

LONDON BOROUGH OF BARNET

Annual Governance Statement 2019/20



CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2019/20 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 on an on-going basis through the year and as part of our next annual review at the end of the 2020/21.

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 2015¹ in relation to the publication of a statement of internal control.
- The Council has a separate Code of Corporate Governance. The Code is consistent with the principles of the of Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. 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.

¹ <http://www.legislation.gov.uk/uksi/2015/234/regulation/6/made>

- 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 2020 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 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.

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

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 has and Code of Corporate Governance to reflect the CIPFA Framework which includes an assessment of our compliance with the seven principles of Good Governance.

6. HOW DO WE KNOW OUR ARRANGEMENTS ARE WORKING?

Within this Annual Governance Statement, the Council has undertaken an assessment of significant governance issues and the progress made against these throughout the year. Any areas which have not been resolved will carry forward into 2020/21 and will continue to be monitored. Any issues that have been resolved during 2019/20 will no longer be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels.

We consider that the Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is documented via a separate Code of Corporate Governance 2019/20.

7. SIGNIFICANT GOVERNANCE ISSUES

7.1 COVID -19 and Recovery Planning

Like all local authorities across the country, we rapidly changed our focus in March 2020 to respond to the global COVID-19 pandemic. This involved enacting emergency planning and business continuity arrangements, protecting and supporting the most vulnerable, supporting public health measures to reduce the spread of the virus and maintaining and adapting council services to continue to serve residents and businesses in the borough. This was not just a Barnet response - we have and continue to work with partners, local and regional authorities across London and government through London emergency planning arrangements.

As with any emergency, our Emergency Planning business continuity plans were enacted in response to Covid-19 and we were able to sustain most services by using technology to enable staff to work from home. To respond to the impacts of Covid-19, the council mobilised resources virtually across all service areas. Many services adapted their business model rapidly to move services online, or to provide support to residents remotely.

Strong governance during a crisis also supports disaster recovery and resilience. Ensuring that robust governance arrangements were in place for key decisions relating to the pandemic has been a significant issue. At the end of March, the Council took the decision to suspend face-to-face committee meetings in line with advice from national and local government. Barnet operate a Committee System of governance and there is no provision for individual Member decision-making. Significant decisions should be approved by committees, but in the absence of an urgent/emergency provisions in the Constitution, several emergency decisions had to be taken by officers. Whilst these emergency decisions were taken in consultation with Members and were subsequently ratified by the Urgency

Committee at the end of April², the pandemic has highlighted a requirement to revise arrangements relating to taking urgent or emergency decisions so that the Council can react quickly without the requirement to convene a committee meeting whilst retaining Member oversight. Proposals to resolve this issue with the Council's governance arrangements will be further considered in 2020/21.

With the country now emerging from the worst of the health emergency, and whilst still delivering critical and essential services, Barnet has also turned attention to Local Outbreak Control and Recovery Planning. Therefore, as lockdown is eased, some restrictions are lifted and various aspects of life return to normal, there is inevitably an increased risk of a resurgence of Covid-19. Prevention will continue to be key to our approach during this next phase, with a focus on supporting everyone who lives, works and visits Barnet to put in place the necessary measures and adopt those behaviours that are necessary to keep everyone safe.

To do this we have created our Local Outbreak Control Plan for COVID-19 infection.

The plan is designed to be a live and iterative document and will be regularly updated, as further evidence emerges.

The main aims of the Plan are to:

- Build on the existing plans to prevent and manage outbreaks in specific settings;
- Ensure the challenges of COVID-19 are understood;
- Consider the impact on local communities and
- Ensure the wider system works together to contain the spread of infection locally.

Our plan outlines seven steps in local preparedness to prevent, control and manage COVID-19 incidents and outbreaks, if and when they emerge. It describes our local whole system response and it has been developed with a wide range of stakeholders and overseen by the Barnet Health Protection Board. It is signed off by Barnet's Chief Executive Officer, the Director of Public Health, the Public Health England (PHE) Health Protection Team and Health Protection Board and published first on 30th June 2020. The Health and Wellbeing Board ratified the Plan on 23rd July. [Local Outbreak Control Plan for COVID-19 infection](#)

Additionally, our Covid-19 Recovery Planning programme has commenced, led by the council's Deputy Chief Executive and with input from all service areas as well as our delivery partners CSG, Re, The Barnet Group and Cambridge Education. It is too early to set out a firm timetable for recovery. We do not know yet whether there will be a second or subsequent peak in new infections, and we do not know at what speed the rate of infection in the community will decline.

It is clear that – as well as being a pressing social and economic need – recovery provides an unparalleled opportunity for the council to work with partners to collectively re-think how we operate individually and together. There are numerous examples of positive changes that have been implemented throughout our response to Covid-19 that we should build upon and retain in the future. At this stage, it is intended that the Recovery Framework will be in place for between six and 12 months. After this time, activities will be incorporated into Barnet's new Corporate Plan. This approach will act to embed recovery into the council's long-term vision for the borough.

² Urgency Committee, 27 April 2020: <https://barnet.moderngov.co.uk/ieListDocuments.aspx?Cid=716&Mid=10375&Ver=4>

Financial sustainability is a key element to the recovery programme which needs to deliver a robust Medium Term Financial Strategy (MTFS) in order to support the continuation of council's operations to support residents. All councils are experiencing significant, unplanned financial pressure and some organisations within the sector face a significant risk of failure, even with the current level of funding provided by the Government. The process will need to ensure the council, over a four-year horizon, needs to return to a balanced budget and live within its means throughout the MTFS.

The council set a robust and sustainable budget in March 2020 which resourced the corporate plan priorities. However, it is important to note that the impacts of Covid-19 are unprecedented in scale. Additionally, the sector has just emerged from a financially challenging period of austerity and it is extremely difficult for organisations to free up significant resources. The financial context of the organisation has fundamentally changed following the Covid-19 pandemic and whilst some likely impacts can be estimated at this point, others depend on variables which are still unknown. The remodelling of the MTFS will be co-designed with the borough's recovery plan to ensure that the Long-Term Change phase delivers a balanced budget that allows for the investment needed to allow the borough to thrive. Each workstream will be responsible for contributing to the financial sustainability within the corporate budget setting process.

This will be an area of focus Barnet in the coming year.

EXISTING ISSUES – CARRIED FORWARD FROM 2018/19

7.2 Emergency Planning and Organisational Preparedness

Under the Civil Contingencies Act 2004, the London Borough of Barnet is defined as a Category 1 Responder, along with other Category 1 Responders such as Police, Fire and Ambulance Service. During any emergency that occurs in Barnet, the role of the council is to support and assist the emergency services in life saving and operational activities; then take the lead during the recovery phase to ensure the community has a swift return to normality.

Barnet has a duty under the Act to identify risks and hazards that have the potential to impact the borough and its communities and on that basis, to plan for such emergencies, exercise those plans and to make its residents aware of the hazards in their area and how they can prepare for an emergency. Hence, our contingency planning and business continuity arrangements (how we maintain service delivery in the event of incidents and disruption) have a key role in our ability to manage our resources, effectively, efficiently and economically.

Covid-19 has been the single biggest incident that has tested the organisation's resilience and Emergency Response arrangements. The initial response and early preparations in February 2020 led to the activation of Barnet's Multi-Agency Pandemic Plan, calling together the Borough Resilience Forum and the opening of the Borough Emergency Control Centre (BECC) to provide urgent support and co-ordination to the new emerging workstreams until these were formed and headed by workstream leads, predominantly officers from the council's Silver rota. Throughout this period the Organisational Resilience team have maintained a response team to address any other non-Covid emergencies arising to include fire and flood evacuations and major loss of services.

As part of demonstrating resilience, all London Boroughs participate annually in an exercise. Safer City 2020, scheduled for March was intended to exercise mutual aid arrangements across London regions and partner organisations. However due to the impending pandemic a number of boroughs withdrew from the exercise. Although there was limited opportunity to test mutual aid, we took the decision to run and adapt the scenario and exercise the opening of the BECC, activation of Gold and Silver roles, Communications and numerous service managers across all departments.

Whilst responding to Covid, work to further enhance our resilience against Resilience Standards for London (RSL) has been paused. As the Council returns to normality, whilst ensuring preparedness for a second wave or peak, the Organisational Resilience team will undertake a review of our response to the 11 standards and resume a workplan to deliver throughout the remainder of 2020 and into 2021.

7.3 Improvement of key services currently delivered through the Capita CSG and RE contracts:

A report was considered by the Policy and Resources Committee on 19 July 2018, which proposed a review of the Capita CSG and RE contracts. A subsequent report to the Committee on 11 December 2018 agreed that the review be conducted on a phased basis and that the Finance and Strategic HR services be returned in-house (subject to the outcome of consultation) on 1 April 2019. That transfer has now taken place. A further report on phase II of the Review, covering Regeneration and Highways services, was considered by the Committee on 17 June 2019. As a result, it was agreed that part of the Regeneration service (the Skills, Employment and Economic Development team and the Director of Place role) should be returned to the council. This transfer took place in October 2019 and has further strengthened strategic control in a key area of the council's activities. It was also agreed that the Safety, Health and Wellbeing Service be returned to the council and that the remaining services should be reviewed alongside the year 6 (CSG) and year 7 (Re) contract reviews. In addition, the Integrated Programme Management Office, which co-ordinates the management of the Brent Cross programme, also returned to the council in January 2020.

In respect of the Pensions Administration Service, Policy and Resources Committee agreed on 17th February 2020 that the service should be transferred to the West Yorkshire Pension Fund (WYPF), which is a specialist provider of Local Government Pension Fund administration services. Discussions are under way with Capita and WYPF to ensure a smooth, phased transition of the service and associated data.

Other services provided under the CSG and RE contracts will be reviewed through the Year 6/7 Review process, terms of reference for which were agreed by the Financial Performance and Contracts Committee in January 2020. That Committee will also provide oversight and scrutiny of the Review process. The Review is currently paused as the team is focusing on Covid response activities.

This area will continue to be monitored as a significant issue during 2020/21.

7.4 Governance of major capital programmes including Brent Cross Cricklewood Regeneration

The council has is expected to deliver over £350m of capital investment in 2019/20.

Within this portfolio, the regeneration of Brent Cross Cricklewood is the most significant scheme. The scheme comprises three programmes:

- **Brent Cross Thameslink** – delivery of a new Thameslink station, ‘Brent Cross West’ and associated infrastructure funded through £419m Government grant and delivered by the council. The station is due to open in 2022.
- **Brent Cross South** – delivery of at least 7,500 homes, a significant new office location and associated community facilities and other infrastructure. The council has established a joint venture with Argent Related to deliver the scheme.
- **Brent Cross North** – the expansion of the Brent Cross Shopping Centre and delivery of major supporting infrastructure. To be delivered by the shopping centre owners – Hammerson and Aberdeen Standard Investments. This part of the programme is currently deferred.

While Brent Cross North is deferred, both Brent Cross Thameslink and South have made significant progress through the planning and design stages. Railway works commenced in January 2019. The replacement Train Operating Company (TOC) facility is now occupied and the replacement railway sidings opened in June 2020. In 2020 we will see further major works with start on site of the new Brent Cross West Thameslink train station.

Brent Cross South has also progressed through planning and land acquisition to enable demolitions and site clearance, ready for the first phases of works to commence. 2020 will also see the start of significant investment in infrastructure from February onwards with the development of a temporary open space ahead of upgrades to Claremont Park to enable development of the first plots in 2021.

The scale of the changes to be delivered in the borough, and of the spend, mean that the programme has a corporate significance beyond that of most regeneration projects. In terms of Brent Cross Thameslink, the council is exposed to the risk of cost overrun and grant clawback if the grant conditions, particularly key milestone dates, are not met. There is a mechanism for amending key milestones in agreement with Government, and currently the council is meeting the agreed the programme.

The major risks for the programme relate to securing the required railway possessions to deliver the new station platforms. In response to this, an integrated industry supported programme has been developed which focuses on delivery of these key railway possessions. The council, through the Thameslink delivery team, have developed a Memorandum of Understanding that is being signed up to by all rail industry and government partners which confirms the collaborative agreement to work towards delivering in line with the integrated programme.

A new board, the Railway Operations Assurance Board has been established with a specific focus of ensuring the programme is maintained and rail related issues are resolved before impacting the programme. The board reports into the already established Government Assurance Board and can escalate issues which may require input from more senior levels.

The programme will also deliver wide ranging benefits to the council and the borough, including but not limited to, new homes to meet housing need, investment in infrastructure for the benefit of existing and new residents, and increased revenue from council tax and business rates. In order to monitor against these a benefits tracker has been established which will be monitored throughout the programme lifecycle to ensure benefits are being realised in line with the business case.

The programme has a comprehensive internal governance structure within the council, reporting to the Housing & Growth Committee for strategic direction and regeneration related decisions, the Policy & Resources Committee for budget decisions and the Financial Performance & Contracts Committee for monitoring of key delivery contracts between the council and Network Rail in respect of the Rail Sidings and Systems and Volker Fitzpatrick in respect of the station delivery contract.

Externally, programme progress, risks, issues, benefits realisation and finance are all reviewed monthly at the Government Assurance Board (attended by: the council: Ministry of Housing, Communities and Local Government: Department for Transport; HM Treasury; Homes England; Greater London Authority; Transport for London; and the Infrastructure Projects Authority (IPA)).

In the coming year update reports on the overall project will continue to be submitted to the Housing & Growth Committee on a quarterly basis. The programme has also begun reporting to the Financial Performance and Contracts Committee and this will continue quarterly now that the scheme has moved into the delivery phase and major contracts let. Through the Government Assurance Board, Government partners have agreed to a joined-up approach in relation to audit and assurance reviews. The Infrastructure and Projects Authority (IPA) have carried out progress reviews previously, and it has been agreed that a follow up review will be council led with support from MHCLG and IPA. This review is due to take place in 2020.

There is a capital governance review underway to strengthen current arrangements across the wider capital programme which is investing in schools, highways and other assets across the borough. In

This issue will continue to be monitored through the Annual Governance Statement during 2020/21.

7.5 Health and Care Integration – quality of local NHS providers

Last year's AGS included an update on the Royal Free Hospital (RFH) NHS Foundation Trust's Care Quality Commission (CQC) inspection rating of 'Requires Improvement' in a report published in May 2019, from a previous rating of 'good'. Since the publication of this report, the Chief Medical Director and Deputy Chief Executive Officer of the Trust has reported regularly to the Barnet Health Overview and Scrutiny Committee (HOSC) on the actions being taken to address the matters raised by CQC in their inspection report and has provided suitable assurance to the HOSC about the measures being taken. All the other NHS trusts are rated good.

As the response to this matter has a programme of work which underway and is being regularly scrutinised by Health Overview Scrutiny Committee, it will not be a matter for the AGS in 2020/21.

7.6 Pensions Administration

In 2016/17 concerns were identified relating to pensions administration and further issues led to Regulatory Intervention by the Pensions Regulator to the London Borough of Barnet Pension Fund. Since then the council has been engaging closely with the Pensions Regulator to address these issues.

Data quality remained an issue in 2019/20. However, focused efforts by the council and the fund administrator meant the 2019 valuation of the fund was completed on time and the Actuary issued a letter concluding that the data quality was satisfactory. The valuation determines both the funding level and individual employer contribution rates for the next three years.

Annual Benefit Statements (ABS) were issued to active and deferred members at the end of August 2019. Many issues were identified by the Council after the issuing of the statements, such as incorrect data, missing data and statements not being issued to members. Each of these issues were documented and the fund administrator were requested to investigate, correct and reissue statements if required. Reissued statements have all now been sent where required.

Pension Savings Statements (PSS) must be issued to members whose pension savings in a tax year exceed the standard annual allowance. The statutory deadline for statements to be issued is by 6 October in the following the tax year. In 2019/20, it was discovered that 2018-19 statements were not issued to 30 members. An investigation into previous years going back to the 2013-14 tax year identified a further 22 members who had not received one or more PSS. Of the affected members, 13 individuals have potential tax issues. Affected members are being supported both to complete tax filings and regularise their tax position.

The Pensions Regulator have been updated on the actions taken to resolve both the annual benefit statement and pension savings statement issues.

Issues in relation to admissions agreements and bonds remain work in progress with significant improvement in Q2, 2020. Officers are working with the fund administrator and the Scheme Actuary, Hymans Robertson, to ensure these progress as a matter of urgency.

The Council has continued its dialogue with the Pensions Regulator detailing the actions taken to address the weaknesses identified by the Regulator and the other breaches brought to the Regulator's attention. While work is ongoing to address a back log of casework and member record updating, we are pleased to note that following the last update to the Regulator on 12 May 2020 that the Regulator responded that they are not seeking any further updates on the matters previous discussed. Efforts continue to ensure the fund administrator's internal controls are robust, data held is correct and required improvements are being monitored.

Weekly meetings with Capita Employee Benefits (CEB) continue to assess their plans to correct the issues identified and that the plans of action are on track and where evidence of issues arise, these can be escalated to senior management and Members as appropriate to ensure resolution. There is also ongoing communication with unions and individuals around queries and/or issues with their individual pension to resolve these.

On 19 February 2020, the Policy & Resources Committee approved the proposal that the administration of the London Borough of Barnet Pension be moved from CEB to a shared services agreement with the West Yorkshire Pension Fund. The function was delegated by Full Council on 3 March 2020. The transition is progressing in accordance with the timetable to complete on 31 October 2020.

This is an area that will remain under review for 2020/21.

7.7 Financial Control and Fraud Risk

Following the internal fraud case that came to light late in December 2017, the council commissioned a full independent review of financial controls and financial forensic analysis through Grant Thornton. The findings of this report and the associated action plan was presented to and monitored through the Audit Committee during 2018/19 and 2019/20.

During 2018/19, intensive work was carried out to strengthen financial controls in the areas highlighted by Grant Thornton in the review. The scope of the review was narrow, so additional work was undertaken in 2019/20 to look more broadly at financial systems at the Council and further measures were implemented to tighten financial controls across areas which were not directly addressed through the initial review. A proactive assessment of the control environment against best practice models in

ten key finance areas was undertaken. Where controls gaps or weaknesses were identified during this process, actions and timelines were agreed for tightening existing controls and implementing new ones. Work was also undertaken to ensure that the strengthened financial controls were embedded across the organisation and its strategic partners and operating effectively.

Governance around internal controls has continued to be a focus for the Council in 2019/20. An Internal Controls Board meets on a monthly basis to ensure officers and partners across the organisation are implementing the recommendations made by Internal Audit. As part of the Finance team restructure, a dedicated post has been created with responsibility for internal controls.

During 2019/20, the following financial areas received limited assurance internal audit reports:

- Accounts Payable
- Accounts Receivable
- Cash and Bank
- Pension Fund Finance and Investment

Therefore, this area will continue to be monitored as a significant issue during 2020/21.

The findings from these audits have been addressed in line with timescales agreed with Internal Audit and improvements to the control environment in these areas continue to be made.

Loan Agreement with Saracens Copthall LLP (SCLLP)

In accordance with the decisions of the Policy & Resources Committee on 19 July 2018 and 23 October 2018, and the Delegated Powers Report dated 28 January 2019, the Council entered into a Loan Agreement between the council and Saracens Copthall LLP (SCLLP). The decisions detail the amount to be loaned, the conditions upon which the loan is made and can be drawn down and the terms of repayment. This agreement also details the obligations for legal assignments over future contracts and collateral warranties from appropriate entities.

To date, SCLLP has drawn down £3.2m of the agreed £22.9m loan facility.

On 5 November 2019, it was announced that Saracens had been fined £5.4m and docked 35 points by Premiership Rugby Limited (PRL). Following that announcement, the club wrote to the council on 18 November 2019 to confirm that the fine was to be met by the shareholders and setting out evidence that the business plan for the development of the West Stand remained robust. On 17 January 2020, in response to media speculation about further action to be taken by PRL against Saracens, council officers placed a temporary stop on loan drawdowns. It has subsequently been confirmed by PRL on 18 January 2020 that the club is to be relegated automatically at the end of the 2019/20 season.

In light of recent events, the club and SCLLP are taking stock of their plans for the West Stand. No further drawdowns will be approved until a way forward has been agreed between the council, SCLLP and the club. Interest will continue to accrue on the £3.2m already drawn down. Should SCLLP wish to pursue the development of the West Stand, the council will require a robust revised business plan, subject to independent due diligence, before any further loan drawdowns are made.

The impact of these events will be monitored through the Annual Governance Statement during 2020/21.

7.8 Annual Internal Audit Opinion; Reasonable Assurance - Key Findings

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. This is a requirement of the Public Sector Internal Audit Standards (PSIAs). The Opinion covers the internal audit work completed delivering the 2019/20 audit plan to 31 March 2020, including the work completed more recently to complete the audits that were paused due to the COVID-19 response. It is also informed, where appropriate, by other third-party assurances, for example from Ofsted and the Pensions Regulator.

In 2019-20 the annual opinion overall is **Reasonable Assurance**. This is the first time the annual opinion has been Reasonable Assurance since 2016-17. In 2017-18 and 2018-19 the annual opinion was Limited Assurance.

In those two years, the key contributing factors to the Limited ratings were (a) the Compulsory Purchase Orders fraud that was identified in December 2017 and the subsequent Grant Thornton report and associated action plan; and (b) the Ofsted inspection of Family 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 in April/May 2017. At the time of the inspection in 2017 Ofsted judged these services to be 'inadequate'.

During 2019/20, as part of our audit programme we continued work to confirm that the Grant Thornton actions had been implemented. The vast majority of this work has been completed and we have seen improvements across the Finance function since the service was brought in-house on 1st April 2019. The service has since completed a significant restructure and undertaken its own project to review and strengthen financial controls. With regard to the Children Service improvements, in May 2019 OFSTED began the three-week full ILACS (Inspection of Local Authority Children's Services). This was the first full inspection following the Single Inspection undertaken two years before in which the council was judged inadequate. The outcome from the Inspection of Local Authority Children's Service in Barnet was graded as **Good** by OFSTED.

On Pensions Administration, in 2018/19 we found that a number of audit actions had not been implemented and the service was under scrutiny from the Pensions Regulator. In 2019/20 we continued to follow-up previously raised audit actions and these are now substantially implemented. In addition, the Council made the decision to transfer pensions data and administration services from Capita to West Yorkshire Pension Fund on 1st April 2021 and there is a transition plan in place.

In March 2020, the COVID-19 pandemic affected every aspect of Council service delivery. There is recognition from residents, officers and members that the Council has acted reasonably effectively in extremely difficult circumstances which is acknowledged within the opinion. Any review of effectiveness of the response and the Recovery Planning Programme will primarily inform the 2020/21 Annual Opinion next year.

Finally, the % of audit reports that have been given a 'positive' assurance rating of either Substantial or Reasonable assurance has increased compared to the previous year for both Non-Schools and Schools audits.

In summary, improvements have been shown during the year and it is the Head of Internal Audit Opinion that the overall rating of Reasonable Assurance is appropriate. Although some high risk rated weaknesses were identified in individual assignments these are broadly isolated to specific systems or processes. None of the individual assignment reports have an overall classification of critical risk.

Further improvements are required to improve the adequacy and effectiveness of governance and control compliance in some areas.

The key findings from the audits have been grouped into four themes which will be a continued focus of Internal Audit work in 2020/21:

- Financial control and fraud risk
- Compliance / Policies & Procedures
- Oversight, accountabilities and roles and responsibilities
- Systems access

7.9 Barnet's Fire Safety

Following the tragic fire on 14 June 2017 at Grenfell Tower in the Royal Borough of Kensington and Chelsea, this was identified as a significant governance issue and has been included in the annual governance statements for 2018/19 and 2019/20.

The council is undertaking a £51.9m investment programme to improve fire safety in council homes, and this has progressed as planned during 2019/20.

Work has also been undertaken to survey council homes that were built using the Large Panel System (LPS) construction method, which has resulted in significant issues. Work is underway to vacate some of the affected buildings, and rectify issues in the others.

During 2019/20, at the request of the Government, the council commenced collecting detailed information on the external wall coverings of all residential buildings in the borough that are 18 metres or more in height, and this could result in further significant issues that need to be addressed, particularly in the private sector.

The potential issues associated with LPS surveys and the private sector external wall coverings will continue to be monitored through the Annual Governance Statement during 2020/21.

8. CONCLUSION

To summarise, the following governance issues will be key the councils key priorities and focus in the coming year: -

- *COVID Outbreak Control and Recovery Planning*
- *Emergency Planning and Organisational Preparedness*
- *Improvement of key services currently delivered through the Capita CSG and RE contracts*
- *Governance of major capital programmes including Brent Cross Cricklewood Regeneration*
- *Pensions Administration*
- *Annual Internal Audit Opinion; Reasonable Assurance – Key findings*
- *Financial Control and Fraud Risk including the Loan Agreement with Saracens Copthall LLP (SCLLP)*

- *Barnet's Fire Safety*

Over the coming year the council will be taking steps to address the matters outlined in this Annual Governance Statement and addressed within the Annual Internal Audit 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.

DRAFT