly increase the cost of using energy in the UK as participants will need to purchase allowances in proportion their energy consumption. In addition, participants will be required to meet the administrative costs of scheme participation (e.g. relating to forecasting, monitoring and complying with reporting obligations).

Civil liability: In the event of non-compliance with the requirements of the CRC scheme, the CRC Administrator may impose civil penalties and may publicise the non-compliance. For example, in the event of failure to register under the scheme deadlines or for failure to submit an annual report, a fixed penalty of £5,000 (and daily fines thereafter) may be levied. In the event of failure to carry out the performance commitment, a fine of £40/tonne of CO₂ may be levied in respect of each allowance that should have been obtained.

Criminal liability: CRC participants may incur criminal liability where, for example, they have failed to comply with an enforcement notice or attempted to deceive or mislead the CRC Administrator. Criminal penalties can include fines of up to £50,000 (on conviction in the Magistrates' Court), or an unlimited fine (on conviction in the

Crown Court). Group companies participating in the CRC as a single entity will be jointly and severally liable.

Directors' and officers' liability: Individual directors and officers may be subject to personal liability where an offence is proved to have been committed with their consent, connivance or neglect. In extreme circumstances, they could be subject to imprisonment for a term not exceeding three months on conviction in the Magistrates' Court, or for a term

9.6 Recycling of Allowances

The recycling of allowance fees via the league table mechanism is also a risk that the council faces. The risk is that the council's performance will not be rated sufficiently high enough to receive back the equivalent payment it made in purchasing the allowances for the year.

The exact amount to be recycled to participants depends upon the number of allowances bought as a whole and the position of the council in the scheme's league table. Bonuses are awarded for good performance and penalties are imposed for lower performance. Unfortunately, this is impossible to predict accurately as it is based upon; our performance; our emissions as a percentage of all scheme emissions and the total allowances sale revenue. The maximum cost cannot be calculated by multiplying the bonus/penalty rate by our own allowance payment.

9.7 Mitigation

From April, additional staff resources have been made available for Energy Monitoring & Targeting purposes and the Council's Team Energy Accounting Software is in the process of being upgraded to improve monitoring for both the CRC and UOR. In addition, the Councils temporary Energy Efficiency Programme Manager is providing additional support for CRC activities.

The Council is currently participating in the London Energy Project CRC Health Check initiative which will provide a peer review and risk assessment on the Council's approach to CRC. In addition Strategic Finance has attended a number of CIPFA Carbon Finance Network Workshops and Asset Management, the London Energy Project CRC Workshops.

The majority of the Council's CRC emissions will be from the schools estate and we have written to all the Schools Head Teachers and undertaken presentations to the Head Teachers Forum to raise awareness of the issues and their responsibility.

A CRC Steering Group will shortly be set up to bring together existing administrators and stakeholders to formulate the ongoing approach to

- Compliance & Liability
- Allowance purchase strategy
- Footprint & Reporting
- Carbon Reduction & Investment Strategy
- Resources (Staff & Capital)

9.8 Financial Provisions

Questions have been raised as to whether the accounts of the authority should reflect the potential impact of CRC either as a specific provision or as a contingent liability.

Within the medium term financial plans, a provision has been made in the sum of £300k for 2011/12. At this stage, it is impossible to determine accurately what the actual financial implications of the scheme will be. Much will depend on ensuring that appropriate reporting mechanisms are in place and this will also be influenced by the Councils approach to risk associated with its 'trading strategy' for allowances. This latter point will be the subject of a more detailed paper later in this year.

The Council could of course receive a bonus depending on the relative performance of the Council in reducing emissions. The financial plans of the authority therefore take account of the potential short term operational affect of the CRC regime.

However, as mentioned above, there is a potential risk in relation to non compliance with statutory reporting requirements of the scheme. This has been rightly recognised as a risk for the Council within risk registers and is being managed as a high priority.

At the last meeting of the Committee, questions were raised on whether a specific provision or contingent liability should be recognised within the Accounts of the Council at this stage. The potential implications of the reporting requirements of the scheme have been clearly recognised by the Council as a high risk and are being managed accordingly.

Given the mitigating actions that the Council is enacting, it is not felt appropriate to raise a contingent liability as it is anticipated these risks will be proactively managed to ensure they do not materialise into actual penalties. Not making any specific provision at this stage does not undermine or reduce the Council's commitment to ensure that it tackle this issue

10. LIST OF BACKGROUND PAPERS

10.1 Environment and Operations Risk Register.

10.2 Medium Term Financial Plan.

Legal: MAM

Finance: CM

AGENDA ITEM: 11

Page nos. 53 - 57

Meeting	Audit Committee
Date	21 September 2010
Subject	Grant - Higher Education Funding Council for England
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	Report requested by Audit Committee members regarding: How the risk arose around the grant; Steps taken to mitigate risk and Safeguards in place for the future

Officer Contributors	Maria G. Christofi, Assistant Director Financial Services, Finance Directorate Karen Balam, Interim Assistant Director of Finance Sadhna Patel, Finance Manager
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Maria G. Christofi, Assistant Director Financial Services (020 8359 7122).

1. RECOMMENDATIONS

- 1.1 That the report regarding the Higher Education Funding Grant be noted.
- 1.2 That the Audit Committee provide comment on other improvements the Committee may require.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee Report 17 June 2010.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan includes an objective to 'provide excellent, highly efficient and cost effective regulatory services' within 'Better services with less money'.

4. RISK MANAGEMENT ISSUES

- 4.1 Potential risk associated with timely and accurate grant claims and reducing the risk of income loss to the Council.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Steps have been taken to mitigate a risk of this nature, and actions put in place to safeguard the risks for the future, which will deliver better financial management in future assisting the Council in meeting its public equality duties.

6. USE OF RESOURCES IMPLICATIONS (FINANCE, PROCUREMENT, PERFORMANCE & VALUE FOR MONEY, STAFFING, ICT, PROPERTY, SUSTAINABILITY)

- 6.1 Finance implications of the Higher Education Funding Council Grant, which includes prior grant not claimable and the potential loss of grant income into the future.

7. LEGAL ISSUES

- 7.1 None, other than in the report.

8. CONSTITUTIONAL POWERS

- 8.1 The Audit Committee's terms of reference are noted in Part 3, Section 4 of the Council's Constitution and includes to monitor the effective development and operation of risk management and corporate governance in the Council.

9. BACKGROUND INFORMATION

- 9.1 In the Final Outturn Position Report 2009/10, presented to Cabinet Resources Committee on 17 June 2010, accrued grant of £2.008m relating to the years 2006-07, 2007-08 and 2008-09 claimable from the Higher Education Funding Council of England (HEFCE) was approved for write off. This report sets out

how the write-off arose, steps taken to mitigate the grant loss and safeguards put in place for the future.

- 9.2 The HEFCE grant reimburses staff-related inherited liabilities under section 133 of the Education Reform Act 1988 and section 67 of the Further and Higher Education Act 1992. This empowers but does not require HEFCE to pay certain bodies in respect of relevant expenditure incurred or to be incurred by the body of any prescribed class of expenditure relating to:

Premature retirement compensation payments	Payments made to individuals that used to be employed in connection with an advanced FE course as teachers and lost their job between 1 April 1981 and 1 April 1989.
Safeguarding compensation payments	Payments made to individuals that used to be employed in an institution or a department of a further education establishment which immediately prior to 1 August 1975 was conducted as a teacher training establishment. These payments are for long-term compensation that would convert to retirement compensation upon the individual retiring. Also included in this annex are safeguarding payments made to individuals who ceased to be employed in a college or department of teacher training on or before 31 March 1989.
Pensions increases under Local Government Superannuation Scheme for former non teaching staff of former PCFC-funded institutions	Payments made to individuals that used to be employed in connection with an advanced FE course but not as teachers who lost their jobs prior to 1 April 1989.

The grant is claimable until all the inherited liabilities cease, which is upon death of the original pensioner or their spouse, whichever is the latter.

9.3 Timescales

- 9.3.1 On the 18th August 2009, Finance staff were made aware, by HEFCE, that the grant for Barnet Council had ceased. Staff working on the HEFCE claim became aware of this situation when a member of staff telephoned HEFCE regarding a returned cheque relating to a grant overpayment relating to prior years.

- 9.3.2 HEFCE provided copies of previous correspondence they had had with the London Borough of Barnet which:

- set out the outstanding queries HEFCE had with the Barnet grant claim;
- the communication trail that had previously taken place; and

- the final cessation of grant letter of the 28th October 2008.

9.3.3 The cessation of grant letter from HEFCE dated 28th October 2008, addressed to the then Director for Resources & Chief Finance Officer, set out an 18 month trail of communication (written, telephone and meetings) between HEFCE and the Council to resolve outstanding issues relating to the 2005-06 and 2006-07 grant claims. Throughout the period to 29th September 2008, when the penultimate letter from HEFCE was received, the authority had the opportunity to resolve the outstanding issues regarding the 2005-06 and 2006-07 claims and maintain a positive relationship with HEFCE. The lack of response to the communications by HEFCE directly lead to the cessation of the grant.

9.3.4 Grant income of £1,015,156 was accrued for during the closure of accounts in 2008-09, after receipt of the cessation letter dated 28th October 2008. This indicates that the seriousness of the 28th October 2008 letter was not recognised, which led to a further accrual being posted in the accounts and the risk of the accruals not being recognised were not adequately reported.

9.3.5 The cessation of the grant was reported to the Interim S151 Officer on the 20th August 2009 and the Leader on the 30th October 2009, at which stage the financial risk to the authority was recognised. Significant work has taken place since to re-establish a positive working relationship with HEFCE resulting in their agreement to re-instate the grant going forward. The Council's approach to recovery was guided by independent legal advice. Additional actions have included the commissioning of an external review which led to an internal disciplinary process, which has now been completed.

9.4 **How the risk arose**

9.4.1 Some of the factors that contributed to the grant cessation included: the implementation of the SAP accounting system; poor working papers; and knowledge gaps arising due to staff changes during the prior Finance restructure. There was also a lack of systematic procedures for the collation of the evidence to back-up the claims. This was all compounded by what appeared to be limited or non effective handover of the claim procedure to anybody else remaining with the Council post a restructure of Finance that took place in 2005. Finally, the grant claims do not appear to have been given the correct level of priority for staffing resources given the potential income risk.

9.5 **Steps taken to mitigate risk**

9.5.1 There have been various steps taken to improve the end to end process, to validate the claim and mitigate the risk. Officers successfully negotiated with the Higher Education Funding Council to build trust and confidence in the Council that the claims going forward would be accurate and timely.

9.5.2 Staff members were directed to deal with this grant claim through to completion. All relevant elements of the claim were assessed and it was confirmed that they were eligible by reviewing the pensions records. It was

also essential to ensure that there was a thorough understanding of the grant body rules of the claim to ensure that the eligible pensioners could be claimed for and to understand why they were eligible. These required to be documented and referenced the claim to the grant regulations. Further, it was imperative that all grant claims were reviewed for timeliness for all grants and that the grant database was reviewed to ensure that all grants were included.

- 9.5.3 Moving forward, following the period post the current finance restructure, staff will ensure there is a proper handover of the claim and evidence gathering process to the relevant team.
- 9.5.4 A lot of time and effort has been spent by Finance and Pension teams to amalgamate the database as requested by HEFCE. This database was sent to HEFCE as work in progress late 2009 and HEFCE made a payment to Barnet in February for part of the claim.
- 9.5.5 The deadline for the claim for 2009/10 was 31 July 2010 this was processed by loading the information of the individuals and amounts via the website. There was no reconciliation statement to be completed. This information was uploaded on 30 June 2010. The 2009/10 claim has been agreed and the year end statement has been signed and sent to HEFCE. A letter confirming this position was received by Barnet on 26th August 2010.

9.6 **Safeguards in place for the future**

- 9.6.1 The key safeguard is the process of monitoring the grant register for timely grant claims and, where applicable, reviewing audit opinions for accuracy of grant claims.
- 9.6.2 Other safeguards are to ensure that there is appropriate knowledge transfer between outgoing and remaining and new staff, and developing (or reviewing) team work schedules to ensure they are comprehensive and consistent with control processes (such as the grant register and grant claim monitoring system).
- 9.6.3 The database has been thoroughly checked and cleansed by pensions to ensure that the individuals that are recorded on it meet the criteria and have been accepted by HEFCE. HEFCE also has the list of deferred individuals who will be on the claim form in the future, therefore moving forward there should be no issues with regards to the payment from HEFCE.

10. **LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: SAL

Finance: AT

AGENDA ITEM: 12 Page nos. 58 - 72

Meeting	Audit Committee
Date	21 September 2010
Subject	Annual Governance Statement
Report of	Director of Corporate Governance
Summary	This report seeks approval of the Annual Governance Statement

Officer Contributors	Richard King - Interim Assistant Director Audit and Risk Management
Status (public or exempt)	Public
Wards affected	All
Enclosures	Appendix A – Annual Governance Statement
For decision by	Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Jeff Lustig, Director of Corporate Governance -Tel: 020 8359 2008

1. RECOMMENDATIONS

- 1.1 **To approve the Annual Governance Statement for inclusion with the Statement of Accounts for 2009/10.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Audit Committee 5 December 2007 approved the arrangement for preparing an Annual Governance Statement.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Council's objectives include the priority "Better Services with Less Money" within which is the further aim "To improve the effectiveness and transparency of decision making within the Council" .
The Annual Governance Statement is a public document that shows that the Council recognises that there are areas for improvement; the Committee's scrutiny of their progress supports the Council's objectives.

4. RISK MANAGEMENT ISSUES

- 4.1 Referred to in the body of the report.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Good governance arrangements are necessary to ensure that the Council is meeting its equalities and diversity obligations and objectives.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Sound corporate governance is at the heart of effective use of resources. Embedding the AGS framework within the business planning and performance management framework will ensure a robust corporate approach is maintained for the future.

7. LEGAL ISSUES

- 7.1 Referred to in the body of the report.

8. CONSTITUTIONAL POWERS

- 8.1 The Audit Committee's responsibilities include "to oversee the production of the Annual Governance Statement (AGS) and to recommend its adoption".

9. BACKGROUND INFORMATION

9.1 Background to the Annual Governance Statement

- 9.1.1 Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) requires a local authority to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control (SIC) each year with the authority's financial statements.

9.1.2 The requirement for an authority to produce a SIC has been replaced by a requirement to prepare an Annual Governance Statement (AGS).

9.1.3 Circular 03/206 issued by the DCLG in August 2006 stated that proper practice in relation to internal control would include guidance in the “Corporate Governance in Local Government. A keystone for Community Governance (Framework and Guidance Note)” produced by CIPFA/SOLACE in 2001. The CIPFA/SOLACE Framework was revised in 2007 and it is this Framework which requires authorities to produce an AGS rather than a SIC to meet the requirements of the Accounts and Audit Regulations 2003 (as amended).

9.1.4 The CIPFA/SOLACE Framework is titled “Delivering Good Governance in Local Government”. It sets out the following core principles of corporate governance. They are:-

1. Focussing on the purpose of the authority and outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust accountability.

9.1.5 In essence, the AGS is the formal statement that recognises, records and publishes the Authority’s governance arrangements as defined in the framework.

9.2 Content of the AGS

9.2.1 The AGS should incorporate a review to ensure that the Council has effective governance, risk management and internal control processes in place. Actions being taken or required to be taken should be identified. (Section 5 of the Statement, attached, identifies the Improvement Areas for 2010/11)

9.2.2 The best practice framework provides guidance on what the AGS should contain including:-

- Responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control).
- Indication of the level of assurance that the systems and processes that form the governance arrangements can provide.
- Brief description of the key elements of the systems and processes that have been applied in maintaining and reviewing the effectiveness of the governance arrangements.

- An outline of the actions taken, or proposed to deal with significant governance issues, including an agreed action plan.

9.2.3 The purpose of the AGS is to report on the Council's governance arrangements and covers all systems processes and controls, spanning the whole range of its activities.

9.3. Process

9.3.1 The Framework requires the AGS to be reviewed at least once a year. The AGS document is required to be included in the annual statement of accounts. Since the Draft Statement was reported to the Committee on 21 June 2010, the Council's External Auditors have commented upon the Draft and these comments have been considered and appropriate revisions made to the text that was approved by members at the previous meeting.

9.3.2 Part of the review process includes this reporting to the Audit Committee, which is responsible for assessing that the arrangements in this respect are effective to determine if their work during the year has identified issues of significant weakness.

9.3.3 If the Committee approves the AGS it will be incorporated into the statement of accounts for 2009/10 which is considered later on the Agenda.

9.3.4 The Audit Committee is asked to approve the Annual Governance Statement 2009/10 for the purpose of the statutory reporting requirement. The AGS for 2009/10 is attached at Appendix A

10. LIST OF BACKGROUND PAPERS

10.1 CIPFA/SOLACE - Delivering Good Governance in Local Governance Framework.

CIPFA/SOLACE – Delivering Good Governance in Local Government Guidance Note for English Authorities

CIPFA/SOLACE Financial Advisory Network: The Annual Governance Statement.

10.2 Any person wishing to view the background papers should telephone Jeff Lustig, Director of Corporate Governance – Telephone: 020 8359 2008.

Legal: JEL

Finance: CM

ANNUAL GOVERNANCE STATEMENT 2009/2010

1. Scope of Responsibility

Barnet London Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including the management of risk.

Barnet London Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework delivering Good Governance in Local Government. This statement explains how the Council has complied with the code and also meets the requirements of regulations 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 in relation to the publication of a statement of internal control.

2. The Purpose of the Governance Framework

The governance framework encompasses the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

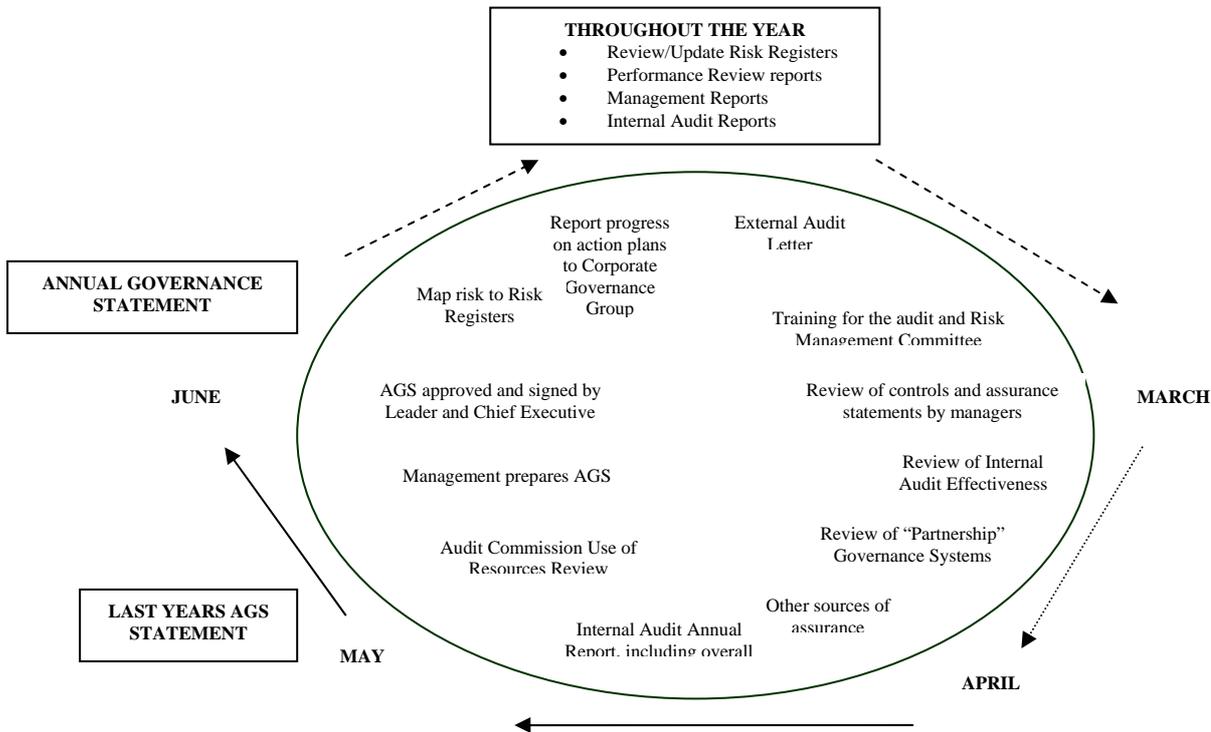
Internal Control Environment:

The Internal Control Environment is a system of checks and balances designed to manage risk, facilitate policy and decision making and deliver effective performance management in a cost effective and efficient manner thereby ensuring the Council uses its resources effectively:

- Performance Management System
- Corporate Strategy and Business Planning
- Annual Budget and Monitoring
- Code of Corporate Governance
- Project Management
- Anti Fraud Policy (and the work of the Corporate Anti Fraud Team)
- Financial Regulations and Procedures
- Code of Conduct
- Whistle Blowing Policy
- Complaints Policy
- HR Policies
- Information Standards
- Standards Committee
- Scrutiny Panels
- Audit Committee
- Contract Procedure Rules
- RIPA Policy

The Governance Framework:

The governance framework has been in place within Barnet London Borough Council for the year ended 31st March 2010 and up to the date of approval of the annual report and accounts. The governance cycle adopted by the Council is as follows:-

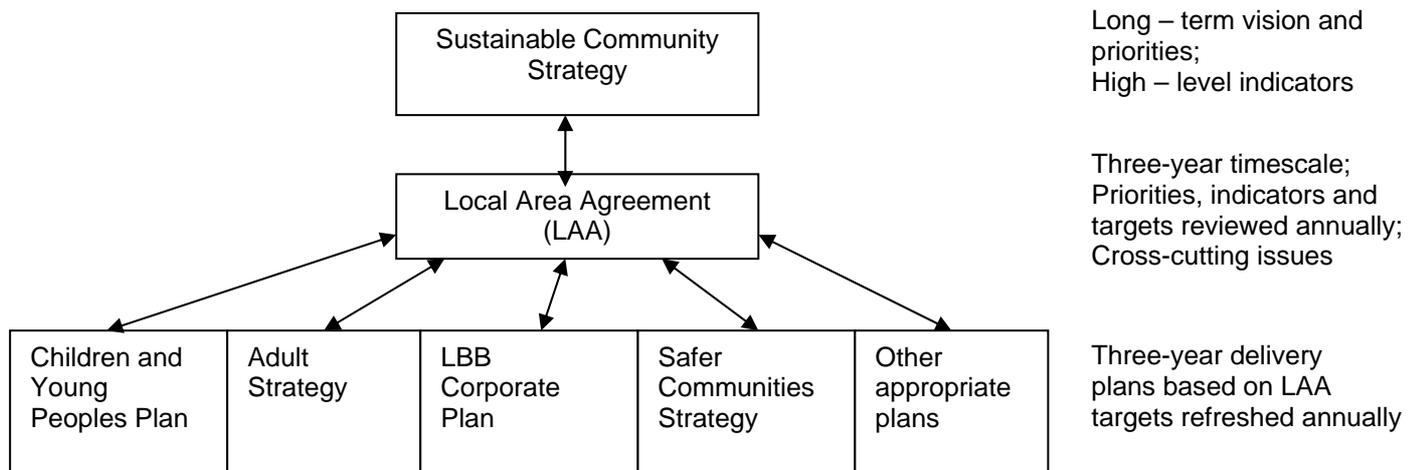


3. The Corporate Governance Environment

The Councils governance environment is consistent with the six principles of the CIPFA/SOLACE framework.

Principle 1: Identifying and Communicating the Council's Vision and Purpose

The diagram below outlines the relationship between the local strategic plans:-



In May 2008 Cabinet agreed the establishment of a Future Shape of the Organisation programme, in order to ensure that the Council was best placed to exercise local leadership and respond to the challenges that would face local government and public services in the future.

In December 2008, Cabinet agreed a programme structure for the next phase of the future shape programme, and that a detailed assessment of the overall model for public service commissioning, design and delivery be undertaken. The outcome of this assessment was reported back to Cabinet in two phases on 6 July and 21 October 2009.

The conclusions of the initial work were that to meet the challenges ahead, the following principles should be applied:

1. A new relationship with citizens

In which citizens will have a much greater involvement in designing services and actively participating in improving their lives and Barnet.

2. A one public sector approach

In which our strategies and services and those of our public sector partners are integrated and aligned, so that we can work together to improve outcomes for people in Barnet. An important aspect will be placing democratic accountability at the heart of it all.

3. A relentless drive for efficiency

In which the Council plays a leading role in ensuring that public services as a whole are as efficient as they can be.

The 21 October report to Cabinet considered arrangements for implementing the Future Shape work programme and agreed that given the size of the programme and the risks involved, separate governance arrangements, including a Future Shape Programme Board and Overview and Scrutiny Committee be created to oversee the implementation of Barnet's Future Shape programme.

This Board was subsequently named as the One Barnet Programme Board and first met on 11 February 2010. Its specific purpose is to:

- Provide governance for the implementation of the Future Shape programme, to be known as the One Barnet programme
- Set the direction of the One Barnet programme and agree in principle and at first approval stage those projects that will form part of the programme
- Ensure that all projects deliver a corporate priority and fit with the 3 Future Shape principles
- Make recommendations to Cabinet, or any other Council decision making body where formal decisions are required, on the implementation of elements of the programme

It has a remit to:

- Consider and agree a work programme for the implementation of the One Barnet programme
- Review initial assessment plans and outline business cases
- Make recommendations to Cabinet on the approval or refusal of business cases
- Make any other recommendations to Cabinet as appropriate
- Receive reports from the Council's Investment Approvals Board ("IAB") as to the management of projects in the programme
- Consider any appropriate feedback from the Future Shape Scrutiny Panel

It is chaired by the Leader of the Council, and also includes the Deputy Leader, as well as Chief Executive, Deputy Chief Executives and Representatives from key public sector local strategic partners.

The Board is intended to be a consultative body only and does not take decisions in its own right. The Board will consider matters before it and make any recommendations as necessary to the Council's Cabinet or any other of the Council's decision making bodies.

Alongside this, the Future Shape Overview and Scrutiny Panel was established with a power to review the proposals being taken to the Programme Board as part of its activities to ensure early engagement in their development. The Panel evaluates and challenges business cases, reviews options appraisals, examines

linkages between the strands of the Future Shape programme, oversees implementation and refers issues to the One Barnet Programme Board and/or Cabinet as appropriate.

The governance of the Local Strategic Partnership will be reviewed during 2010-11 including the relationship with the One Barnet Programme Board.

Principle 2: Members and officers Working Together to Achieve a Common Purpose with Clearly Defined Functions and Roles

Elected members are collectively responsible for the governance of the Council. The Local Government Act 2000 introduced new executive arrangements whereby full Council, following proposals from the Executive, agrees the Council's policy framework, budget and key strategies. The Executive (the Cabinet), which comprises elected members, is responsible for implementing them and is responsible for exercising all functions of the Council except to the extent they have been categorised as non-executive functions (e.g. planning, licensing, elections and other miscellaneous functions).

This effectively separates decision-making and scrutiny of those decisions. The Chief Executive, Section 151 officer, Monitoring Officer and other senior managers are responsible for advising the Cabinet and scrutiny committees in legal, financial and other policy considerations.

<p>Executive Roles:</p>	<p>The Cabinet comprises a Leader and nine executive Members with the following portfolio responsibility (during the review period):</p> <ul style="list-style-type: none"> • Leader & Resources • Deputy Leader and Children's Services • Planning and Environmental Protection • Housing and Regeneration • Adults • Public Health • Investment in Learning • Policy and Performance • Environment and Transport • Community Engagement and Community Safety
<p>Clear Decision Making:</p>	<p>Formal procedures and rules govern the Council's business:</p> <ul style="list-style-type: none"> • Constitution • Scheme of Delegations • Financial Regulations • Scrutiny Process Guidance • Terms of reference for the Pension Fund Panel
<p>Compliance:</p>	<p>Specific statutory responsibility rests with:</p> <ul style="list-style-type: none"> • Chief Executive (Head of Paid Service) • Director of Corporate Governance (Monitoring Officer) • Deputy Chief Executive (Section 151 Officer)

<p>Monitoring:</p>	<ul style="list-style-type: none"> • Financial and operational data is reported to the Cabinet and Review panels quarterly • Work programmes of the Overview & Scrutiny Committees and the Audit Committee include a challenge to both policy development and performance review • Performance monitoring has improved in 2009/10 by bringing together operational and financial performance information • The institution of a dedicated Budget and Performance Overview & Scrutiny Committee has also enabled more effective Member oversight of the Council's performance • Further improvements are planned in 2010 with the introduction of customer satisfaction reporting
<p>Value for Money:</p>	<p>The Council has been very successful at driving the efficiency Agenda with the costs being one of the lowest in London. However there is still much to do. Recognising this the new streamlined corporate plan has 'better services with less money' as one of only three key priorities. Some key activities to take this agenda forward are:</p> <ul style="list-style-type: none"> • Establishment of an Investment Advisory Board • Service savings targets • Improved performance management/service planning • London Efficiency Challenge • Benchmarking exercises • Future Shape Programme (this is the main vehicle for driving the future efficiency programme and will change the way in which services are procured and delivered). • Every committee or Delegated Powers report has a corporate requirement to detail the value for money implication of the issue under consideration
<p>Partnerships:</p>	<p>Partnership working is pivotal to Barnet's success. The Local Strategic Partnership (LSP) is at the heart of this approach. Metropolitan Police, Barnet College, NHS Barnet (the Primary Care Trust, Middlesex University and CommUNITY Barnet (formerly Barnet Voluntary Service Council work with the Council for the benefit of our communities. Key priorities of the LSP as expressed in the Sustainable Community Strategy are:-</p> <ul style="list-style-type: none"> • Growing Successfully • Safer, Stronger and Cleaner Barnet • Investing in Children and Young People • Healthier Barnet (including older people).

Principle 3: Values of Good Governance and Standards of Behaviour

The Council recognises that good governance is underpinned by shared values demonstrated in the behaviour of its members and staff.

The Director of Corporate Governance is the Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution. However Directors have the primary responsibility for ensuring that decisions are properly made within the operations of the Directorates. The standards of conduct and behaviour expected of members and officers are clearly set out in a number of the codes of conduct for members and for officers.

- Members Code of Conduct
- Officer Code of Conduct
- Protocols for Member – Officer Relations
- Planning and Licensing Codes

Training programmes for both members and staff support these codes.

The Deputy Chief Executive is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. The Chief Internal Auditor has direct access to all three statutory officers and has well established reporting lines to members.

Core Principle 4: Making Transparent Decisions Which are Subject to Scrutiny and Risk Management

The Council recognises that all of its decisions must be legal and reasonable in the knowledge that all decisions are challengeable. The Council must therefore be able to demonstrate that decision makers followed a proper process, the decision was properly documented and was taken having regard to all relevant considerations.

Scrutiny Function:

The Scrutiny function works effectively to challenge performance and policy development which is supported by focussed reviews undertaken by Task and Finish Groups and Ad Hoc Committees. Recent work undertaken in relation to youth homelessness and road resurfacing has been strongly welcomed by the Cabinet.

Scrutiny committees, which comprise non-executive members, question and challenge the policy and performance of the Cabinet and also the Council's policy and performance in respect of non executive functions. The successful instilling of a culture of pre-decision Scrutiny is integral to the continued effective operation of the Scrutiny function, allowing meaningful member oversight of and contributions to major strategic and policy items.

Scrutiny has also had an ongoing role in the Council budget process, allowing member oversight of the long and short term financial picture, together with guiding the Council's direction with regard to budget consultation.

Audit Committee:

A major strength of the internal control system is the role of the Audit Committee. The purpose of an Audit Committee is to provide independent assurance of the adequacy of the internal control environment, and to oversee the financial reporting process.

To achieve these aims, the committee is responsible for the following key functions:

- Reviews of internal audit strategy, annual plan and performance, plus review of summary internal audit reports, and seeking assurance that action has been taken as necessary;
- Consider, where appropriate, the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, and seek assurances that action is taken on risk related issues identified by auditors and inspectors;
- Ensure that the authority's assurance statements, including the Corporate Governance Statement, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective working relationships between external and internal audit, inspection agencies, and other relevant bodies, and that the value of the audit process is actively promoted;
- Reviews the Council's controls on data quality processes

Standards Committee:

The Standards Committee is responsible for:

- Promoting high standards of conduct
- Assisting members to observe the Code of Conduct

- Advising the Council on the adoption of revisions to the Code of Conduct
- Monitoring the operation of the Code of Conduct
- Provision of training on the Code
- The granting of any dispensations

Robust Risk Management Processes:

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during 2009/2010. Formal risk management arrangements provide for risk identification, analysis and ownership. Service Plans utilise service based risk registers in their objective setting and overarching or corporate wide risks are identified within the Corporate Risk Register.

All Cabinet and Committee reports include a section on risks ensuring members make fully informed decisions.

Quarterly risk management forums are held to share best practice and to agree procedural improvements and the Internal Control Checklist process to aid managers proactively manage their service risks. A process which is reviewed annually.

As part of the budget setting process the Chief Financial Officer will assess the financial risks facing the Council and will recommend to the Council a prudent level of reserves, provisions and balances having taken into account those risks.

The Internal Audit Function:

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, which require the maintenance of adequate and effective systems of internal audit of accounting records and control systems, and full assistance from officers and members in the provision of documents, records, information and explanation to enable the proper fulfilment of those audit responsibilities. The work of the Service reflects professional best practice, is guided by the Code of Practice for Internal Audit on Local Government and by the policies, procedures, rules and regulations established by the Authority.

The internal audit function, which works closely with the external auditor, undertakes a planned programme which is approved by the Audit Committee. The programme includes independent reviews of the systems of internal control and risk management.

Each Head of Service is responsible for operating systems of internal control within their service that will provide reasonable assurance of effective and efficient operations, reliable information and compliance with laws and regulations. A report on audit activity is made regularly to the Audit Committee. Internal Audit has concluded overall, based on the findings of work undertaken at Barnet Council that only limited assurance can be given on the systems of internal financial control in place. A number of areas for improvement have been identified and will be implemented on an agreed and phased basis subject to the assessed level of risk.

Corporate Anti-Fraud Team (CAFT):

Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. The Director of Governance has the delegated authority for providing and maintaining this service.

The objective of the CAFT is to assist officers and Members in the effective discharge of their responsibilities. To this end, the CAFT furnishes them with assurance, analysis, appraisals, recommendations, counsel, and information concerning the activities it is required to become involved with. The objective includes promoting fraud awareness across the authority

CAFT is an independent, objective activity designed to add value and improve the council's operations. It helps the council achieve its objectives by bringing a systematic, disciplined approach to investigation evaluating and improving the effectiveness of fraud prevention and detection and the subsequent prosecution of individuals and organisations where appropriate. The council has a zero tolerance approach to fraud and other irregularity including any Money Laundering activity.

The CAFT operate under the Council's approved Counter Fraud and Anti Money Laundering Frameworks. The purpose of these Frameworks is to ensure that we have an appropriate set of policies and guidelines in

place in order to ensure fraud and money laundering activity is minimised through effective prevention, detection, investigation and deterrent measures and that we have a unified cohesive approach to reflect best practice.

The work and effectiveness of the Team is reported regularly to the Audit Committee.

Strong Financial Management:

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures and a structure of delegation and accountability. Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council
- A robust system of budgetary control including formal quarterly including projected outturns, and additional summary reports. Provisional outturn statements are produced and presented as close to the end of the financial year as possible
- Financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets
- A clear and concise capital appraisal process for prioritising and approving all capital projects
- Adherence to Prudential Indicators approved by Council to ensure that the Council only undertakes capital expenditure for which it can afford both the financing costs and the running costs;
- Provision of a financial management training course for all new budget managers;
- Financial Training for new budget holders
- Provision of a Project Management training

Core Principle 5: Developing the Capacity of Members and Officers to be Effective

The Council needs people with the right skills to direct and control staff. To this end both Members and staff need to have the right skills to drive the organisation forward. The Council's learning and development needs are met through training, e-learning and other methods.

- All new members are provided with a detailed induction programme into the operations, objectives, partnerships, and codes of the Council.
- Following the implementation of the new Corporate Plan, officer personal evaluation and target setting has to be directly aligned to the Council's key priorities.
- Cross organisational engagement has been undertaken to improve knowledge and understanding of those corporate priorities and how services contribute to them
- A two year Member Induction and Development Programme has been developed in consultation with Members and Officers, to be implemented at the start of the municipal year 2010/11.

Core Principle 6: Engaging with Local People and Stakeholders

The Council is committed to engaging with its citizens. Community participation and engagement is essential to secure sustainable improvement in public services and to engage citizens in the public decision making processes that affect their lives.

There is a range of consultation and engagement mechanisms to identify local people's views and priorities. The Council is responsive to local views and is particularly sensitive to the needs of vulnerable people. Planning recognises local needs in more disadvantaged areas.

The Council adopted a Consultation and Engagement Strategy in 2004. As a consequence some traditional modes of communication have been used such as Residents Forums, Citizens' Panel and a Civic Network. However, in recent years communication vehicles have gone through radical change. The Council has maximised the use of these new opportunities, during the review period, including:-

The Leader Listens:	<ul style="list-style-type: none"> • Invites every household to meet with the Leader at meetings organised by polling district • Includes a blog which is moderated by the Leader • Extended to Leader Listens to Faith and Small Business
Website:	<ul style="list-style-type: none"> • Website re-launched in 2009 • Social networking links from home page • 'Improved ability for citizens to post comments • 'Fix My Street' – ability for residents to post issues • Pledge Bank – opportunity for communities to obtain funding by making a part commitment
Ward Visit:	Chief Executive and Ward Members meets residents to discuss local issues
Budget Consultation:	<ul style="list-style-type: none"> • A series of face to face events, via the Leader Listens, Area Forums, and a Leader Listens Business Event • An online Budget Simulator (575 respondents) • An online qualitative survey on the Budget Headlines (18 respondents) • Letters sent out to all business rate payers inviting them to comment and take part in the consultation on the Budget Headlines • Budget and Performance Overview & Scrutiny Committee providing opportunity for wider consultation with Members on the budget at all stages of its development

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior officers of the Council who have responsibility for the governance environment, the Head of Internal Audit's annual report, and any comments made by the Council's external auditors and any other review agencies and inspectorates.

In practice the Council has a continuous process in place for maintaining and reviewing the effectiveness of its governance framework which includes the following:-

Monitoring:	Financial and operational monitoring presented to senior managers, the Cabinet, and Scrutiny Committees on a quarterly basis
Internal Audit:	<ul style="list-style-type: none"> • Monitored by Audit Committee in year • Further strengthening of resources and profile planned • Implementation of revised working practices
Year End Processes:	<ul style="list-style-type: none"> • No significant issues identified in year end service control reports • Statutory Officer assurances obtained on internal control and governance arrangements • Review and cross referencing of inspection and audit reports and no issues identified.

Risk Management:	Service based risk registers completed and available for challenge Corporate risk register reviewed and refined
Standards Committee:	Met regularly and covered work programme in addition to fully operating the system of local regulation through Sub-Committee assessment meetings and hearings
Audit Committee:	Met regularly throughout the year Regular reports received on:- <ul style="list-style-type: none"> • Risk management • Internal Control • Anti fraud • Governance
Overview & Scrutiny	Overview & Scrutiny reviews its effectiveness on a yearly basis, with the findings reported with its annual report to Full Council.
Special Committee (Constitution Review)	Special Committee (Constitution Review) reviews the Council's Constitution over the course of the municipal year to ensure that good governance is maintained by it accurately reflecting current legislation and practice.

Significant Governance Issues:

A number of areas for improvement were identified in the 2008/09 Annual Governance Statement. An update of those issues is set out below – those highlighted have actions that carry through to the 2010/11 Improvement Plan:-

Improvement Area:	Current Position:
Lack of adherence to the Councils Treasury Management Strategy	New procedures now operating to ensure compliance with the Strategy. Regular reports presented to the Audit Committee on activity and a compliance and training programme has been developed for Members to ensure that they have the necessary skills to robustly challenge and scrutinise the process.
Project Design and project management failures	A corporate framework was introduced in the summer of 2009. This has brought significant improvements to the governance and challenge of project initiation and delivery. It also provides detailed guidance and support for anyone involved in the management of a project.
Implementation of new scrutiny arrangements	New arrangements successfully implemented at the Annual Council Meeting 2009. A review of the new arrangements will be carried out early in 2010/11.
Clarification of the internal control systems and processes	An Internal Control Improvement Action Plan identified areas and provided actions for enhancing internal control. These actions, whilst some are ongoing, will be effectively implemented by September 2010.
Project post implementation reviews	As part of the corporate project management framework a post implementation review is required for every project. These will be captured and by the project consultancy team with the Commercial Services Directorate and used on future projects.
Member development	Developed a Member Induction and Development Programme 2010-12 to be implemented following the 2010 municipal elections.
Statutory Officer meetings – to aid improved governance	These meetings have been held on a regular monthly basis throughout the review period and have an agenda to deal with key current governance issues.
Review of the Scheme of delegation	The carrying out of this review was agreed by the Special Committee (Constitution Review) in 2009/10 and a further report will be presented to the Committee in 2010/11.

Role and profile of regulatory committees	Revised versions of Members Planning Code of Practice and Members Licensing Code of Practice were adopted by the Council in November 2009 following full consideration by the Standards Committee and the Special Committee (Constitution Review). Both aimed at giving Members and others a clearer insight into the appropriate behaviours and arrangements for dealing with these regulatory processes.
Develop partnership working towards a Goal of 'one public service'	'One Barnet Programme Board' including representation from partners established to oversee Future Shape programme (see below). LSP continues to oversee joint working including receiving reports on Future Shape;
Ensure governance remains central to change management programme	See above comments on project management governance

5. 2010/11 Improvement Areas

Key Improvement Area:	Assigned To:
CAFT Pro Active Fraud Programme 2010/11 will include high risks areas based on outcomes from previous CAFT investigations, 'No Assurance' IA reports, and national areas of concern for local government. This includes the impact of the recession on local authority fraud risks.	CAFT Manager
An overarching Information Management Strategy to pull together the various policies and procedures relating to information governance and data processing and management	Head of IS/Performance & OD Manager
A detailed action plan for addressing the data protection issues highlighted in the ICO Audit Data Protection Audit Report	CDG/Director of Corporate Governance/Head of IS
Internal audit will provide quarterly progress reports to the Audit Committee on performance against the agreed annual plan.	Head of Internal Audit
Internal Audit will work with directors and senior managers on strengthening the risk management system	Head of Internal Audit
A comprehensive training programme for Members of the Audit Committee will be prepared and delivered to enhance the Committee's performance	Democratic Services Manager
Improving the Overview & Scrutiny structure to maximise the effectiveness of the Scrutiny function, including entrenching a pro-active culture of pre-decision Scrutiny.	Democratic Services Manager
Ensure partnership governance arrangements fit for purpose, specifically of the LSP	ACE/ DCG
Raise the profile of risk management within the organisation and embed within the business planning process.	DCE/AD of F

AGENDA ITEM: 13

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Meeting	Audit Committee
Date	21 September 2010
Subject	Contract for the provision of Councillors new IT equipment
Report of	Director of Commercial Services
Summary	This report outlines the arrangements for the contract for the provision of Councillors new IT equipment

Officer Contributors	Kylton Trim, Nasreen Tayab, Colin Attree
Status (public or exempt)	Public (with a separate exempt report)
Wards affected	All
Enclosures	None: The identity of suppliers are detailed in the accompanying exempt report
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Kylton Trim, Head of Information systems (0208 359 7905) or Colin Attree, Head of Corporate Procurement (0208 359 7194)

1. RECOMMENDATIONS

- 1.1 That the Committee notes the contents of the report.
- 1.2 That the Committee consider whether there is any area upon which they require additional information.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Providing Councillors with reliable fit for purpose IT equipment directly supports the Councils three corporate priorities of 'A Successful London suburb', 'Better Services with Less Money' and 'Sharing Opportunities and Sharing Responsibilities'.

4. RISK MANAGEMENT ISSUES

- 4.1 The cost of maintenance and support of IT equipment increases as it approaches the end of its working life. Without a standard refresh cycle for IT equipment there is a risk of increased unplanned cost.
- 4.2 The Council continues to increase its dependency on technology to deliver services and to communicate internally and with residents. Without refreshing IT equipment regularly, there is a risk of disruption to the work of Councillors through increasing hardware failure of IT equipment.
- 4.3 The risk of not obtaining the most economically advantageous pricing has been mitigated by conducting a mini competition utilising existing Framework Agreements.
- 4.4 The risk of challenge to the procurement process from a third party has been mitigated by conducting a mini competition utilising the following existing Framework Agreements:
 - Buying Solutions Commoditised IT Hardware and Software Agreement (RM712)
 - Eastern Shires Purchasing Organisation (ESPO) Framework Agreement for IT Related Products contract number 113
 - Essex Online Partnership Framework

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 The standard IT equipment offers a wide range of facilities that can be enabled to meet specific needs. The provision of effective IT equipment to support the work of Councillors will benefit the entire community

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 Providing reliable IT equipment to Councillors provides value for money by reducing the amount of time lost due to equipment hardware failure and the associated support costs.

7. LEGAL ISSUES

- 7.1 None other than those to which reference is made in the body of Report.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution part 3 Responsibility for functions, section 2 responsibility for Council functions, details the terms of reference for the Audit Committee to consider the Council's compliance with its own and other published standards and controls.

9. BACKGROUND INFORMATION

- 9.1 In 2006 when the Councillors' IT equipment was first issued, the Council's IT estate comprised mainly of desktop PCs with a small number of laptops. As part of the Accommodation Programme the majority of desktop PC's have been replaced with a standard Tablet PC. The recent refresh of Councillors' IT equipment brings Councillors IT equipment up to the standard equipment currently being issued to Council officers. Standardisation of equipment enables improved support for the equipment and economies of scale in procurement exercises.
- 9.2 The main components of Councillors' IT equipment consist of a laptop, monitor and printer. The standard replacement cycle for equipment of this type is between 3-4 years. The reason for this is that, in general, extending the use of equipment beyond this timeframe leads to increased downtime, poor productivity and increasing support costs.
- 9.3 Older IT equipment is less able to run the latest software in use today. The Council has recently improved the security for data accessed on mobile devices by rolling out encryption software in addition to continuously updating anti-virus software. Software programs of this type are optimised for newer IT equipment; using older equipment often results in poor performance and instability.
- 9.4 The majority of Councillors' IT equipment was 4 years old at the time of replacement. During the last 2 years the IT equipment issued to Councillor's has failed on 754 occasions, 661 of these has prevented the affected Councillor from working.
- 9.5 The hardware cost of replacing Councillors' IT equipment is £106,000. This equipment is based on the standard IT equipment issued to Council officers.

- 9.6 In recognising the need to replace the IT equipment, there was a need to enter into a contract with a supplier from whom appropriate equipment could be purchased. To this end the Council's Corporate Procurement Team initiated a mini competition utilising 2 existing Framework Agreements:
- Buying Solutions Commoditised IT Hardware and Software Agreement (RM712) This agreement has 12 suppliers
 - Eastern Shires Purchasing Organisation (ESPO) Framework Agreement for IT Related Products contract number 113. This agreement has 15 suppliers

In addition, a request for quotations was sent directly to HP utilising the Essex Online Partnership Framework.

- 9.7 Utilising existing Framework Agreements within the mini competition enabled the Procurement Team to conduct an efficient procurement process, without having to follow a full European Union procurement process. The Buying Solutions quotation was conducted online and the Eastern Shires Purchasing Organisation Framework was issued via email. Suppliers were given a two week restricted timescale in which to respond which was then extended for a further week to allow suppliers to obtain their pricing from HP.
- 9.8 The Procurement Team utilised the Essex Online Partnership Framework to obtain direct pricing from HP which was used to benchmark and compare pricing received under the other Framework Agreements. The procurement route chosen enables items to be sourced direct from HP in a compliant manner without paying for any mark ups from resellers and is the most competitive option. As stated above we did however involve by mini-competition the reseller community to ensure the widest competition possible and to ensure the direct route with HP was in fact truly the most competitive.
- 9.9 On the 1 June 2010 responses from suppliers were received and evaluated using a price and quality matrix. After consulting with Information Systems, it was deemed competitive to opt to award directly to HP for the provision of the standard IT equipment.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Legal: JM
Finance: MC