

# Appendix A - Harlow Council - Annual Governance Statement 2019/20

## Scope of responsibility

- 1.1. Harlow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In meeting this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has adopted a code of corporate governance (last reviewed November 2019) which is consistent with the principles of the CIPFA (Chartered Institute of Public Finance and Accounting)/SOLACE (Society of Local Authority Chief Executives) Framework *Delivering Good Governance in Local Government*.
- 1.4. This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015, in relation to the publication of an annual governance statement.

## The purpose of the Governance Framework

- 1.5. The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 1.6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The system is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 1.7. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).
- 1.8. The Council's governance framework has been in place within the Council for the year ended 31 March 2020.

## **The Governance Framework**

- 1.9. The Council's Governance Framework has been set up over successive years and is reviewed annually to ensure its continuing effectiveness with regard to the seven CIPFA/SOLACE principles of delivering good governance as updated in 2016, which are:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  - Ensuring openness and comprehensive stakeholder engagement.
  - Defining outcomes in terms of sustainable economic, social and environmental benefits.
  - Determining the interventions necessary to optimise the achievement of the intended outcomes.
  - Developing the Council's capacity, including the capability of its leadership and the individuals within it.
  - Managing risks and performance through robust internal control and strong financial management.
  - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- 1.10. A brief description of the key elements of Governance Framework in place at Harlow Council is included as Appendix 1. The annual review of the effectiveness of this framework is covered in the next section.

### **Review of effectiveness**

- 1.11. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:
- a) the work of the senior management team who have responsibility for the development and maintenance of the governance environment
  - b) the role of the Cabinet and committees, including the Audit and Standards Committee and the Shareholders Sub Committee for the Council's wholly owned subsidiary company Harlow Trading Services
  - c) the Internal Audit Manager's Annual Report
  - d) comments made by the external auditors
  - e) other review agencies and inspectorates
- 1.12. The review has been led by the Corporate Governance Group comprising the Head of Governance, the Section 151 Officer, a Policy and Performance representative, the Internal Audit Manager, the Insurance and Risk Manager, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, the Group has kept in mind the seven CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:
- a) Service Assurance Statements –third tier managers, in conjunction with their Head of Service, have completed a self-assessment covering the effectiveness of governance arrangements in their area. The self-assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service level and, where

more than one service has identified an area for improvement; corporate actions have been added to the improvement plan covered in the next section.

- b) The Internal Audit Manager's annual opinion on the Council's control framework, delivered to the Audit and Standards Committee, as the body charged with governance.
- c) Based upon the results of work undertaken during the year it is the Internal Audit Manager's overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2019/20. Areas for improvement were identified in a number of reviews and action plans agreed. Where significant deficiencies in control processes have been identified by Internal Audit, the actions that the Council's management plan to take will, if implemented satisfactorily, resolve the deficiencies in the appropriate manner.
- d) External audit reports issued during the 2019/20 year. Where these exist, we have also used reports from other agencies and inspectorates.

1.13. During the year the Corporate Governance Group has been responsible for monitoring and reviewing the corporate governance framework and for considering specific governance issues as they arise. The work of this group has strengthened many of the Council's governance processes and has addressed issues raised in the Annual Governance Statement. In particular, the group continues to ensure that there is better integration of the assurance framework and that the process for producing the Annual Governance Statement remains robust.

### **Impact of coronavirus on the Council's governance arrangements for 2019/20**

- 1.14. On 23 March 2020 the Prime Minister announced a national lockdown due to the coronavirus pandemic. This led to the majority of staff working from home and a temporary cessation of Council meetings. Due to the outbreak the Council invoked its emergency powers under Part 3 (Part B, paragraph 1) of the Council's Constitution. This has allowed the Chief Executive, in consultation with the Leader of the Council, to carry out the functions of the Council and Cabinet.
- 1.15. Local authorities in England were granted new powers to hold public meetings virtually by using video or telephone conferencing technology from 04 April 2020. Since the end of April virtual meetings have been taking place for Harlow, which are open to the public. This includes those meetings deferred from the end of March/beginning of April including Cabinet and Council.
- 1.16. Key Council services, including all statutory ones, continued during lockdown although some processes were amended to allow for remote working, for example allowing approval by email instead of a wet signature and discussed with Internal Audit first.

### **Overall opinion of Harlow's governance arrangements**

- 1.17. The majority of 2019/20 was unaffected by coronavirus and this AGS demonstrates that the Council's governance arrangements have remained fit for purpose, even when flexed, for example by invoking the Council's emergency powers. There has been no significant detriment on the Council's ability to deliver

its services. The longer term impact of coronavirus (and recovery) on the governance framework for 2020/21 is detailed in table two.

- 1.18. The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2019/20 through review of the assurance checklists and statements submitted by managers prior to lockdown. It has concluded that arrangements are fit for purpose and working effectively. As a result of this assessment, a small number of other governance issues have been identified and in order to further strengthen arrangements, as detailed in table two.

## 2. Governance Issues Identified

- 2.1. This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Corporate Governance Group, which monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below:

**Table 1 – Progress on significant governance issues identified in the 2018/19 AGS**

2.2. Significant issue identified in 2018/19 AGS	Action taken in 2019/20 to address the issue
1. Harlow Trading Services (HTS) Group: With the expansion of the HTS Group, and the potential for further entities, governance arrangements need to be kept under review.	The role of the Shareholders Sub Committee to ensure it is adequately carrying out the shareholder functions on behalf of the Council and to avoid both officer and member conflict of interests has been kept under review. The Shareholder Sub Committee will in due course be receiving a report on the creation of HTS (Housing and Regeneration) Company.
2. Brexit: If there is a 'no deal' Brexit then this may impair the Council's strategic aims and objectives.	The Head of Finance has been designated as the Council's 'Brexit' lead to work with central government. Consequences of the exit from the European Union are being monitored by SMB.
Common theme from the Service Assurance Statements was:	
3. Operational risk management: Recording of key operational risks could be improved to ensure they feed into the corporate risk management process and for better identification of interrelated risks.	A fundamental review of risk management processes within the Council, including work around risk maturity and risk appetite is progressing well. Workshops have taken place to enable services to align their service plans and risks to their objectives and those in the corporate plan.
4. Project management: Lack of corporate approach for projects.	Project management processes and methodology have been reviewed, and being considered for inclusion within the In-Phase system.

n preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These are set out in the table below, together with the steps to be taken to address them:

**Table 2: Areas for improvement or monitoring during 2020/21**

Key improvement/review area	Action to be taken in 2020/21
Risk Management and lessons learnt	It is important that the Council continues to monitor (and where required) mitigate risks to the Council's objectives, not only those relating to coronavirus. This will be undertaken in conjunction with a lessons learnt review of the Council's response to coronavirus. And will include a review of the Council's local code of governance.
Financial resilience	There will be close monitoring of budgets and a review of the Council's Medium Term Financial Strategy as the Council delivers its recovery plan.
New ways of working	As a result of coronavirus staff will be encouraged to work in a more agile (remote) way. Processes will be reviewed to ensure internal controls, especially where altered, are robust and fit for purpose. This will be undertaken in conjunction with a review of IT security and information governance arrangements.
Ensuring the health and safety of staff, partners and the public in the way it delivers its services	The Council will keep under constant review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding Covid-19, especially where the Council is delivering its services.
Common theme from the Service Assurance Statements were:	
Project management processes – corporate approach	This will be progressed following Member approval of additional staff resource to help move this forward
Staff resilience for small teams – ensuring adequate emergency cover for key roles and team development is difficult to achieve for smaller teams	This will be reviewed as part of the Council's Covid-19 recovery plan and lessons learnt process

2.3. The Corporate Governance Group will oversee this action plan over the coming year and report on progress to the Audit and Standards Committee. The Group will ensure that governance issues are promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

2.4. We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. The Council's Governance Group will monitor their implementation and operation throughout the year and report progress as part of our next annual review.

Signed:

Date:

(Leader of the Council)

Signed:

Date:

(Chief Executive)

APPENDIX 1

INTEGRITY	OPENNESS	VISION	OUTCOMES	CAPACITY AND CAPABILITY	RISK AND PERFORMANCE	ACCOUNTABILITY
Behave with integrity, demonstrating a strong commitment to ethical values and respect the rule of law.	Ensure openness in its culture and engage comprehensively with stakeholders, citizens and service users.	Have a clear vision and defined desired outcome in terms of sustainable, social and environmental benefit.	Have in place interventions necessary to optimise the achievement of its intended outcomes.	Develop the Council's capacity and capability of its leadership and staff	Manage the Council's risk and performance through robust internal control and strong public finance management.	Implement good practice in transparency, reporting and audit to deliver effective accountability.
<b>Annual Governance Statement 2019/20</b>						
<ul style="list-style-type: none"> <li>• A robust whistleblowing policy and zero tolerance approach to fraud and corruption.</li> <li>• The Constitution sets out codes of conduct for Councillors and Officers.</li> <li>• The Constitution, which sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and Officers work together</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership encourages open and supportive culture.</li> <li>• Standard committee report format and publicly available modern.gov system for reporting.</li> <li>• Strategy for encouraging stakeholder involvement.</li> <li>• Overview and Scrutiny Committee</li> </ul>	<ul style="list-style-type: none"> <li>• A new corporate plan 2020 to 2021 has been approved</li> <li>• Draft Local Plan that supports the Council's vision</li> <li>• Defined standards of customer service backed by a complaints procedure</li> </ul>	<ul style="list-style-type: none"> <li>• Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance</li> <li>• Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring and Section 151 Officers</li> <li>• Anti-Fraud and Corruption Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• A People Resources Plan (to be updated) to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and Corporate Plan.</li> <li>• The Council has an established induction and training programme for existing and new Councillors. This process includes mentoring and training events as and when identified</li> </ul>	<ul style="list-style-type: none"> <li>• A corporate Risk Strategy and toolkit.</li> <li>• A performance management framework which includes integrated performance and financial management report.</li> <li>• Medium Term Financial Strategy and integrated service planning approach</li> <li>• Internal Audit function to provide assurance on governance, risk management and control.</li> <li>• Audit and Standards Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Accountability for decision making detailed within the Constitution</li> <li>• Reporting regularly on performance and use of resources.</li> <li>• Requirement for managers to produce annual assurance statements which feeds into the Annual Governance Statement</li> <li>• Processes to ensure internal and external audit recommendations are acted upon</li> </ul>
<ul style="list-style-type: none"> <li>• An active Corporate Governance Group which takes charge of the Annual Governance Statement.</li> </ul>						