

Appendix A

Harlow District Council – Draft Annual Governance Statement 2023/24

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 2023) which is consistent with the principles of the 2016 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 for the year ended 31 March 2024.

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, 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 Corporate Leadership Team (CLT) 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 HTS Group Ltd
 - c) the Head of Internal Audit'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 Head of Internal Audit in conjunction with the deputy Section 151 Officer, the Monitoring Officer, and the Insurance and Risk Manager in conjunction with the Wider Leadership Team (WLT) and CLT. In carrying out the review, the group has kept in mind the seven CIPFA/SOLACE principles of effective governance. The following evidence has been considered as part of the review:
- a) Service Assurance Statements – Assistant 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 Head of Internal Audit'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 Head of Internal Audit's overall opinion that the council has an adequate and effective governance, risk management and control framework for 2023/24. 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. The government has put in place proposals to clear the backlog of outstanding audits nationally.
 - e) Where these exist, we have also used reports from other agencies and inspectorates. This includes the Local Government Association (LGA) Corporate Peer Challenge that was carried out 27 February to 2 March 2023, the results formally reported May 2023, the subsequent action

plan and the results of the progress review undertaken 27 to 29 November 2023. These documents are available on the council's website.

- 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 Corporate Governance Group comprised of the Director of Governance, the Section 151 Officer, the Head of Internal Audit, the Insurance and Risk Manager and the Legal Services Manager and other officers when they have specific contributions to make. The work of the group has strengthened many of the council's governance processes and has addressed issues raised in the Annual Governance Statement.

Overall opinion of Harlow's governance arrangements

- 1.14. This AGS demonstrates that the council's governance arrangements have remained fit for purpose during 2023/24.
- 1.15. The WLT and CLT has undertaken an assessment of the arrangements for governance during 2023/24 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. As a result of this assessment, a small number of governance issues have been identified and made 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 during 2023/24 has monitored and reviewed the corporate governance framework, ensuring 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 2022/23 AGS

Significant issue identified in 2022/23 AGS with context	Action taken in 2023/24 to address the issue
<p>Economic issues</p> <p>Economic volatility, both nationally and globally, continues. This along with supply chain issues and inflation continuing to rise has a direct impact on the council in terms of potential cost increases including major works and projects.</p> <p>The 2022/23 economic situation and the cost of living impact on residents did have an indirect consequence as there was an increase in demand by those accessing council services in some areas.</p>	<p>Implications monitored by CLT and featured as key considerations in the reports presented to Cabinet and in the development of the MTFP (Medium Term Financial Plan) for 2024/25 and future years.</p> <p>The council has a specific Help With the Cost of Living page on its website, which includes useful websites, organisations and advice to help with rising costs.</p>
<p>Statement of Accounts</p> <p>As reported in last year's AGS, due to technical and resource issues</p>	<p>The council continued to work with its External Auditors to resolve the current issues. The Audit and</p>

Significant issue identified in 2022/23 AGS with context	Action taken in 2023/24 to address the issue
<p>there has been a delay in the sign off of the 2018/19 accounts. This will lead to a knock-on effect regarding the 2019/20, 2020/21, 2021/22 and 2022/23 accounts.</p> <p>Nationally, there has been an ongoing issue with councils being unable to get their final accounts audited.</p>	<p>Standards Committee continued to be kept abreast on progress.</p> <p>The government has put in place proposals to clear the backlog of outstanding local audits, this will impact on the audit of the council's outstanding financial statements. Government proposals include drop dead dates for audits to be completed. It is recognised that many audits cannot not be completed by this deadline date and therefore alternative arrangements will allow the External Auditor to issue a disclaimer to the accounts. It is likely BDO will disclaim the opinion for the 2019/20, 2020/21 and 2021/22 accounts.</p> <p>For the 2023/24 accounts, and beyond, the council has a new auditor (KPMG), who are already carrying out work on the accounts.</p>
<p>LGA Corporate Peer Challenge (CPC) action plan</p> <p>The Corporate Peer Challenge report identified a number of areas for development. Those pertinent to this AGS include:</p> <ul style="list-style-type: none"> • Development of a new corporate strategy, aligned with a refreshed Medium Term Financial Plan • Developing a more transparent decision making process 	<p>The Council's progress against its Corporate Peer Challenge action plan is regularly monitored by WLT, CLT and Cabinet. The majority of actions are complete or in progress. The Council was subject to a follow up by the CPC Review Team in late November 2023. The review concluded 'there has been profound change achieved in many aspects of how the council operates and what it is delivering'</p>
<p>Regeneration</p> <p>The council has a number of exciting regenerations opportunities reflected in the Harlow and Gilston Garden Town (HGGT) project and the £100m of investment that has been secured for the town centre.</p> <p>Delivery of these will be key to the success of the town.</p>	<p>There are a number of governance structures in place for both the HGGT and town centre projects. These are overseen by CLT and Cabinet.</p> <p>An internal audit of the governance structure is included in the 2024/25 audit plan.</p>

Significant issue identified in 2022/23 AGS with context	Action taken in 2023/24 to address the issue
<p>HTS</p> <p>The Council has commissioned a number of reports to help decide the short, medium and long-term priorities of the company and the processes required to deliver these.</p>	<p>Progress against the action plans resulting from the consultant reports regarding HTS are regularly monitored by CLT, the Shareholders Sub Committee and Cabinet. HTS and the council have been working together to rationalise the operational and governance structure of HTS Group.</p> <p>New Articles of Association, for both HTS Group Limited and HTS (Property & Environment) Limited, and a Group Governance Agreement were approved by the Shareholders Sub Committee at its April 2024 meeting.</p>
<p>Financial Management Code review 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. Resource issues has delayed this work but has been prioritised for 2024/25.</p>
<p>Common themes from the Service Assurance Statements were:</p>	
<p>Project management processes – corporate approach</p>	<p>During 2023/24 the work of the project governance working group was endorsed by the Senior Management Board, the predecessor to CLT. Programme management boards for key capital projects are in place e.g. town centre regeneration, council house building and commercial development. 2023/24 service statements show that relevant training is in place for officers undertaking projects and milestones are recorded and monitored.</p>
<p>Succession planning</p> <p>The conclusions from the Local Government Association Peer Challenge highlighted the need for a more consistent approach across the organisation for development opportunities and succession planning, and forms part of the action</p>	<p>Action has been undertaken to identify appropriate successors in some key areas supported by local management.</p> <p>There has been an increase in the internal access to the training, implementation of development plans and in some cases the</p>

Significant issue identified in 2022/23 AGS with context	Action taken in 2023/24 to address the issue
plan.	<p>apprenticeship levy. All of these elements support and focus on the requirements of individual roles and provide more tailored learning and development opportunities for professional development of internal staff.</p> <p>The necessity to invest long term in the growth of the Human Resources team budget is supported and will now enable further centralised workforce planning.</p> <p>The implementation of a new Personnel Committee will amongst its responsibilities, consider policy implementation which, with investment in the HR team will support wider succession plan delivery.</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 2024/25

Key improvement/review area	Action to be taken in 2024/25
Embedding the new HTS Group Governance Structure	Work has commenced to introduce and embed the Trusted Partnership Model. Officers and Strategic Directors are working with HTS colleagues to identify address and monitor operational issues using the strategy and resolution meeting mechanism and escalation procedures.
<p>LGA Corporate Peer Challenge (CPC) action plan</p> <p>The Corporate Peer Challenge follow up review report identified further areas for development. Those pertinent to this AGS include:</p> <p>Determine the stance towards the Garden Town based on an evidence-led approach</p>	A Joint Committee to ensure robust governance of Harlow Gilston Garden Town (HGGT) related decisions and delivery is to be set up in July 2024.
Procurement By 28 October 2024 the Council	Work has commenced to review internal processes, update all

Key improvement/review area	Action to be taken in 2024/25
<p>must ensure that it is fully compliant with the Procurement Act 2023. The Act consolidates the different regimes currently governing procurement into one Act, thereby creating a simpler and more flexible system. The existing overarching principles have been replaced with these new objectives which authorities must consider in all procurement activities:</p> <ul style="list-style-type: none"> • Value for money • Acting with (and being seen to act with) integrity • Maximising public benefit • Treating suppliers the same (unless otherwise justified) <p>The council will have wider and timely transparency requirements; adoption of Cabinet approved contracts where possible, and amendments to the council's contract standing orders.</p>	<p>procurement related policies, procedures and guidance and identify training and awareness needs for both Officers and Members</p>
<p>Financial Management Code review 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. Resource issues has delayed this work but has been prioritised for 2024/25</p>
<p>Common theme from the Service Assurance Statements was:</p>	
<p>Operational risk management Further work is required to embed risk management at the service level.</p>	<p>Work is already in hand with the introduction of service plans and the roll out of risk management training in 2024/25.</p>

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

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.
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<ul style="list-style-type: none"> • A robust whistleblowing policy and zero tolerance approach to fraud and corruption. • The Constitution sets out codes of conduct for Councillors and Officers. • The Constitution, which is continuously reviewed, sets out the decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and Officers work 	<ul style="list-style-type: none"> • Leadership encourages open and supportive culture. • Standard committee report format and publicly available modern.gov system for reporting. • Strategy for encouraging stakeholder involvement. • Overview and Scrutiny Committee 	<ul style="list-style-type: none"> • A 2024 to 2028 Corporate Plan, with an associated delivery plan • Adopted Local Plan that supports the council's vision • Defined standards of customer service backed by a complaints procedure 	<ul style="list-style-type: none"> • Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance • Decision making processes that receive objective and rigorous analysis including involvement of the Monitoring and Section 151 Officers • Anti-Fraud and Corruption Strategy 	<ul style="list-style-type: none"> • 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, and Corporate Plan • 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 	<ul style="list-style-type: none"> • A corporate Risk Strategy and toolkit. • A performance management framework which includes integrated performance and financial management report. • Medium Term Financial Plan and integrated service planning approach • Internal Audit function to provide assurance on governance, risk management and control. • Audit and Standards Committee 	<ul style="list-style-type: none"> • Accountability for decision making detailed within the Constitution • Reporting regularly on performance and use of resources. • Requirement for managers to produce annual assurance statements which feeds into the Annual Governance Statement • Processes to ensure internal and external audit recommendations are acted upon

together • Equality Policy revised and updated and an Equality Framework & Action Plan developed						
• During 2023/24, an active Corporate Governance Group which took charge of the Annual Governance Statement.						