AUDIT AND GOVERNANCE COMMITTEE

Report subject	**Annual Governance Statement 2025/26 and Annual Review of Local Code of Governance**
Meeting date	30 July 2026
Status	Public Report
Executive summary	The Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts. The AGS concludes that BCP Council "**has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework**". After considering all the sources of assurance (for governance arrangements), BCP Council Corporate Management Board identified that the following significant governance issues existed: • Dedicated School Grant (DSG) and Special Educational Needs and Disability (SEND) Services • Councillor Mandatory Training • Council Owned Companies • Corporate Asset Management An action plan to address these significant governance issues has been produced and is being implemented. An update against the action plan will be brought to Audit and Governance Committee in January 2027. *and as amended by the Accounts and Audit (Amendment) Regulations 2024 Only minor amendments to the Local Code of Governance have been necessary to keep pace with the Council's changing governance arrangements. The Council's Assurance Framework has been incorporated to enhance the document.
Recommendations	**It is RECOMMENDED that:** **a. The 'pre-audited' Annual Governance Statement 2025/26 is approved (subject to any comments received in connection with the public inspection of accounts)** **b. The annual update of Local Code of Governance is approved.**
Reason for	The Accounts and Audit Regulations 2015* require authorities to

recommendations	conduct a review at least once a year of the effectiveness of its governance arrangements and, following the review, approve an AGS which must accompany and be published with the Council's Statement of Accounts.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Aidan Dunn, Chief Executive
Report Authors	Nigel Stannard Head of Audit & Management Assurance nigel.stannard@bcpcouncil.gov.uk Ruth Hodges ruth.hodges@bcpcouncil.gov.uk Audit Manager (Deputy Chief Internal Auditor)
Wards	Not applicable
Classification	For Decision

Background

1. The Accounts and Audit Regulations 2015* require the Council to produce an Annual Governance Statement (AGS) following review of its governance framework. This review is carried out in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and guidance.
2. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.
3. BCP Council's Local Code of Governance describes the Council's governance framework using the seven principles of governance identified by best practice, shown in diagram 1 below.
4. The AGS comments on the effectiveness of these arrangements and identifies any significant issues (weaknesses) for the Council to address.
5. The draft AGS has been published as part of the Statement of Accounts statutory public inspection period from 15 June to 24 July 2026, during which time the public has the right to inspect, make an objection to, or ask the external auditor questions about any part of the accounts, including the AGS. Any comments received pertaining to the AGS will be considered by CMB and any necessary updates or amendments presented at Committee for consideration as part of its approval.
6. Since the publication of the draft Statement of Accounts, the AGS has been updated to reflect the updated Delivering Good Governance in Local Government Framework (from 2025/26). This is largely a formatting change but has been enhanced to include an Executive Summary and a Forward Look. These changes to the public inspection version are clearly shown in red in Appendix 1. For the 2026/27 AGS,

consideration will be given to framing significant governance issues as governance “failures” where this is applicable.

7. Once approved by A&G Committee the AGS will then become the ‘pre-audited version’ that is submitted within the Statement of Accounts to the External Auditors. At this stage it is also required to be signed by the Chief Executive and Leader of the Council, who must be satisfied that the document is supported by reliable evidence.

8. The final audited AGS is published within the Council’s Statement of Accounts.

9. The Audit & Governance Committee is required to review the AGS and monitor the Council’s response to the issues identified in the action plan.

Diagram 1, taken from the ‘International Framework: Good Governance in the Public Sector’.

Process for Compiling the AGS

10. The AGS is compiled from a wide range of evidence sources across the Council, including in-year elements and a year-end assessment which includes:

- Completion of Management Assurance Statements by service directors;
- Internal documentation and reports;
- Consideration of governance of BCP companies and trusts;

- Chief Internal Auditor's Annual Report (reported separately to this Committee);
- Findings from internal and external reports (e.g. external audit, OFSTED);
- Follow up of the previous year's AGS Action Plan; and
- Consideration of any matters arising from the public inspection period (see 5 above).

11. A range of potential issues were identified during the evidence gathering process and was considered by BCP's Corporate Management Board (CMB). CMB recognise whether an issue constitutes a significant governance issue is one of judgement rather than fact, however the criteria below provide a framework for those judgements:

- has/may seriously prejudice or prevent achievement of a principal Council objective or priority;
- has/may result in a need to seek additional funding to allow it to be resolved, or has/may result in a significant diversion of resources from another service area;
- has/may led to a material impact on the accounts;
- has/may attract significant public interest or has/may seriously damage the reputation of the Council;
- has/may be publicly reported by a third party (e.g. Grant Thornton, Ofsted) as a significant governance issue; or
- has/may result in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

AGS Conclusion and areas requiring improvement

12. The AGS concludes that BCP Council "**for the year ended 31st March 2026 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework.**"

13. Overall governance arrangements are considered sound. The Council has desire and a duty to improve governance arrangements, accordingly four governance issues are identified, as follows:

	Significant Governance Issue 2025/26	
1	**Dedicated School Grant (DSG)** and **Special Educational Needs and Disability (SEND) Services**	These remain significant governance issues on the AGS. The two matters have been combined this year to reflect the relationship between the underlying issues and the actions required to address them.
2	**Councillor Mandatory Training**	As little improvement was made over the last year, this remains as a significant governance issue on the AGS.
3	**Council Owned Companies**	This is a new significant governance issue for 2025/26, as a range of governance concerns in some of the Council owned companies have emerged.

4	**Corporate Asset Management***	The Council does not have a strategy or financial plan to address concerns over deteriorating corporate asset conditions, including those impacting health and safety. **This does not include Council Housing Stock Management*

14. Of the three significant governance issues identified in the 2024/25 AGS, all have been included in this year's AGS as shown in the table above (with two being combined).

15. An action plan to address the four issues has been put in place and high-level progress against these actions will be reported to Audit and Governance Committee in January 2027.

16. There were also a series of other issues identified for possible inclusion in the AGS. Whilst these were undoubtedly issues for the Council, they did not meet the Council's significant governance issue criteria, for example, they may be significant risks to the Council but not directly governance related, they may have been governance weaknesses, but in a relatively narrow scope of the Council's business, or they may have been operational concerns rather than governance issues. Consequently, these issues were not included as significant governance issues on the AGS statement. Some of these are shown below (not an exhaustive list) as follows:

    - Unregistered Placements
    - Financial Monitoring
    - Information Governance
    - Equality & Diversity Governance Framework

17. During 2025/26, governance concerns in relation to FuturePlaces and Carter's Quay have been in the spotlight. Whilst these are not highlighted as 'significant governance issues' (as they were not 'live' governance issues during 2025/26), Audit & Governance Committee has received reports incorporating lessons learned and any actions required to improve governance matters, which are either complete or on-going.

18. This strong focus on governance and improvement reflects the Council's objective to deliver its priorities with openness and transparency and to improve the Council's financial sustainability.

BCP Council – Local Code of Governance

19. The BCP Local Code of Governance is reviewed annually to reflect the evolution of the Council's governance arrangements. Only very minor amendments were required this year. However, the Council's Assurance Framework, approved by Audit & Governance Committee in January 2026, has been incorporated to enhance the document. The revised version is attached at Appendix 2 for approval.

Options Appraisal

20. An options appraisal is not applicable for this report.

Summary of financial implications

20. The AGS is part of the annual Statement of Accounts and is reviewed by Grant Thornton, the External Auditor, to ensure it is consistent with their understanding of the organisation. Consequently, failure to produce an AGS and / or failure to properly disclose any matter known to the organisation would be reported by Grant Thornton.

21. Grant Thornton will reflect on the council's AGS in drawing its value for money conclusion for 2025/26 as part of their annual report to this committee.

Summary of legal implications

22. The Accounts and Audit Regulations 2015* require the Council to produce an AGS. Failure to comply would result in the Council not meeting its statutory requirements.

Summary of human resources implications

23. There are no direct human resources implications from this report.

Summary of sustainability impact

24. There are no direct sustainability impacts from this report.

Summary of public health implications

25. There are no direct public health implications from this report.

Summary of equality implications

26. In respect of the Local Code of Governance, an Equality Impact Assessment Screening Tool has been completed and reviewed. The Council's Equality & Diversity policy, supporting the equality & diversity governance framework and equality impact assessment processes, which are part of the Local Code of Governance, are in place to ensure and promote positive equality outcomes for everyone.

Summary of risk assessment

27. There is a risk that failure to prepare the Annual Governance Statement in line with proper practice would breach the requirements of the Accounts and Audit Regulations 2015.

28. If timely actions are not taken to address the issues in the Action Plan arising from the AGS, then there is a risk that the Council's governance arrangements may not be adequate or consistent with good practice.

Background papers

None

Appendices

Appendix 1 – BCP Council AGS 2025/26
Appendix 2 – Local Code of Governance (July 2026 update)