

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	11 <sup>th</sup> February 2026	AGENDA ITEM NUMBER
TITLE:	Annual Governance Statement Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - High Level Methodology for Preparing the Annual Governance Statement		

## **1. THE ISSUE**

- 1.1. The aim of the report is to inform the Committee on the Annual Governance Review process and enable the Committee to fulfil its responsibilities associated with the publication of the Council's Annual Governance Statement 2025/26.

## **2. RECOMMENDATION**

- 2.1. The Corporate Audit Committee notes the report and process for the Annual Governance Statement.

## **3. THE REPORT**

- 3.1 In September 2025 the Audit Committee received a presentation on the Council's Statement of Accounts and this included slides on the Council's Annual Governance Statement 2024/25 and the 'significant' reportable issues of Financial Challenge (Service Demand & Cost Pressures) and Children Services (Dedicated Schools Grant Deficit & the Safety Valve Agreement).
- 3.2 The Committee had previously received a report in 2024/25 on the work related to the DSG Deficit and Safety Valve agreement and positive progress has been achieved during the year with the Department for Education and Treasury in unlocking further progress in this area. A further verbal update can be given at the meeting as we are still awaiting a white paper from government on the long-term position regarding this national risk area.
- 3.3 The Financial Challenge issue remains challenging, especially in the light of the Fair Funding reforms. However, our financial position whilst still difficult has improved since last year but we are still projecting an overspend as at the end of the year. The key pressure remains in Children's Services and significant attention and oversight at Officer and Member level continues. Full details will be reported to Cabinet in February.

- 3.4 In terms of the process for 2025/26 the Annual Governance Statement is based on the Councils 'Local Code of Corporate Governance'. As the Annual Governance Statement is a statutory requirement, we are required to take account of any guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).
- 3.5 The guidance is also used by the External Auditor in their audit of the accounts and we are therefore required to take account of these in preparation of the statement.
- 3.6 The *Delivering Good Governance in Local Government Framework*, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.
- 3.7 The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:
- 1) Resources are directed in accordance with agreed policy and according to priorities.
  - 2) There is sound and inclusive decision making.
  - 3) There is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.
- 3.8 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.
- 3.9 In order to demonstrate that the Council has the necessary corporate governance arrangements in place, it's important to adopt a Local Code of Corporate Governance and periodically review the Code based on any developments nationally or locally. The core requirement of a Code is that it is based on the following key principles of good governance:
- 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 entity's capacity, including the capability of its leadership and the individuals within it.

- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver accountability.

3.10 The Code provides further detail for each of the key principles to describe expectations and is used as part of the Annual Governance Review each year. Last year's Annual Governance Statement can be seen in the link [here](#).

### **3.11 Process for 2025/26 Statement**

3.12 An overview of the general process for the compilation and approval of the Annual Governance Statement for 2025/26 is attached at the end of this report in Appendix 1. This is similar to the process adopted in previous years and will be reviewed during each stage of completion alongside the Council's new Section 151 Officer to identify any opportunities for which the process could be further enhanced.

3.13 The process diagram indicates the major steps in the process for compiling the statement and the outcome will be a final Annual Governance Statement which will be ratified by the Audit Committee as part of the Annual Accounts approval process.

3.14 CIPFA/ SOLACE guidance as detailed above and its key principles will be taken account of as normal within this year's review and as reported last year, there were two significant issues identified in the 2024/25 statement; i) the Financial Challenge and ii) Rising Dedicated School's Grant (DSG) deficit.

3.15 The Annual Governance Statement will record any 'significant issues', and associated action plans. The definition of a significant issue can be summarised as follows:

- Significant failures in decision making at Council or Cabinet
- Significant unexpected use of Resources
- Significant performance failings or failures in service delivery
- Significant issues from inspections, audits, complaints etc
- Significant issues failures in respect of statutory duties
- Significant issues from operational issues and third parties

3.16 Whilst the statement forms part of the Annual Accounts, it is a separate document and is a management statement which is signed/ authorised by the Chief Executive and Leader of Council before being presented to the Audit Committee.

## **4. STATUTORY CONSIDERATIONS**

4.1. The Accounts & Audit Regulations set out the expectations of provision of an Annual Governance Statement. This is supported by CIPFA/SOLACE standards and the Council's Local Code of Corporate Governance. Implications of not providing this statement would include potential qualification of the Accounts, increase in External Audit fees, potential significant reputational risks and ultimately additional costs to rectify.

## **5. RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1. There are no direct resource implications relevant to this report.

## **6. RISK MANAGEMENT**

6.1. Failure to compile an Annual Governance Statement would result in non-compliance with statutory legislation and leave the Council open to criticism by External Audit and external stakeholders.

## **7. EQUALITIES**

7.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## **8. CLIMATE CHANGE**

8.1. There are no direct climate change implications related to this report.

## **9. OTHER OPTIONS CONSIDERED**

9.1. No other options to consider related to this report.

## **10. CONSULTATION**

10.1. The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Peter Cann - Peter_Cann@bathnes.gov.uk</i> <i>Jeff Wring - Jeff_Wring@bathnes.gov.uk</i>
<b>Background papers</b>	<i>Local Code of Corporate Governance</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

## Appendix 1.

### Outline Methodology for Preparing the Annual Governance Statement 2025/26

