

	<p>Audit Committee 16th July 2019</p>
Title	Report of Chief Executive
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Wards	All
Status	Public
Urgent	Yes
Key	Yes
Enclosures	None
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Summary	
<p>In July 2018, the Audit Committee received a report from the Chief Executive on the key governance and organisational challenges that the Council was facing, and the plan to address these.</p> <p>They were as follows:</p> <ol style="list-style-type: none"> 1. Children’s Improvement; 2. Improvements to Financial Controls; 3. Review of CSG and RE contracts; 4. Budgetary control and financial planning; 5. Council management structure; and 6. Review of governance. <p>This report feeds back to the Committee on the progress made against these key governance and organisational challenges.</p>	

Officers Recommendations
<p>1. That the Committee note and comment on the report.</p>

1. WHY THIS REPORT IS NEEDED

Context

- 1.1 Barnet Council, along with most Councils across the country, is facing significant challenges in terms of continuing to deliver the best possible services for people locally, with reduced funding from central government, along with increasing demand for services, particularly in respect of adults and children's social care, and the costs of temporary accommodation.
- 1.2 The Council's core purpose is to deliver the best services and best outcomes for people in Barnet. The Council's approach to enable us to continue to deliver against this has been to plan ahead for these challenges, setting out a future financial strategy based around growth in income from development, driving efficiency, and managing demand across high cost services.
- 1.3 Throughout the year 2018/19, the Council has been focusing on a number of key challenges and areas for improvement which were originally reported to Audit Committee back in July 2018. These have included improving children's services, improving internal financial controls, reviewing the CSG and Re contracts, addressing financial sustainability and reviewing organisational governance.
- 1.4 Despite a challenging environment, considerable progress has been made. The Council has been re-inspected by Ofsted recently and has moved from "inadequate" to "good" for children's social care. This is a significant achievement and reflects considerable hard work and dedication from officers particularly in family services, but also across other services and partner organisations such as health and police. While the rating itself is important, the fundamental point is that outcomes for children and young people are much improved, in terms of safety, stability of placements, as well as better outcomes for care leavers in respect of employment, education and training.
- 1.5 The Council has also taken positive steps to improve internal controls, implementing the recommendations from the Grant Thornton review, as well as insourcing strategic HR and finance to enable stronger control of these functions. This should provide a good platform to continue to improve for the future.
- 1.6 Of course these are not the only things that the Council has focused on in 2018/19. Considerable success has been achieved for example in securing funding to enable the start of the Brent Cross development, national recognition for the work we are doing across Adults Social Care, a range of successful public health initiatives, investment in parks and leisure infrastructure across the borough, and much more.

Update on progress

- 1.7 This section sets out the actions that have been taken and the progress made against the key challenges set out above.

Children's Services Improvement

- 1.8 An inspection into Children's Services in Barnet published in July 2017 found services to be inadequate. Senior managers in the Council were aware of these issues following the Director of Children's Services appointment and his work on highlighting the poor quality of services for children in the borough. However, insufficient improvement had taken place by the time the inspection took place
- 1.9 An independently chaired improvement board was put in place to drive improvement across services for children and this board is attended by members, officers and partner organisations (health, police, schools). Ofsted undertook six monitoring visits and progress on improvement was maintained at the appropriate pace since the July 17 inspection.
- 1.10 In July 2018, the Audit Committee report included an aspiration that services for Children in Barnet would be rated as "requires improvement" by 2019 and "good" by 2020. In May 2019, Ofsted completed a re-inspection of children's services and the outcome was a rating of "good". The report states that 'Leaders and managers have made purposeful progress, at pace, to establish a child-focused service that is delivering good outcomes'. It also found that children in care now receive a good service from workers who know them well; and that carers provide stable homes and are supportive and ambitious for the children in their care. It found that there is strong and effective leadership at a political level and throughout the council, which has prioritized support and care for children and young people, and led to significant and tangible improvements in the quality of social work practice, and the services experienced by children and young people.
- 1.11 This is a great achievement and testament to the dedication of staff across Barnet and partner organisations. Most critically, it means that outcomes for children are improved. For example, safeguarding referrals are dealt with quickly and effectively, and assessment and planning is much improved. The Council has recruited over 40 foster carers over the past year, contributing to much improved stability and permanence for children in care. Employment and educational outcomes for care leavers is much improved.

Financial Control and Risk of Fraud

- 1.12 A referral was received by the Corporate Anti-Fraud Team (CAFT) in December 2017 alleging that a substantial amount of money had been paid into an account belonging to a member of Re staff. A criminal and financial investigation was immediately initiated by CAFT which subsequently identified

that 62 allegedly fraudulent transactions, between July 2016 to December 2017, amounting to the total sum of £2,063,972.00, had been paid into various bank accounts controlled by the individual. The criminal investigation was concluded in 2018 and led to a custodial sentence for the individual. The sum was repaid to the Council by Re.

- 1.13 Following this discovery, the Council immediately took action to tighten financial controls and initiated an independent report into the financial control environment across the organisation. These improvements included a new system for approving CHAPs payments, dual authorisation for release of payments, and tightened controls within the Council's financial systems.
- 1.14 The Council employed Grant Thornton UK LLP (GT) in January 2018 to undertake a detailed review to fully understand and document the fraud itself through a forensic review, identify the reasons that the alleged fraud could occur, including weaknesses in the control environment and to identify lessons learned. The Council along with CSG and RE have worked during 2018/19 to implement the recommendations from this report. At the time of writing, all but four of these recommendations have been fully implemented. Further detail is set out in the Head of Internal Audit report.
- 1.15 The target set in the Audit Committee report back in July 2018 was a tightened financial control environment with reasonable or substantial assurance on internal control audit reports during 2018/19. While systems of internal financial control have improved and have been tested to be more robust, concerns have remained during the year particularly in respect of audit reports into human resources functions including the pensions service. This has culminated in a limited assurance audit opinion for 2018/19. Strengthening internal controls will continue to be a key focus for 2019/20.

Review of CSG and Re Contracts

- 1.16 In July 2018, Policy and Resources Committee agreed a process to review the CSG and Re contracts, with the option of bringing a number of services in house, while continuing with and building on the success of a number of other services within the contracts.
- 1.17 In December 2018, Policy and Resources Committee agreed to insource strategic human resources and finance to the Council. This transfer took place on the 1st April 2019. This enables the Council to take more direct control over these important services and provides a platform for these services to continue to improve and support the business effectively.
- 1.18 An independently chaired improvement board was put in place to drive improvement across services for children and this board is attended by members, officers and partner organisations (health, police, schools). Ofsted

undertook six monitoring visits and progress on improvement was maintained at the appropriate pace since the July 17 inspection.

- 1.19 In relation to the Re contract, issues have been raised on financial controls and the operation of the Highways service. A number of these performance concerns were also highlighted in the contract reviews that were carried out in 2016 and 2017 of the CSG and Re contracts respectively. The focus is now on improving these services within the current contractual arrangements.

Budgetary control and financial planning

- 1.20 The Chief Executive and Chief Finance Officer have strengthened budgetary control arrangements across the organisation, and all senior officers worked to ensure the Council's budget is balanced in 2018/19 and that the medium term financial strategy was reset during the year.
- 1.21 At quarter one last year, it was identified that the council had a £9.5million in-year budget pressure. A number of measures were immediately put in place to tackle the overspend and balance the budget, including a freeze on non-essential expenditure, recruitment and agency panels to reduce staffing spend, and budget recovery plans across each service.
- 1.22 The outturn position has already been reported to Committee and the Council finished the year £822,000 overspent. While there was still an overspend, the financial picture is much improved to where we were 10 months ago. During this period, due to a number of one-off injections of money (such as the Capita settlement and a higher value of business rates from the London pool), we have also added to our revenue reserves by £2.6m, meaning we are also in a more positive reserves position than we had anticipated this time last year.
- 1.23 In March 2019, Council set a new 5 year budget covering the period 2019 to 2024. While there are still obviously huge challenges involved in delivering this plan, there is a clear future strategy in place to ensure that the organisation is financially sustainable in the medium term.
- 1.24 The outcomes set at Audit Committee in July 2018 were a balanced budget in 2018/19, a sustainable capital programme and a sustainable reserves position. With the benefit of the cost savings, the grant for Brent Cross Thameslink and the one-off injections of cash set out above, all of these outcomes have been met.

Council Management Structure

- 1.25 A review of the Council's senior management structure was undertaken in 2018/19. This took into account the proposed changes to the Capita contracts

and addressed matters in respect of roles, responsibilities and accountabilities. It also set out a target to save £0.7m.

- 1.26 The review was approved by Constitution and General Purposes Committee in January 2019 and was in effect by April 2019.

Governance review

- 1.27 Alongside the actions noted above, the Council's governance was reviewed in 2018/19 to ensure that sufficient scrutiny and oversight is in place, and that partner organisations are involved in agendas that cut across public agencies in the borough.

- 1.28 Following the Local Government Elections in May 2018, the Council's governance arrangements were reviewed to ensure that they are fit for purpose for the next four years. This has focused on the following:

- Changes to Committee Governance
- Review of Family Services Governance
- Partnership Governance Arrangements

- 1.29 These changes were reported to Audit Committee in July 2018. Since that point, officers have ensured that these arrangements are effectively embedded across the Council.

2. REASONS FOR RECOMMENDATIONS

- 2.1 These matters are a high priority for the Council and the Committee is recommended to note the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 This report is to note the response to matters identified in the Annual Governance Statement and Head of Internal Audit Opinion and no other options are set out at this point.

4. POST DECISION IMPLEMENTATION

- 4.1 Chief Officers will prioritise these actions and ensure that the outcomes are achieved within the timescales set out.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The effective response to the Annual Governance Statement and Head of Internal Audit Opinion is fundamental to ensuring that the Council can continue to deliver services to residents and businesses in Barnet and that the Council's statutory duties can continue to be met.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 Effective financial control, financial management and governance arrangements are essential to ensure that the Council manages its finances well and provides good value for money.

5.3 Social Value

5.3.1 There are no specific social value impacts of this report.

5.4 Legal and Constitutional References

5.4.1 Article 7 set out the Audit Committee's terms of reference, which include independent assurance of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process. In addition, the committee should review any issue referred to it by the Chief Executive or Chief Finance Officer.

5.5 Risk Management

The Council is 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. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to achievement of London Borough of Barnet policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically

5.6 Equalities and Diversity

The 2010 Equality Act outlines the provisions of the Public-Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010,
- advance equality of opportunity between people from different groups,
- foster good relations between people from different groups

5.6.1 The broad purpose of this duty is to integrate considerations of equality into day to day business and keep them under review in decision making, the design of policies and the delivery of services. Equalities and Diversity considerations were taken into account during the review of services and specifically in relation

to any review of the CSG and Re contracts.

5.7 Corporate Parenting

5.7.1 The revised governance arrangements referred to in the report included changes to ensure that corporate parenting principles are effectively embedded across the organisation and partnership to support the Council's corporate parenting duties.

5.8 Consultation and Engagement

5.8.1 No specific implications in respect of this report.

5.9 Insight

5.9.1 No specific implications in respect of this report.

6. BACKGROUND PAPERS

6.7 None