

LONDON BOROUGH OF BARNET

Annual Governance Statement



2017-2018

CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2017/18 except for those areas identified in Section 7. We propose over the coming year to take steps to address the matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness and will monitor their implementation and operation as part of our next annual review.

SIGNED: _____

Leader of the Council

Date: _____

SIGNED: _____

Chief Executive

Date: _____

1. INTRODUCTION

- Barnet 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 Council acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.
- This Annual Governance Statement explains how the Council meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015 in relation to the publication of a statement of internal control.
- The Council has a separate Code of Corporate Governance which will be reported alongside this Annual Governance Statement. The Code is consistent with the principles of the Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. A Code of Corporate Governance is also included within the Constitution which details the Good Governance principles. How the Council complies with the principles will be reported annually alongside the Annual Governance Statement.

2. GOVERNANCE

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. Good governance leads to effective:

- leadership and management;
- performance and risk management;
- stewardship of public money; and
- public engagement and outcomes for our citizens and service users.

3. THE GOVERNANCE FRAMEWORK

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

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, if operating effectively it cannot eliminate all risk and can only provide reasonable, not absolute assurance of effectiveness.
- The system is based on an on-going process designed to:
 - * make sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud;
 - * that public money is properly accounted for and is used economically, efficiently and effectively;
 - * that the Council operates in a lawful, open, inclusive and honest manner;
 - * that the Council has effective arrangements for the management of risk;
 - * that the Council enables human, financial, environmental and other resources to be managed efficiently and effectively;
 - * that the Council secures continuous improvement in the way that it operates;
 - * that the Council properly maintains records and information;
 - * that the Council ensures its values and ethical standards are met:
 - a. identify and prioritise the risks to achievement of the Council's policies, aims and objectives,
 - b. evaluate the likelihood of those risks being realised together with the impact should they be realised, and
 - c. manage them efficiently, effectively and economically.
- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.
- Where improvements in the governance framework are required (as outlined in section 7) they will be addressed in the coming year.

4. THE ANNUAL GOVERNANCE STATEMENT

- The Annual Governance Statement is made up of statements that are underpinned by the assurance framework. The assurance framework enables Members and Senior Management to identify the principal risks to the Council's ability to meet its key objectives. Members and Senior Management can map out both the key controls to manage the risks and how they are assured that these controls are effective in identifying, managing and mitigating risks.
 - This process is designed to provide assurance, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved, except for those areas identified in Section 7 which require further improvements.
 - The annual assessment gives the Council an opportunity to review that effectiveness of the governance arrangements that operating within the Council. In addition, 'the three lines of defence assurance model' helps Members and Senior Management to understand where assurances are being obtained from, the level of reliance they place on that assurance and identify potential gaps in assurance to help inform Key Areas of Improvement.

The Three Lines of Defence in effective Risk Management and Control

The three lines of defence model is designed to provide confidence, based on sufficient evidence, that internal controls are in place and are operating effectively and that objectives are being achieved.

As assurance is derived from multiple sources, the “Three Lines of Defence” concept helps identify and understand the different sources of assurance.

Where controls are not operating effectively then improvements to strengthen the control environment are required, such issues are set out in section 7 of the report and will be addressed in the coming year.

<p>2nd Line of Defence</p> <p>Oversight and Support</p> <p>Strategy, Policy, Direction setting, decision-making, assurance oversight</p>		<p>1st Line of Defence</p> <p>Business and Operational Management</p> <p>Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance,</p>	<p>3rd Line of Defence</p> <p>Independent Assurance</p> <p>Independent challenge and audit, reporting assurance, audit opinion assurance levels</p>
<p>Committee and Scrutiny Functions</p>		<p>Operational Management and Staff</p>	<p>Internal Audit</p>
<p>Senior Management Functions</p>		<p>Managing Performance and Data Quality</p>	<p>External Audit (provide assurance to those charged with governance)</p>
<p>Risk Management and Performance Management</p>		<p>Programme and Project Management</p>	<p>External Inspections</p>
<p>Functional Compliance (Information Management, HR, Legal, Contract and Financial Management)</p>		<p>Delivery of Service Business Plans</p>	<p>Review Agencies</p> <p>Regulators</p>

5. HOW HAS THE ANNUAL GOVERNANCE STATEMENT BEEN PREPARED?

The Council has reviewed significant governance issues from previous years and identified new issues that have arisen during the year. Detailed updates on these issues are set out in the following sections.

The Council have also updated the Local Code of Corporate Governance to reflect the updated CIPFA Framework which includes an assessment of our compliance with the revised seven principles of Good Governance.

6. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Within this Annual Governance Statement, the Council has undertaken a assessment of significant governance issues and progress made against these. Any areas which have not been resolved will carry forward into 2018/19 and will continue to be monitored. Any issues that have been resolved during 2017/18 will no longer be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels.

The Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is monitored annually and reported via a separate Code of Corporate Governance 2017-18 which is reported to the Audit Committee alongside this Annual Governance Statement.

7. SIGNIFICANT GOVERNANCE ISSUES

NEW ISSUES – 2017/18

7.1 Annual Internal Audit Opinion; ‘Limited Assurance’ on the internal control environment of the council.

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. The four possible ratings that can be given are: No Assurance, Limited Assurance, Reasonable Assurance and Substantial Assurance.

For 2017-18 the annual opinion overall has given the council ‘Limited Assurance’ over the internal control environment of the council. It states that there are major improvements required to improve the adequacy and effectiveness of governance and control compliance.

This is the first ‘Limited Assurance’ annual opinion that has been issued since 2010–11 and is a deterioration on 2016-17 when an opinion of reasonable assurance was given.

The key themes that have led to the limited assurance opinion are:

- Financial control and fraud risk
- Oversight, accountabilities and roles and responsibilities

Both themes are separately reported as Key Improvement Areas within the Annual Governance Statement (refer 7.1 and 7.6). Oversight, Accountabilities and Roles and Responsibilities was also reported on in the 2016-17 Annual Governance Statement.

The Audit opinion has also reported a range of additional findings relating to areas that include data quality and integrity, compliance and policies and procedures. The opinion includes details on the audits that have been undertaken during 2017-18.

The opinion also sets out the fact that there has been significant increase in the percentage of audit reports receiving an overall rating of “limited” (from 11% in 16/17 to 25% in 17/18), and a corresponding decrease in the percentage of audit reports receiving a “reasonable rating” (from 78% in 16/17 to 61% in 17/18), which represents a clear weakening of the control environment at the council.

In the coming year, Internal Audit will continue to focus its work on the areas identified above and in addition will support through the audit plan, the findings from the independent review of the financial control environment, where improvements are required. This will be monitored through the councils Audit Committee who will be updated regularly on the progress of improvement actions.

7.2 Financial Control and Fraud Risk

As referred to in the Head of Internal Audit Opinion internal audits undertaken during the last year indicated a decline of the financial control environment. This included a number of areas where basic fraud prevention controls were not operating, including segregation of duties for transaction approvals and reconciliations, proactive review of areas with a high fraud risk due to value or known issues, and user access to key financial systems.

An internal fraud issue came to light late in December 2017 and the Council responded promptly with a set of follow up actions. These included a criminal and financial investigation being commenced directly by our Corporate Anti-Fraud Team (with relevant support where required from the Police) and the individual no longer working for Re. In addition, enhanced financial controls were immediately implemented to strengthen the safeguards of the council's finances until a full independent review could be undertaken. An independent review of financial controls and a financial forensic analysis was commissioned in January 2018 (as referred to in 7.6 Oversight, Accountabilities and Roles & Responsibilities).

Members of the Audit Committee were initially briefed on the matter in January 2018 and a further report was also provided to the Audit Committee in April 2018 during an exempt session (in accordance with Sections 100A-H and Schedule 12A Local Government Act 1972).

In the coming year, and following the work undertaken in response to the independent review of the financial control environment, there will be a focus on further tightening of financial controls and financial governance in the council. This will be monitored through the councils Audit Committee who will be updated regularly on the progress of improvement actions. In addition, and on conclusion of the criminal investigation and any associated proceedings, a more detailed report covering the criminal investigation will also be taken to the Audit Committee.

7.3 Barnet's Fire Safety

Following the tragic fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea, a report was submitted to Housing Committee on 26 June 2017 that set out the fire safety arrangements already in place in residential tower blocks, and committed to developing a programme of fire safety improvements. The report set out the immediate action being taken in relation to 3 blocks clad with aluminium composite material (ACM) at Granville Road. The Committee also agreed to an increase in the Housing Revenue Account capital programme to meet the cost of fire safety works to council housing.

The Housing Committee has since received further progress reports, and agreed a package of works totalling £30m to improve fire safety in council homes. This includes the replacement of

cladding at Granville Road and high priority and desirable works in other high- rise blocks, including the upgrading of fire detection systems and the installation of sprinklers in blocks with 10 or more floors and a single stairwell.

The ACM cladding has been removed from the Granville Road blocks and the new cladding is being installed, with work due to complete later this year. A programme of high priority works is also underway, and due to complete in September 2019.

Barnet Homes have been asked to produce a costed programme of fire safety works for low and medium rise blocks which the Housing Committee will consider in October 2018, alongside additional desirable works to high rise blocks with 2 stairwells.

The Housing Committee has also received information on the work that the Council has undertaken in relation to fire safety in high rise buildings in the private sector and managed by Housing Associations.

The Assets, Regeneration and Growth Committee received updates in July and November 2017 on fire safety for the Council's high rise operational buildings and some other premises. A number of fire safety improvements have been implemented at Barnet House, an 11-storey office block in Whetstone occupied by council services and a prioritised programme of site visits is underway at leased premises, with resulting actions being followed up as necessary.

This work will continue to be a focus in the coming year.

EXISTING ISSUES – FROM 2016/17

7.4 OFSTED Inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board.

This was identified as a governance issue in the 2016/17 Annual Governance Statement which carried forward into the 2017/18 Statement. The issue as originally reported in 2016/17, plus updates of progress made during 2017/18 are set out below:

Ofsted undertook an inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board from 24 April 2017 to 18 May 2017. Ofsted judged these services to be 'inadequate' and made 19 recommendations for improvement.

The council fully accepted the findings of the Ofsted report and has since worked to implement the Improvement Plan which sets out the actions and journey we need to make to transform our social care services for children, young people and their families from inadequate to outstanding.

On the 18 July 2017 the council's Children, Education, and Libraries & Safeguarding (CELS) Committee received the first quarterly update report which included the key findings from the inspection report and an overview of the draft 'written statement of action' (draft Improvement Action Plan) which was approved by the council and submitted to Ofsted on 17 October.

Since then, a series of temporary governance arrangements have been put in place to drive and monitor the improvement programme at pace. These included a DfE appointed commissioner, Frankie Sulke CBE, who reported directly to the Secretary of State; a DfE approved Improvement

Partner, which is Essex County Council; an independently chaired Improvement Board, with representation from across the council and partner agencies; and regular progress updates to the CELS committee on the Barnet Children's Services Improvement Action Plan during 2017/18. The Children's Committee will continue to receive updated a regular item until services are improved.

Ofsted conducted monitoring visits in November 2017, February 2018, and April 2018, and will continue to undertake a series of activities including an action planning visit, a programme of quarterly monitoring visits and a re-inspection once the period of monitoring has ended. The outcome of the visits confirmed "...the pace of change has remained consistent and focused.... Senior leaders are fully aware that there are still areas of considerable challenge before practice is of a good standard and the needs of children are well served."

The DfE appointed Commissioner concluded that the council should retain its services and work with Essex as our Improvement Partner. In May 2018, she concluded that the council no longer needed a commissioner and will continue to work with partners, including Essex, to improve. The authority will, however, continue to be subject to intervention by the Department of Education (DfE) until services are improved.

This area will continue to be monitored as a significant issue during 2018/19.

7.5 Pensions Administration

In 2016/17 concerns were identified relating to pensions administration and further issues that led to Regulatory Intervention by the Pensions Regulator to the London Borough of Barnet Pension Fund. The regulatory intervention entailed a fine that was levied due to non-completion of the 2016 Scheme Annual Return.

The council has been engaging closely with the Pension Regulator since summer 2017 to address these issues. To date, the Regulator has not exercised the right to take enforcement action and continues to work with the council in the sphere of "educate and inform" in respect of service improvement and internal controls in the management of pensions administration.

The council has taken action in respect of the performance of the pension administration service including initiating a Service Improvement Plan (SIP) with regular reporting to the Pension Committee and Pension Board. Furthermore, the council commissioned an audit of the pensions administration service during 2017 and reported the outcome to the Audit Committee; the Council has subsequently committed dedicated resource to oversee performance of the service provider.

There remain issues with the service provider's progress against the SIP, and the council is continuing to use the mechanisms under the contract to drive improvement. This will continue to be monitored and managed during 2018/19.

The Regulator continues to monitor performance and progress and it is expected this will continue until the Regulator is satisfied that the scheme is operating effectively, efficiently and in full compliance with the Pensions Regulations, Code of Practice and legislative framework governing public service pension schemes.

This area will continue to be monitored as a significant issue during 2018/19.

7.6 Oversight, Accountabilities and Roles & Responsibilities – Commissioning, Finance and Contracts

This was identified as a governance issue in the 2016/17 Annual Governance Statement, which carried forward into the 2017/18 Statement.

During 2016/17 it was identified that oversight, accountabilities and roles and responsibilities across commissioning, finance and contract management were a key area for improvement. During summer 2017 the council undertook a Performance Governance Review designed to:

- Improve the clarity of roles and responsibilities in respect of the management of key strategic contracts;
- Ensure that internal governance arrangements support the delivery of the council's desired outcomes;
- Further develop the performance reporting and monitoring framework to ensure that it drives improvement; and
- Update contract management arrangements

Since the review, a refreshed contract management framework and governance structure for strategic contracts has been implemented in collaboration with partners, especially CSG and Re. Improvements made include standardised monthly meetings across each service area within the strategic contracts, comprehensive performance information dashboards bringing together indicators, risk, audit recommendations, and more clearly defined escalation processes. These are supported by a revised contract management handbook clearly setting out roles and responsibilities and processes. In terms of performance management across the council, a streamlined performance framework has been put in place across all council areas.

- However, areas of persistent poor performance and concern mean that greater control is needed. In July, members at the P&R Committee will consider a proposed review to enable a potential realignment of the council's partnership with Capita. If the committee approves the recommendation, the council will undertake the review with a view to bringing a final report to committee in the autumn. The proposed review reflects the council's ongoing commitment to ensuring service delivery arrangements are as effective and efficient as possible.

This area will continue to be monitored as a significant issue during 2018/19.

7.7 Health and Safety Compliance

In the 2016/17 Annual Governance Statement, the health and safety function within CSG, was identified as an issue due to a backlog of inspections and a lack of management information. Progress was reported in the 2016/17 Statement and the further progress made during 2017/18 is set out below:

All revised KPIs for measuring building compliance across the whole of the maintained estate are now in effect. In order to deliver against those KPIs, the compliance management team within Building Services has been totally transformed. The new team is already demonstrably improving the standard and coverage of building compliance across the estate, together with responsiveness to identified safety issues. Detailed compliance reports on the whole of the council's estate are provided to the council's Head of Estates as part of the monthly and quarterly reporting cycle, with any areas of risk highlighted, together with relevant mitigating

action. In addition, monthly contact management meetings are being chaired by the council's Head of Estates, at which such risks and issues are discussed. Significant risks are escalated to the CSG Partnership Operations Board (POB) and Strategic Commissioning Board (SCB) by the council's Head of Estates and / or Head of Health, Safety & Wellbeing as required. A separate report on compliance is also presented to SCB Assurance on a quarterly basis.

Due to much improved and robust sub-contractor management, the number of tests / inspections overdue by more than two months has been significantly reduced to four properties, at the time of writing, all of which are being dealt with. There is a programme of work to reduce this figure to zero and completing that programme is a clear priority for the council's partner, CSG Estates, as is the timely completion of high priority works arising from those inspections.

Formal escalation procedures remain extant, should high risk issues with buildings be identified as part of routine compliance management. Similarly, formal escalation procedures are also still in place to ensure that compliance in community schools is reported back to the Council by the schools in a timely fashion. This ensures that relevant senior personnel within the Council and CSG are made aware of issues as they are identified and that decisions relating to controlling risk can be made promptly.

The Capita National Compliance Team continues to provide an important assurance function by holding monthly meetings with the local delivery team to ensure continuity in statutory compliance practice. They have, and will continue to, share performance reports, known issues and service shortfalls to relevant personnel both in council and CSG Estates in order to highlight and / or escalate areas of non-compliance so that appropriate action can be taken in a timely manner.

This area is no longer a significant issue that will be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels during 2018/19 including the Financial Performance & Contracts Committee and Audit Committee.

7.8 Electoral Services – Electoral Registration and Elections

This was identified as a governance issue in the 2016/17 Annual Governance Statement which carried forward into the 2017/18 Statement.

In accordance with relevant legislation, the Electoral Services team manage Electoral Registration and the delivery of elections on behalf of the Electoral Registration Officer (ERO) and the Returning Officer (RO). The ERO/RO is statutorily appointed by the council, but these duties are performed independent of the elected members.

Over the past year the Electoral Services team has continued with its programme of continuous improvement. To this end the team has reviewed processes and performance across its range of activities and has developed a number of systemic improvements and enhancements. In particular the recruitment and training of temporary staff for elections and electoral registration duties has been refined and improvements have been evident in the performance of these staff. Further to this, Electoral Services has fully recruited to its substantive staff structure and has specifically developed its work on democratic engagement with and for electors and residents, elected members, officers and other key stakeholders.

Barnet has the largest electorate in London and Electoral Services have worked hard to ensure that the electoral register is maintained as completely and accurately as possible. This electoral registration work has included the completion of the Annual Household Enquiry Form canvass

(which achieved a completion rate of 98% of properties having responded or been personally visited) and a highly successful activity utilising a discretionary Household Notification Letter (HNL) in February 2018 ahead of the May 2018 Local Elections.

During the last year, Electoral Services have delivered the June 2017 snap General Election and the May 2018 Local Elections. General feedback on the preparation and implementation of both elections has been overwhelmingly positive and the declared results have been universally accepted by all stakeholders as transparent, accurate and wholly compliant with electoral legislation. A thorough review of the June 2017 General Elections was conducted and its findings were reported to General Functions Committee in October 2017. This was positively received and where future enhancements were considered possible, these lessons were taken forward. A similar review of the May 2018 Local Elections is now underway and the findings from this review will be reported in due course to the new Constitution and General Purposes Committee.

Throughout the work on continuous improvement, Electoral Services has developed its corporate and public profile and this has included internal and external communications campaigns. The 'Barnet Local Elections' branded campaign that ran from the HNL through to the conclusion of the elections proved to be highly successful, as was evidenced by the reduced number of registration and election queries throughout the election period, whilst contributing to an increased turnout at 43.7% (>2% increase compared with 2014 and one of the highest borough-wide turnouts in London).

This area is no longer a significant issue that will be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels during 2018/19 including the Constitution and General Purposes Committee.

8. CONCLUSION

Over the coming year will be taking steps to address the matters outlined in this Annual Governance Statement and addressed within the Internal Audit Annual Opinion to further enhance governance arrangements and control compliance within the council. We are satisfied that these steps will address the need for improvements that have been identified and we will monitor their implementation and operation through appropriate committees throughout the year as well as part of the next annual review.

The council will also continue to ensure elected members are kept fully briefed of any new significant issues that may arise in year.