

Annual Governance Statement 2021/22



To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2021/22 except for those areas identified below. 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 2022/23.

SIGNED: _____ Date: xx xxxx 2022

Leader of the Council

SIGNED: _____ Date: xx xxxx 2022

Chief Executive

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 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 which is reviewed annually and reported to the Audit Committee alongside this Statement and published as part of the Constitution². 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.

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

² <https://barnet.moderngov.co.uk/ecSDDisplay.aspx?NAME=SD359&ID=359&RPID=24619495>

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.

Governance Arrangements

The Council's governance arrangements comprise two key elements. Firstly, the systems and processes which are in place to ensure that adequate controls exist including: the internal control framework; external audit; the Constitution; schemes of delegation; codes and protocols; and written decisions being subject to a report clearance process before they are published. The strategic direction of the authority is set out in the Barnet Plan and the Council regularly monitors, via its committees and decision-making framework, delivery of its strategic objectives. Secondly, good governance is underpinned by the behaviours of Members, officers and partners which includes, but is not limited to, adherence to the decision-making framework as set out in the Constitution, adherence to codes and protocols, the culture and values of the organisation, and how the authority is accountable to and engages with the community it serves.

The system of internal control is a significant part of the Council's governance arrangements 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:
 - identify and prioritise the risks to achievement of the Council's policies, aims and objectives,
 - evaluate the likelihood of those risks being realised together with the impact should they be realised, and
 - manage them efficiently, effectively and economically.

The governance arrangements as outlined above have been in place within Barnet Council for the year ended 31 March 2022 and up to the date of approval of the annual report and accounts.

Where improvements in the governance arrangement are required (as outlined in Section 7) they will be addressed in the coming year.

The Annual Governance Statement

The Annual Governance Statement is made up of statements that are underpinned by the Council's governance arrangements. An assurance framework exists, primarily the Council's formal governance arrangements and the Assurance Directorate, which enables Members and Senior Management to identify the principal risks to the Council's ability to meet its key objectives. Elected 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 framework 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 below which require further improvements.

An annual assessment via the Annual Governance Statement 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 Elected 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.

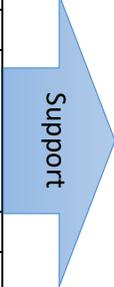
The Three Lines of Defence in Effective Risk Management and Control

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 below of the report and will be addressed in the coming year.

DRAFT

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

How has the Annual Governance Statement been prepared?

The Council has reviewed significant governance issues from the 2020/21 statement and there are detailed updates on each issue in the following section. In addition, the Council has considered emerging governance issues for 2022/23 and have included those in the Statement as issues to be monitored and addressed thought the coming year.

How do we know our arrangements are working?

Within this Annual Governance Statement, the Council has undertaken an assessment of previously identified significant governance issues and the progress made against these throughout the year. Any areas which have not been resolved will carry forward into 2022/23 and will continue to be monitored. Any issues that have been resolved during 2021/22 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 2022/23.

2021/22 Governance Issues

1	Centre for Governance and Scrutiny Governance Risk and Resilience Framework	<p>In the 2020/21 Annual Governance Statement, the Council committed to undertake a review against the Centre for Governance and Scrutiny (CfGS) Governance Risk and Resilience Framework³ during 2021/22. The Monitoring Officer and Head of Governance have been working on the review which has examined:</p> <ol style="list-style-type: none">1. Extent of recognition of individual and collective responsibility for good governance;2. Awareness of political dynamics;3. How the council looks to the future to set its decision-making priorities;4. Officer and councillor roles;5. How the council's real situation compares to its sense of self;6. Quality of external relationships; and7. The state of member oversight through scrutiny and audit. <p>In addition, the Monitoring Officer and Head of Governance have reviewed several Public Interest and Best Value reports from authorities where there have been significant governance failures to identify lessons learnt including:</p> <ul style="list-style-type: none">• Liverpool City Council;• Northamptonshire County Council;• City of York Council;• London Borough of Croydon;
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³ www.cfgs.org.uk/governancerisk

		<ul style="list-style-type: none"> • Northampton Borough Council; • Nottingham City Council; • Pembrokeshire County Council; • Slough Borough Council. <p>Following an initial review of the self-assessment and of the Public Interest and Best Value reports, Council Management Team (CMT) have agreed that further work will be done on this including workshops during 2022/23 and that following this, a self-assessment and action plan will be developed. Progress on delivering the action plan will be monitored via Annual Governance Statement during 2022/23.</p> <p>Status: Open</p> <p>Responsible Officers: Monitoring Officer and Head of Governance</p>
2	<p>Local Government Ethical Standards</p>	<p>In January 2019, the Committee for Standards in Public Life published a report on local government ethical standards⁴ which included 15 best practice recommendations. To comply with the recommendations, several updates were required to the Members Code of Conduct, Procedure for Dealing with Complaints, and other processes and/or arrangements. The best practice recommendations and actions were reported to and agreed by the Constitution & General Purposes Committee (12 October 2020⁵) and Council (20 October 2020⁶).</p> <p>A single recommendation remained outstanding as follows:</p>

⁴ <https://www.gov.uk/government/collections/local-government-ethical-standards>

⁵ [Agenda for Constitution and General Purposes Committee on Monday 12th October, 2020, 6.00 pm | Barnet Council \(moderngov.co.uk\)](#) (see item 10, Appendix A)

⁶ [Agenda for Council on Tuesday 20th October, 2020, 7.00 pm | Barnet Council \(moderngov.co.uk\)](#) (see item 11.2, Appendix A)

Best Practice Recommendation:

Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies.

Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Current:

The first part of the recommendation is within the Council's control but the second part is down to the subsidiary companies.

The Council has a number of bodies which it has established to discharge various functions including (but not limited to): The Barnet Group (including Barnet Homes (and subsidiaries) and Your Choice Barnet; Regional Enterprise (Re); and joint ventures; etc. The Barnet Group has set up subsidiary companies the council is not a shareholder to these companies

Actions:

Details of separate bodies established or owned will be included in the Council's Annual Governance Statement.

The Monitoring Officer and Head of Governance will discuss with separate bodies whether they currently publish board papers and encourage them to do so.

The council's subsidiary companies are:

- The Barnet Group Ltd*
- Barnet Holdings Ltd
- Regional Enterprise Ltd
- LBB BX Holdings Ltd (which includes BXS GP Ltd and BXS Ltd Partnership)
- Hill Green Homes Ltd
- Barnet Education and Learning Services Ltd

**Note: The Council is not a shareholder to The Barnet Group subsidiary companies: Your Choice Barnet Ltd; Barnet Homes Ltd; The Barnet Group Flex Ltd; Open door Ltd; and Bumblebee Lettings.*

The following subsidiary companies publish information on their websites:

- Barnet Education & Learning Service (BELS) publish Board meeting minutes⁷

The following subsidiary companies do not publish information on their websites:

- The Barnet Group Ltd;
- Barnet Holdings Ltd;
- Regional Enterprise Ltd;
- The Inglis Consortium;
- BX Holdings Ltd (which includes BXS GP Ltd and BXS Ltd Partnership);
- Hill Green Homes Ltd.

Some of the subsidiary companies' performance is reported via the council's governance arrangements. For example, Regional Enterprise (Re) performance is regularly reported to the council's Financial Performance & Contracts Committee⁸. Barnet Homes (which is a subsidiary of Barnet Group) performance is regularly reported to the same committee, but there appears to be a lack of reporting for the other companies within the Group (Your Choice Barnet, TBG Flex, Opendoor Homes and Bumblebee Property).

It should be noted that the lack of reporting for the other bodies may be due to other circumstances. Following the onset of Covid-19, the council reviewed all committee business and, due to the requirement to prioritise the pandemic response, stopped reporting quarterly and annual performance reports to theme committees. For example: Barnet Homes and associated housing related companies would have reported to the Housing & Growth Committee; BELS would have reported to the Children, Education & Safeguarding Committee; and Your Choice Barnet to the Adults & Safeguarding Committee. These performance reports are likely to have supported compliance with the best practice recommendation.

⁷ [Meeting Minutes | Barnet Education & Learning Service \(bels.org.uk\)](https://bels.org.uk)

⁸ [Browse meetings - Financial Performance and Contracts Committee | Barnet Council \(modern.gov.co.uk\)](https://modern.gov.co.uk)

An action area for 2022/23 will be to review the reporting arrangements in place for all the council's subsidiary companies and ensure that they are reported either to a council committee or are publicly accessible elsewhere. As part of this review, the council's share of each organisation will be identified as this can have an impact on the significance of each body to the authority.

In addition, the Government published a response on 18 March 2022 to the recommendations made by the Committee on Standards in Public Life. Many of these responses will require primary or secondary legislation. The council will review the response to relevant recommendations and will seek to address these during 2022/23 to ensure that we are in alignment with recommended best practice in relation to ethical standards.

During 2022/23 the Monitoring Officer and Head of Governance will review the:

1. Reporting arrangements for all the separate bodies established or owned by the council and will work with responsible officers to improve openness and transparency where this is required. This review will include performance reporting via the council's governance arrangements and reporting via the bodies own websites; and
2. Government responses to the Committee on Standards in Public Life and ensure that these are addressed.

Status: Open

Responsible Officers: Monitoring Officer and Head of Governance

<p>3</p>	<p>Covid-19 including Recovery Planning and Financial Sustainability</p>	<p>The 2020/21 Annual Governance Statement covered the significant impact of the Covid-19 pandemic on residents, partners, local businesses, staff and services. The 2020/21 Statement provided a comprehensive update on the organisational response to the pandemic and, as referred to in a report to the Policy and Resources Committee in September 2020⁹, detailed preparations for the next phase of the response which focussed on:</p> <ul style="list-style-type: none"> • Recovery planning (including the Barnet Plan) • Financial sustainability • Compliance with the CIPFA Financial Management Code • Self-assessment against the CIPFA Resilience Index <p>This is an area which has been monitored during 2021/22 and updates are set out below.</p> <p>Recovery Planning</p> <p>Following the lifting of Covid-19 restrictions by the government in July 2021, CMT agreed to close the council’s Recovery Planning Programme. This was a result of most ‘unlocking’ activities being completed and those still ongoing being reported on through other channels, such as the Barnet Plan Delivery and Outcomes Framework and CMT Gold.</p> <p>The Policy & Resources Committee in September 2021¹⁰ and December 2021¹¹ received reports on the Delivery and Outcomes Framework for the Barnet Plan 2021-25</p> <p>Financial Sustainability and Compliance with the CIPFA Codes</p> <p>Addressed in the Financial Risks and Sustainability section below.</p>
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⁹ <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=10198&Ver=4>

¹⁰ [Agenda for Policy and Resources Committee on Thursday 30th September, 2021, 7.00 pm | Barnet Council \(moderngov.co.uk\)](#) (Item 9)

¹¹ [Agenda for Policy and Resources Committee on Thursday 9th December, 2021, 7.00 pm | Barnet Council \(moderngov.co.uk\)](#) (Item 11)

		<p>Robust arrangements are in place in respect of recovery planning and financial sustainability and this issue will not be monitored through the Annual Governance Statement during 2022/23.</p> <p>Status: Closed</p>
<p>4</p>	<p>Emergency Planning and Organisational Preparedness</p>	<p>The 2020/21 Statement set out:</p> <ul style="list-style-type: none"> • The council’s duties under the Civil Contingencies Act 2004 • How the Emergency Planning Team had been reviewing and updating key plans • That a review against Resilience Standards for London had been completed and state of preparedness had been reported to London Resilience • Recruitment had taken place for emergency response roles to increase capacity and resilience • Developing a best practice framework for responses to major incidents <p>Emergency Planning and Organisational Preparedness was monitored during 2021/22 and the update is set out below.</p> <p>The Organisational Resilience Team demonstrated its ability to respond effectively during 2021/22. The team has sufficient skilled and trained emergency responders to maintain an adequate state of preparedness and has captured and acted on lessons learnt following each emergency response.</p> <p>At the end of 2021 Barnet Organisational Resilience Team rated itself as ‘Assured’ following the self-assessment process set by Resilience Standards for London. The self-assessment was against the standards by which emergency preparedness across all London Boroughs is measured, set by London Councils’ and the Local Authority Panel. This self-assessment included questions relating to the Grenfell Action Plan.</p>

		<p>The Borough Risk Register has been reviewed by the council and approved and adopted the Borough Resilience Forum, and the team is reviewing and updating its key plans in line with the risk and the Resilience Standards for London frameworks.</p> <p>There is no current risk that Barnet would not be able to provide an adequate emergency response, and the teams response to the Covid-19 pandemic has raised awareness of our emergency response arrangements leading to an increased focus on emergency planning as part of business as usual.</p> <p>In relation to Covid-19, there is a potential risk of another variant resulting which could require additional restrictions to be imposed. In addition, a residual risk remains of another pandemic. The council will consider how it would respond in these circumstances during 2022/23.</p> <p>Whilst robust arrangements are in place in respect of emergency planning and organisational preparedness, the council committed via the self-assessment process, to include a summary of our arrangements annually in the Annual Governance Statement. In addition, some residual issues relating to pandemic have been identified as set out above. These areas will be monitored during 2022/23.</p> <p>Status: Open</p> <p>Responsible Officer: Head of Organisational Resilience</p>
5	<p>Improvement of Key Services Delivered via the Capita CSG and RE Contracts</p>	<p>The 2020/21 Statement set out:</p> <ul style="list-style-type: none"> • that the Council has two major strategic contracts with Capita – Customer & Support Group (CSG) and Development & Regulatory Services (DRS) • in 2018 the contracts had been reviewed and Finance and Strategic HR returned in-house in April 2019 to enhance the council’s control of these key services

	<ul style="list-style-type: none"> • a Phase II review took place in July 2019 and part of the Regeneration Service, the Safety, Health & Well-Being Service and Integrated Programme Management Office returned in-house in January 2020 to further strengthen the council's control over services • Pensions Administration had transferred from Capita to West Yorkshire Pension Fund to address issues which had resulted in intervention from the Pensions Regulator • other services provided under the CSG and DRS contracts would be subject to review under the Year 6/7 Contract Review process. <p>Improvement of key services delivered via the Capita CSG and RE contracts was an issue that was monitored during 2021/22 and the update is set out below.</p> <p>Further to contract reviews completed in 2018/19, the Year 6/7 Contract Review process was delayed during 2020/21 as the team focused on Covid-19 response activities.</p> <p>During 2021/22 the Year 6/7 Contract Reviews have progressed. A report to the Financial Performance and Contracts Committee (FPCC) in March 2021¹² set out the process to be followed which included the categorisation of individual services as either retained services, returning services, or services to be further reviewed.</p> <p>To support the review, an independent market insights report by Grant Thornton was commissioned¹³.</p> <p>Due to the significant and strategic nature of the contracts, the preliminary outcome of the Review of Capita Contracts was reported to Council in January 2022¹⁴. A decision was made by Full Council that:</p>
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¹² [Agenda for Financial Performance and Contracts Committee on Wednesday 17th March, 2021, 6.00 pm | Barnet Council \(moderngov.co.uk\)](#) Item 10 (Year 6/7 Review of Capita contracts)

¹³ [Agenda for Financial Performance and Contracts Committee on Tuesday 8th June, 2021, 7.00 pm | Barnet Council \(moderngov.co.uk\)](#) Item 8 (Review of Capita Contracts)

¹⁴ [Agenda for Council on Tuesday 25th January, 2022, 7.00 pm | Barnet Council \(moderngov.co.uk\)](#) Item 11.1 (Referral from Policy & Resources Committee – Recommendation from Financial Performance & Contracts Committee – Review of Capita Contracts)

		<p>a) on expiry of their contract those elements of the RE and CSG contracts that relate to the Procurement Service, Regulatory Services (Trading Standards, Licensing, Environmental Health), the Regeneration Service and Highways would not be extended when they expire.</p> <p>b) the future strategy for the Highways Service should be considered by the Environment Committee.</p> <p>c) the Recruitment Service be returned to the council in February 2022.</p> <p>Steps taken over consecutive years have strengthened the council’s strategic control over significant services which were previously outsourced to Capita under the CSG and RE contracts. The ongoing negotiations in relation to services that are proposed to be extended have been regularly reported through FPCC in 2021/22. Following the abolition of the FPCC in May 2022, future reports regarding these contacts will be reported to the Policy & Resources Committee (PRC) or relevant theme committees as appropriate. A further report on the Capita contract Review is expected to be reported to PRC in July 2022.</p> <p>During 2021/22 the performance of the CSG and RE contracts were regularly reported to FPCC alongside the performance of the council’s other key strategic contracts. During 2022/23 contract performance will be reported to PRC or the relevant theme committee.</p> <p>Robust arrangements are in place in respect the improvement of key services delivered via the Capita CSG and RE contracts and this issue will not be monitored through the Annual Governance Statement during 2022/23.</p> <p>Status: Closed</p>
6	<p>Governance of Major Capital Programmes including Brent Cross Cricklewood Regeneration</p>	<p>The 2020/21 Statement provided assurance on the council’s major capital programmes including:</p> <ul style="list-style-type: none"> • An update on the Brent Cross Cricklewood Regeneration Scheme including: delivery of the new Brent Cross Thameslink station; the acquisition of the Brent Cross South Retail Park; and programme governance arrangements

- Highways capital investment
- Housing Revenue Account capital portfolio
- Council capital delivery projects (including: depot; education and families; town centres; greenspaces, parks and leisure; property and operations; and the Hendon Hub)

Governance of major capital programmes was an issue that was monitored during 2021/22 and the update is set out below.

BXC – including Brent Cross West (formerly Brent Cross Thameslink), Brent Cross Town (formerly Brent Cross South) and Brent Cross North (deferred during 2020/21)

Cost and programme are important risks to manage, and these were regularly reviewed through the operational Client Reviews and the programme governance structure, Housing & Growth Committee, and FPCC.

Ensuring that the station construction is completed by late 2022 and is operational by March 2023 is another risk that is being actively managed as the construction phase of the station nears its end, and risks identified earlier in the scheme are increasingly likely to crystallise. The coming year will focus on delivering a functioning train station that is operating in a sustainable and safe manner. Overall delivery of the station including adherence to the agreed programme, continues to be overseen by the Railway Operations Assurance Board. The Board reports into the already established Government Assurance Board and can escalate issues which may require input from more senior levels.

Brent Cross South Retail Park – the Brent Cross South Retail Park was acquired in February 2021. The key risks relate to ensuring that the acquisition will have no impact on the General Fund and that the council's acquisition and holding costs are covered prior to it being incorporated into the BXT Joint Venture. The Council has put in place appropriate internal resources and expertise supplemented by external property management as required to ensure that the Council will secure the required returns so that there will be no

		<p>gap or negative impact on the General Fund. Monthly reporting is now in place to manage this asset through the council's BX Governance Board.</p> <p>Brent Cross Town – the key risks relate to managing inflation and market-wide risk associated with the macro-economy. Progress continues to report to the Housing and Growth Committee every quarter with a focus on ensuring the council can deliver comprehensive regeneration of the area, whilst protecting the general fund and the interests of the council more broadly.</p> <p>Capital Programmes</p> <p>The authority has put in place governance and assurance measures across the capital programme in line with those set out in the 2021 Annual Governance Statement and therefore assurance has been provided. Details on the various governance arrangements for the Capital Programme are published annually within the Capital Strategy¹⁵.</p> <p>Robust arrangements are in place in respect the governance of major capital programmes, including Brent Cross Cricklewood regeneration, and most of the issues referred to above will not be monitored through the Annual Governance Statement during 2022/23. However, the Council have underwritten the development costs for the Brent Cross Thameslink station which remains a significant financial risk for the authority. This element only will continue to be monitored during 2022/23.</p> <p>Status: Open</p> <p>Responsible Officer: Deputy Chief Executive and Brent Cross Director</p>
7	<p>Financial Controls and Fraud Risk</p>	<p>The 2020/21 Statement detailed work that had been undertaken to:</p> <ul style="list-style-type: none"> • Improve controls to address 2019/20 audit recommendations

¹⁵ [Financial Forward Plan and Capital Programme | Barnet Council](#)

- Implement improvements required following the Grant Thornton Review following a serious fraud in 2018
- Review payments made during Covid-19

Financial controls and fraud risk was an issue that was monitored during 2021/22 and the update is set out below.

Financial Controls

The council has a robust approach to financial controls, with an Internal Controls Board promoting accountability and best practice across the council. Improvements in the control environment have been implemented over the past 24 months, with the council having a suitable and appropriate system of internal controls for finance which is regularly tested by Internal Audit.

Fraud Risk

During 2021/22 the grant schemes introduced by the government during the Covid-19 pandemic were subject to review by Internal Audit and the Corporate Anti-Fraud Team and no significant issues or instances of major fraud were identified.

Council officers move towards remote and hybrid working since the start of the pandemic has not resulted in any significant wrongdoing being identified to date.

The Council has joined the National Fraud Initiative (NFI) Hub and the Credit Industry Fraud Avoidance System (CIFAS) to help to counteract potential fraud.

Robust arrangements are in place in respect of financial controls and fraud risk and this issue will not be monitored through the Annual Governance Statement during 2022/23.

Status: Closed

8	Financial Risks and Sustainability	<p>The 2020/21 Statement highlighted that the Council had begun to rely on a greater range of funding arrangements and financial mechanisms which had led to a more complex financial environment including: acquisition of Brent Cross Retail Park; loans to Open Door Homes; loan agreement with Saracens Copthall LLP; and Hendon Hub. It was noted that, although each scheme was subject to financial due diligence, the council would develop a portfolio approach to risk management including elements such as funding type, lender and asset class to ensure an appropriate level of exposure to any individual partner or funding model.</p> <p>Financial risk was an issue that was monitored during 2021/22 and the update is set out below.</p> <p>The council developed a portfolio approach to risk in 2021/22 to enhance its project risk management approach to financial risk. This will continue to be monitored and updated as the council reviews opportunities available to it for financing housing and regeneration in the borough.</p> <p>Through 2021/22 the council highlighted Collection Fund stability as an emerging risk arising from the Covid-19 pandemic. Improved reporting on local taxation collection has been instigated and is monitored monthly by the Section 151 Officer and reported quarterly to the Council Management Team and Financial Performance & Contracts Committee. Further improvements are expected into 2022/23 as the council embeds new Collection Fund reporting and active monitoring of in-year collection activity and taxation base changes.</p> <p>In December 2019, CIPFA introduced the Financial Management (FM) Code, designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code provides guidance for good and sustainable financial management in local authorities and by complying with the principles and standards within the Code authorities will be able to demonstrate their financial sustainability.</p>
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		<p>Councils were required to comply with the code from April 2021 with full implementation by April 2022. The FM Code is based on a series of principles which are considered necessary to provide the strong foundation to:</p> <ul style="list-style-type: none"> ➤ financially manage the short, medium and long-term finances of a local authority ➤ manage financial resilience to meet unforeseen demands on services ➤ manage unexpected shocks in their financial circumstances. <p>The council has demonstrated its commitments to financial sustainability through meeting of the requirements of the FM Code. The council's self-assessment is set out in Appendix A.</p> <p>Robust arrangements are in place in respect of financial risks and sustainability and this issue will not be monitored through the Annual Governance Statement during 2022/23.</p> <p>Status: Closed</p>
9	<p>Annual Internal Audit Opinion; Reasonable Assurance – Key Findings</p>	<p>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 2021/22 audit plan to 31 March 2022, including the work completed more recently to complete the audits that were ongoing at year end. In total, the opinion is based on 42 non-schools audits and 18 schools audits.</p> <p>In 2021-22 the annual opinion overall is Reasonable Assurance. This is consistent with 2020/21 and 2019/20.</p> <p>Improvements to the control environment 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 No Assurance.</p>

		<p>However, 15 high risk findings were reported across the audits and therefore further improvements are required to improve the adequacy and effectiveness of governance and control compliance in particular areas.</p> <p>The key findings from the audits have been grouped into four themes in the Opinion which will be a continued focus of Internal Audit work in 2022/23:</p> <ul style="list-style-type: none"> a) Governance and oversight; b) Compliance / Policies & Procedures; c) Financial control and fraud risk; and d) Roles and responsibilities <p>Status: Open</p> <p>Responsible Officer: Head of Internal Audit</p>
<p>10</p>	<p>Barnet's Fire Safety</p>	<p>Fire safety has been included in the Annual Governance Statement since the Grenfell Tower fire in June 2017. The 2020/21 Statement provided an update on fire safety matters; it reported that:</p> <ul style="list-style-type: none"> • Fire safety matters were co-ordinated across the council through a Fire Safety Working Group and there were regular reports to the Housing & Growth Committee. • There had been a £51.9m investment programme to improve fire safety in council homes with £34m spent by the end of 2020/21. • Large council blocks built using Large Panel System (LPS) construction had been identified and remedial works had been being undertaken. • Data had been collected on the external wall coverings of buildings below 18 meters in the borough.

	<ul style="list-style-type: none"> • Specific blocks of concern had continued to be closely monitored and some joint inspections had taken place with the fire authority. <p>Fire safety has continued to be monitored throughout 2021/22 and furthermore the systems and processes in place have been strengthened and resources supporting the work have increased.</p> <p>The fire safety investment programme led by Barnet Homes continued and progressed well during 2021/22. All Category 1 works were completed, and Category 2 and 3 works completed across several sites by April 2022; with a total of £48m of the original budget applied to date and the remaining £4m of works set to continue in 2022/23. Expert consultants have undertaken in-depth (Type 3 and 4) Fire Risk Assessments (FRAs) at low and medium rise blocks and urgent works have been prioritised. Future investment need has been identified and a £0.85m per annum provision had been incorporated into the Housing Revenue Account Business Plan^[1] as revenue expenditure to deliver the requirements of 'Building a Safer Future' and associated legislation in relation to the council housing stock. The Business Plan made total provision for £44.5m of expenditure between 2021/22 – 2025/26 on fire safety, with 60% of the expenditure expected by end of 2022/23 and then approximately £5.9m per annum for the subsequent 3 years.</p> <p>Wider fire safety activities have continued to be regularly reported to the Housing & Growth Committee^[2], and visibility of these updates has been improved during 2021/22 through new council webpages^[3]. Such updates most recently show Barnet continues to oversee action in relation to Registered Social Landlords, with two of four landlords with ACM cladding confirming completion of works, with the other two either delivering or contracting works.</p> <p>More widely across the private sector the development of an enforcement tracker from the register of sites submitted to government is providing a new tool for dynamically managing risk and prioritising council</p>
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^[1] [Agenda for Housing and Growth Committee on Thursday 17th February, 2022, 7.00 pm | Barnet Council \(moderngov.co.uk\)](#) Item 13, Housing Revenue Account (HRA) Business Plan

^[2] [Agenda for Housing and Growth Committee on Tuesday 16th November, 2021, 7.00 pm | Barnet Council \(moderngov.co.uk\)](#) Item 8, Fire Safety Update

^[3] [How we are dealing with fire safety | Barnet Council](#)

activity. The council has stepped up its fire safety enforcement activities in 2021/22 with interim additional resources and a recruitment process for new permanent staff to work on fire safety in the private sector that will continue into 2022/23. The Council has completed three joint inspections with the LGA joint inspection team and two joint inspections with the London Fire Brigade, improvement notices have been served in relation to four of these sites and the fifth has seen the installation of a waking watch. In addition, the service is monitoring at least 13 applications to the Building Safety Fund and continuing to liaise with a key managing agent responsible for 35 blocks across the borough. The tracker further notes a potential 161 additional blocks that are pending further investigation (many sites have multiple blocks requiring investigation). At this early stage of coordinated enforcement activity, an internal audit was undertaken in Q4 2021/22 to consider the arrangements and tools now in place for enforcement of fire safety in private residential blocks, this will report to Audit Committee in June 2022.

A challenge for the council in relation to on-going fire safety enforcement is that there were no new external sources of income for funding enforcement activities; therefore all in-year activity and any future budget allocations must all be secured from core council budgets. Furthermore, as fire safety enforcement in the private sector falls outside the scope of day-to-day service activities/volumetrics defined in the original Development and Regulatory Services contract, additional services had to be specified and commissioned during 2021/22. Such new arrangements will now continue until the return of the Regulatory Services functions from October 2023 and will be updated as required during the remaining contract period. Where day-to-day matters require oversight, this is provided through the Fire Safety Working Group; with escalation to the Deputy Chief Executive where required.

Whilst progress in relation to fire safety issues has been positive further work during 2022/23 is likely to be required to reduce risk in this area. Most significantly, The Building Safety Act 2022 will have implications for housing associations, local authorities and building owners and these will need to be monitored and addressed. Project initiation for the Building Safety Act change project is currently in the scoping phase; this involves clearly establishing and listing the deliverables of the project, as well as the tasks, budget and timelines. The council will need to meet our obligations within the new Building Safety regime within 12-18 months, and subject to future regulations.

		<p>Status: Open</p> <p>Responsible Officer: Commissioning Lead, Customer and Place</p>
<p>11</p>	<p>Cyber Security and Information Management</p>	<p>The 2020/21 Statement:</p> <ul style="list-style-type: none"> • Highlighted that the Covid-19 pandemic had seen a significant increase in cyber-attacks on organisations. • Set-out the council’s approach to protecting against attacks and recovery. • Noted that Business Continuity plans were being reviewed across the organisation. <p>Cyber security was an issue that was monitored during 2021/22 and the update is set out below.</p> <p>The threat of Cyber Security is still a key risk, with consistent monitoring and controls in place to mitigate this risk. There is a continued maturing, structured approach that continuously reviews these controls to ensure they are in line with changing threat so that technologies and processes evolve to mitigate the threat. The council works with relevant agencies and partners both locally and nationally, such as the National Cyber Security Centre, to ensure live threats and intelligence is monitored and responded to. This ensures awareness and vigilance remains high, and clear protocols to respond to evolving threats are developed and maintained. There is staff training and awareness that compliments these controls and the level of governance with regards to security measures and reviews combines daily, weekly, monthly, quarterly and annual measures to protect the information and system assets of the authority.</p> <p>Despite the actions taken to reduce risk in this area, cyber security remains a significant governance issue for the council. Cyber Security and Information Management will therefore continue to be monitored as an issue during 2022/23.</p>

		<p>Status: Open</p> <p>Responsible Officer: Head of Customer and Digital Services and Head of Assurance and Business Development</p>
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Conclusion

During 2021/22 the council has progressed and resolved many of the significant governance issues identified.

The following governance issues will carry forward from 2021/22 into 2022/23 (as detailed above): -

1. Governance Risk and Resilience Framework
2. Local Government Ethical Standards
3. Emergency Planning and Organisational Preparedness (which will also include oversight of the Chemical, Biological, Radiological and Nuclear (CBRN) Borough Response Framework which has been drafted this year. In light with a changing landscape with UK Health Security Agency, the Framework should reflect roles and responsibilities at local, regional, and national response, in case of an incident happening either at local, regional or national level. Next year, the Framework will be exercised across the local partnership to ensure relevant roles and responsibilities are clear and adequate training has been received by local response team.)
4. Governance of Major Capital Programmes including Brent Cross Cricklewood Regeneration
5. Fire Safety
6. Cyber Security and Information Management

In addition, Members and CMT have identified several additional areas to be monitored during 2022/23 via the Statement:

7. Emerging Legislation and Inspection Regimes

The following are areas where there is new legislation which is progressing through parliament or has recently become legislation or are areas where external inspections are due to take place or where there will be substantial changes to the current inspection regime. Whilst the impact of some of this is unknown at present, the council will monitor the following issues during 2022/23 in case of any governance issues arising:

- Children's Services – during the year a range of services will be inspected including a Children in Care Focused Visit, SEND (Special Educational Needs and Disability) inspection, HIMP (Her Majesty's Inspectorate of Prisons) inspection of the Youth Offending Service as well as New Park House Children's Home. In addition, the Government's SEND Review, Care Review and Education White Paper will be published all of which will impact on the authority. Risks relating to the children and young people aspects of contingency hotels will also be monitored.
- Adult Social Care – the Health and Care Act came into effect at the end of April 2022. This brings into effect new duties and requirements on councils with adult social care responsibilities. Councils will be required to implement the Cap on Care costs, which brings new duties to conduct Care Act needs assessments of people wishing to use the cap system, and set up systems to monitor people's progress toward £86,000 lifetime cap on care. Councils are asked to conduct early assessments from April 2023 prior to the cap go-live in October 2023. The Act also brings in a new national assurance regime of council's ASC duties under the Care Act. This will involve enhanced data collection, monitoring and inspection, led by the Care Quality Commission, with go-live planned for April 2023. The national social care reform programme also makes several other requirements of councils, within the year 2022/23: the requirement to conduct fair cost of care exercises with the care market and plans to implement a new national performance reporting system including client-level data. 2022/23 will be a year of significant preparation for the changes to come into effect in April 2023, along with significant developments in year.
- Environment Act – the Environment Act 2021 introduces a range of duties on local authorities in relation to waste and recycling, air quality, protecting the natural environment and water. Details of the implementation of, and new burdens funding for, these duties are still being developed by Government, but have the potential to create significant challenges for the council. The council

will engage in sector-wide efforts to influence the development of these requirements, and the implications and any governance issues arising from them will be monitored accordingly.

8. Workplace Wellbeing

The pandemic introduced many challenges for the council to maintain our employees' mental and physical health and wellbeing whilst dealing with significant changes in the way we worked. Members of staff directly involved in the response were under considerable strain, worked long hours and were left exhausted. All staff were impacted by the pandemic, in particular the first lockdown meant that we had to quickly introduce safe ways of working from home.

Measures that were introduced included:

- Risk assessments and regular review, to manage risks introduced with the new ways of working
- Accessible advice and guidance on home working and working in isolation
- Provision of equipment to enable staff to work from home safely
- On-line activities, events and webinars with advice on healthy options and to enable staff to remain in regular contact with colleagues
- Regular promotion of our Employee Assistance programme and other staff welfare resources
- Development of an on-line "Wellbeing Hub" with wellbeing resources for staff to readily access

These enforced new ways of working have led to a rethink of how the council operates and a move to a more agile workforce. Many of the measures introduced will be maintained as well as new initiatives and resources being introduced. A Workplace Wellbeing Strategy is being produced in 2022/23 with an associated action plan that will ensure continued management of these risks and lead to improvements in staffs general health and wellbeing.

9. Inflation

Council's agreed budget and Medium-Term Financial Strategy (MTFS) make provision for inflation. However, global events have increased upward pressure on inflation and interest rates, and it is not currently clear what the overall impact will be on council services and capital

programmes. The council will monitor the impact of rising costs on both in-year budgets and the MTFS, and any impacts will be addressed through regular Business Planning reports to the Policy & Resources Committee.

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.

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