LONDON BOROUGH OF BARNET

Annual Governance Statement 2018/19

CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2018/19 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 2019/20.

SIGNED: David Thomas **Date:** 25/07/2019
Leader of the Council

SIGNED: _____ **Date:** 25/07/2019
Chief Executive

1. INTRODUCTION

- Barnet Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

- The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness.

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

- Barnet Council acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council.

- This Annual Governance Statement explains how the Council meets the requirements of regulation 6[1] and 6[2] of the Accounts and Audit Regulations 2015[1] in relation to the publication of a statement of internal control.

- The Council has a separate Code of Corporate Governance which will be reported alongside this Annual Governance Statement. The Code is consistent with the principles of the of Good Governance as set out in the CIPFA Delivering Good Governance in Local Government Framework 2016. A Code of Corporate Governance is also included within the Constitution which details the Good Governance principles. How the Council complies with the principles will be reported annually alongside the Annual Governance Statement.

2. GOVERNANCE

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

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

3. THE GOVERNANCE FRAMEWORK

- The governance framework encompasses the systems and processes, culture and values by which the Council is directed and controlled, together with the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor

[1] http://www.legislation.gov.uk/uksi/2015/234/regulation/6/made

the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level, if operating effectively it cannot eliminate all risk and can only provide reasonable, not absolute assurance of effectiveness.

- The system is based on an on-going process designed to:
  * make sure that public money and assets are safeguarded from inappropriate use, or from loss and fraud;
  * that public money is properly accounted for and is used economically, efficiently and effectively;
  * that the Council operates in a lawful, open, inclusive and honest manner;
  * that the Council has effective arrangements for the management of risk;
  * that the Council enables human, financial, environmental and other resources to be managed efficiently and effectively;
  * that the Council secures continuous improvement in the way that it operates;
  * that the Council properly maintains records and information;
  * that the Council ensures its values and ethical standards are met:
    a. identify and prioritise the risks to achievement of the Council's policies, aims and objectives,
    b. evaluate the likelihood of those risks being realised together with the impact should they be realised, and
    c. manage them efficiently, effectively and economically.

- The governance framework has been in place within Barnet London Borough Council for the year ended 31 March 2019 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		1st Line of Defence		3rd Line of Defence
Oversight and Support		**Business and Operational Management**		**Independent Assurance**
Strategy, Policy, Direction setting, decision-making, assurance oversight		**Delivering objectives, identifying risks and improvement actions, implementing controls, progress reporting, provides management assurance**		**Independent challenge and audit, reporting assurance, audit opinion assurance levels**
Committee and Scrutiny Functions	Support	**Operational Management and Staff**	Validate	**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 have also updated the Local Code of Corporate Governance to reflect the updated 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 yet been satisfactorily resolved will carry forward into 2019/20 and will continue to be monitored. Any issues that have been resolved to a satisfactory level during 2018/19 will no longer be monitored through the Annual Governance Statement, but will continue to be monitored through appropriate channels.

The Council are compliant with the CIPFA Delivering Good Governance in Local Government Framework 2016. How the Council complies with the Code is monitored annually and reported via a separate Code of Corporate Governance 2018/19 which is reported to the Audit Committee alongside this Annual Governance Statement.

7. SIGNIFICANT GOVERNANCE ISSUES

NEW ISSUES – EMERGING FROM 2018/19

7.1 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. Three options were identified:

1. Maintain status quo;
2. Re-shape the contracts to bring some services back in-house; and
3. End the partnership with Capita.

The report proposed that a Full Business Case would be prepared to allow a final decision to be made later in the year.

A subsequent report to the Committee on 11 December 2018 concluded that significant further work would be required to form the basis of a sound recommendation in respect of the totality of the two contracts. That report recommended 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 and work is progressing on Phase II of the Review covering Regeneration and Highways services.

A further report on phase II of the Review, covering Regeneration and Highways services, was considered by the Committee on 17th June 2019. As a result, it has been 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 will further strengthen 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. A further report on the terms of reference for this will be considered by the Financial Performance and Contracts Committee in the autumn. Members of the Committee also noted the significant issues with the Pensions Administration service and instructed the Director of Finance to develop contingency arrangements, so that alternative provision of this service can be put in place, should the necessary improvements not be made.

This review is significant as it has enabled the Council to address a number of issues raised within the 2018 Annual Governance Statement and Annual Internal Audit Opinion. For example, data quality arrangements across many Council services are strong. However, there are several weaknesses highlighted in areas such as Human Resources. Bringing the Strategic HR function into the Council will enable progress in extending to HR the strong data quality and information management arrangements that exist in many services.

The direct control of the Finance service by the Council's Chief Finance Officer will enable tighter financial control to be exerted across the whole organisation.

Furthermore, accountability and clarity of roles and responsibilities can be strengthened. Previously, responsibility for addressing audit weaknesses in respect of Finance and Human Resources sat with CSG managers while overall accountability rested with senior Council officers. The changes to service delivery will allow decisive and effective intervention by Council officers and provide much greater clarity on roles, responsibilities and accountability.

Improving the quality of key services delivered through the Re and CSG contracts – notably pensions administration (see 7.4 below), highways, estates and user satisfaction with back office services will continue to be monitored as a significant issue for the council during 2019/20.

This area is also noted within the Annual Audit Opinion as an area requiring significant improvement – refer 7.7.

7.2 Emergency Planning and Organisational Preparedness

Under the Civil Contingencies Act 2004, London Borough of Barnet is defined as a Category 1 Responder. 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. The Council has a duty under the Act to plan for emergencies, exercise these plans and make the public aware of the hazards in their area and how to prepare them for an emergency.

In response to the required implementation of the new Resilience Standards for London (RSL) the Council has undertaken a wide-ranging and in-depth review of its emergency planning response and business continuity arrangements. The council recognised that in order to effectively support Barnet's communities in the event of emergency incidents within the Borough it needed to increase resources and the number of emergency response volunteers.

Within the Council there is a wide recognition of the changing nature of the external and internal risks and challenges to both Barnet's communities and the work of the Council. The ability of the Council to respond to those risks and challenges underpins the ability of the Council to have in place effective arrangements to manage risk while enabling the Council to manage its human, financial and environmental resources effectively in times of disruption. Hence, our emergency planning and business continuity arrangements (how we maintain service delivery in the event of incidents that could disrupt the Council's activities) have a key role in our ability to manage our resources, effectively, efficiently and economically.

Consequently the Council has put in place a new management structure and a Head of Organisational Resilience; rewritten its Contingency Management Plan; recruited more than 70 volunteers from amongst Council staff, its partner organisations and from the community to populate the updated response structures; delivered an extensive training and exercising programme which has rolled out 20 training sessions to all elements of the Council's emergency command and control structure; refreshed its key response plans for incidents in the Borough; rewritten its Business Continuity Plan; and has agreed a refreshed Business Continuity Management System.

The result of this extensive work programme has been to successfully roll out across the Council, the two key elements of the review:

1. The implementation of a refreshed Business Continuity Management System arrangements.

2. A refresh of the Council's emergency response arrangements making them compliant with Resilience Standards for London, an agreed set of common standards for emergency response by boroughs to incidents in London, that ensure a quality and uniform level of response and through commonality, to enable councils can support each other efficiently in the event of major incidents.

This work culminated in the Council's full participation in Exercise Safer City, a major London-wide exercise managed by the London Resilience Group and involving all London's 33 local authorities, the Metropolitan Police, London Fire Brigade, London Councils and the Ministry of Housing, Communities and Local Government and Housing, amongst others.

This major refresh of the Council's arrangements will be kept under annual review to ensure its continued effectiveness in supporting the Council's values and underpinning its ability to manage and mitigate the consequence of risk within the Council and across the Borough.

7.3 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 to be funded through £420m 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.

The latter two projects have been a long time in the planning phases and both are expected to move into the delivery phase during 2019. 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. Many of the key dependencies to enable these milestones to be met are on the critical path for this year and there are a number of complex interfaces and dependencies that are managed at a programme level with a defined governance structure in place for escalation as required. 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. Monitoring against delivery of these will commence this year.

The programme has a comprehensive governance structure both within the council, reporting to Assets, Regeneration and Growth Committee (for strategic direction and regeneration related decisions), Policy and Resources Committee (for budget decisions) and Financial Performance and Contracts Committee (for monitoring of key delivery contracts such as the Implementation Agreement with Network Rail); and with Government partners. Progress, risk, issues, benefits realisation and finance are all reviewed monthly at Government Assurance Board (attended by LBB, Ministry of Housing Communities and Local Government, Department for Transport, Homes England, Greater London Authority, Transport for London and Infrastructure and Projects Authority).

In the coming year update reports on the overall project will be submitted to Assets, Regeneration and Growth Committee quarterly. Plans are being developed for how the scheme will report to Financial Performance and Contracts Committee now that the scheme has moved into the delivery phase. Through the Government Assurance Board, Government partners have agreed to a joined-up approach in relation to audit and assurance reviews, led by the Infrastructure and Projects Authority (IPA). The IPA undertook a review of the programme in November 2017 and a follow up is being arranged for late 2019.

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.

7.4 Health and Care Integration

Care Quality Commission (CQC) is an independent regulator and health and social care in England. CQC inspects all NHS Trusts on a cyclical basis. In this financial year, Royal Free

Hospital (RFH) NHS Foundation Trust was inspected in December 2018 and it was rated 'Requires Improvement' in a report published in May 2019. The main three areas requiring improvements were patient safety, responsiveness and leadership. Full report can be found here https://www.cqc.org.uk/location/RAL01/inspection-summary#safe.

In summary, the key points raised were:

- Incidents were not dealt with in a timely matter and lessons learnt were not implemented at pace adequate to prevent future occurrences;
- Clinical leadership in surgical theatres needed to be addressed to prevent bullying and allow for quality improvements;
- Some of the recommendations from CQC inspection in 2016 on responsiveness have not yet been implemented.

However, CQC also commended the RFH on a range of good practices, including innovation in clinical practice, good management of infection control and patients being treated in a respective and dignified manner.

Health Overview and Scrutiny Committee invited Dr Chris Streather, Chief Medical Director and Deputy Chief Executive Officer of the RFH to May meeting and he reassured the Committee that a number of incidents did significantly reduce since inspection was undertaken and that the Senior Executive Board is fully cited on CQC improvement plan that will be brought back to HOSC for scrutiny in July.

All other NHS Trusts that treat Barnet residents are expecting CQC inspection during 2019/20 and 2020/21.

Previous CQC ratings were 'Good' for Central London Community NHS Trust in 2017 and Central and North-West London in 2017/18 (with outstanding rating for sexual health services that LBB commissions) and 'Requires Improvement' for Barnet, Enfield and Haringey (BEH) Mental Health Trust in 2017/18. BEH services and mental health services were considered by the Health and Wellbeing Board regularly in 2017/18 as a result of their inspection report and an improvement plan is in place.

EXISTING ISSUES – CARRIED FORWARD FROM 2017/18

7.5 Improvement of Children's Services

The improvement of Children's Services was highlighted as a significant issue in the Annual Governance Statement in 2016/17 and 2017/18. This continued to be a significant priority for the Council and therefore remained as a priority in the AGS for 2018/19.

Ofsted undertook an inspection of services for children in need of help and protection, children looked after and care leavers, and review of the effectiveness of the Local Safeguarding Children Board in April/May 2017. Ofsted judged these services to be 'inadequate' and made 19 recommendations for improvement. The council fully accepted the findings of the Ofsted report and has since worked to implement the Improvement Plan which

sets out the actions and journey we need to make to transform our social care services for children, young people and their families from inadequate to good/outstanding.

Since that point several arrangements have been put in place to drive improvement and ensure that the plan delivers at sufficient pace. These included: a Department for Education (DfE) appointed commissioner, a DfE approved Improvement Partner, which is Essex County Council; an independently chaired Improvement Board, with representation from across the council and partner agencies; and regular progress updates to the Children, Education & Safeguarding (CES) committee on the Barnet Children's Services Improvement Action Plan. The Children's Committee continues to receive updates on progress on improvement. Investment has been made into children's services, a combination of £7m for service/placement pressures and £4m for improvement activity between 2017/18 and 2019/20.

In May 2018 the DfE agreed that the Council no longer required a commissioner and would continue to work with Essex and the Independent chair.

Ofsted have now conducted six monitoring visits (November 2017, February 2018, April 2018, July 2018, November 2018 and February 2019) and our next visit will be a full Inspection of Local Authority Children's Services (ILACS). Recent monitoring reports have concluded that the Council has continued to focus steadily on developing and delivering improvements, and that progress and change has been sustained across different areas of practice. However, reports have also identified that changes and improvements are not always fully embedded. Inspectors have found strong practice in some areas, for example the Multi-Agency Safeguarding Hub (MASH), but that practice in some areas is not yet of a consistently good quality.

On 3rd May 2019 OFSTED began the three- week full ILACS (Inspection of Local Authority Children's Services). This will be the first full inspection following the Single Inspection undertaken two years ago 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 against each of the four judgements set out below.

The outcome represents the huge amount of work that has gone into driving improvements for children and young people across the board. The inspection recognised the work of Family Services, staff across the council, Members and our partners.

- The impact of leaders on social work practice with children and families: Good
- The experiences and progress of children who need help and protection: Good
- The experiences and progress of children in care and care leavers: Good
- Overall effectiveness: Good

OFSTED concluded that*: "Services for children in Barnet are good, and much improved from the services that were found to be inadequate in 2017. Leaders and managers have made purposeful progress, at pace, to establish a child-focused service that is delivering good outcomes".*

OFSTED has made four recommendations for further improvement which we are already beginning to address:

- The incorporation of actions from the vulnerable adolescents at risk panel (VARP) and exploitation strategy meetings into child in need and child protection plans
- The updating of assessments of need when circumstances change for children in care
- The incorporation of outcomes from multi-agency risk assessment conferences (MARACs) into child in need and child protection plans
- The promotion of advocacy support for children in care.

These issues will no longer be monitored through the Annual Governance Statement process but will continue to be monitored through the Children's, Education and Safeguarding Committee.

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.

Issues have remained unresolved in 2018/19 in relation to data quality and issues in relation to admissions agreements and bonds have emerged. A report by Hymans Robertson to the Pension Fund Committee identified that pension fund membership data had a significant number of errors which would impact on the 2019 valuation of the fund. Hymans Robertson recommended that immediate action was taken by the administrator to address the critical errors and warnings as the valuation could not proceed without them being resolved.

During the year, it also emerged that some admission agreements and bonds had not been in place. These are being followed up urgently.

Since the data quality issues were identified, data cleanse activity to date has improved data quality. Independent analysis of data conducted by Hymans Robertson has confirmed critical errors as at the 31 March 2019 have been reduced by 88%. Further data cleanse activity is being undertaken by the Pension Fund Administration provider and will continue to be monitored by the council during 2019/20. In addition to this there are fortnightly meetings in place with the provider to assess their plan to ensure Annual Benefit Statements are sent to members by the end of August and the Teachers Pensions Return is submitted on time with audit queries dealt with swiftly. These meetings ensure that the provider's plan is 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 in an effort to resolve these.

The scheme remains under scrutiny by the Pensions Regulator and considerable effort is going into ensuring CSG internal controls are robust, data held is correct and into reporting Scheme Manager activity back to the Pensions Regulator.

This area will continue to be monitored as a significant issue during 2019/20.

7.7 Annual Internal Audit Opinion; 'Limited Assurance' on the Internal Control Environment of the Council

Each year the work of Internal Audit is summarised to give an overall opinion on the system of internal control and corporate governance within the Council. This is a requirement of the Public Sector Internal Audit Standards (PSIAs).

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

The Limited Assurance opinion reflects that fact that during 2018/19 a significant amount of the Internal Audit team's time was spent following-up the Grant Thornton review of the Compulsory Purchase Order (CPO) fraud. As at 31 March 2019, 4 of the 32 GT actions remained Partly Implemented. The need to prioritise this work meant that other planned audits, particularly of in-house services, were deferred.

This rating is consistent with the 2017-18 annual opinion. Overall the percentage of Limited and No Assurance ratings compared to the prior year is the same (25% in total), However, in 2018/19 there were two No Assurance reports issued (whereas in 2017/18 there were none). Similarly, although the overall percentage of Reasonable and Substantial ratings compared to the prior year is the same (75% in total), in 2018/19 there were only two Substantial reports issued (whereas in 2017/18 there were four).

The majority of audit work completed during the year was to address key risks associated within the operation of the Council's support functions provided by Capita, whereas there was less coverage of the Council's in-house services than in previous years. These corporate back-office functions support all of the Council's activities and underpin effective service delivery.

Although improvement has been shown in some areas, particularly in the second half of the year, the opinion summarises that there is still significant work needed to embed these improvements and address known weaknesses and non-compliance in the framework of governance, risk management and control which put the achievement of organisational objectives at risk.

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

- **Financial control and fraud risk**
- **CSG Assurance Framework and Service Delivery**
- **Data quality and integrity**
- **Compliance / Policies and procedures**

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

7.8 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.

The report was substantial with a total of 32 recommendations. Broadly the report identified the following:

- Issues with a lack of control in the Regeneration team in Re and in the outsourced finance function; and
- Insufficient oversight from the council.

10 of the recommendations were rated High with the other having a Medium status. All of the 32 actions recommended, with the exception of four, have been implemented and tested to be in place by Internal Audit. The four actions that have not been completed (3 rated High and 1 rated Medium) have been identified to be partly implemented and their progress will continue to be monitored and reported through associated audits in 2019/20.

The full report can be found on the councils website under Financial controls | Barnet Council (or can be accessed through this link here).

Whilst a lot of work has been undertaken to implement and tighten financial controls, in the coming year, further work will be undertaken to ensure these controls and financial governance is embedded across the organisation and its strategic partners and operating effectively. We will also be considering the effectiveness of our current arrangements for gaining assurance over financial and internal controls for services that our run by our strategic partners. As part of this work an Internal Controls Board has also been initiated to ensure officers and partners across the organisation are implementing the recommendations made by Internal Audit.

This area is also noted within the Annual Audit Opinion as an area requiring significant improvement – refer 7.7.

Therefore, this area will continue to be monitored as a significant issue during 2019/20.

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 reported in 2017/18 Governance statement and the progress made during 2018/19 are set out below.

Since June 2017, the Housing Committee has received a number of reports on fire safety relating to high rise blocks in the borough across all housing tenures, and on how the council has been working with the Government and other agencies to address any concerns.

The Housing Committee has agreed an investment package of £51.9m to improve fire safety in council homes, which includes carrying out more intrusive type 3 fire risk assessments (FRAs) on the councils low and medium rise flatted housing stock during 2019/20. These type 3 FRAs could result in further issues that need to be addressed, and because of this potentially a significant issue that will continue to be monitored through the Annual Governance Statement during 2019/20.

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

During 2016/17 it was identified that oversight, accountabilities and roles and responsibilities across commissioning, finance and contract management were a key area for improvement. This carried forward into the 2017/18 AGS.

During summer 2017 the council undertook a Performance Governance Review designed to:

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

Since the review was undertaken, several changes across the different areas have been delivered.

<u>Roles and Responsibilities</u>
In relation to clarity of roles and responsibilities relating to the council's key strategic contracts, the Chief Executive undertook a review of the senior management structure and reported this to the Constitution & General Purposes Committee in January 2019. The changes were based on several design principles including: retaining control of strategic functions; integrating commissioning and delivery functions; simplifying and clarifying roles and lines of accountability; implementing an ideal management span; flatter structure and reduced hierarchy; fewer but more highly skilled roles; and consistency between grades and role titles.

The principles were consistent with the council's approach to improving its operations and governance including: strengthening oversight and the financial control environment; increased control of strategic functions; clarifying lines of accountability, roles and responsibilities; signalling the importance of financial management and prevention for the council's financial sustainability; improving consistency with regard to spans of control and

role titles; and moving away from a commissioning / delivery structural split, replaced by a service-focused directorate structure.

The revised senior management structure was implemented on 1st April 2019 and was supported by updated Chief Officer Schemes of Delegation.

Internal Governance, Contract Management and Performance Reporting Arrangements

Since the instigation of the Performance Governance Review, a refreshed contract management framework and governance structure for strategic contracts has been implemented in collaboration with partners, especially CSG and Re. Improvements made include: standardised monthly meetings across each service area within the strategic contracts; comprehensive performance information dashboards bringing together indicators; risk; audit recommendations; and more clearly defined escalation processes. These have been supported by a revised Contract Management Handbook clearly setting out roles and responsibilities and processes. In terms of performance management across the council, a streamlined performance framework has been put in place across all council areas. The revised contract management and performance reporting arrangements that were identified during the Performance Governance Review have been implemented and embedded across the council.

These issues will no longer be monitored through the Annual Governance Statement process.

8. CONCLUSION

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

- Pensions Administration
- Financial Control and Fraud Risk
- Improvement of key services currently delivered through the Capita CSG and RE Contracts
- Improvements as required through the Internal Audit
- Barnet's Fire Safety
- Health and Care Integration
- Emergency Planning and Organisational Preparedness
- Governance of major capital programmes including Brent Cross Cricklewood Regeneration

Over the coming year the council will be taking steps to address the matters outlined in this Annual Governance Statement as well as those raised 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.