Annual Governance Statement 2025/26

Committee considering report:	Audit and Risk Committee
Date of Committee:	28 July 2026
Portfolio Member:	Councillor Iain Cottingham
Date Portfolio Member agreed report:	11 June 2026
Report Author:	Sarah Clarke

1 Purpose of the Report

1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2025/26. The AGS summarises the key governance issues for the Council and the action plan to address these. The AGS is required to be approved by those charged with governance, the Audit and Risk Committee at West Berkshire, under the Accounts and Audit Regulations 2015.

1.2 The AGS will form part of the Council's financial statements and will be considered by the Council's external auditors, KPMG as part of their annual audit for 2025/26. The deadline for the production of the financial statements is the 30 June, and a draft AGS has been included in the draft financial statements. This can be amended as part of the revisions to the financial statements during the KPMG external audit. The AGS will form part of the final financial statements for approval by the Audit and Risk Committee upon receipt of the external audit of the 2025-26 financial statements.

1.3 The Code of Corporate Governance details how the Council complies with the CIPFA/SOLACE (The Chartered Institute of Public Finance and Accountancy, ("CIPFA") and the Society of Local Authority Chief Executives ("SOLACE") framework for good governance and supports the principles of good governance contained within this. An Addendum was issued for this document in May 2025, and regard has been had to this in producing the Annual Governance Statement.

2 Recommendation

2.1 It is recommended that the Audit and Risk Committee approve:

(a) the Annual Governance Statement at Appendix A to this report

(b) the updated Code of Local Governance at Appendix B

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None directly
Human Resource:	None directly
Legal:	This report is a requirement that it must be considered by the Audit and Risk Committee under the Accounts and Audit Regulations 2015.
Risk Management:	See the main report detailing the action plan to mitigate overall risks raised in the AGS
Property:	None directly
Policy:	None directly

	Positive	**Neutral**	**Negative**	**Commentary**
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		

Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		The AGS supports the Council Strategy through focussing on areas to help improve its delivery
Core Business:	X			The AGS focusses on areas that can improve core business
Data Impact:		X		
Consultation and Engagement:	Statutory Officers and their deputies, Internal Audit Manager, SLT and relevant Members.			

4 Executive Summary

4.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises systems, processes, cultures and values by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads the community. The Leader of the Council and Chief Executive have a special role as custodians of the Council's governance arrangements, but good governance is also the responsibility of all Members and Officers.

4.2 The Annual Governance Statement (AGS) is a core document that sets out the Council's governance arrangements and a review of their effectiveness. The AGS must be reviewed and approved by the Audit and Risk Committee annually and is published with the financial statements.

4.3 The review for 2025-26 has highlighted four key areas to include in the AGS with an accompanying action plan:

(a) Financial resilience and sustainability

(b) Securing High Needs Stability Grant funding to address circa 90% of the deficit as detailed in the Final Local Government Finance Settlement 2026/27 and accompanying DfE/MHCLG technical notes

(c) Enhance the delivery of the Transformation Programme to achieve sustainable savings and support delivery of sector wide reform.

(d) Capacity and Culture

(e) Embed updated Project Management arrangements

4.4 The above have been identified as areas where progress needs to be made during the forthcoming year to enhance the Council's governance processes and continue to deliver Best Value. These key areas have been informed by the experience of the previous year, the Corporate Risk register, key items highlighted by internal and external auditors and relevant external reviews.

5 Supporting Information

Introduction

5.1 This report outlines the purpose of the Annual Governance Statement (AGS) and explains how the necessary assurance to support the AGS has been obtained. This should enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

5.2 The report also proposes a refresh to the Local Code of Governance, which sets out the Council's commitment to corporate governance, and identifies arrangements that will ensure its effective implementation in all work undertaken by the Council. This has been updated to reflect the current Auditors, and to reflect how the Council demonstrates compliance with the core principles.

Background

5.3 The AGS is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations:

"The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control".

5.4 A copy of the AGS for 2024-25 is attached to this report at Appendix A and a copy of the refreshed Code of Local Governance for West Berkshire Council is produced at Appendix B.

5.5 The Council relies on a number of sources of information to carry out the review of the system of internal control and effectiveness. These include:

- Service risk registers and the Corporate Risk Register (that is reviewed by the Committee)
- The Internal Audit Manager's annual report
- Reports from external regulators, e.g. OFSTED, Care Quality Commission, KPMG (the Council's External Auditor), and the LGA.

5.6 To support the preparation of the AGS, an Annual Review was also undertaken against the Principles of Good Governance, and details of that review are produced at Appendix C.

5.7 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.

5.8 A key element of the review of the system of internal control is the identification of any weaknesses or risks in the system, along with recommendations to mitigate such issues. Then in the subsequent year a further report is made on progress with implementing agreed recommendations.

5.9 The following themes were identified in the previous AGS as areas of focus for 2024-25:

Item from 2024-25	**Progress during 2025-26**	**Included in the 2025-26 AGS**
Financial Resilience and Sustainability - Ensuring adequate levels of reserves, the achievability and delivery of savings, and the identification of further savings in light of a very high savings requirement required to meet ongoing pressures.	The financial position of the Council remains extremely difficult with an overspend position that is being driven by a range of factors. The Council has taken a number of steps during 2025/26 to address this challenge, including those detailed in the Finance Improvement Plan.	Yes - updated
Delivering better value in Special Educational Needs and Disability services programme – Delivery of the programme to identify and reduce costs in the High Needs Block. The deficit on the High needs Block (within the Dedicated Schools Grant) has been growing in recent years and is only being kept outside of the Council's general fund through a Government accounting adjustment (which has recently been extended to 2027-28).	The Council has progressed the move of the Delivering Better Value Programme into business-as-usual activity. Children's Services and SEND are currently subject to significant system wide reform, driven by the Government's focus on improving outcomes, inclusion, and value for money. The new reforms are a key area of focus for the year ahead.	No

Item from 2024-25	Progress during 2025-26	Included in the 2025-26 AGS
The delivery of an expanded and focussed Transformation programme - The initial transformation programme was a two-year programme, so the Council should take the opportunity to review delivery against that and to review the priorities for the next two years. Delivering and monitoring of the core transformation programme, ensuring there is sufficient resourcing for this, and ensuring wider transformation across the Council to deliver services more efficiently and effectively. This includes a clear link to business case with demonstrable benefits for each project.	The transformation programme has progressed and oversight by Transformation and Corporate Programme Board has been reviewed. The Transformation Programme has been subject to reviews by Transformation and Place Scrutiny, which demonstrated the outputs of the work to date. The new programme is in development, and it is anticipated that this will be approved in autumn 2026.	Yes - updated
Conduct a Review of Project Management arrangements across the Council - The Council is undertaking a number of large transformation projects and also needs to continue to deliver important business as usual services to our communities. This requires that the Council has systems for robust and appropriate Project Management arrangements to ensure that projects are delivered in a manner that supports efficiency and effectiveness.	There has been much progress with this work over the past year, including the centralisation of project manager roles into a new specialist team. This area has also been the subject to a Scrutiny review, which recognised the positive improvements. We need to ensure that the new processes are fully embedded, so this remains an area of focus for the coming year.	Yes - updated

Proposals

5.10 It is proposed that the Audit and Risk Committee approve the AGS produced at Appendix A, and the updated Code of Local Governance produced at Appendix B.

5.11 In light of the issues raised during the year and after a review of effectiveness, the following areas are the areas of focus for 2026/27:

- **Financial Resilience and Sustainability** - The financial challenge is ongoing and will require sustained focus and delivery over the medium term.

- **Securing High Needs Stability Grant funding to address circa 90% of the deficit as detailed in the Final Local Government Finance Settlement 2026/27 and accompanying DfE/MHCLG technical notes** - The DSG statutory override (which keeps deficits off councils' general fund) remains in place until 31 March 2028. The write-off is intended to ensure that when the override ends, councils are not exposed to catastrophic balance-sheet failure, resulting in a s114 scenario.

- **Enhance the delivery of the Transformation Programme to achieve sustainable savings and support delivery of sector wide reform** - The sector is currently subject to significant reform, across key areas such as Children's Services and SEND. Local Government Reorganisation may also have a significant impact. If proposals submitted to Government including West Berkshire are accepted. The Council also needs to deliver significant savings as part of the move to financial sustainability.

- **Capacity and Culture -** Given the scale of change that the Council must deliver in response to Government reforms, and to support the financial challenges, there is a risk regarding the capacity and culture required to deliver the scale of change required

- **Embed updated Project Management arrangements** - The Council is undertaking a number of large transformation projects which require appropriate support. Whilst good progress has been made over the past year, this needs to remain a focus to ensure that good practice becomes the default

6 Other options considered

6.1 The production of the AGS is a requirement to be completed annually and the Council must comply with its production. The Council could opt not to complete an AGS alongside the annual financial statements though this would be in contravention of the Accounts and Audit Regulations.

7 Conclusion

7.1 A key function of the Audit and Risk Committee is to review and approve the AGS for 2025/26, and review the conclusions reached.

7.2 To be able to review the AGS the Committee needs to examine the evidence, highlighted in the AGS and the updated Code of Local Governance, that is provided to the Audit and Risk Committee as well as other committees and Council bodies.

8 Appendices

8.1 Appendix A – Annual Governance Statement

8.2 Appendix B – Code of Local Governance

8.3 Appendix C - Annual Review against the Principles of Good Governance

Subject to Call-In:

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval	☐
Delays in implementation could have serious financial implications for the Council	☐
Delays in implementation could compromise the Council's position	☒
Considered or reviewed by Scrutiny Commission or associated Committees, Task Groups within preceding six months	☐
Item is Urgent Key Decision	☐
Report is to note only	☐

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