



Auditor's Annual Report for Harlow District Council

Year-ended 31 March 2025

—

27 February 2026

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Our audit report is made solely to the members of Harlow District Council ('the Council'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public 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.

01

Executive Summary



Executive Summary



Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Harlow District Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:

 **Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and the Council and of their income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').

 **Other information (such as the Narrative Report)** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.

 **Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.

 **Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements	<p>We issued a disclaimer of opinion on the Council's financial statements on 27 February 2026. This is because we have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. Further details are set out on page 7.</p> <p>We have provided further details of the key risks we identified and our response on pages 8-9.</p>
Other information	<p>Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.</p>
Value for money	<p>We identified one significant weakness in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 19.</p>
Whole of Government Accounts	<p>We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
Other powers	<p>See overleaf.</p>

Executive Summary



There are several actions we can take as part of our wider powers under the Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Act.

We have not raised any other recommendations.

Other

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations, we report these to management and the Audit and Standards Committee.

The Council is not required to take any action to these however it is good practice to do so, and we have included any responses that the Council has given us.

02

Audit of the financial statements



Audit of the financial statements



Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor’s report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council’s financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the Council’s financial statements

We issued a disclaimer of opinion on the Council’s financial statements on 27 February 2026. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (the “Amendment Regulations”) require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the “Backstop Date”).

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, cash and cash equivalents, property, plant and equipment, investment property, short and long term debtors, short and long term creditors, short and long term borrowings, the comprehensive income and expenditure statement and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2025 in relation to both the Group and the Authority.

In addition, we have been unable to obtain sufficient appropriate audit evidence over any of the disclosed comparative figures for the year ended 31 March 2024 due to the Backstop Date for the Group and the Authority. As a result, we were unable to determine whether there were any consequential effects on the Group’s and the Authority’s income and expenditure for the years ended 31 March 2024 and 2025.

Any adjustments from the above matters would have a consequential effect on the Group’s and the Authority’s net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2025, the Collection Fund and on their income and expenditure and cash flows for the years then ended.

We disclaimed our audit opinion on the financial statements for the year ended 31 March 2024 regarding this same limitation.

Further information on our audit of the Council’s financial statements is set out overleaf.

Audit of the financial statements: Council



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings	Valuation of investment property	Valuation of council dwellings	Management override of controls
<p>The risk that the carrying amount of revalued land and buildings differs materially from the fair value.</p>	<p>The risk that the carrying amount of revalued investment property differs materially from the fair value.</p>	<p>The risk that the carrying amount of revalued Council Dwellings differs materially from the fair value.</p>	<p>Fraud risk related to unpredictable way management override of controls may occur.</p> <p>Professional standards require us to assess this significant risk in all cases.</p>
Our procedures	Our procedures	Our procedures	Our procedures
<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on page 7.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on page 7.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on page 7.</p>	<p>We have undertaken risk assessment and planning procedures over this balance only, in line with our disclaimed opinion, as noted on page 7.</p>
Our findings	Our findings	Our findings	Our findings
<p>We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.</p>	<p>We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.</p>	<p>We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.</p>	<p>We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area.</p>
			<p>We identified a control deficiency regarding the lack of segregation of duties in the journals process.</p>

Audit of the financial statements: Council



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of post retirement benefit obligations

The risk that an inappropriate amount is estimated and recorded for the defined benefit obligation

Our procedures

We have performed the following procedures:

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Where applicable, assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.

Our findings

While we are disclaiming our audit opinion on the Council, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

We completed the procedures as described and we did not identify any material misstatements relating to this area.

We identified one control deficiency surrounding management's review of the pensions assumptions.

03

Value for Money

Value for Money



Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public 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. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	16	18
Identified risks of significant weakness?	✘ No	✔ Yes (3)	✘ No
Actual significant weakness identified?	✘ No	✔ Yes (1)	✘ No
2023-24 Findings	No significant risks identified	Significant weaknesses identified (4)	No significant risks identified

Value for Money



National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Local context

Harlow is a district council covering the population within the town of Harlow in Essex. The Council forms one of a number of district councils within the county of Essex, though as part of proposals for local government reform it is anticipated that this would lead to a reorganisation with neighbouring district councils.

At 31 March 2025, the Council has £81.81m in useable reserves which includes General Fund reserves of £31.92m and HRA reserves of £24.28m. The Council added £2.89m and £3.93m to the General Fund and HRA reserves respectively during 2024/25.

The Council was £1.53m overspent against their General Fund budget but £3.47m underspent with regard to HRA, the latter generating a surplus of £4.14m in 2024/25.

As part of its Capital Plan, the Council spent £71.23m against an approved programme of £93.19m, resulting in an underspend of £21.96m. The Council have identified schemes totalling £23.10m to be carried forward into 2025/26 and this has been reflected in their medium-term financial plan.

The Council is registered with the Regulator of Social Housing as a result of its housing stock. From 1 April 2024 the Council was required to comply with additional consumer standards set by the Regulator of Social Housing. In September 2024, the Council was rated as C3 by the regulator, meaning it was non-compliant with the consumer standards set by the regulations.

Please note: the above numbers within the commentary above are based on unaudited financial statements (due to the disclaimer of opinion).

Financial Sustainability



How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that 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; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Financial planning

The Council maintains a budget timetable that sets out the framework and timetable for completing annual financial planning. The timetable commences in September of the preceding financial year, giving opportunity for the identification of pressures and targets as well as challenge of key assumptions. Included within the financial planning timetable is a Star Chamber process involving key service leads.

Throughout the financial planning timetable, there are various levels of review, discussion and challenge including a Star Chamber process involving key service leads and 'budget review days' for the executives. The 2024/25 budget was approved at Council on 22nd February 2024 after going through Cabinet earlier in the month. Our review of meeting minutes from both Council and Cabinet demonstrated appropriate levels of scrutiny and challenge.

The Council maintains a medium-term financial plan covering a three-year period which is updated on an annual basis. This is designed to identify where there are longer-term funding pressures and ensure that appropriate action is taken to retain a sustainable funding position for the Council.

Management ensure the medium-term financial plan takes account of key risks as recorded on the strategic risk register – these are also disclosed in the plan itself. For 2024/25, the key risks noted were:

- The use of assumptions in general when formulating a three-year budget (i.e. the further into the future one goes, the risk that the assumptions are inaccurate is higher);
- Political change at the local or national level and the impact on future funding; and
- Internal change and the impact service transformation may have.

During 2024/25, the Council developed its medium-term financial plan for 2025/26 through to 2027/28, setting a balanced budget for each year. Total identified savings and additional income for 2025/26 totalled £1.013m versus total identified pressures of £1.041m. Any identified one-off expenditure items have been covered by utilisation of service specific earmarked reserves.

Within the 2025/26 budget papers submitted to Cabinet in February 2025 for approval, an outdated Minimum Revenue Provision (MRP) policy was included. CIPFA guidance had changed in respect of MRP requirements which necessitated an update to the Council's current policy from 1 April 2025. External advice had been sought in preparation for the change and it was an error that the correct policy was not shared. This has since been rectified by Council management with the updated MRP policy for 2025/26 submitted to Cabinet in February 2026. MRP calculations are normally reviewed during the Council's year-end processes and as such the impact of this oversight is considered minimal.

Financial Sustainability



Financial position

The Council's 2024/25 budget for spending on General Fund was set at £14.93m. The year-end actual spending requirement was £18.22m – an adverse variance of £3.29m. However, the majority of this was due to an increased transfer into earmarked reserves of £2.89m against a planned transfer of £1.13m). The remaining overspend of £1.53m can be attributed to some key variances to budget outlined in the Council's Narrative Report such as increased interest payable/reduced interest receivable (£0.94m) and increased planning staffing costs and reduced income (£0.36m).

With regard to the HRA account, the Council budgeted for a surplus of £0.66m for 2024/25. The year-end result was a £4.14m surplus, a favourable variance of £3.47m. The key factors in this was reduced depreciation, increased interest and investment income due to the higher than expected capital receipts and the reduced cost of borrowing to fund the capital programme.

The 2024/25 budget identified £296k of savings and additional income to offset identified cost pressures in year of £254k. The saving items were achieved in year.

Reserves

The Council's usable reserves of £81.81m include General Fund reserves of £31.92m and HRA reserves of £24.28m. The Council added £2.89m and £3.93m to the General Fund and HRA reserve respectively during 2024/25. Per the medium-term financial plan, any identified one-off expenditure items required for 2025/26 have been covered by the utilisation of service specific earmarked reserves. The Council's reserves overall are strong with no plans to drawdown on the general fund reserves during the three-year period nor go near the Council's recommended minimum working General Fund balance of £2.5m. Clearly increases in financial pressures and potential non-delivery of savings will impact on financial sustainability and present a risk to the Council, however to date we are satisfied with the Council's arrangements to maintain financial sustainability.

Reserve	2024/25 (£m)	2023/24 (£m)	Movement £m
General Fund	3.97	3.97	-
General Fund Earmarked	27.95	25.06	+2.89
Total General Fund Balance	31.92	29.03	+2.89
HRA	14.92	10.78	+4.14
HRA Earmarked	9.36	9.57	-0.21
Total HRA Balances	24.28	20.35	+3.93

Financial Sustainability



Treasury management

Under the CIPFA code, the Council is required to approve a treasury management strategy before the start of each financial year. For 2024/25, this was approved by Council in February 2024. The Council set indicators over interest rate exposures, maturity structure of borrowing and long-term management investments as a way to measure and manage its exposure to treasury management risks and manage financial sustainability.

Per the Annual Treasury Management Report for 2024/25 that was reported to Cabinet in September 2025, the Council did not comply with three indicators within its Treasury Management Strategy during 2024/25. The first related to the maturity structure of borrowing in which the Council set that a maximum of 25% of its total borrowing should be due within twelve months. The actual proportion at 31st March 2025 was 32%. The second and third non-compliance are in relation to interest rate exposures: the target for the upper limit on one-year revenue impact of a 1% rise *and* a 1% fall in interest rates was set at £400,000 and £500,000 respectively. For both the impact was £766,213.

All three indicators did not comply with the strategy largely because of the acquisition of Burnt Mills. The additional short-term borrowing that was required to fund the purchase of the asset impacted the maturity structure and interest rate exposure of the Council's borrowings, while awaiting release of the long-term private financing funds.

The 2024/25 strategy was approved before the implications of the acquisition were known. Since then, on advice from Arlingclose, the Council has since increased their short-term maturity structure limit for under 12 months to 40% when setting the 2025/26 Treasury Management Strategy and increased the interest rate exposure targets to £1m to ensure the indicator limits have been set more appropriately in line with the Council's capital strategy.

Treasury management indicators should be used as both a monitoring tool to review performance (retrospectively) but also as a tool when making decisions regarding future borrowing (prospectively). We note that during 2024/25, there was a weakness in the application of the indicators, however we do not consider this a significant weakness. We have raised this as a performance improvement observation within our Year End Report to the Audit and Standards Committee.

Conclusion

Based on the procedures performed, we have not identified any significant weaknesses in relation to the Council's arrangements to maintain financial sustainability.

Governance



How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risk management arrangements

The Council has established a risk management strategy that sets out the basis on which risks are expected to be managed across the Council. The strategy sets out expectations for the process that will be used to manage risks that have been identified and processes for identifying risks within the Council.

The Council has a strategic risk register in place that sets out the key risks that have been identified to the achievement of the Council's strategic objectives. At the time of drafting there were 14 strategic risks that had been added to the strategic risk register and were determined to be the most significant risks facing the Council.

However, the Council continued to not have in place operational risk registers during 2024/25 – a finding raised in the prior year's Annual Auditor's Report. An operational risk register would allow for the management of risks that do not meet the threshold to be considered the most significant risks facing the Council but still need to be considered at a service/operational level and be monitored in case they were to grow in magnitude to require a place on the strategic risk register.

While we have confirmed with management that the Council has held planning workshops with operational risk managers during 2025/26 and developed templates for implementation across its operational services, we have concluded that this remains a significant weakness in the arrangements that were in place during 2024/25.

Key decisions

The overall decision-making process is governed by the Council's Constitution. Key decisions are made by the Council's public committees following a clear process whereby a business case is presented, with financial and legal implications considered. Sign-off from relevant officers is required before the proposal is presented at committee.

KPMG have reviewed the committee meeting agendas for the public committees and note that key decisions are a standing agenda item for all committees. We have reviewed supporting documentation for a sample of key decisions made in year and it is evident that the process set out by the Council had been followed. Furthermore, review of meeting minutes where these proposals were made demonstrated that appropriate scrutiny and challenge was observed during such discussions prior to approval.

Governance



Compliance with consumer standards

From 1 April 2024 the Council was required to comply with consumer standards overseen by the Regulator of Social Housing. In September 2024, Harlow received a regulatory judgement to confirm a consumer grading of C3. This was in relation to its compliance with fire safety standards and that fire risk assessments had only been performed for approximately 20% of residents requiring them. Furthermore, there were over 500 high risk actions requiring implementation from those completed.

Since the issuing of the regulatory judgement the Council has undertaken a programme of reviewing its housing stock that had not been risk assessed in order to determine a full schedule of actions required. A governance structure has been established to oversee implementation of the action plan with regular reporting to the Cabinet on progress. The Director for Housing Operations (Property) also meets with the Regulator of Social Housing every month and the Council has an agreed improvement plan in place with them.

We have reviewed the progress made to date with the implementation of the action plan. As at the end of December of 2025, there were no outstanding Fire Risk Assessment (FRA) surveys and 6,784 FRA actions outstanding. This has gone down significantly since the end of 2024/25 when total outstanding FRA actions were 12,916.

Furthermore, the Council has been working to produce revised compliance policies with expert oversight and shorter review periods between versions to ensure continued compliance in this area.

We deemed this is not a significant weakness due to the well-established action plan that is in place with appropriate governance arrangements in place to oversee its implementation.

Finance capacity

For the 2023/24 annual accounts process, the Council failed to meet the inspection deadline or the statutory backstop deadline for audited accounts due to capacity of the finance function, and these were contributing factors which lead to us raising a significant weakness in 2023/24.

Since then, the Council has reviewed and reorganised its finance team staffing model and successfully recruited two general fund business partners. A further business partner and finance assistant are actively being recruited. This has led to the publication of the 2024/25 draft annual report and accounts by the inspection date and improved responses to audit requests. We have raised a performance improvement observation within our Year End Report to the Audit and Standards Committee over this area due to ongoing work needed to allow us to build back assurance over the disclaimed periods.

Conclusion

Based on the procedures performed, we have identified a significant weaknesses in relation to the Council's arrangements associated with governance in respect of risk management. Please see page 19.

Improving economy, efficiency and effectiveness



How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council 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; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Efficiency planning

The Council utilises its medium-term financial plan as the starting point for determining the level of efficiencies required. This forecasts a budget gap for a three-year period to determine where efficiencies need to be identified. There is a star chamber process in place in order to commence the financial planning cycle and services are expected to consider where they are able to implement efficiencies.

Where potential savings are identified business cases are expected to be developed to summarise the plan and this is reviewed by senior management in order to provide approval ahead of implementation.

During the year, the Council identified £1.013m of savings programmes to implement for 2025/26 as part of developing its medium-term financial plan and annual budget for 2025/26. The most significant of these related to service realignment across the different service areas (£0.44m) and reduction in professional fees (£0.1m).

Performance reporting

Performance is reported on a monthly basis to Cabinet as part of a Performance, Finance and Risk paper. The report updates Cabinet on the current performance of the council against agreed key performance indicators (KPIs) alongside the financial position of the council. A data dashboard is provided which includes details of the actual versus targeted performance figure, a RAG rating and commentary for each indicator to provide Cabinet members additional context for the performance of that month. The report is published on the Council's website as part of the Cabinet papers so that it is open to scrutiny by all.

Partnerships

The Harlow Regeneration Partnership LLP is an equal partnership between the Council and The Hill Group and was established to deliver town centre and major housing regeneration in Harlow as part of growth plans. Cabinet adopted the five-year business plan. A formal board has been established which meet quarterly and is attended by representatives of both organisations including both officers and councillors of the Council.

Conclusion

Based on the procedures performed, we have not identified any significant weaknesses in relation to the Council's arrangements to improve economy, efficiency and effectiveness.

Significant Value for Money Risk



1 Risk management

Risk that value for money arrangements may contain a significant weakness linked to Governance

Significant Value for Money Risk

As reported for 2023/24 arrangements, we identified that the Council did not have operational risk registers in place in order to manage risks that did not meet the criteria for recognition on the strategic risk register.

The Council's risk management strategy sets out the processes that are expected to be followed in managing risks that arise, however it does not set clear expectations for how operational risks will be managed or where they will be overseen.

Our response

- We assessed the completeness of the strategic risk register to assess whether there were clear thresholds for what was recorded on it.
- We reviewed the risk management strategy in order to assess whether there was clear guidance on how operational risks should be managed.
- We performed inquiries with risk managers in order to assess the completeness of risks they recorded and how they were being managed.
- We discussed with management progress made in 2025/26 against the recommendations made in the 2023/24 Auditor's Annual Report.

Our findings

We note that arrangements in 2024/25 had not changed from prior year and therefore the findings and recommendation made in the 2023/24 Auditor's Annual Report still stand. We will therefore not be issuing a new recommendation this year in response to this risk.

There were not consistent processes in place for recording and managing operational risks occurring within services. While service leads were aware of key risks affecting their services we were unable to identify that they were consistently recording those risks or had formally set out mitigations that could be monitored and their effectiveness assessed.

We have confirmed with management that the Council has held planning workshops with operational risk managers during 2025/26 and developed templates for implementation across its operational services.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to risk management in the governance domain.

Significant Value for Money Risk



2

Compliance with consumer standards for housing

Risk that value for money arrangements may contain a significant weakness linked to Governance

Significant Value for Money Risk

From 1 April 2024 the Council was required to comply with consumer standards overseen by the Regulator of Social Housing. In September 2024, Harlow received a regulatory judgement to confirm a consumer grading of C3. This was in relation to its compliance with fire safety standards and that fire risk assessments had only been performed for approximately 20% of residents requiring them. Furthermore, there were over 500 high risk actions requiring implementation from those completed.

Our response

- We assessed the Council's progress in completing fire risk assessments for its portfolio of housing stock.
- We assessed the Council's progress in implementing actions identified from the fire risk assessments.
- We assessed the design of the action plan for achieving compliance with the Consumer Standard.
- We assessed the governance arrangements in place for overseeing the Council's compliance with the standard and implementation of its action plan.
- We made inquiries of management about ongoing communication between the Council and the Regulator of Social Housing.

Our findings

Findings

The Council has reviewed its housing stock that had not been risk assessed in order to determine a full schedule of actions required and set up a clear governance structure to oversee implementation of the action plan. There is regular reporting to the Cabinet and monthly meetings with the Regulator of Social Housing. A review of the compliance policies related to the findings is also underway.

We did not therefore consider there were any significant weaknesses in arrangements at the time of preparing our review.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangement.

Significant Value for Money Risk



3

Capacity of finance function

Risk that value for money arrangements may contain a significant weakness linked to Governance

Significant Value for Money Risk

During 2024/25, the Council failed to meet the inspection deadline or the statutory backstop deadline for audited accounts in May 2024 and February 2025 respectively due to capacity of the finance function. These were contributing factors which lead to us raising a significant weakness in 2023/24.

We note that although management has made good progress in this area and were able to submit the 2024/25 annual report and accounts in line with the inspection deadline, we did experience delays with some audit queries – most notably regarding value for money. As we try and build back assurance over the disclaimed audit periods, management will need to ensure there is sufficient capacity to address audit queries.

Our response

- We have reviewed progress on the Council's ability to meet their statutory duties in relation to publishing unaudited and audited accounts
- We assessed the Council's progress in relation to timeliness and quality of responses to audit queries
- We have reviewed the changes to the staffing structure within the finance function

Our findings

Findings

The Council has reviewed and reorganised its finance team staffing model albeit some vacancies do remain.

The Council published the 2024/25 draft annual report and accounts by the inspection date and are progressing well to achieve the backstop deadline.

We note improved responses to audit requests.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangement.

Value for Money: Recommendations



The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	We have not raised any new recommendations in relation to the identified significant weakness surrounding risk management for 2024/25. The recommendation raised in 2023/24 remains open as outlined on the next page.	N/A

Value for Money: Recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of February 2026
1	<p>The Council does not have operational risk registers established or a consistent process for ensuring that operational risks are recorded, mitigating actions identified and oversight provided. While the most significant risks are recorded on a strategic risk register there is a risk that lower risks are not appropriately identified and managed before escalating into a more strategic risk.</p> <p>The Council should update its risk management strategy to set expectations for the management of operational risks.</p> <p>Operational risk registers should be established, which would usually include a corporate risk register capturing Council-wide operational risks and service risk registers held within the individual services.</p>	<p>Management are aware there are not currently formal operational risk registers, although service departments are aware of their risks and escalate accordingly. Management have captured this as an action within the Annual Government Statement 2024/25.</p> <p>Management have been working on ensuring this action we are undergoing an exercise of operational risk workshops across the council and rolling out templates for service departments to utilise. This will ensure EMT and members have formal oversight of operational risks of the council moving forward.</p> <p>Management have also reviewed the Risk Management Framework in which cabinet has endorsed.</p>	<p>Outstanding – see commentary on page 16.</p>
2	<p>The Council commissioned an independent review of the commercial model developed for the Burnt Mills acquisition, which identified that the assumptions used, in particular relating to voids, were optimistic and forecast that a significant deficit would be made using their most likely assumptions.</p> <p>We were unable to identify a formal audit trail of reviewing its initial decision in light of the assurance received prior to completing the acquisition.</p> <p>The Council should consider when there are material risks or changes identified from decisions that have been delegated having a feedback mechanism to report back on these, either through its risk management processes or a decision summary, so that members are aware of any significant changes that have been made to approved plans or risks that were identified.</p>	<p>Management have discussed with the auditors of their concerns and are extremely disappointed with their findings and decision. Whilst we recognise there was no evidence that the independent review of the financial model was formally assessed. The council continuously reviewed the model and assumptions contained within it at multiple stages of the process, which included discussions on void rates. This included members and officers at the highest level.</p> <p>The council has taken the auditors feedback and will turn this into a positive outcome by ensuring evidence is formalised for future decision making when decisions are delegated. The changes within the new constitution will reduce this risk in future.</p>	<p>This was an isolated event in 2023/24. We have reviewed a selection of key decisions in 2024/25 and not found any similar circumstances. Governance processes in place for the key decisions we have reviewed in year did not highlight any significant weaknesses.</p>

Value for Money: Recommendations



Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of February 2026
3	<p>The Council has had significant resourcing gaps within its finance function during the period under review. The current resourcing model struggles to identify capacity to respond to the requirements of audit during the year when there are additional activities underway. This has led to delays in publishing the 2023-24 accounts for inspection and in providing the value for money support required to complete the audit in time for the backstop date.</p> <p>A review of the finance team staffing model should be undertaken to ensure that it can respond to all of the requirements of the finance function, including audit requirements. Where vacancies arise these should be appropriately resourced during the year to ensure that all responsibilities can be discharged.</p>	<p>Management recognise the finance function has not been fully resourced and have taken steps to ensure that there is now increased capacity. The structure was reviewed at the beginning of the year, and a recruitment exercise has taken place. New members of staff are currently being onboarded within the team subject to awarding contracts.</p>	<p>The Council has reviewed and reorganised its finance team staffing model and successfully recruited to some posts, although some vacancies still remain.</p> <p>The Council published the 2024/25 draft annual report and accounts by the inspection date and are progressing well to achieve the backstop deadline.</p> <p>We note improvements in responses to audit requests, but we did experience delays with some audit queries – mostly surrounding value for money.</p> <p>Sufficient progress has been made that we no longer regard this area as a significant weakness.</p> <p>As we try and build back assurance over the disclaimed audit periods, management will need to ensure there is sufficient capacity to address audit queries.</p>



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