

London Borough of Barnet

Interim Auditor's Annual Report
Year ending 31 March 2025

04 September 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Barnet London Borough (the Council) during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past

Present

Future



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The London Borough of Barnet (The Council) is one of 32 London Boroughs with a population of 390,000 residents. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by an overview and scrutiny committee and two overview and scrutiny sub-committees focused specifically on Adults and Health and Children and Education. The Council has 63 councillors, and the Council is elected every four years. The most recent elections were in May 2022 when Labour secured a majority with 40 elected councillors.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness identified in relation to financial planning and financial governance. Two Key Recommendations and three Improvement recommendations raised.	One risk of significant weakness identified in relation to: overall financial sustainability including affordability of the Capital Programme	R Significant weakness in arrangements for financial sustainability were identified. Two key recommendations made relating to the need for a sustainable financial plan and improving governance of the capital programme. We have raised no improvement recommendations.
Governance	R Significant weaknesses identified in relation to Governance of the Pension Fund. One Key Recommendation and four improvement recommendations raised.	Eight risks of significant weakness identified including in relation to: governance and loans to subsidiary companies; Cybersecurity and fraud; and changes in senior management.	R We have removed the significant weakness relating to the governance of the pension fund. Significant weakness in governance over subsidiary companies and Joint Venture partnerships were identified. One key recommendation made. We also raise three improvement recommendations.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; no key recommendations but six improvement recommendations raised.	No risks of significant weakness identified	R Significant weakness in arrangements for procurement was identified. One key recommendation made relating to improvement to strategic procurement and contract management. We also raise two improvement recommendations.

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendation(s) made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The new Chief Executive has had a positive impact with regard to improved financial accountability across the Council. Significant financial challenges remain which will require a programme of transformation. The Council must deliver £24m in savings in 2025/26, even then a £55m budget deficit remains for which the Council has sought exceptional financial support (EFS) which the government has approved in principle. Demand and cost pressures, particularly in Adult Social Care (ASC) and temporary accommodation led to the Council overspending by £22.5m in 2024/25. This required unsustainable use of reserves to balance the budget for 2024/25 and we have therefore broadened the scope of our 2023/24 key recommendation to reflect the significance of this. We include further detail on the following pages.



Governance

We are satisfied that there is no longer a significant weakness relating to governance over the Pension Fund and have removed the significant weakness raised in 2023/24. We have identified a new significant weakness in respect of governance over the Council's subsidiary companies including its Joint Venture partnerships and have raised a key recommendation in this respect. The Council has a complex web of companies and joint ventures (JVs) which have been set up over many years. The Council has outstanding loans, in excess of £400m made to those companies and JVs. The Council has not regularly assessed whether arrangements are still appropriate and there is a lack of governance and oversight over some of those companies. We include further details on the following pages.



Improving economy, efficiency and effectiveness

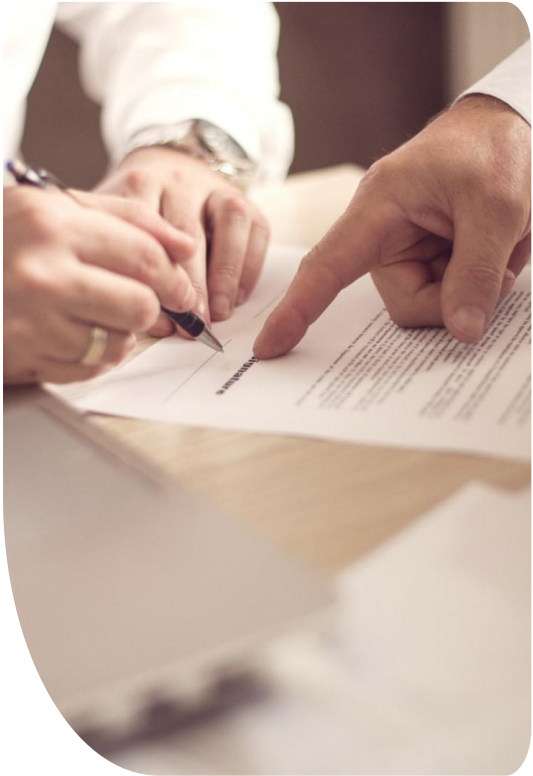
Our risk planning for 2024/25 did not identify any areas of potential significant weakness. The Council has made some savings on re-procurement for some contracts particularly in ASC. However, from our detailed work we have identified significant weaknesses in central oversight of procurement and contract management. Inadequate and inconsistent adherence to procurement rules and contract management are of concern. A fraud also occurred in 2024/25 which illustrated failures in the procurement and contract management control environment.

Due to the significance of these matters, we have raised a new key recommendation. We include further detail on the following pages.

03 Opinion on the financial statements and use of auditor's powers

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	<p>We have not yet completed our audit of the Council’s financial statements or the Pension Fund’s financial statements for the year ended 31 March 2025.</p> <p>The Council did not provide its draft financial statements in line with the national deadline of 30 June 2025. Instead, the draft accounts were received on 17 July 2025. For the Pension Fund, the draft financial statements were received in line with the national deadline of 30 June 2025; however, they were published alongside the Council’s financial statements on 17 July 2025.</p> <p>As at 15 August 2025, audit work remains ongoing for both the Council and the Pension Fund. Detailed commentary on the audit of the 2024/25 financial statements is provided separately in the respective Audit Findings Reports (AFRs) for the Council and the Pension Fund.</p> <p>We will finalise our AAR in this respect once we have completed the 2024/25 audits of the Council and Pension Fund’s financial statements.</p>	

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Our work over Annual Governance Statement is not complete and we will report any findings related to AGS in our Audit Findings report.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>The Council has applied for £55m Exceptional Financial Support (EFS) in order to balance the budget for 2025/26. This has been approved in principle by the Ministry for Communities Housing and Local Government (MCHLG).</p> <p>In 2024/25 there was further unplanned use of reserves of £24.5m to cover the adverse variance at outturn. General Fund reserves reduced from £74m in April 2021 to £37.5m at 31 March 2024 and are now at approximately £20m. The use of reserves has reduced the ability for the Council to borrow internally thus requiring the Council to borrow externally to fund its capital programme. This has increased the cost of borrowing with a further hit to General Fund.</p> <p>General Fund reserves reduced from £74m in April 2021 to £37.5m at 31 March 2024 and are now at approximately £17m. The 2024/25 Medium Term Financial Strategy (MTFS) had a planned contribution to reserves of £2m per annum in 2025/26–2027/28. In the 2025/26 budget and MTFS this was reduced to £0 in 2025/26 and 2026/27. The 2025/26 MTFS assumes no call on reserves in 2025/26 and 2026/27. The use of reserves is also impacting on the Council’s Treasury Management through increased borrowing and this is causing liquidity issues for the Council. Liquidity is flagged as a key risk for the Council. The Council does not have a clear reserves replenishment strategy.</p> <p>The Adult Social Care (ASC) budget continued to be an issue in 2024/25 with an adverse variance at outturn of £9m (£180m v £171m budget) despite achieving £11m savings. There is a real risk that further increases in demand particularly in Children’s and Adults Services could further increase the budget gap. The Council has also identified rising costs of Temporary Accommodation as a further cost pressure. An external consultancy ‘Care Analytics’ were brought in to model ASC costs data across all care providers as well as demand pressures as part of the 2025/26 budget setting process. As a result the Council has started to use the ‘Care Cubed’ commissioning tool to try to achieve best price on contracts. This has led to a reduction in home care costs. ASC debtors have increased to £17.2 million in 2024/25. The Treasury Management Outturn report to Cabinet states that outstanding debtors does have a significant impact in terms of liquidity. The above ASC modelling has only considered management of costs and not considered factors such as debt collection rates and the impact on cash flow and bad debt provision.</p> <p>Cont’d</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (cont'd)

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>A new HRA Business Plan was agreed in February 25 as part of overall budget setting process. HRA viability can't be achieved beyond 2026/27 without Barnet Homes Ltd (part of Barnet Group a wholly owned subsidiary of the Council) delivering £2.7m savings per annum (mainly against cost of repairs). The HRA business plan assumes these savings will be delivered through a reduction in the management fee payable by the Council to Barnet Homes Ltd. At the time of setting the 2025/26 HRA Business Plan, Barnet Homes was still to review options on how the savings could be achieved without jeopardising any legal or regulatory requirements.</p> <p>Capital investment for stock improvement will total £450m by 2030 requiring borrowing of £262m. There is an associated impact on Treasury Management as the Capital Finance Requirement (CFR) on HRA is not projected to reduce under the current HRA business plan. The HRA plan is also heavily reliant on the Major Repairs Reserve (MRR) (£13.635m in 2024/25). A further £10m savings are planned through disposal of assets.</p> <p>This is an element of a key recommendation raised on page 21.</p>	R
plans to bridge its funding gaps and identify achievable savings	<p>The Council set a savings target of £25.354m in 2025/26. Even with this level of savings the Council has an unfunded budget gap for 2025/26 of £55.27m. As stated previously the Council has applied for EFS to bridge this gap. A final decision on the granting of EFS is still awaited from the government.</p> <p>In our view the Council set over ambitious savings targets in the 2024/25 budget and the various levels of scrutiny, including reviews by the Corporate Management team, Service portfolio holders, the Overview and Scrutiny Committee (OSC) and Cabinet were insufficient to prevent this happening. For example, initial savings on Digital Transformation were agreed with the relevant Director as £1m, this was subsequently increased twice by senior management to £2m, then £3m without any consultation on the deliverability of the savings. This budget line produced just £0.4m of savings in 2024/25.</p>	R

Cont'd

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (cont’d)

We considered how the Council:	Commentary on arrangements	Rating
<p>plans to bridge its funding gaps and identify achievable savings</p>	<p>An assumption was made centrally that a range of digital propositions including superfast Electric Vehicle charges were deliverable and those assumptions were built into the savings targets before any due diligence had been done on the achievability of those propositions. There is evidence of a more robust process for 2025/26 however there were still some concerns raised at interview that savings targets were centrally agreed rather than with Service Heads. This could result in unrealistic savings targets.</p> <p>There is no single transformation programme but a number of separate programmes managed through the Corporate Management Team (CMT). Some cross-cutting improvements are also planned. An improvement partner (PeopleToo) has recently been appointed to look at bigger transformation possibilities to close the medium-term financial gap. The key transformation programmes are in ASC and Children’s Services (CS). A dedicated transformation board is in place for ASC but not for CS.</p> <p>A Centre for Governance and Scrutiny (CFGS) self-assessment review undertaken by the Council in 2023 assessed four areas relating to savings as RAG rated ‘red’. These were: mitigations against savings not being achieved; Savings that require sustained corporate leadership should be identified early on and paid particular attention to; Creation of savings plans that have realistic lead in times so that savings can be delivered in year, and the full-year effect of savings can be realised and the adoption of processes to ensure there is better scrutiny of savings proposals before they are agreed. A key action which has recently been implemented is the establishment of the ‘Engaged and Effective’ Board to provide greater oversight in this area. Ensuring the effectiveness of the Board is therefore critical to success.</p> <p>This is an element of our key recommendation raised on page 21</p>	<p>R</p>

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (cont'd)

We considered how the Council:

Commentary on arrangements

Rating

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council recognises that EFS provides time to develop and implement proposals to significantly reduce spend and increase income. The 2025/26 budget was aligned to the Council's corporate plan 'Our Plan for Barnet' covering the period 2023-2026. The Council is currently reviewing that plan to ensure the MTFs and corporate priorities continue to be aligned. The Council is considering including a section in the budget report for 2026/27 which draws out more clearly areas of spend where savings have not been identified and the reasons for that. There is evidence that the Council is still looking to make tough choices even with EFS in place. The Council's stated in July 2025 that it will need to continue to identify cost-effective ways to deliver statutory obligations as well as further potential reductions in non-essential spend in order to balance the budget going forward. This is an element of our key recommendation raised on page 21.

For Children's Services the Council has identified that it has been underinvesting in the Special Educational Needs and Disability (SEND) team and has put an extra £1m into the EFS application to correct this. The Council also needs to decide to what extent it is going to invest in new SEND places and how these will be created. It is clear however that the DSG deficit will continue to grow without further investment in places. This question and decision has been on the table for some time with a decision still to be made on how best to secure that provision. A Special School Development Board, has now been established to try and drive this forward.

The Council considers that there has been overall progress with the interconnectedness across other new strategies as they are developed. An example was provided of the new Digital and IT investment strategy where there have been early conversations between the s151 officer and the Executive Director for Strategy and Innovation to ensure that proposals are affordable. There are currently no plans to revisit existing strategies to consider their affordability.

A key discretionary priority relates to the Council's Sustainability Action Plan (SAP). The Council does have a costed Sustainability Action Plan however as at November 2023 the total cost of the plan was put at £842m with only £36m committed within the capital programme. Since then the financial position of the Council has deteriorated and the Council doesn't have sufficient funds to deliver the current SAP.

R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (cont'd)	In 2024 the Council produced its first annual sustainability report. While noting that progress had been made the report recognised a need to produce a climate budget to demonstrate how the residual funding gap in the SAP will be funded. That climate budget has not yet been produced. The Council is looking at how it can leverage external funding, partnerships and low-cost interventions as well as education and awareness raising.	R
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	<p>A workforce strategy is not yet in place due to capacity issues in the HR team, the Council plan that this will be completed during September 2025. The Council has indicated that the plan will cover the age profile of the workforce as well as the risk from staff burnout due to a level of intensity and pressure from achieving financial sustainability.</p> <p>As stated previously the need to externalise debt due to the unplanned use of reserves increased capital financing as the external debt was more expensive than previous internal borrowing. Given the current financial situation the Council is looking closely at the affordability of new capital projects, for example planned expenditure on town centres has been reduced from £20m to £4m. The Council acknowledges that this will impact on council priorities and that there will be hard choices for members who will need to consider the current financial challenges.</p> <p>Capital Strategy is overseen by a Capital Oversight Board however there is a need for the Board to focus on the bigger risks to the Capital Programme. A review has recently commenced looking at how Capital projects are approved as a survey of stakeholders undertaken by the Council highlighted a lack of understanding of the governance and in particular decision-making arrangements in place for developing and managing capital projects. There was significant slippage on both the General Fund and HRA capital programmes of £75.5m on an original 2024/25 combined budget of £320m.</p> <p>The Council does not have an agreed Strategic Asset Management Plan aligned to its current corporate and financial plans. The Council cannot therefore demonstrate that decisions regarding asset optimisation effectively balance financial and community commitments.</p> <p>The above elements form part of our key recommendation raised on page 23</p>	R

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (cont'd)

We considered how the Council:

Commentary on arrangements

Rating

<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>A new Community Asset Panel is to be established to oversee the allocation of the Council's 61 community assets. The Council's CFGS self-assessment plan in 2023 noted that further work was still required which will be picked up as part of a review of the Capital Strategy. This further work is yet to be concluded.</p>	<p>R</p>
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>The Cabinet and Full Council received a comprehensive breakdown of key service pressures as part of the development of the 2025/26 budget and MTFS. Key pressures identified included ASC costs and rising demand as well as growing demand for Temporary Accommodation. These issues are not unique to the Council with many councils, particularly across London, facing similar pressures. The MTFS also included £8.6m pressure for the increasing Capital Financing Costs in 2025/26, with a total of £50m included across the MTFS for this anticipated future pressure. The 2025/26 budget also included a £17m contingency budget. £5m of this related to anticipated cost commitments not included in the service line budgets, these were EFS financing costs (£2m) and improvement partner costs (£3m). These costs may recur in subsequent years of the MTFS but no provision has been made for these.</p> <p>As stated previously the Council has applied for EFS of £55m. The EFS has enabled the Council to balance the budget in 2025/26. However, a significant budget gap still exists for 2026/27 (£75m) rising to £108m in 2029/30. The Council is lobbying central government regarding future spending review plans as part of London Councils collective of local government across London. Internally, the Council is looking to its transformation plan to deliver the long-term solutions required to achieve financial sustainability and mitigate the identified risks.</p>	<p>R</p>

Financial sustainability – commentary on arrangements (cont’d)

We considered how the Council:	Commentary on arrangements	Rating
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	<p>That transformation however will not lead to immediate savings and may require initial investment to achieve. It is not clear how those short-term issues will be resolved. At present therefore the Council does not currently have a clear plan for how it will manage the risks to financial sustainability. The Council will continue to revisit plans as the position with regard to government funding becomes clearer in November/December 2025.</p> <p>As stated previously the Council did not identify the extent of its financial issues until part way through 2024/25. From September 2024 the council introduced a Spending Control Panel. The Council has stated that this has helped embed a culture of cost consciousness across the organisation, with service directors thinking carefully before submitting requests for approval by the panel. This positive change is backed up from stakeholder interviews. The Council has recently introduced new member led Boards aligned to the key pillars of the corporate plan. The Engaged and Effective Board is chaired by the Leader of the Council and considers broader financial sustainability and financial risk across the Council. It remains to be seen whether the broader ‘engaged and effective’ and Caring for our People Boards will provide the required oversight particularly with regard to ASC.</p> <p>This is an element of a key recommendation raised on page 23.</p>	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability including financial planning and affordability of capital programme.

Key Finding: Whilst the Council has taken and continues to take steps to manage its medium to financial resilience, the Council does not currently have a deliverable medium-term financial plan (MTFP) and needs to take further action to manage demand related costs, particularly in Adult Social Care and Children's Services.

Evidence: The Council is reliant on Exceptional Funding Support (EFS) in order to balance its revenue budget. The Council is also facing increased costs of borrowing as a result of depleting its reserves over the last few years. The Council's MRP is estimated to increase from around £12m pa in 2024/25 to £15m by the end of the MTFP in 2027/28, it is then expected to continue to rise to peak at £25m by 2070. This is causing pressures on liquidity and a potentially unaffordable capital programme, including the Housing Revenue Account (HRA) capital spend. Cash balances reduced from £57.6m to £39.1m during 2024/25. The Council had to reduce the amount it pays to its Arm's Length Management Company Barnet Homes Ltd, which in turn will have to achieve £2.5m savings in order for it to deliver against its business plan. The Council's Reserves will not be adequate to manage the funding gaps in the MTFP, including the management of any potentially significant financial shocks. Some of these weaknesses were also present in 2023/24 and the Council accepts that further work is still required to address the key recommendations within our prior year Auditors Annual Report (AAR). The Council has embarked on a transformation programme to deliver the scale of savings necessary to achieve financial sustainability but that work is not yet complete or delivering tangible results. The Council has recently undertaken an analysis of the impact of the 2025 government spending review on its MTFS forecasts. It has assessed that the cumulative impact of the spending review, business rates retention and Homelessness Prevention Grant will be nil over the life of the MTFS. The Council has assessed that the cumulative shortfall in resources over expenditure is estimated to reach £108m by 2029/30. It currently does not have plans in place to show how this shortfall will be managed. The Council will need to align a revised MTFS with a new corporate plan from 2026 onwards, as well as reflecting how the Council will exit from EFS.

Impact: If the Council is not able to effectively manage demand to reduce costs, and deliver all planned savings, reserve levels will reduce to a level putting the medium-term financial sustainability of the Council at risk. The Council will not be able to recover from the EFS provided.

Cont'd

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability including financial planning and affordability of capital programme.

Key recommendation 1

KR1: The Council should:

- i. Develop a sustainable medium term financial plan which is aligned to a new corporate plan and include credible plans for exiting the EFS.
- ii. Develop a credible plan for the transformation required to achieve longer term financial sustainability including the rebuilding of adequate reserves
- iii. Ensure that the Council is sighted on the risks associated with the savings required from Barnet Homes Ltd and appropriate action taken should it become apparent that the required savings are not going to be delivered.
- iv. Ensure it closely monitors the sustainability of the capital programme including for the HRA

Financial Sustainability (continued)

Significant weakness identified in relation to Financial Governance

Key finding: The Council has not been able to address its financial challenges in a timely manner leading to a crisis point requiring urgent action within 2024/25 and resulting in the EFS application for 2025/26. There was also a failure to apply appropriate scrutiny of savings proposals before they were agreed leading to unrealistic and undeliverable savings targets in that year. The Council failed to deliver its planned Capital Programme in 2024/25 and capital financing costs increased significantly leading to an overspend on the budget for 2024/25. The Council is yet to develop a comprehensive workforce strategy and also lacks a Strategic Asset Management Plan.

Evidence: The Council did not fully identify the scale of its financial problems until mid-way through the 2024/25 financial year. Savings plans for 2024/25 were not agreed and signed off by Service Directors. A Capital Oversight Board exists however this has been too focused on individual capital projects rather than the capital strategy. Improving communication and data management by the Treasury Management team has been a key objective for the last two years but this has still not been fully resolved. The increased cost of external borrowing has arisen due to the depletion of reserves over the last few years and this has caused liquidity issues for the Council. A recent survey of relevant stakeholders highlighted a basic lack of understanding of how capital projects are governed. There was significant slippage of £75.5m in the Capital Programme for 2024/25. A Strategic Asset Management Plan has been drafted but not yet agreed and implemented.

Impact: The weaknesses in financial governance have exacerbated the financial crisis which the Council now faces.

Cont'd.

Financial Sustainability (continued)

Significant weakness identified in relation to Financial Governance

Key recommendation 2

KR2: The Council should:

- i. Review and improve the effectiveness of the Capital Oversight Board, approve a revised capital strategy and improve awareness with relevant stakeholders of how capital projects are governed.
- ii. Develop a comprehensive workforce strategy and agree and implement a Strategic Asset Management Plan
- iii. Monitor the effectiveness of the new 'engaged and effective board' in managing the delivery of planned savings and outturn against planned budget and in particular the management of costs within Adult Social Care and Children's Services.
- iv. Improve communication and data management by the Treasury Management team

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council has a comprehensive Risk Management Framework. The most recent internal audit in 2024 provided Substantial Assurance for the Council’s approach to risk management and the past 5 years’ internal audits (going back to 2018) all confirmed that the Council has a "strong risk management culture". In 2023/24 we raised an improvement recommendation relating to aspects of the Council’s risk registers. From Quarter 1 2024/25, the appendices to the quarterly risks report to GARMS Committee, which provide an extract of the strategic and high-level risks now show the columns with the inherent, residual and target scores , as well as the link to ‘Our Plan for Barnet Pillars and Themes’. These actions satisfactorily address our recommendation.</p> <p>The Council’s fraud management arrangements are provided by a Central Corporate Anti-Fraud Team (CAFT) which reports into the Executive Director Assurance. CAFT enjoys a strong reputation across the stakeholders interviewed. A current fraud issue is being reviewed by Internal Audit to determine if there are any specific control issues in the particular department that may need strengthening. The Internal Audit will then consider if there are any wider lessons to be learned across the organisation. The Internal Audit will look at highways contracts specifically but will also include a separate review of procurement for payments where no contract in place. The Internal Audit work commenced in early 2025 and has not yet concluded. We consider this to be an appropriate response. The Council’s procurement arrangements are discussed in more detail later in this report. Both of these specific frauds were identified as a result of whistleblowing reports suggesting that processes in this respect are working effectively.</p> <p>More generally CAFT undertake a mix of proactive work as well as investigations and carries its own prosecution capability. Current proactive work includes a review of ‘polygamous working’ i.e. people working elsewhere at the same time as they should be working for the Council. This is a particular risk which has been identified as a result of hybrid working arrangements.</p> <p>At present we have not identified an significant weaknesses in arrangements to manage Cyber risks. The Council is however partially transferring IT arrangements back in-house during 2025/26 and there is therefore an increased risk during this period of transition. We have made an improvement recommendation which is set out on page 35.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>As stated previously the Council set over ambitious savings targets in 2024/25 and various levels of scrutiny were insufficient to prevent this. We have raised an improvement recommendation in this respect which is set out on page 35. The above suggests that the budget setting process is not as collaborative as it should be and that there are weaknesses in scrutiny challenge.</p> <p>As also stated previously the Council has developed an HRA business plan however that plan was approved on the basis of £2.7m of savings being delivered by Barnet Homes Ltd. The Business plan states that it was developed in consultation with Savills and Barnet Homes Ltd. The savings requirement from Barnet Homes was not formally approved through the Barnet Homes Business Plan until May 2025. The Barnet Homes Business Plan identifies these savings as challenging and therefore a key risk requiring monitoring from both the Council and Barnet Homes Ltd. The Council has achieved a HRA business plan that is balanced. However, to achieve this Barnet Homes will have to live within a reduced level of management income.</p> <p>In 2023/24 we made an improvement recommendation that the Council should further enhance its annual budget setting process by ensuring Overview and Scrutiny Committee is provided with an opportunity to formally assess and comment on the Council's draft HRA Budget. Additionally, that the Council should ensure GARMS is provided with an opportunity to formally assess and comment on the Council's draft Treasury Management Strategy (TMS) as part of the annual budget setting process. Finally, the Council should enable GARMS to commence in year monitoring of Treasury Management activities during 2024/25 in addition to existing governance arrangements. The Council has updated the constitution to reflect GARMS role in Treasury Management activities and we have seen evidence that GARMS did approve the TMS for 2025/26 and also that GARMS received the Treasury Management outturn report. We have also evidenced that Overview and Scrutiny Committee were provided with the opportunity to formally assess and comment on the Council's draft HRA budget and the annual review of the HRA business plan. We therefore consider that these recommendations have been addressed.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The Cabinet received financial and non-financial information throughout the year. The Chief Executive chairs a meeting with the leader and key cabinet members to monitor in-year budget management across adult social care and other services. These arrangements have recently been superseded by the Engaged and Effective Board which was established in March 2025 to provide oversight and scrutiny across all high-risk areas of spend including ASC, Children’s Services and temporary accommodation. A further layer of member scrutiny exists through the Adult Social Care sub-committee of the Overview and Scrutiny Committee which receives quarterly finance updates.</p> <p>The Council does not have a clear view of basic company information such as company secretary and director details or even what the purpose of the company is for all of the companies and Joint Ventures. An updated list of the companies as well as revised governance arrangements is planned to go to Cabinet in September. An update to CMT in May 2025 advised that the Council was still seeking to determine matters such as: The Council’s senior responsible officers; annual returns; data protection registration; insurance; shareholder agreements; risk management arrangements; training for Members and officer appointments to companies, and their roles and responsibilities; council decision-making when companies are created and changes made; and reporting company performance to formal governance bodies. The most recent list provided by the Council in July 2025 now includes those details but does not include full details of all loans made available by the Council to Barnet Homes (Open Door Ltd) for the development of affordable housing and those related to the Brent Cross development. These loans are in excess of £400m and are therefore material to the Council’s finances as well as to the governance and oversight of those companies.</p> <p>The initial Council self assessment against Centre for Governance and Scrutiny (CFGS) criteria was undertaken in 2023 and an action plan created. This identified six requirements relating to company governance and oversight which had been self-assessed as ‘red’ The key action flowing from these assessments and still outstanding at June 2025 related to improving the reporting of these arrangements to CMT Assurance and Cabinet.</p> <p>Cont’d</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The 2024/25 draft statement of accounts which have recently been prepared by the Council also lists companies and investments that the council has controlling interests in. This list does not include Places for Barnet LLP a 50/50 Joint Venture (JV) established in August 2024. In October 2024 the Council made a loan to Places For Barnet LLP of £1.5m. It is not clear where the governance of this JV sits. Under the constitution responsibility for all ‘partnership arrangements’ falls to the Overview and Scrutiny (O & S) Committee. The O & S Committee has not received any reports for the Places For Barnet LLP in 2024/25 and there is nothing relevant mentioned in its 2025/26 forward plan.</p> <p>The draft statement of accounts for 2024/25 also do not mention two other companies which the Council has an interest in. BXS Estate Manco Limited is 100% subsidiary of BSX GP Ltd in which the Council has a 50% share. BX Tru Ltd is another 100% subsidiary of BSX GP Ltd. These companies have long term leases granted by the Council with regard to Council owned assets in Brent Cross. It is not clear where the governance of these companies sit within the Council.</p> <p>Your Choice Barnet Ltd is part of the Barnet Group and is an Adult Social Care provider and manages care homes. In the year to December 2023 the company made a loss of £561k on £15m turnover. There is little reference to this part of Barnet Group in any Council reports agendas or minutes reviewed including the Adults and Health O & S committee (other than BG Group Business Plan). There is also little reference to Bumblebee Lettings (part of Barnet Group) in any Council reports agendas or minutes reviewed.</p> <p>In July 2025 Full Council approved the decision to appoint the Executive Director for Growth to LBB BX Holdings Ltd, Cricklewood Regeneration Ltd and BSX GP Ltd. However, the Companies House register shows the appointments being made in May 2025.</p>	<p>R</p> <p>Cont'd</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The Brent Cross Business plan provides the over-arching strategy to which BXS LP is working towards delivering Brent Cross Town. The report states that Phased development proposals are a requirement of the Brent Cross South Project Agreement and underpin the process by which Brent Cross Town regeneration comes forward. Under approved Project Agreement procedures, these phased development proposals are presented by the Development Manager, ahead of relevant plot drawdown, for consideration and approval by the joint venture partners. A Brent Cross Board consisting of senior officers including the s151 provides governance over the Brent Cross regeneration project. However, it has no role in oversight of the actual JVs or companies established to manage the developments. The Council appears to conflate governance of the individual regeneration projects with governance of the JVs and companies set up to deliver them.</p> <p>The LGA Peer review and follow up in 2024 flagged company governance and loans to companies as issues. The subsequent action plan stated that a review of governance arrangements would be completed by Dec 2024. The AGS 2024/25 states that this has still not been actioned and identifies company governance, service loans (including those to subsidiary companies) as areas of concern.</p> <p>There was further unplanned use of reserves in 2024/25 of £24.5m to cover the adverse variance at outturn. The Council's 2024/25 provisional outturn report to Cabinet incorrectly reported the the use of reserves as a draw from reserves of £4.54m when in fact it was a contribution to reserves of £4.54m (or more accurately a transfer from the Financial Resilience Reserve to the GF Reserve). The total use of reserves was therefore also incorrectly stated as £36.2m instead of £28.4m. An addendum to update Members on the outturn report changes was reported to Cabinet in July 2025.</p> <p>We raise a key recommendation on page 32.</p>	<p>R</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council is responsible establishing clear strategic objectives and ensuring arrangements are in place to deliver them. The Executive and SLT work closely in overseeing the delivery of strategic objectives. The Council has an established Audit Committee and Overview and Scrutiny Committee that monitor and scrutinise performance and key decisions. Each Committee conducts an annual review of effectiveness and reports the results and any priorities for improvement to the Cabinet and full Council. We consider the Council’s structure provides sufficient assurance that oversight and challenge are applied to decision-making, risk management, and performance management.</p> <p>The Council has also changed its internal governance structure following the 2023 LGA peer review. This includes implementing internal review boards before reports get to public meetings and formal decision making as well as the new member led Boards linked to the corporate plan. The Council is yet to fully agree how best to include back bench members in the new arrangements. This is something the Council is aware of and is actively considering. Another aspect of the LGA review was member and officer training following the change from committee structure to cabinet led model. This training has been completed and the Council has received Charter Plus status from South East Employers for its training and member development.</p> <p>In response to our improvement recommendation made in 2023/24 the Council undertook a review of the governance and oversight of the development funding for Plot 1 Brent Cross Town to identify any learning that could be incorporated into future decision making. The review was undertaken in Quarter 3 2024/25. However, the associated report has not been presented to GARMS or Overview and Scrutiny. Internal audit undertook an audit of loans in 2024/25 and the initial Brent Cross loan of £8m was one of the sample of eight loans tested. The audit was limited assurance and highlighted the need for clearer roles and responsibilities as well as a need for an end-to-end process for due diligence and monitoring.</p> <p>cont'd</p>	<p>A</p>

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee.	In 2023/24 we made a key recommendation regarding the inappropriate payments made between the Council and Barnet Pension Fund. We are satisfied that there is no longer a significant weakness in arrangements in this respect. An Internal Audit is planned for Q3 2025/26 to verify that the new processes are designed and operating effectively. It is vital that the Council ensures that the internal audit of pension fund governance is undertaken and that any high priority findings from the audit are implemented in 2025/26. We have made an improvement recommendation in this respect which is set out on page 34.	A
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council has clearly defined the roles of its key officers, the Executive and all Council committees. There are Codes of Conduct in place for members and officers which are regularly reviewed, with training provided as required. The Council maintains published registers of interests, with declarations a standing agenda item for all member meetings. The Monitoring Officer manages any complaints made against members, providing updates to GARMS.</p> <p>In 2024 a former Finance Portfolio Holder resigned due to inaccuracies contained within their CV. This raised concerns about the Council's vetting arrangements. A lessons-learned has been undertaken by the Monitoring Officer and the key finding was that there is very limited scope for the Council to undertake vetting of candidates. The responsibility for vetting is with the relevant political groups. This is not considered a significant weakness in arrangements.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Significant weakness identified in relation to Subsidiary company and partnerships governance

Key finding: We are not satisfied that the Council has identified all material financial information regarding the Council's subsidiary companies or that there is appropriate governance arrangements in place across all of the joint venture partnerships and companies. This includes governance over the granting and management of loans to subsidiary companies and other partners. A review of potential conflicts of interest between the roles of officers and members of the Council and their roles on the Boards of the companies and joint ventures is not evidenced when appointments are approved by Cabinet. The Council appears to conflate governance of the individual regeneration projects with governance of the JVs and companies set up to deliver them.

Evidence: . A key action arising from the 2023 LGA Peer review was for the Council to review the governance over its subsidiary companies. The Council has only recently completed an exercise to map out a complete list of all its subsidiary companies and key joint venture partnerships. Prior to May 2025 the Council did not have a complete central list of all its entities or key information such as: who the directors and senior responsible officers within the council were and where or what legal documents including shareholder and partnership agreements were held. The list of companies and investments currently included by the Council in the draft financial statements for 2024/25 is incomplete. In particular Places for Barnet LLP a 50/50 JV which the Council loaned £1.5m in 2024/25. There are a further three entities which are also not listed in the accounts but which the Council has a financial interest in and all of whom have active leases on land/buildings owned by the Council. The Council has identified conflicts of interest between the Council as the freeholder of land and the Council as shareholder/member in some of the companies which have been granted leases on that land. It is not clear how those conflicts are being managed. A recent internal audit of loans and leases resulted in a 'limited assurance' report raising key findings relating to the governance of those loans. The Council has made substantial service loans exceeding £400m to its subsidiary companies and joint venture partners. The Council conflates governance of the individual regeneration projects with governance of the JVs and companies set up to deliver them. Council minutes confirm that potential conflicts of interest between the roles of officers and members of the Council and their roles on the Boards of the companies and joint ventures was not considered when appointments were approved. It is not clear when GARMS last performed a review of the companies and Joint Ventures or when Internal Audit last undertook a review of these arrangements. The Council's O & S Committee has not received any reports relating to oversight of the Council's subsidiary companies and JVs other than The Barnet Group and BELs. The Inglis Consortium LLP is a further JV established in 2011. No financial, non-financial, risk or business plan updates have been presented to the O & S Committee or other committees in 2024/25.

Impact: Ineffective governance over key subsidiary companies and partnerships may result in the Council failing to identify all material financial information regarding the companies as well as not achieving value for money from those arrangements.

Cont'd

Governance (continued)

Significant weakness identified in relation to Subsidiary company and partnerships governance

Key recommendation 3

KR3: The Council should:

- i. Urgently agree a complete and accurate list of all of its company and partnership investments including all joint ventures
- ii. Review the purpose and continued suitability of all such companies and partnerships including the development of appropriate business plans, objectives and KPIs
- iii. implement appropriate governance arrangements across all identified companies and partners including governance overall loans made by the Council to its subsidiary companies and joint venture partners and monitoring of outcomes against agreed objectives and KPIs
- iv. Ensure that conflicts of interest checks are documented when new company board appointments are approved, review current member and officer board appointments for conflicts of interest, document that review and remove any actual or perceived conflicts of interest

Governance (continued)

Area for Improvement identified: Pension Fund Governance

Key Finding: In 2023/24 we made a key recommendation regarding the inappropriate payments made between the Council and Barnet Pension Fund. We are satisfied that there is no longer a significant weakness in arrangements in this respect

Evidence: The inappropriate payments were made in 2023/24 and there has been no repeat in 2024/25. Internal Audit has completed a review of the incorrect payment made by the Council and identified the need to revise the officer scheme of delegation and further training to be provided. This was reported to GARMS on 21 May 2025. An Internal Audit is planned for Q3 2025/26 to verify that the new processes are designed and operating effectively.

The council's view is that roles and responsibilities had become blurred as there is only one s151 officer serving both the Pension Fund and the Council.

Impact: If the Council fails to ensure that the new processes are designed and operating effectively then there is a risk of further inappropriate payments being made. We will reconsider governance of the pension scheme as part of our value for money work in 2025/26.

Improvement Recommendation 1

We recommend that the Council ensures that the internal audit of pension fund governance is undertaken and that any high priority findings from the audit are implemented in 2025/26.



Governance (continued)

Area for Improvement identified: Cyber Security Governance

Key Finding: Cyber security is a key issues for the Council. The Council plans to transfer IT management back in-house during 2025/26. A broader cyber audit is in the Internal Audit plan 2025/26. This will look at IT governance with the planned transfer back to Council from Capita but the precise terms of reference have not yet been confirmed. Considerations regarding cyber security management are paramount in the transition of some services back to the Council and this should be a key feature of that internal audit.

Evidence: A Cyber security third party supplier audit was undertaken by PwC in 2023/24 which provided limited assurance but all recommendations have now been completed during 2024/25. The Capita Contract for IT services (part of the Capita CSG contract) was originally a 10-year contract commencing in 2013. As part of the operation of that contract the contracts were reviewed at years 4 and 7. The key considerations of those reviews was that any future delivery of these services was that they must be aligned to the Council's strategic priorities, that economic and commercial benefits were clear and that there was delivery of social value. There is nothing to suggest that cyber security management was a factor in the decision to review the contract, nor that there were any concerns with the operation of that element of the contract.

Impact: A failure to manage key cyber security risks during the transition of services away from the current outsourced model exposes the Council to greater risk of fraud and/or data security risks.

Improvement Recommendation 2

We recommend that considerations regarding cyber security management are paramount in the transition of some IT services back to the Council and this should be a key feature of the internal audit planned for 2025/26.



Governance (continued)

Area for Improvement identified: Budget Setting Process

Key Finding: There was a lack of internal collaboration and scrutiny in setting savings targets as part of the 2024/25 budget process

Evidence: The Council set over ambitious savings targets in 2024/25 and various levels of scrutiny including CMT, O & S and Cabinet were insufficient to prevent this. There is evidence of a more robust process for 2025/26 however there were still some concerns raised at interview that savings targets were centrally agreed rather than with Service Heads. This could result in unrealistic savings targets.

Impact: A lack of collaboration and scrutiny in setting the budget could lead to unrealistic savings and the need for the Council to make unplanned use of reserves to meet any shortfall in the level of savings achieved.

Improvement Recommendation 3

We recommend the Council, as part of the budget setting process, take a more collaborative approach to the agreement of savings and income plans and ensures effective scrutiny of the achievability of proposed savings.



Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	<p>In 2023/24 we recommended the Council reviews its performance management arrangements. In response the Council has put in place a data quality policy. All the indicators in the Delivery and Outcomes Framework for Our Plan for Barnet are linked to the council priorities (Pillars, Themes and Outcomes). RAG ratings are provided for all relevant performance indicators. High level risks are reported as part of the Outcomes Framework for Our Plan report and linked to the specific Themes. This report goes to Cabinet on a quarterly basis. The performance and risk reports are reported within the same cycle of committee meetings, along with the budget papers. The performance and budget papers go to Cabinet and a separate risk report goes to GARMS Committee. The new member-led Boards including the ‘engaged and effective’ Board will consider non-financial performance as well as financial performance. The Council has advised that further work will be undertaken by the Improvement Partner to include better benchmarking metrics.</p> <p>There have been a number of reported issues regarding the implementation of the new Oracle financial system and we have made an improvement recommendation which is set out on page 42.</p>	A

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (cont’d)

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	<p>Council oversight of housing repairs and maintenance has been strengthened through the appointment of a new Director of Housing role. The Council is looking to further improve oversight by introducing more stretch targets for its subsidiary company Barnet Homes Ltd. A new management agreement is also being formulated and this will include an updated section on dealing with complaints.</p> <p>All Housing Ombudsman reports are presented to GARMS as well as an annual review of complaints. Barnet Group operates its own Internal Audit function. At present this is not considered a significant weakness in arrangements however we have made an improvement recommendation to make clear that with regard to Barnet Homes the Council needs to finalise specific stretch targets on complaints handling and for this to be monitored by CMT and GARMS. The Council should also consider how issues identified through Barnet Homes Internal Audit are reported through to the Council so that it is sighted on any significant risks. Our improvement recommendation is set out on page 43.</p> <p>A monthly balanced scorecard for Adult Social Care has been introduced which benchmarks performance against similar councils in London and nationally. There are some important local issues and the Council has noted that Barnet has the highest number of hospital discharges and therefore demand on ASC has risen about 1/3 above the London average for discharges. This difference is not reflected in the hospital discharge grant the Council receives. The Council also discusses arrangements with other local councils to identify areas for improvement.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (cont'd)

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	<p>In 2023/24 we recommended that the Council considers further opportunities for the governance and oversight of Key Council partnership arrangements and in particular reporting of partnership performance to Overview and Scrutiny Committee and GARMS. The Council has indicated that they will consider this as part of a review of partnership governance arrangements however this work is still outstanding.</p> <p>Key partnerships for the purposes of our value for money assessment include the subsidiary companies and joint ventures rather than those arrangements with health, police and other public sector partners. We have previously commented on specific elements of this as part of the overall governance arrangements for companies as set out on pages 27-29. Broader company governance arrangements are considered a significant weakness. In particular the terms of reference for GARMS and O & S state they have responsibility for scrutiny and governance over key partnerships. These weaknesses in governance also impact the oversight of company and joint venture performance. As stated previously, it is not clear how these requirements have been met and we have made a key recommendation which is set out on page 32.</p>	R
commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council established a new Commercial and Procurement Team in April 2024, which will not become fully resourced until September 2025 due to difficulties in attracting suitably qualified staff. The Contract Procedure Rules were updated in July 2024 in preparation for The Procurement Act 2023 which came in to force in February 2025. An annual Procurement Forward Plan 2025/26 was reviewed by service areas/CMT/portfolio members in late 2024 prior to approval by Cabinet in February 2025. It is clear that the Council has also achieved some significant savings on the re-tendering of contracts in 2024/25 with an estimated £14m in savings estimated.</p>	R

Cont'd

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (cont’d)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	<p>A Procurement Act readiness audit was conducted by internal audit in April 2024 and a follow-up audit was undertaken in July 2025. At the time of the follow-up audit there were five advisory findings from the original audit which were outstanding. The follow-up concluded that two out of the five actions had been completed these related to: ensuring that there was a full data review across legacy systems as part of the transition plan to the new procurement system and a review of the contract register to ensure that it was accurate and complete. Any actions identified as part of this data review are to be captured in a formal action plan with clear action owners and target dates that can then be progress tracked. The three actions still in progress were: guidance on the creation of KPIs for key contracts; to review the structure of the Procurement Board and to agree new Terms of Reference for the Procurement Board.</p> <p>The Council’s commercial strategy has been assessed by the Council as not currently fit for purpose and it has also identified that it has weaknesses in its approach to commissioning, contracting and contract management. As part of the response to the above Procurement Act readiness audit the Council is developing a procurement board to provide a central oversight with the terms of reference being developed. Further policy and guidance is also planned for 2025/26. Neither Procurement or Contract Management risks have been assessed within the strategic risk register. We have identified significant weaknesses in the arrangements for procurement and contract management and further details as well as a Key Recommendation is made on page 41.</p>	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to procurement and contract management

Key Finding: The Council did not have an effective Procurement Board in 2024/25 and has acknowledged that it has weaknesses in its approach to commissioning, contracting and contract management. The Council has identified these issues for itself and now has firm plans to fix the outstanding issues. We do however consider that for 2024/25 there was a significant weakness in arrangements and that weakness continues to exist until the remaining actions identified by the Council are fully implemented and embedded.

For these reasons we consider there to be a significant weakness in arrangements and make the following key recommendation set out below.

Evidence: The Council's commercial strategy has been assessed by the Council as not currently fit for purpose and it has also identified that it has weaknesses in its approach to commissioning, contracting and contract management. The Council has established that there are still further improvements required and has established the following key priorities for 2025/26: establishment of effective reporting to the procurement board, CMT and contract managers; aggregation of spend opportunities to produce more strategic savings; improving contract management data including gaps in contract ownership; establishment of a refreshed Procurement Board; review of the Council's Sustainable Commercial Strategy. There is still no monitoring of trends in waivers to identify areas for improvement. It is also noted that the recent fraud related to issues relating to procurement and contract management.

Impact: If the Council is not able to effectively manage contracts it will not realise all potential benefits envisaged through the contracts and will not identify information relating to its costs and performance in order to improve the way it manages and delivers its services. Effective procurement and contract management are essential if the Council is to deliver the transformation and strategic savings necessary to achieve financial sustainability.

Key recommendation 4

KR4: The Council needs to ensure that it improves its strategic use of procurement to drive forward the necessary efficiencies. Efficiencies identified then need to be delivered through improved contract management. All remaining actions from the Council's Procurement Improvement Plan need to be implemented. These include: contract management identified by the Council are fully implemented and embedded. These include: agreeing the structure and terms of reference for a new Procurement Board; ensuring effective reporting of contract performance, variations, waivers, risks and KPIs to CMT and those charged with governance; improving strategic procurement to drive efficiencies and transformation including a review of the Council's Sustainable Commercial Strategy; improving consistency and effectiveness of contract management, and ensuring appropriate and effective fraud management controls are in place.

Improving economy, efficiency and effectiveness (cont'd)

Area for Improvement: Oracle Implementation

Key Finding: Feed back on the Council's implementation of the Oracle financial system did not appropriately consider staff preparation for how they should optimize the benefits of the new system. One area where this has impacted is debt collection which has impacted the Council's liquidity. Further work is required by the Council to establish if this is the root cause of the issue as some of the outstanding debt pre-dates the Oracle implementation.

Evidence: There have been a number of reported issues by officers following the implementation of the new Oracle financial system. Oracle implementation is currently a red rated risk which was added to the strategic risk register in 2024/25. This is seen by the Council as an organisation capability issue rather than a system implementation issue. Although Oracle has been problematic there was good governance processes around the system implementation, for example through regular reports to GARMS. An Oracle Optimisation Group has been established in March which acts as a forum for primary users of Oracle, service, finance and HT. The optimisation group will feed into the Council's overall transformation programme.

Impact: planned efficiency gains will not be forthcoming. key controls could also be impacted through an inability to report key management information such as payroll details and debtor information.

Improvement Recommendation 4

The Council should ensure that there is effective communication between the Oracle Implementation Group and the Transformation Programme Board. Priority issues identified through the Optimisation Group should be implemented in 2025/26. GARMS should continue to have focus on this area of risk in 2025/26.



Improving economy, efficiency and effectiveness (cont'd)

Area for Improvement: Oracle Implementation

Key Finding: Scrutiny of Barnet Homes Ltd performance needs to be strengthened

Evidence: The Council is looking to further improve oversight by introducing more stretch targets for its subsidiary company Barnet Homes Ltd. A new management agreement is also being formulated and this will include an updated section on dealing with complaints.

Complaints against Barnet Homes are not monitored by CMT and GARMS. Issues identified through Barnet Homes Internal Audit are not reported through to the Council so that it is sighted on significant risks.

Impact: There is a risk of a lack of oversight and scrutiny of the performance of Barnet Homes Ltd .

Improvement Recommendation 5

With regard to Barnet Homes we recommend that the Council finalises specific stretch targets on complaints handling and for this to be monitored by CMT and GARMS. The Council should also consider how issues identified through Barnet Homes Internal Audit are reported through to the Council so that it is sighted on any significant risks.



Pension Fund

The Council is the administering authority for the London Borough of Barnet Pension Fund (The Pension Fund). As part of our VfM work we are required to consider the Council's arrangements in respect of the Pension Fund. We will conclude our assessment below once we have completed our Audit for 2024/25.

We considered the Pension Fund's: Commentary on arrangements

Rating

Financial Sustainability: sufficiency of funds to meet liabilities	<p>The Pension Fund has two 'white flags' on the most recent review undertaken by the Government Actuaries Department (GAD) of pension scheme valuations undertaken in August 2024. white flags are for information purposes only and do not require specific action. These flags relate to:</p> <p>The Pension Fund is in the top three poorest funded on the Scheme Advisory Board (SAB) basis. GAD's report 'encourages the fund to monitor closely the risk that additional pension contributions may be required in the future'.</p> <p>The GAD report also noted that the Pension Fund has over a third of its members employed by non-taxpayer backed employers, for example private sector employers and higher education establishments. GAD concluded that the Pension Fund had given clear consideration to the risk and that there were no other flags being raised for the fund. Our work so far has not identified any significant weakness in this respect.</p>	G
Governance: appropriateness of governance arrangements	<p>The Pensions Committee received and discussed an update regarding pooling arrangements at its meeting in June 2025. This included discussion regarding the Government's 'Fit for Future' consultation response. The Committee were advised that £400million worth of assets needed to be transferred to the LondonCIV (the investment pool for the London Local Government Pension Scheme) by 31 March 2026 and noted the deadline may not be achievable.</p> <p>Aon were commissioned to apply a desk top review methodology to assess how well the Fund was performing against the requirements of the Pensions Regulator General Code (the code). A number of essential actions were identified across all areas of the code and an action plan has been agreed to achieve the necessary improvements. These actions included improvements to decision making and risk management. As set out on page 31 of this report inappropriate payments were made between the Council and Barnet Pension Fund in 2023/24.</p>	A

Cont'd

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Pension Fund (Cont'd)

The Council is the administering authority for the London Borough of Barnet Pension Fund (The Pension Fund). As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund. We will conclude our assessment below once we have completed our Audit for 2024/25.

We considered the Pension Fund’s: Commentary on arrangements		Rating
Governance: appropriateness of governance arrangements	The Pensions Fund Committee has been kept apprised of the matter and agreement reached on an appropriate way forward regarding those payments. It is important that the essential actions identified from the review against the Code are implemented without delay and that these incorporate any lessons learned from the erroneous payments issue. We have made an improvement recommendation in this respect which is set out on page 46.	A
Improving Economy, Efficiency and Effectiveness: annual report findings	The Pensions Committee was advised that the London CIV had appointed a Chief Officer of Solutions, and that individual would be reviewing investments and how other services provided could be pooled to improve efficiencies. As stated above the Fund undertook a review against requirements of the Code and identified a number of essential actions including further training on plan administration and financial transactions. Given the erroneous payments issue identified in 2023/24 it is vital that this essential training is delivered in 2025/26. We have included this as part of the above improvement recommendation which is set out on page 46. Our work so far has not identified any significant weakness in this respect.	A

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Pension Fund

Area for Improvement: Pensions Fund Governance and Training

Key Finding: The Council as administering body for the Pension Fund has identified a number of areas where the Fund needs to improve arrangements with regard to compliance with the Pensions Regulator General Code.

Evidence: Aon were commissioned to apply a desk top review methodology to assess how well the Fund was performing against the requirements of the Pensions Regulator General Code (the code). The review identified 55 essential actions across all aspects of the code. These actions included improvements to decision making and risk management as well as administration including essential training on financial transactions. This latter point directly relates to the erroneous payments made from the Council to the Pensions Fund in 2023/24 as set out on page 31 of this report.

Impact: Failure to implement these actions effectively could lead to adverse regulatory action and could also impact on the effective administration of the Fund.

Improvement Recommendation 6

IR6: The Council should ensure that the essential actions identified from its review against the pensions regulator General Code are implemented without delay and that these incorporate any lessons learned from the erroneous payments issue. This should include the further training on financial transactions identified in its review.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
KR1	i. Develop a sustainable medium term financial plan which is aligned to a new corporate plan and include credible plans for exiting the EFS.	Financial sustainability (pages 14 – 19)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC
	ii. Develop a credible plan for the transformation required to achieve longer term financial sustainability including the rebuilding of adequate reserves		
	iii. Ensure that the Council is sighted on the risks associated with the savings required from Barnet Homes Ltd and appropriate action taken should it become apparent that the required savings are not going to be delivered.		
	iv. Ensure it closely monitors the sustainability of the capital programme including for the HRA		

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR2	The Council should:		
	i. Review and improve the effectiveness of the Capital Oversight Board, approve a revised capital strategy and improve awareness with relevant stakeholders of how capital projects are governed.		
	ii. Develop a comprehensive workforce strategy and agree and implement a Strategic Asset Management Plan		
	iii. Monitor the effectiveness of the new ‘engaged and effective board’ in managing the delivery of planned savings and outturn against planned budget and in particular the management of costs within Adult Social Care and Children’s Services.		
	iv. Improve communication and data management by the Treasury Management team		
		Financial sustainability (pages 19 – 20)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR3	The Council should:		
	i. Urgently agree a complete and accurate list of all of its company and partnership investments including all joint ventures		
	ii. Review the purpose and continued suitability of all such companies and partnerships including the development of appropriate business plans, objectives and KPIs		
	iii. implement appropriate governance arrangements across all identified companies and partners including governance overall loans made by the Council to its subsidiary companies and joint venture partners and monitoring of outcomes against agreed objectives and KPIs	Governance (pages 23– 29)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC
	iv. Ensure that conflicts of interest checks are documented when new company board appointments are approved, review current member and officer board appointments for conflicts of interest, document that review and remove any actual or perceived conflicts of interest		

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR4	The Council needs to ensure that it improves its strategic use of procurement to drive forward the necessary efficiencies. Efficiencies identified then need to be delivered through improved contract management. All remaining actions from the Council’s Procurement Improvement Plan need to be implemented. These include: contract management identified by the Council are fully implemented and embedded. These include: agreeing the structure and terms of reference for a new Procurement Board; ensuring effective reporting of contract performance, variations, waivers, risks and KPIs to CMT and those charged with governance; improving strategic procurement to drive efficiencies and transformation including a review of the Council’s Sustainable Commercial Strategy; improving consistency and effectiveness of contract management, and ensuring appropriate and effective fraud management controls are in place.	Improving, Economy Efficiency, and Effectiveness (Pages 34-38)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	We recommend that the Council ensures that the internal audit of pension fund governance is undertaken and that any high priority findings from the audit are implemented in 2025/26.	Governance (page 34)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC
IR2	We recommend that considerations regarding cyber security management are paramount in the transition of some IT services back to the Council and this should be a key feature of the internal audit planned for 2025/26.	Governance (pages 35)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC
IR3	We recommend the Council take a more collaborative approach to the agreement of savings and income plans as part of the budget setting process.	Governance (page 36)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC
IR4	The Council should ensure that there is effective communication between the Oracle Implementation Group and the Transformation Programme Board. Priority issues identified through the Optimisation Group should be implemented in 2025/26. GARMS should continue to have focus on this area of risk in 2025/26.	Improvement economy, efficiency and effectiveness (Page 42)	Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report. Responsible Officer: TBC Due Date: TBC

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>IR5</p> <p>With regard to Barnet Homes we recommend that the Council finalises specific stretch targets on complaints handling and for this to be monitored by CMT and GARMS. The Council should also consider how issues identified through Barnet Homes Internal Audit are reported through to the Council so that it is sighted on any significant risks.</p>	<p>Improvement economy, efficiency and effectiveness (Page 43)</p>	<p>Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report.</p> <p>Responsible Officer: TBC</p> <p>Due Date: TBC</p>
<p>IR6</p> <p>The Council should ensure that the essential actions identified from its review against the pensions regulator General Code are implemented without delay and that these incorporate any lessons learned from the erroneous payments issue. This should include the further training on financial transactions identified in its review.</p>	<p>Pension Fund (page 44-46)</p>	<p>Actions: The Council are currently working on a detailed response to these recommendations which will be updated in the final version of the report.</p> <p>Responsible Officer: TBC</p> <p>Due Date: TBC</p>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>PY KR1. We have identified a number of improvement areas relating to the Council's financial planning and these combined threaten delivery of the plan.</p> <p>PY KR1a. consider opportunities to enhance formal member oversight and governance of the activities of the Communities, Adults and Health Financial Sustainability Programme Board</p> <p>PY KR1b - develop a revised HRA business plan in partnership with Barnet Homes to support the overall financial sustainability of the HRA</p> <p>PY KR 1c - ..develop further future savings, and wider alternatives, in the management of budget gaps within the Council's MTFS</p> <p>PY KR 1d - ... continue to review and assess the adequacy of its general fund working balance</p>	2023/24	<p>1.a Oversight now part of Engaged and Effective Board which although not specific to ASC will monitor all FS cost drivers and pressures.</p> <p>1.b HRA business plan is balanced however this has only been achieved by passing the problem on to Barnet Homes who have to achieve £2.6m in savings in 25/26. Budget set with savings assumed before Barnet Homes business plan approved.</p> <p>1c. 2024/25 £24m use of reserves to cover adverse variance. 2025/26 budget set savings target £23.54m. Even with this level of savings the Council has an unfunded budget gap for 25/26 of £55.27m for which the Council has applied for EFS.</p> <p>1d. Unsustainable use of reserves to cover overspends - £24m in 2024/25. GF reserves reduced from £74m in April 2021 to £37.5m at 31 March 2024 and are now at approximately £17m. 2024/25 MTFS had a planned contribution to reserves of £2m pa in 2025/26-2027/28. In the 2025/26 budget and MTFS this was reduced to £0 in 2025/26 and 2026/27. The use of reserves is also impacting on TMS through increased borrowing and is causing liquidity issues.</p>	Partially implemented	Key Recommendation amended as set out on page 21.

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	PY KR2 - We have identified a number of improvement areas relating to the interconnectivity of the Council's financial planning with other key operational plans and the Council's financial governance arrangements.		2a. Although a lessons learned review has been undertaken there is not yet an agreed action plan for improvements and the review report has not yet been presented to GARMS or Overview and Scrutiny.		
	PY KR 2a - conduct a lessons learnt review of the governance and oversight of the development funding for Plot 1 Brent Cross Town.		2b. A workforce strategy is still not in place. An Asset Optimisation Strategy is in place but there is inconsistency within the methodology used for developing relevant business cases.		
	PY KR 2b - review, develop and formally agree a Workforce Strategy and update its Corporate Asset Management Plan.	2022/23	2c. Deliverability of the Council's sustainability strategy is a red rated risk on the strategic risk register. The Council has since advised that it doesn't have sufficient funds to deliver its strategy and is looking at how it can leverage external funding, partnerships and low-cost interventions as well as education and awareness raising.	Partially implemented	Key Recommendation amended as set out on page 23.
	PY KR 2c - conclude its proactive review of the Sustainability Action Plan, provide those charged with governance an update on the plan, including an assessment of financial implications to the MTFS.		2d. Treasury Management and control of the capital programme remain a key risk for the Council impacting significantly on liquidity. Improving communication and data management by the Treasury Management team has been a key objective for the last two years and has still not been resolved.		
	PY KR 2d - review the finance team structure, and capacity, specifically in respect of TM				

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR3	PY KR3 - We recommend the Council:		A review of the incorrect payment undertaken by the Council identified the need to revise the officer scheme of delegation and further training to be provided. This was reported to GARMS on 21 May 2025. An Internal Audit is planned for Q3 2025/26 to verify that the new processes are designed and operating effectively. The council's view is that roles and responsibilities had become blurred as there is only one s151 officer serving both the Pension Fund and the Council.		
	Secures, considers, and acts on all relevant professional advice relating to prepayment, and repayment, of pension contributions to and from the Council and the London Borough of Barnet Pension Fund, to ensure the compliance with regulatory and financial standards.	2022/23	The inappropriate payments were made in 2023/24 and no repeat in 2024/25. Internal Audit has completed review of governance and recommendations. The action plan will be delivered in 2025/26 therefore on balance consider that the significant weakness should be removed and replaced with a new improvement recommendation. If the Council fails to deliver against the actions then we will escalate in 2025/26.	Partially implemented	Key recommendation replaced by an improvement recommendation which is set out on page.
	Takes organisation learning from such advice and puts in place appropriate arrangements to strengthen compliance and governance arrangements.				
	Satisfies itself that it has sufficient skills and capacity in place to support the compliant management of London Borough of Barnet Pension Fund activities.				

07 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	We recommend the Council, in consideration of the future financial challenges it faces, continues to assess carefully areas of discretionary spending and provides sufficient information within budget setting reports.	2023/24	The Council continues to assess all areas of discretionary spend as part of its budget setting process. In addition, from September 2024 the council introduced a Spending Control Panel which meets four days per week. All spend requires approval from the panel before being incurred.	We consider this action to be closed and do not consider this to be a significant weakness in arrangements.	None
IR2	We recommend the Council should introduce wider financial scenario and sensitivity planning within its MTFS and to include such information in annual budgeting setting reports.	2023/24	Scenario planning was included in the 2025/26 budget setting process and a number of budget scenarios based on varying assumptions were presented to Cabinet in November 2024.	We have seen evidence of this scenario planning in Adult Social Care and this seems to be very comprehensive and detailed review of costs and demand drivers.	None

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	We recommend the Council should further enhance its annual budget setting process by ensuring Overview and Scrutiny Committee is provided with an opportunity to formally assess and comment on the Council's draft HRA BudgetWe recommend the Council should further enhance its annual budget setting process by ensuring Overview and Scrutiny Committee is provided with an opportunity to formally assess and comment on the Council's draft HRA Budget	2023/24	<p>The Council has updated the constitution to reflect GARMS role in Treasury Management activities (Constitution 3D Para 17). GARMS did approve TMS for 2025/26 and also received the Treasury Management outturn report.</p> <p>Overview and Scrutiny Committee were provided with the opportunity to formally assess and comment on the Council's draft HRA budget and the annual review of the HRA business plan.</p>	This action is considered complete with no significant weakness in arrangements.	None
IR4	We recommend that the Council should review its current risk management arrangement to ensure arrangements are optimal	2023/24	<p>From Q1 2024/25, the appendices to the quarterly risks report to GARMS Committee, which provide an extract of the strategic and high level risks now show the columns with the inherent, residual and target scores - as well as the link to Our Plan for Barnet Pillars and Themes.</p> <p>The most recent internal audit in 2024 provided Substantial Assurance for the Council's approach to risk management - and the past 5 years' audits (going back to 2018) all confirmed that Barnet has a "strong risk management culture".</p>	We consider that implementation of these improvement recommendations is now complete with no significant weakness in arrangements.	None

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	We recommend that the money laundering reporting toolkit and response plan should be reviewed in 2024/25 and then annually thereafter.	2023/24	This action is still outstanding	This is not regarded as a significant weakness in arrangements.	Recommendation retained
IR6	We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the GARMS Committee to evaluate its impact and identify areas for improvement	2023/24	This action has not been completed and there are currently no firm plans to conduct this exercise.	A number of stakeholders stated that this was not on their radar although the Chair of Audit Committee advised that they were expecting the review to be undertaken but could not advise on a timescale.	Recommendation retained
IR7	We recommend that the Council, as a result of our review of DRS project, take the following actions: Ensures its secondment controls remain robust, sufficient and appropriate. Incorporates the organisational learning from the DRS contract into future contract management arrangements.	2023/24	The specific issue related to the secondment of the Director of Highways ahead of the contract coming to an end and is no longer an issue as the transfer has been completed. Additional controls have been implemented in HR which should flag if there are any similar proposals in the future.	This specific issue is considered closed.	None

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	We recommend the Council reviews its performance management arrangements	2023/24	<p>A data quality policy is in place and all the indicators in the Delivery & Outcomes Framework for Our Plan for Barnet are linked to the council priorities (Pillars, Themes and Outcomes). RAG ratings are provided for all relevant performance indicators. High level risks are reported as part of the Outcomes Framework for Our Plan report and linked to the specific Themes. This report goes to Cabinet.</p> <p>The performance and risk reports are reported within the same cycle of committee meetings, along with the budget papers. The performance and budget papers go to Cabinet and a separate risk report goes to GARMS Committee.</p> <p>The new member-led Boards including the 'engaged and effective' Boards will consider non financial performance as well as financial performance.</p> <p>Further work will be undertaken by the Improvement Partner to include better benchmarking metrics.</p>	We consider implementation of these improvement recommendations is now complete with no significant weakness in arrangements.	None
IR9	We recommend the Council enhances the CAHFS Board terms of reference to incorporate a requirement for the board to identify, frequently review and act upon ASC benchmarking data to help inform the work of the Communities, Adults and Health Financial Sustainability Programme	2023/24	<p>A monthly balanced scorecard for Adult Social Care has been introduced which benchmarks performance against similar councils in London and nationally. There are some important local issues and the Council has noted that Barnet has the highest number of hospital discharges and therefore demand on ASC has risen about 1/3 above the London average for discharges. This difference is not reflected in the hospital discharge grant the Council receives. The Council also discusses arrangements with other local councils to identify areas for improvement</p>	We consider implementation of these improvement recommendations is now complete with no significant weakness in arrangements.	None

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR10	We recommend that an update report, on progress in relation to the Peer review action plan, is provided to Cabinet.	2023/24	This is scheduled to be considered by Cabinet in September. As noted previously a key aspect of the Peer review related to governance over loans made by the Council. Internal Audit have recently concluded an audit of service investment loans, investments and Trusts which was reported to GARMS in June 2025. This was a limited assurance review.	Although the specific action is still outstanding we do not consider this to be a significant weakness in arrangements.	None
IR11	We recommend the Council considers further opportunities for the governance and oversight of Council partnership arrangements. This could include the preparation of an annual report on the performance of key partnerships to be reported to the Overview and Scrutiny Committee and GARMS.	2023/24	Some improvements made but there are still key risks regarding oversight and governance of the subsidiary companies and joint venture partners. These issues are discussed in more detail on pages 27-29.	We have picked this issue up as part of the overall governance arrangements for companies earlier in this report. Broader company governance arrangements are considered a significant weakness in arrangements.	Key recommendation now made which is set out on page 32
IR12	We recommend the Council should place a focus on identifying future service delivery options for Customer and Support Group services that are currently outsourced	2023/24	Cabinet agreed an exit strategy in November and a programme team is in place. Internal Audit assisted with the programme set up and their recommendations have been built into the programme plan. A cross party member reference group has been established to provide oversight as the programme develops.	We consider implementation of these improvement recommendations is now complete with no significant weakness in arrangements.	None

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR13	<p>We would recommend that the Council should place a significant and immediate focus on the following:</p> <p>ensure the planned enhancements to procurement and contact management arrangements are completed in line with agreed timescales to meet the requirements of the 2023 Procurement Act and embedded as business as usual.</p> <p>report periodically (at least annually) to members at a public meeting, such as GARMS the number and extent of waivers and exemptions.</p>	2023/24	We have identified a number of areas still requiring improvement which are set out on pages 40-41.	This is an area of significant weakness for the Council and the Council needs to urgently address the inconsistent approach to contract management and improve officer and member oversight of procurement and contract management.	Key recommendation now made which is set out on page 41



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