

## Harlow Council - Annual Governance Statement 2021/22

### 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 2021) 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 2022.

### 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) work of the Senior Management Board (SMB) 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 – Assistant Directors, in conjunction with their Directors, 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 2021/22. 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) The ongoing work of External Audit with regards to the 2018/19 accounts and the impact of this on subsequent year's accounts.. 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 2021/22**

- 1.14. As a result of the pandemic during 2020/21 the majority of staff worked from home. and Council meetings were held virtually and were still open to the public. Regulations which allowed authorities to meet remotely ceased after 06 May 2021, and since then all decision making meetings have been held in person.
- 1.15. During 2021/22 the majority of staff have continued to work from home but since April 2022 there has been expectation that staff come into the office at least two to three days a week.
- 1.16. Similar to 2020/21, throughout 2021/22 key Council services, including all statutory ones, continued despite coronavirus 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. Some services continued to be paused during the first part of 2021/22 for example routine housing repairs and some new activities started in 2020/21 continued, for example distribution of the government's Covid-19 related business grants by the Revenues and Benefits service.

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

- 1.17. Despite coronavirus this AGS demonstrates that the Council's governance arrangements have remained fit for purpose during 2021/22. There has been no significant detriment on the Council's ability to deliver its services as a result of coronavirus.
- 1.18. The Corporate Governance Group has undertaken an assessment of the arrangements for governance during 2021/22 including a review of the assurance checklists and statements submitted by Assistant Directors. It has concluded that

arrangements are fit for purpose and working effectively and this has been endorsed by SMB (Senior Management Board). 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 2020/21 AGS**

| Significant issue identified in 2020/21 AGS with context  | Action taken in 2021/22 to address the issue   |
|---|--|
| <p>Ensuring the health and safety of staff, partners and the public in the way it delivers its services</p> <p>As in 2020/21 the Council will keep under review Health and Safety measures both within the Council and across the district to ensure government legislation and guidance is being followed regarding the country's recovery from Covid-19, especially where the Council is delivering its services.</p> | <p>The majority of staff continued to work from home during 2021/22, but since April 2022 have been encouraged to come in more regularly. Safe working practices continues to be a priority for the Council.</p>   |
| <p>New Administration/new ways of working</p> <p>As a result of coronavirus staff have been encouraged to work in a more agile (remote) way, and forms part of the current accommodation review.</p> <p>In addition, SMB will work with the new Administration, and keep staff informed, of any changes in corporate priorities, ensuring governance arrangements remain robust.</p>                                    | <p>A staff engagement survey was carried out on Harlow's behalf by the East of England Local Government Association (EELGA). The results have informed the Council's future plans, aligning to the Council's requirements for service delivery and an accommodation review into future operational needs and potential commercial opportunity for operational buildings is included in the Corporate Strategy.</p> <p>The new Corporate Strategy for 2021-23 was approved by Cabinet 02 December 2021 and Full Council on 09 December 2021. The accompanying delivery plan is being refined.</p> |

|   |   |
|---|---|
| <p>Financial Management Code review 2020/21 saw the introduction of CIPFA's Financial Management Code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.</p> <p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. Or if there are deficiencies, develop an action plan to address these</p>   | <p>This will be progressed during 2022/23 once the Accountancy restructure has been completed and established.</p>  |
| <p>Statement of Accounts</p> <p>Due to both technical and resource issues (due to Covid-19) there has been a delay in the final approval of the 2018/19 and 2019/20 accounts. This will impact on the approval of the accounts for 2020/21.</p> <p>The Council has met its targets for the publication of its draft accounts in all years. Delays are being created as a result of the lack of resources within the Audit Firms undertaking the external audit work.</p> <p>A restructure of the accountancy team and a review of Council processes will be undertaken to mitigate any internal risk to the production and approval of the Council's Statement of Accounts in future years.</p> | <p>The Council continues to work with its advisor and External Auditors to resolve the current issues. The 2018/19 Audit Results Report is currently awaited and is pending internal BDO Technical review. A national issue raised in relation to Infrastructure Assets is currently being considered by CIPFA and the Accounting Standards Board. A consultation is being carried out on proposals to resolve this matter but there will be no conclusion to the 2018/19 audit until this is concluded</p> |
| <p><b>Common themes from the Service Assurance Statements were:</b></p>   |   |
| <p>Risk management and business/service planning</p> <p>Work commenced in 2020/21 to better align service/business plans and risk management processes. This will continue in 2021/22</p>   | <p>A new service plan/risk register has been trialled across the Council. This is being further refined now the Senior Management restructure has been concluded.</p>   |
| <p>Project management processes – corporate approach</p> <p>This will be progressed in 2021/22 by members of the Corporate Governance Group (CGG)</p>   | <p>A project governance working group has been set up with key officers from across the Council meeting regularly to move this forward. The working group reports into Corporate Governance Group.</p>  |

- 2.2. In 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 2022/23**

| Key improvement/review area  | Action to be taken in 2022/23   |
|--|---|
| <p>Economic issues</p> <p>At the time of writing this AGS, both national and global events have led to a very volatile economic situation. Unprecedented increases in inflation compared to previous years are being seen and availability of raw materials etc. is a problem globally. This has a direct impact on the Council in terms of potential cost increases including major works and projects. There may also be an indirect consequence with a potential increase in demand by those accessing Council services</p> | <p>Implications are being monitored by SMB and will feature as key considerations in the reports presented to Cabinet through 2022/23 and in the development of the MTFs (Medium Term Financial Strategy) for 2023/24 and future years.</p>                     |
| <p>Statement of Accounts</p> <p>As reported in last year's AGS, due to technical and resource issues there has been a delay in the final approval of the 2018/19 accounts</p> <p>Nationally, there has been an ongoing issue with councils being unable to get their final accounts audited. For Harlow, this has led to a knock-on effect regarding the 2019/20 and 2020/21 accounts, and in turn the 2021/22 accounts</p>  | <p>The Council continues to work with its advisor and its External Auditors to resolve the current issues. Once resolved a timetable will be agreed regarding the outstanding accounts. The Audit and Standards Committee will be kept abreast on progress.</p> |
| <p>Financial Management Code review</p> <p>Carried over from last year's AGS action plan</p>   | <p>An assessment will be undertaken to ensure the Council can demonstrate compliance with the Code. Or if there are deficiencies, develop an action plan to address these.</p>  |
| <p><b>Common theme from the Service Assurance Statements were:</b></p>   |   |
| <p>Risk management and business/service planning</p> <p>Further work is required to develop and embed operational processes</p>  | <p>Work undertaken in 2021/22 to better align service/business plans and risk management processes will continue into 2022/23 driven by the Council's recently created Wider Leadership Team.</p>   |
| <p>Project management processes –</p>  | <p>During 2022/23 the work of the</p>   |

| Key improvement/review area | Action to be taken in 2022/23  |
|-----------------------------|--|
| corporate approach          | project governance working group will be endorsed by SMB and rolled out, first for capital projects, and then expanded to include all projects |

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.   |
| Annual Governance Statement 2021/22  |  |   |   |   |   |   |
| <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 had a fundamental review in February 2022, sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and</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 2021-24 Corporate Strategy has been approved</li> <li>• Adopted 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> |

|   |  |  |  |  |  |  |
|---|--|--|--|--|--|--|
| <p>Officers work together</p> <ul style="list-style-type: none"> <li>• Equality Policy revised and updated and an Equality Framework &amp; Action Plan developed</li> </ul> |  |  |  |  |  |  |
| <ul style="list-style-type: none"> <li>• An active Corporate Governance Group which takes charge of the Annual Governance Statement.</li> </ul>                             |  |  |  |  |  |  |