

1. Executive Summary

The London Borough of Harrow is committed to restoring pride in Harrow by putting residents first, creating a borough that is clean and safe and a place where those in need are supported.

The authority's governance structure is comprised of a number of documents that aim to ensure that resources are directed in accordance with agreed policy and the priorities set out in the Harrow Borough Plan 2030 and the Corporate Plan agreed in February 2023. To support achievement of the plan a set of Flagship Actions have been agreed which are refreshed annually. These documents help to ensure there is sound and inclusive decision making and that there is clear accountability for the use of resources in order to achieve the desired outcomes for Harrow service users and local communities. Throughout 2023/24, progress against the Corporate Scorecard and Flagship Actions was reported quarterly to the Corporate Leadership Team and Cabinet.

The Council is required to produce an Annual Governance Statement which describes how its corporate governance arrangements set out in the Local Code have been working. This statement provides assurances on compliance for the year ending 31 March 2024, up to the date of approval of the statement of accounts.

During 2023/24 the review of governance identified areas for improvement, an action plan has been developed which sets out how we will manage the most significant issues. Details of the issues identified in 2023/24 are provided at Appendix 1.

We are satisfied that the steps set out in the action plan have led to improvement in all areas, although some issues remain as a concern and further action on these is set out in the 'Improving Governance' section at the end of this statement. We will continue to monitor their implementation and operation as part of our next annual review.

We recognise the importance of having a solid foundation of good governance and sound financial management. We are committed to addressing the matters highlighted in this statement to further enhance our governance arrangements. We confirm we have been advised of the implications of the review by senior management, Internal Audit and the GARMS Committee and are satisfied that the steps outlined in this document will address the areas for improvement.

2. Scope of Responsibility

The 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 accounted for properly. It also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The London Borough of Harrow has adopted a Leader and Cabinet model and has established an overview and scrutiny function for Members outside the Cabinet through which they can question and challenge policy, the performance of the executive and promote public debate.

The Council communicates with ratepayers via various channels e.g. press releases, marketing campaigns, social media, Harrow publications, etc. Details of consultations can be found on the Council website through the 'TalkHarrow' consultation portal. Consultations during 2023/24 included: -

- Tall Buildings
- Discretionary Freedom Passes
- Enhancing Harrow Town Centre

3. Review of the Effectiveness of Harrow's Governance Framework

To be successful the Council must have a solid foundation of good governance and sound financial management. Harrow has in place a Local Code of Governance which sets out its commitment to good governance which is consistent with the set out in the governance guidance produced by CIPFA/SOLACE, Delivering Good Governance in Local Government (2016). The Code, included within the Constitution, was under review during 2023/24. It sets out the arrangements the Council has in place which demonstrate that the principles of good governance are embedded within the way the Council conducts its business, ensuring that we are doing the right things, in the right way, in line with our values.

Harrow's Local Code of Corporate Governance is supported by an assurance framework that sets out how and on what the Council will seek to obtain assurance. Harrow's Local Code of Corporate Governance and Constitution can be found ['here'](#) or through the Council's website.

The system of internal control is a significant part of the framework, designed to manage risks to a reasonable level. The system of internal control is based on an ongoing process developed to identify and prioritise the risks to the achievement of Harrow's vision, policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically. It cannot eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness.

Throughout the year, the Council regularly reviews the effectiveness of its governance framework to streamline and improve our processes to ensure these arrangements remain effective, now and into the future. This is informed by individual service leadership and management, corporate oversight functions (including statutory officers), internal audit, external auditors and other review agencies. Similar and proportionate oversight and governance arrangements should also be put in place in respect of services outsourced to external suppliers, trading partnerships, Council owned companies, shared service arrangements and arm's length bodies. The Council is committed to the ongoing strengthening of its governance arrangements and will consider new initiatives that will impact on its governance arrangements in future reviews.

The Annual Governance Statement incorporates the continuous review of the effectiveness of our governance arrangements throughout 2023/24. It identifies areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its commitment to restoring pride in Harrow.

During 2023/24 the authority provided timely support, information and responses to the Council's external auditors, Mazars. The delay in signing off the 2021/22 accounts affected the publication of the 2022/23 accounts. The draft 2022/23 accounts were published on 23 January 2024. The audit of these accounts commenced in February 2024 with an anticipated completion date of September 2024.

The governance framework has been in place at the London Borough of Harrow for the year ended 31 March 2024 and up to the date of audit and approval of the statement of accounts.

Reasonable assurance can be given that the systems and processes in place throughout the Council support the achievement of its objectives and generally comply with the Harrow's Local Code of Corporate Governance. The Council is currently aware of issues that could affect its financial position such as, but not limited to, ongoing cost pressures associated with the delivery of Children's and Adult Social Care Services, temporary housing and the cost of living crisis. Whilst a number of assurances have been obtained to support this conclusion as outlined in the following paragraphs, it is important that the specific assurance of the Head of Internal Audit & Anti-Fraud is considered to support this statement.

4. Review of Governance Arrangements

The 2023/24 annual review process has been completed and reviewed the basic building blocks of governance via a Council-wide, evidence based, self-assessment against the CIPFA Framework.

The external auditors risk assessment of the Council's value for money arrangements for 2022/23 are still underway. Their 2021/22 assessment identified three significant weaknesses: -

- (i) Governance arrangements over the ledger migration: maintaining adequate historic accounting records
- (ii) Effectiveness and coverage of internal audit
- (iii) Governance in relation to allegations of fraud and corruption

Due to the delays in the external auditor's completing their audit of the accounts these weaknesses were not reported to the Council until 2023/24. Measures taken to address these during 2023/24 can be seen in the action plan available [here](#).

A number of external reviews were undertaken during 2023/24 which included: -

- Annual review of Legal Services by LEXCEL confirming compliance
- Harrow Careline passed the TSA Quality Standards Framework audit
- Comprehensive Review of IT Services
- Assessment of EFSA Subcontracting Standard for London Borough of Harrow
- SEND Funding

During the reporting year reviews were undertaken of the Council's Financial Resilience & Flagship Actions. A review of our corporate risk management arrangements is scheduled to take place in 2024.

5. Joint Working/Partnership Working/Council Trading Companies

Joint working, working in partnership with other local authorities and other bodies, and the use of alternative delivery vehicles has increased over recent years as local government generally, and London Borough of Harrow specifically, has coped with less resources.

Throughout 2023/24 the Council’s trading structure consisted of six separate legal entities as shown in the table below:

Name	Legal Structure
Concilium Group Ltd (Holding Company)	UK Limited Company
Sancroft Community Care Limited	UK Limited Company
Concilium Assets LLP	Limited Liability Partnership
Harrow Strategic Development Partnership LLP	Limited Liability Partnership
Leefe Robinson Mews Management Company Ltd	UK Limited Company
Pinnora Mews Management Company Ltd	UK Limited Company
Concilium Business Services Ltd	UK Limited Company (Dissolved 13.06.23)

These entities have been set up to provide a financial or other benefit to the council whilst enabling it to undertake specific commercial activities. London Borough of Harrow therefore either directly or indirectly holds a 100% controlling interest in each of the trading entities (apart from the Harrow Strategic Development Partnership in which London Borough of Harrow holds a 50% interest).

Governance arrangements were put in place within these entities upon inception, these were reviewed and assessed as reasonable.

The Council also runs a shared legal service (HBPL) for which it is the lead authority however this is not a separate legal entity, staff are employed by Harrow.

6. Governance, Audit, Risk Management and Standards Committee (GARMS) role in governance arrangements

The GARMS Committee is a key component of Council’s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It also acts as the Standards Committee. During 2023/24 the Committee met five times and received reports that supports its oversight of governance within the Council, including: -

• The Corporate Risk Register	• Treasury Management
• Performance of Internal Audit & CAFT	• Complaints
• Compliance with the Public Sector Internal Audit Standards (PSIAS)	• Updates on Financial Position
• Review of Annual Governance Statement	• Updates from External Auditor
• Review of the Statement of Accounts	

The Committee reports annually on its performance to the full Council. An ongoing development programme has been developed for committee members to support them in executing their responsibilities and to ensure that the committee continues to be effective. This will commence during 2024/25.

7. Review and Update of the Constitution

The Council’s decision-making framework, including delegation arrangements, is outlined in the Constitution. Three corporate policies, incorporated into the Constitution were updated during the year: -

- Code of Conduct for Members
- Code of Conduct for Officers
- Declaration of Interest
- Anti-Fraud and Corruption Strategy 2022 - 2026

8. Overview and Scrutiny

The scrutiny function comprises three main committees with lead scrutiny councillors for Health, Community, People and Resources. During the year the scrutiny committees considered the following reports: -

Overview and Scrutiny (9 meetings)	Performance & Finance Scrutiny Sub-Committee (2 meetings)	Health & Social Care Scrutiny Sub-Committee (3 meetings)
<ul style="list-style-type: none"> • Community Safety Strategy 2023-2026 • Customer Experience • Harrow Strategic Development (HSDP) Report – Business Plans • Corporate Plan & Final Budget 	<ul style="list-style-type: none"> • Annual Complaints Feedback – Children’s & Adult’s • Draft Revenue Budget 2024/25 & Draft Medium Term Financial Strategy to 2026/27 	<ul style="list-style-type: none"> • Royal National Orthopaedic Hospital NHS Trust - Quality Accounts • Immunisation Services in Harrow • Harrow Community Services Position Statement • Harrow Health & Care System Pressures • Harrow Borough Partnership Winter Plan – Risks • Harrow Mental Health – CNWL • Winter Pressures

9. Opinion of the Head of Internal Audit & Anti-Fraud

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Head of Audit & Anti-Fraud, who is the Council’s chief audit executive, is required to provide independent assurance and opinion on the adequacy and effectiveness of the Councils’ risk management and control framework, and through the Internal Audit & Anti Fraud Service deliver an annual programme of risk based audit activity, including counter fraud and investigation

activity and make recommendations for the improvement of the management of risk and control.

The framework for identifying and managing risks consists of a series of Directorate Risk Registers that feed into an overarching Corporate Register. The Corporate Risk Register was reviewed and updated during 2023/24. The Corporate Risk Register is now presented at GARMS by the Managing Director and on 19 March 2024 it was published as a public document for the first time.

The Head of Internal Audit & Anti-Fraud, having reviewed the available evidence, including the cumulative knowledge and experience from audit review of the systems and controls in place over many years, the results of previous audit work and the work completed in 2023/24, supported by other sources of assurance, is satisfied a reasonable conclusion can be drawn on the adequacy and effectiveness of the Council's governance arrangements, and that the Council has good foundations in place which generally conform with best practice that are fundamentally sound and fit for purpose.

Reasonable assurance can be taken that the Council's risk management, internal control environment and governance processes were in operation during the year to 31 March 2024. There are areas where improvements to enhance the Council's governance framework were identified, these have been recognised and improvement plans are in place.

Full details of the assurance provided in this statement will be provided within the Internal Audit Annual Report for 2023/24 which is due to be considered by the GARMS Committee on 15 July '2024. An outline of the rationale for the 'Reasonable' assurance opinion can be viewed [here](#).

There is a continuing need for the Council to move at pace to deliver new services to the community to mitigate the worst effects of the cost of living crisis. Experience gained through the pandemic response has developed our capacity to do this, but it is noted that change to service provision and restructuring of services does provide a challenge with which the governance arrangements must keep pace. The Reasonable assurance opinion provided here reflects that we have continued to carry out effective governance despite the challenges of the cost of living crisis following on from the huge disruption caused by Covid-19.

The Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) require the Council to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. Harrow was due to undergo an external peer review in 2021/22 however all such reviews remained suspended at that time due to the pandemic. The external review is now planned for later in 2024. Because of this we are not fully compliant with the requirements of PSIAS. We continue to undertake self- assessments which supports the view that, as in previous years, the Council has effective arrangements in place for the provision of its Internal Audit Service.

10. Previous Significant Governance Issues

Following the audit of the 2021/22 final accounts the Council received Value for Money qualifications in the following areas: -

- (i) Governance in relation to allegations of fraud and corruption - A significant governance gap in the Place directorate identified in 2021/22 involving allegations of fraud and corruption remains the subject of an ongoing police investigation and as such no detailed information can be provided. The Internal Audit and the Corporate Anti-Fraud Team continued to support the police investigation during 2023/24. The Council is still awaiting an update from the police on the outcome of their investigations.

A detailed Internal Audit review was undertaken of the system involved and all recommendations made were agreed by management. A follow-up undertaken in December 2022 established that a red/amber assurance rating had been reached. A further audit commenced in March 2024, the findings of this review will be reported during 2024/25.

- (ii) Governance arrangements over the ledger migration, maintaining adequate historical accounting records – the auditors identified a significant weakness in respect of the Council's governance of the implementation of its new ledger and they recommended that the Council completed a full validation exercise of all the data that has been transferred to the cloud-based storage solution to mitigate the risk of non-compliance with laws and regulations in respect of maintaining adequate accounting records.

In response to this, the Council has stored all the data (General Ledger and Accounts Payable & Receivable Ledgers) for financial years 2016-17, 2017-18, 2018-19, 2019-20, 2020-21 and the six month's data in 2021-22 in compliance with HMRC requirement.

As a requirement for the 2021/22 audit, the Council carried out full reconciliation on the transactions for 2021/22 (which was the first year of using D365) and Mazars obtained sufficient and appropriate evidence to support the audit of the 2021/22 accounts as requested and no issues were identified. Therefore, the Council did not agree with this recommendation.

- (iii) Effectiveness and coverage of Internal Audit - During 2023/24 management have taken steps to increase resources in the service to ensure delivery of a programme of work sufficient in breadth and depth to support a robust opinion by the Head of Internal Audit & Anti Fraud that provides adequate assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

11. Significant Governance Issues 2023/24

No significant governance issues were identified by the Council in 2022/23 although there were a number of areas identified for improvement. The audit of the Statement of Accounts 2022/23, which was delayed due to the delays in finalising the 2021/22 accounts, is now underway and due to finish by September 2024. At this time we are not aware of any governance issues that have been identified by our external auditors.

Improving Governance

Based on our review of the governance framework the following significant issues will be addressed in 2024/25.

Issues Identified 2023/24	Planned Action
<p>1. Senior Officer Capacity</p>	
<p>A large number of key governance and senior leadership roles across the Council were vacated during the year. The Managing Director, Director Finance & Assurance and Monitoring Officer all have key responsibilities to ensure that the governance arrangements meet statutory requirements, are up to date, and also to provide leadership to the Council. The Monitoring Officer (MO) left the Council's employ in February 2023; the Chief Executive (job title since renamed Managing Director (MD)) at the end of May 2023; the Head of Internal Audit & Anti Fraud (HIA) in May 2023 and the Director of Finance & Assurance (DoF) in early July 2023. There were also a number of other senior leadership roles covered by interim arrangements.</p>	<p>Actions were taken throughout the year to stabilise the senior leadership across the organisation. The following measures were put in place to provide leadership to the Council on governance matters: -</p> <ul style="list-style-type: none"> • Interim appointments were made to ensure the key roles continued to be covered without interruption • The interim Director of Corporate Resources and Transformation was appointed to the post of Head of Paid Service (Managing Director) from 1 June 2023 for an initial six months, extended by three years, agreed by Council on 30 November 2023. • The Head of Legal Services, Deputy MO was appointed Interim MO this was made permanent following a competitive recruitment process in April 2024. • The Head of Strategy & Technical Finance was appointed Interim DoF, following a competitive recruitment process this was made permanent in June 2024. • The HIA was covered by an Interim agency appointment, a competitive recruitment campaign in July 2024 was unsuccessful. A restructure of the service is underway and once completed a recruitment process will take place. • Concerted efforts are being made across the Council to recruit permanently to senior posts that are currently covered by interim arrangements.
<p>2. Significant Cost Pressures</p>	
<p>Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily involving care packages in Adult Social Care and Temporary Accommodation. Inflation has increased supplier costs and may yet lead to further pressures which are not funded by central government.</p>	<p>During 2023/24 as part of the budget monitoring process, significant pressures were identified in the main cost areas affected by demand; Adult Social Care and Temporary Accommodation. These pressures were addressed as part of the 2024/25 budget setting process. The most substantial pressure was in Adult Social Care</p>

	<p>and such was the scale of the demand, that across the 3 years of the MTFS from 2024/25 to 2026/27, a further £9.7m was added to the Adult Social Care budget as a budget growth. With regard to Temporary Accommodation, £2.3m of growth was added to 2025/26. This is set out in the Final 2024/25 Budget Report presented to Cabinet on 15 February 2024.</p>
<p>3. Partnership Risks</p>	
<p>The Council has a number of significant strategic partnerships across a range of areas, including with the voluntary sector, children and young people, adults, community safety, health, housing, economic development, and regeneration. The Council does not have any arrangements in place to report upon risks within Partnership instead relying upon partners to oversee shared joint risks facing each individual partnership body.</p>	<p>The Council captures and monitors partnership risks to the Council itself (when acting in partnership with other organisations) in both its corporate risk register and also in its directorate risk registers which are monitored on a quarterly basis.</p> <p>The Council has three significant partnership areas, namely the Safer Harrow Partnership (SHP), partnerships in Voluntary and Community Sector (VCS) and the Harrow Strategic Development Partnership (HSDP).</p> <p>Currently partnership or shared/joint risks facing each partner are not captured or monitored in a risk register for the SHP or VCS partnerships. At the HSDP risks to the partnership are captured and identified in a shared register and in addition to this the Council has appointed independent consultants working on its behalf to identify any keys risks and to highlight them and provide recommendations on how to mitigate risks across the partnership.</p> <p>The Council advocates and promotes the creation of a partnership risk register, reviewed on a quarterly basis where appropriate, in significant strategic partnerships and key partnerships with the Voluntary and Community Sector, where the partnership is significant in size or area and where there is sufficient skill-sets and capacity in the VCS partnership to maintain the register.</p> <p>The Council will explore how best to capture and monitor the risks associated within the partnership areas identified above.</p>

These issues will be supported by a detailed action plan, progress on which will be monitored during 2024/25 and reported to the Corporate Leadership Team.

DRAFT ANNUAL GOVERNANCE STATEMENT 2023/24

Outcomes from governance issues identified in 2022/23 that were addressed in 2023/24 along with other weaknesses identified in 2023/34 can be found [‘here’](#).

The Leader of the Council and the Managing Director will sign the final Annual Governance Statement on behalf of the authority having gained assurance from the annual review of the authority’s governance arrangements supported by evidence provided by management including the Chief Finance Officer, the Monitoring Officer, Corporate Directors and independent assurance provided by the Head of Internal Audit & Anti Fraud.

Signed on behalf of the London Borough of Harrow:

Cllr Paul Osborn
Leader
Date:

Alex Dewsnap
Managing Director
Date: