
Bath & North East Somerset Council

Improving People's Lives

Annual Governance Statement 2025/26



1. Executive Summary

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, properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.

The Council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the [code](#) is available from the Council's public website.

This Statement explains how the Council has complied with our Local Code of Corporate Governance and also meets the requirements of:

- The Accounts and Audit (England) Regulations 2015 (amended 2022), specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.
- The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

The governance framework described in this Statement has been in place at the Council for the year ended 31 March 2026, and up to the date of the approval of the statement of accounts.

2. The Purpose of the Governance Framework – Background & Overview for 2025/26

Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisation's priorities.

The Constitution, which sets out how the Authority operates, is kept under review and updated as necessary. It clearly defines the roles of councillors and officers, and this clarity contributes to effective working relationships.

The Council maintains a Local Code of Corporate Governance. The objective of the Local Code is to ensure that in conducting its business the Council:



- Operates in a lawful, open, inclusive and honest manner.
- Makes sure public money is safeguarded, properly accounted for and spent wisely.
- Has effective arrangements in place to manage and control risk.
- Secures continuous improvements in the way it operates.

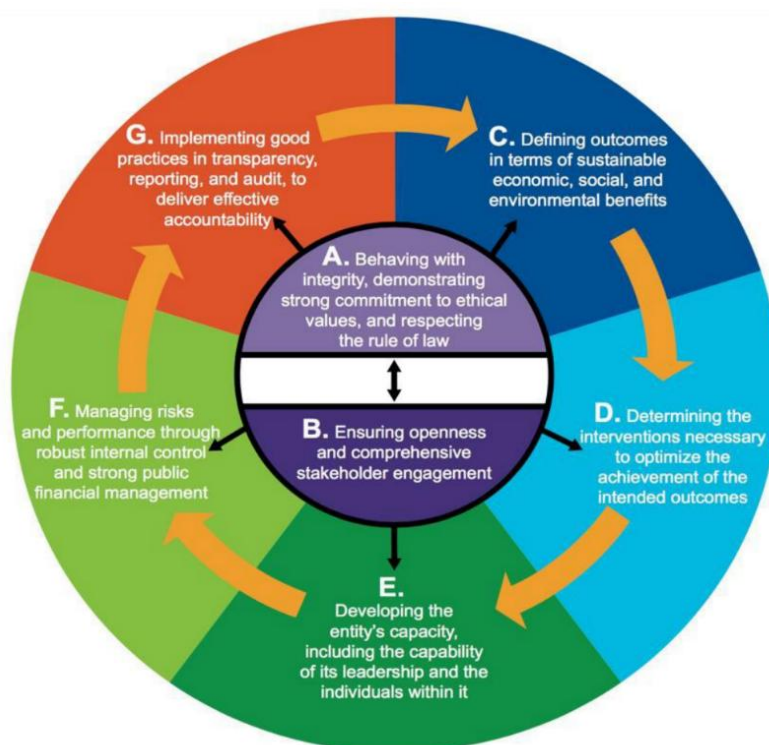
The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code records activities required to enable the Council to engage with, account to, and lead the communities it serves. It enables the Council to set its strategic objectives and manage the achievement of agreed objectives.

The system of internal control is a significant part of the Local Code of Corporate Governance, and it is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.

The CIPFA/SOLACE framework (see diagram below) envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).

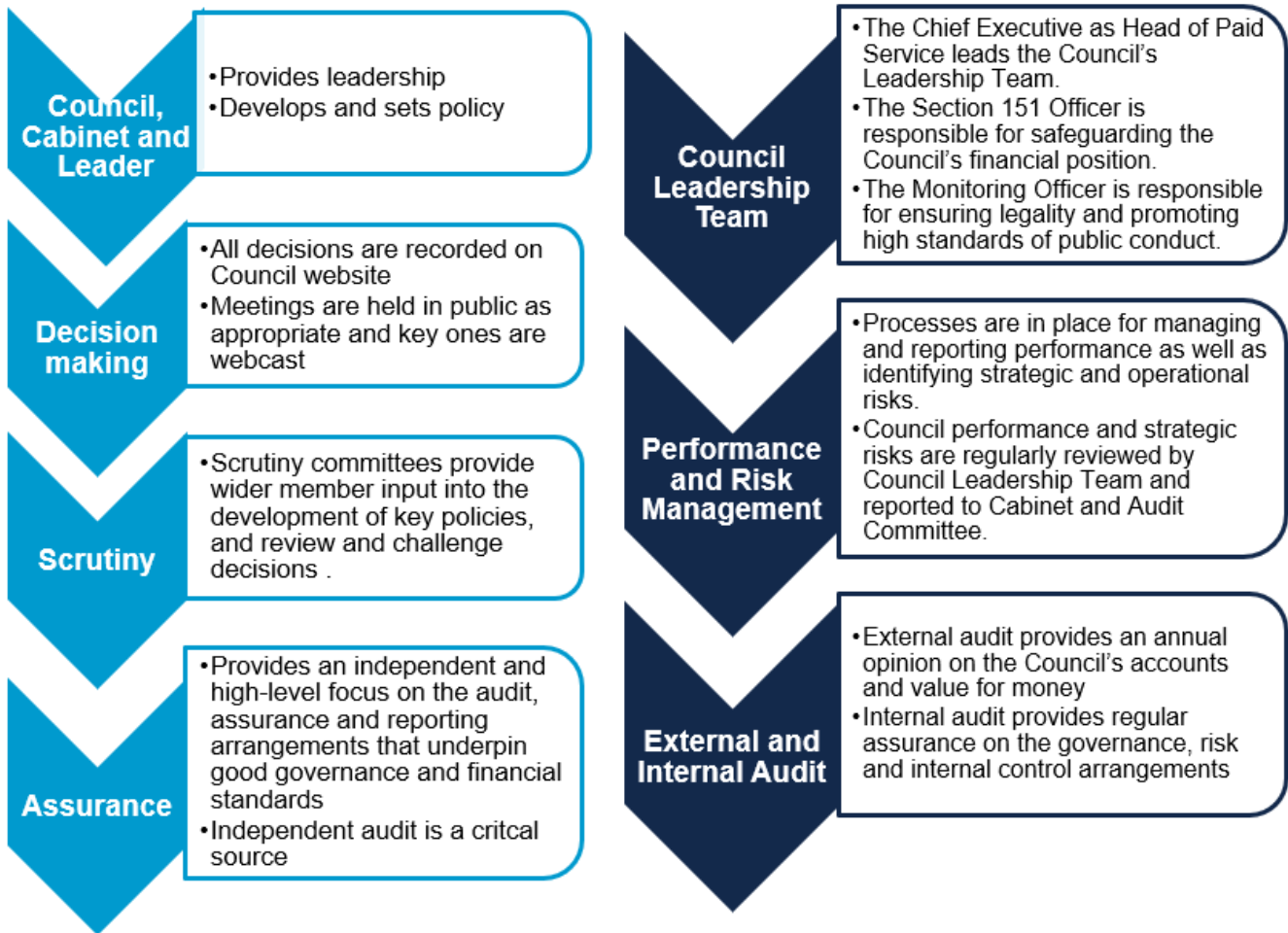
The governance framework and a Local Code of Corporate Governance has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2026 and up to the date of approval of the Council's Statement of Accounts.

Source: CIPFA/SOLACE



3. Key Elements of our Code of Corporate Governance – Our Framework

The Council’s Constitution is kept under constant review and updated as necessary through the year and sets out how the Council operates. Bath and North East Somerset Council has a history of strong democracy and robust member involvement in decision-making. The key elements of the governance arrangements at the Council during the 2025/26 financial year were:



How the Council has Fulfilled the Principles of Good Governance

Review of the Council’s Code of Corporate Governance

The Council’s Code of Corporate Governance comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost-effective services.

In preparing this Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance, and
- assessed the effectiveness of the Council's Local Code of Corporate Governance

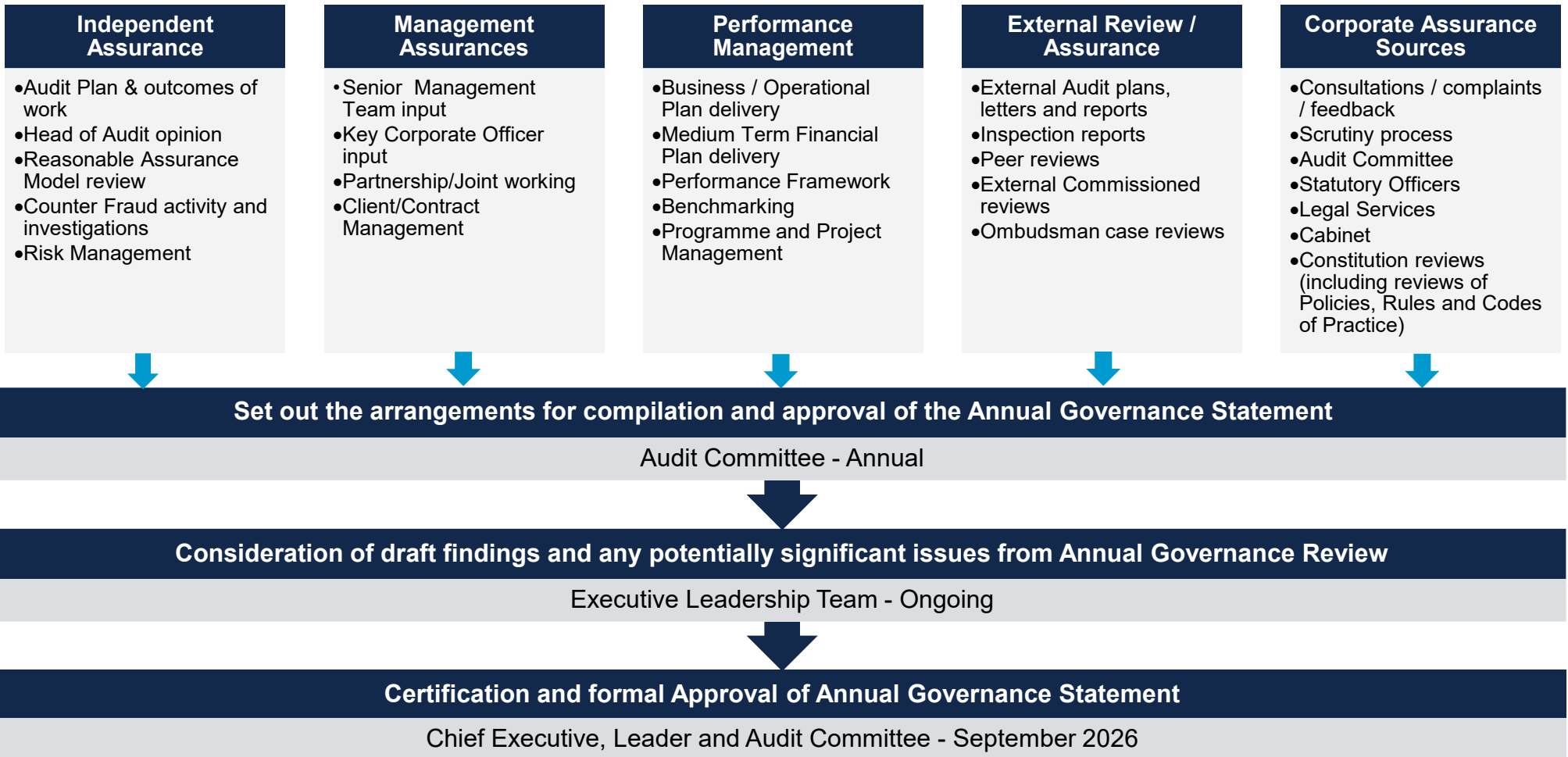
The remainder of this document sets out some key aspects of how the Council has complied with the principles set out in the Framework during 2025/26, however it is not intended to be exhaustive.

Significant issues identified through the preparation of this statement, and the mitigating actions taken and planned to address them, are summarised in section 6.

4. Review of Governance Framework

The Council formally review the effectiveness of its governance framework and the methodology to carry out the annual governance review is recorded below.

High Level Methodology for Preparing the Annual Governance Statement



5. Principles of our Governance Framework

The Governance Framework

The Council is committed to meeting best practice standards for good governance. The Council has expressed commitment to CIPFA/SOLACE's core principles of Corporate Governance, as outlined in the guidance document 'Delivering Good Governance in Local Government: Framework'. The principles and a brief outline of our organisational context regarding these are described below.

The key elements of the Council's governance framework are described below, and a range of supporting documents are available on the Council's website.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Behaving with integrity

Bath & North East Somerset Council has both a Members Code of Conduct and an Employees Code of Conduct which the respective individuals are required to adhere to in their respective roles. The Member's Code is recorded within the Council's Constitution. The Employees Code of Conduct is accessible through the Council's intranet.

All members of the Council are obliged to sign an "acceptance of office" and following election to office they have a full induction and training programme, including the Members' Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Council's Monitoring Officer has overall responsibility for member induction and support services for elected members. Part 3 of the Constitution records the 'Procedural Rules' of the Council. Members are required to declare interests and this and the Councillors attendance record and declarations at meetings are recorded against their individual Councillors page accessible through the Council's internet webpages. Councillors receive an annual reminder from the Monitoring Officer about the need to review and update their register of interests and that it is a legal requirement to declare and register all disclosable pecuniary interests - under the Localism Act 2011, failure to register any disclosable interests within 28 days is potentially a criminal offence.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and made available from the Intranet. These include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Council's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. The Council maintains electronic registers of interests and gifts & hospitality for staff.

Demonstrating strong commitment to ethical values

Bath & North East Somerset Council maintains a Standards Committee which under the Constitution records the Committee's Terms of Reference. The Terms of Reference includes:

- Promote and maintain high standards of conduct by councillors; parish councillors; co-opted members and church and parent governor representatives,
- Oversee the effectiveness of the Council's constitutional arrangements from an ethical perspective and make recommendations to the Council on any desirable or necessary changes.

The Code of Conduct for Members and Co-opted Members makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

All formal meetings of the Council require declarations of interest from Members as a standing item and meetings are minuted / recorded.

There is also a member complaint policy which is overseen and administered by the Council's Monitoring Officer.

Respecting the rule of law

The Council's Constitution sets out the legal requirements around Council business including decision making. Guidance is available on both the Intranet and Internet to guide Officers in ensuring that decisions are taken by the appropriate Committee, Member, or Officer.

All reports requiring decision must be cleared by the Council's S151 and Monitoring Officers. The adopted report template requires the author to record 'Statutory Considerations' and there is a separate 'Equalities' section. The 'Statutory Considerations' section should contain details of any relevant considerations regarding specific Council statutory responsibilities and also more general legal requirements. This section is required to specify the legal power or duty that authorises any decision requested by the report to be made. Specific report writing guidance is available to Officers to provide clarification of actions required.

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available to comply with legal requirements, e.g., The Public Procurement Act (Amendment etc) (EU Exit) Regulations 2020. The Procurement Act 2023 received Royal Assent on 26th October 2023 and was due to come into force on 28th October 2024, this was amended by the Cabinet Office to 24th February 2025. The Council's procurement team have provided training to officers to ensure compliance with new requirements.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

Openness and engaging with individual citizens and service users effectively.

Part 3 of the Constitution (Procedural Rules) records the 'Access to Information Procedural Rules'. It details, rights to attend meetings; notice of meetings being held; access to agendas and reports; provision of agenda and report copies; access to meeting minutes; and rules around the exclusion of access by the public to meetings. Part 1 of the Constitution records the 'Residents Rights & Responsibilities' and summarises the public's right to attend meetings, make submissions to meetings / cabinet members and inspect documents.

Key decisions are all recorded and accessible to the public and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The cabinet forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed, an intranet page provides officers with information about the stages to be followed for single member, cabinet, officer and urgent decisions.

The Council's website contains information about services and provides easy access key links such as 'Cabinet Decisions'.

We monitor compliance with the Department for Communities and Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We are very open with our communications and digital communication channels are used including a library of webcasts e.g. Council, Policy Development and Scrutiny Panels and Cabinet meetings. The Council and its services use social media such as Facebook. Webinars have been produced and archived on YouTube. A weekly e-connect newsletter is produced and can be accessed through the public website/ email sign-up. Council Staff also receive a weekly communications email.

Engaging Comprehensively with Institutional Stakeholders

The Parish Charter provides a framework between the Council and the 51 parishes across the area for working together. We have a common purpose to promote the wellbeing of B&NES, and we serve the same residents. The Council consults with parishes on matters which affect their area and residents.

The Council has consultation webpages which records current, future and closed consultations plus a consultation results section.

Partnership working with our health and West of England partners is of critical importance in both service delivery and in shared financial efficiencies. The Health & Wellbeing Board is responsible for preparing a Joint Health and Wellbeing Strategy and reviewing and reporting on health and social care commissioning. The Council and Integrated Care Board (ICB) are represented on the Board.

Since 2017 the Council has been part of the West of England Combined Authority which was created by The West of England Combined Authority Order 2017 which covered three local authorities:

- Bath & North East Somerset Council
- Bristol City Council

- South Gloucestershire Council

It operates with a directly elected Mayor and is responsible for a number of local transport, strategic planning, skills and economic growth functions.

The Combined Authority operates an executive model with a Cabinet comprising:

1. Elected Mayor
2. Constituent council representatives
3. Chair of the West of England Local Enterprise Partnership

A Joint Committee, Overview & Scrutiny Committee and an Audit Committee assist in the good governance of the Combined Authority.

Notably, the Council also works with the Avon Fire and Rescue Service and the Avon and Somerset Police and Crime Panel.

Principle C: Defining outcomes in terms of sustainable, economic, social and environmental benefits.

Defining outcomes

The 2023-2027 Corporate Strategy has a single overriding purpose – to improve people’s lives.



The Corporate Strategy has nine priorities which set out how people’s lives will be improved over the four-year period.

The nine priorities are:

- **The right homes in the right places** - improving availability of affordable housing, accessible to local jobs and services.
- **More travel choices** – making it easier for people to walk, wheel and use public transport to reduce transport emissions.
- **Clean, safe and vibrant neighborhoods** - working with local communities to promote civic pride and preventative approaches.
- **Support for vulnerable adults and children** – securing safe, effective services that meet the needs of our changing population.
- **Delivering for our children and young people** – working with our partners to narrow the early years attainment gap.
- **Healthy lives and places** – working with health and other partners to tackle inequalities, promote healthy places, and support people to live healthier lives.
- **Good jobs** - aiming to increase the median wage in a regenerative economy.
- **Skills to thrive** - an inclusive economy where prosperity is shared.
- **Cultural life** - valuing and developing its contribution to Bath and North East Somerset.

The Strategy's outcomes framework provides a clear way of assessing plans and activities; drawing on the 'doughnut economics' model it contains:

- A climate, ecological and environmental ceiling – linked to the core policy of tackling the climate and ecological emergency.
- A social and economic foundation - linked to the Council's priorities.
- A space for local communities and organisations to collaborate and innovate - linked to the core policy of giving people a bigger say.

Sustainable economic, social and environmental benefits

The Capital Programme includes investments that provide economic, social and environmental benefits. The Council's wholly owned property investment company, Aequus Development Ltd (ADL) and its subsidiary company ACL, develop, deliver, own and manage property as well as delivering new development.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

Determining interventions

The Council's decision-making processes are set by its Constitution, and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision-making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted, and this provides guidance on the assessment of risks related to recommended actions / decisions.

The Monitoring and S151 Officers are consulted on all decision-making reports, and they are able to provide their professional opinion on the matter being reported and actions / decisions to be taken.

Planning interventions

The Council's Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. This includes dates of cabinet meetings and anticipated dates for Single Member Decisions. The Council conforms to all legislation and best practice in publishing plans in advance of meetings etc.

Optimising achievement of intended outcomes

The Medium-Term Financial Strategy (MTFS) outlines how the Council's budget will be delivered over the medium to long-term. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

Linked to the MTFS and the annual budget process the Council's S151 Officer is required to make a statutory statement (Section 25 of the Local Government Act 2003) on the robustness of estimates and adequacy of reserves for the budget year and Financial Plan. The Directors review and completion of Robustness Statements and other financial management processes, including the provision of qualified and experienced financial staff to support service areas, is considered by the S151 Officer as part of the statement.

The Council's Capital Programme includes a number of economic projects to increase opportunity and prosperity.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Developing the entity's capacity

The development and maintenance of an integrated reporting framework is helping management to review operations, performance and use of assets. The financial challenge and the on-going need to seek budgetary savings are having a direct effect on the Council's ability to maintain and develop its capacity. Service areas including libraries and youth are proactively looking for volunteers to help with non-statutory service provision.

Developing the capability of the entity's leadership and other individuals

A full member induction programme was provided to all members elected on 4th May 2023. The focus for new councillors was for them to understand how the Council works and the key services it provides. Tailored training has and will continue to form part of the training programme to assist members in carrying out their roles and responsibilities.

For council managers 'Leading and Managing Together' sessions are held regularly to provide a networking and communication forum.

A Performance Management and Personal Development portal called Clear Review is in use council wide. This system is to support staff across the organisation in objective setting and identifying ways to support staff in their personal development and growth. The Clear Review platform is configured to meet our organisational service delivery objectives as well as incorporating individual personal and professional goals and feedback.

Principle F: Managing risks and performance through robust internal control and strong public financial management.

Managing Risk

The Council has adopted a Risk Management Strategy and Toolkit. The Strategy document records key activities and frequency, and the toolkit provides detailed guidance on risk management processes.

The Council continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

The Council has developed a Cyber Security (CySec) Governance Framework for managing risks that are posed by ever increasing cyber threats. The strategy and governance for cyber security across B&NES is set by the IT Steering Group, which reports to the Corporate Management Team. Tactical and operational management of cyber security is overseen by the Cyber Security Operational Group (CySoG).

Managing Performance

Performance Management is aligned with the Corporate Strategy 2023-2027 and the Corporate Delivery Programme. Quarterly performance information and business intelligence is recorded and fed back to Senior Management to enable clear oversight, accountability and action.

The Council has an Integrated Reporting Framework (IRF), a set of PowerBI dashboards, which are used as the portal for all corporate business intelligence. The IRF is on the Council's intranet and all officers have access, it includes the following information.

- Directorate Dashboards including key performance indicators
- Corporate and Directorate risk registers
- Contracts and commissioning intentions
- People/Human Resources data
- Geographical Information System

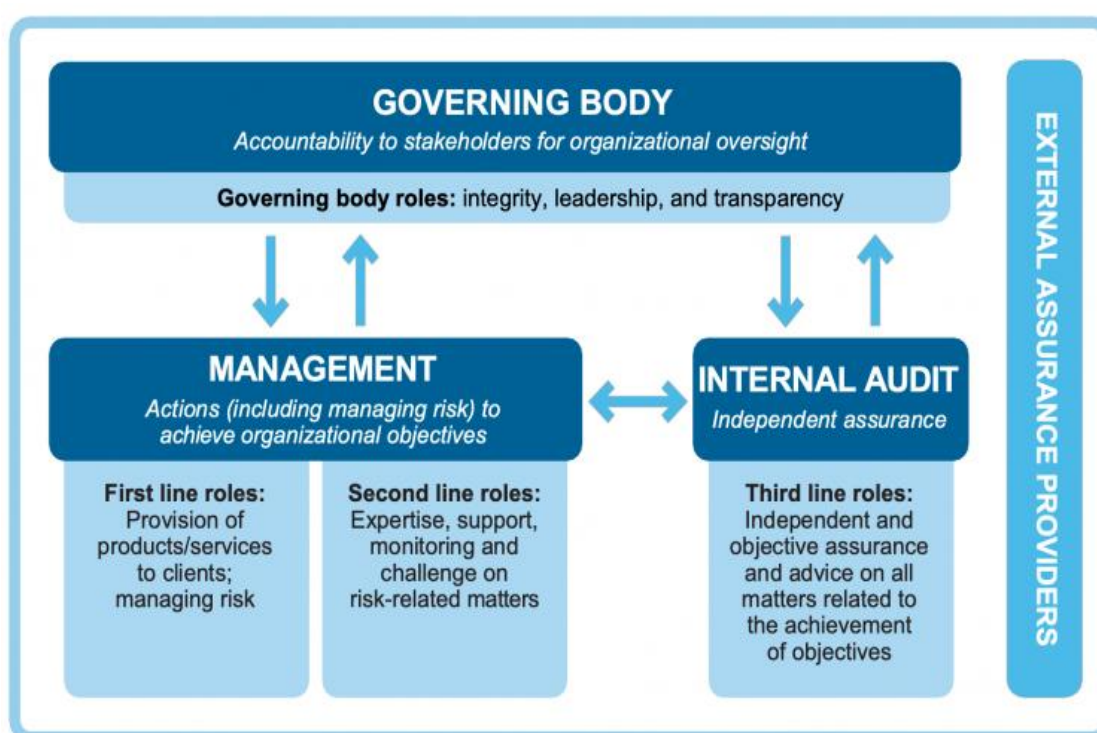
- Local facts and figures

The IRF is used by Directors to manage their services and feeds into the corporate reporting process.

Each quarter a key set of strategic indicators is reported to cabinet, to give an overall picture against the delivery of the Council’s Corporate Strategy. The Corporate Scrutiny Panel also receives corporate performance reports aligned with the reports to Cabinet.

Robust Internal Control

The Council’s system of internal controls is managed and monitored through the three lines and the External Auditor and other Inspectors.



The review and monitoring of internal controls by Internal Audit and other ‘independent’ inspectors are subject to risk assessment to ensure that resources are focussed on reviewing the controls associated with higher risk areas.

The Audit Committee Terms of Reference includes approving the Internal Audit Plan and to monitor its delivery and effectiveness (including the implementation of audit recommendations). It has been agreed that in addition to receiving internal audit plan update reports which includes recording the assurance level allocated to all ‘final’ version internal audit reports, a more detailed explanation of findings (weaknesses and recommendations) and management response is provided to the Committee on any reports assessed as Assurance Levels 1 (No Assurance) or 2 (Limited Assurance).

The Council’s Financial Regulations require members and staff to inform the Chief Finance Officer and/ or the ‘Chief Audit Executive’ immediately of any suspected financial irregularity.

This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control and to deal with the issues related to the matter reported.

Managing Data

Bath & North East Somerset Council supports the objectives of increasing openness, accountability and transparency in the public sector. In line with the Freedom of Information Act, the Council has been committed to a proactive approach regarding access to information.

The Council is responsible for a wide range of local functions that affect the everyday lives of residents. Information held by the Council is therefore of great relevance and interest to the public. A list of the information regularly made available by the Council to the public can be found in the [Council's Publication Scheme](#).

Members of the public can submit a subject access request or a Freedom of Information request through the public website (submission of an electronic form) or by writing to the Council.

Members and staff can access guidance and training through the Council's Intranet. There is a comprehensive framework of Information Governance Policy that includes: Data Protection, Acceptable Use, Information Security, Information Sharing, and Security Incident Management Policy.

Information Sharing Agreements are maintained with public sector partners to ensure the effective and efficient secure sharing of information. When data is processed by a private sector body contracts include the relevant data protection, confidentiality and FOI clauses.

Strong public financial management

The Council has a Director of Finance (S151 Officer) as well as an Executive Director (Resources) and Director of Assurance, Risk and Pensions.

The S151 Officer follows the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer (S151 Officer) in Local Government whilst performing their duties. The S151 Officer is a member of the Executive Leadership Team and Corporate Management Team. Membership of these groups ensures they can develop and implement strategic objectives and influence material business decisions. The Finance Service has suitably qualified and experienced personnel in all senior positions.

As part of good governance, the finance function aligns with the CIPFA Financial Management Code. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management.

All decision papers for Committees, and cabinet member require S151 financial sign-off before the decision can be taken.

Financial updates are reported regularly to cabinet and relevant panels.

The Council's Statement of Accounts are presented to the Audit Committee. The Committee approves the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund.

The External Auditors Annual Report on the Council is also presented to the Audit Committee. Under the Local Audit & Accountability Act 2014 (and National Audit Office Code of Audit Practice) the external auditor is required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and to record any significant weaknesses found relating to components of the Value for Money arrangements and / or any improvement recommendations.

The Medium-Term Financial Strategy (MTFS) 2024/25 to 2028/29 was approved by cabinet and sets out the strategic direction and priorities for the Council as well as outlining the financial context and challenges the Council faces over a five-year period and the strategy to be used to inform its annual budget process. The budget takes into account the forecast out-turn for the previous year and estimates for the forthcoming year. Directors produce Robustness Statements outlining savings and delivery risks which are incorporated into a corporate wide assessment.

Principle G: Implementing good practices in transparency, reporting and audit, to deliver accountability.

Implementing good practice in transparency

Transparency is a key condition and driver for the delivery of council services. As a publicly-funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes and we have a [transparency webpage](#).

Committee meetings and reports are easily accessible through the Council's website.

Implementing good practices in reporting

Reporting is required to assist the Council's decision-making process. The constitution requires decisions to be taken by an appropriate committee, Cabinet Member or officer and requires 'sign-off' by the Council's S151 and Monitoring Officers, or their nominated representatives.

Officers write reports to assist understanding of the matter/ issues and provide clarity regarding what is being asked of the recipient of the report, including recommended actions.

The annual governance review which has been carried out to produce this statement requires a robust methodology to be followed to enable a statement to be published within the statutory statement of accounts.

Assurance and effective accountability

The Council delegates to the Corporate Audit Committee responsibilities and these are recorded in its Terms of Reference which is accessible through the Council's public webpages. Responsibilities include:

- Approving the Council's Statement of Accounts and Annual Governance Statement
- Approving the External Auditors Plan, monitors its delivery and considers findings and recommendations.
- Approving the Internal Audit Plan and monitoring its delivery.
- Review risk management arrangements and key governance policies and procedures.

The Committee reports annually to Council on its work.

The Audit Committee are aware of the Global Internal Audit Standards (GIAS) including a recent revision and the need to agree and approve an Internal Audit Charter. The Charter is reviewed each year and updated as necessary and is formally approved by the Committee. The Internal Audit Charter states that the Chief Audit Executive (Head of Audit and Assurance) and Internal Audit is responsible for carrying out an appraisal of all Council activities, carrying out audits and other assurance work to be able to deliver an annual audit opinion.

Annually the Head of Audit and Assurance reviews compliance with the Global Internal Audit Standards (GIAS) and evaluates internal auditor's compliance with the Code of Ethics. A self-assessment exercise is carried out annually and is subject to external independent review in line with best practice which requires an external assessment every 5 years.

PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The process for the Annual Governance Statement is a continuous process, and senior officers and elected members consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. The Council's Chief Executive Officer signs the Statement as a summary of the effectiveness of the Council's governance framework.

OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

In evaluating the effectiveness of the Council's governance, information is available from a wide range of sources. These include the Internal Audit Service, the Information Governance Group, the External Auditors, inspectorates such as the Care Quality Commission and directorates themselves.

One West in conjunction with Statutory Officers reviews the effectiveness of the governance framework during the year and then drafts the Annual Governance Statement. The Statement is signed by the Chief Executive and Leader of Council and formally reviewed by the Audit Committee as part of the Financial Statements.

Key risks have been kept under review during the year and will continue to form an ongoing focus for successful delivery of the Council's plans. The Council's Corporate Risk Register has been maintained throughout the year and includes 28 risks as at Quarter 4 2025/26 broadly linked to the following themes:

- Regional Partnership Working
- Resource and Budget Management
- Climate Change
- Transformation
- Housing
- Cyber Risk Management
- Infrastructure
- Financial Planning
- Climate Emergency
- Capital Programme
- Transport
- Safety Valve – DSG Management
- Safeguarding
- Health and Safety
- Children's Services Transformation
- Health and Social Care Joint Working
- Social Care – Various
- Emergency Management
- Public Health and Pandemic Planning
- Social Care – Deprivation of Liberty
- Corporate Governance
- Avon Pension Fund

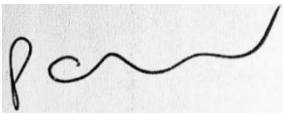
Chief Audit Executive - Internal Audit Opinion

As part of our statutory requirements, the Head of Audit & Assurance in fulfilling the role of the Council's Chief Internal Auditor/ Chief Audit Executive, is required to give an opinion on the internal control framework. In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the Council.

Based on the work completed within 2025/26, we are reporting that the Council's internal control framework and systems to manage risk are reasonable.

The ongoing financial challenge to all Local Authorities and further macroeconomic factors places pressures locally on services to respond and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

Signed:



Peter Cann
Head of Audit and Assurance
31st May 2026

CONCLUSION & CERTIFICATION

As laid out in the statement the Council's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2025/26. Significant governance issues identified through the Annual Governance Review are recorded in Section 6.

We propose to take actions to address the issues raised with the objective of enhancing the Council's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

SIGNED BY:

KEVIN GUY
LEADER OF THE COUNCIL

SOPHIE BROADFIELD
CHIEF EXECUTIVE

DATE: XX September 2026

6. Significant Governance Issues 2025/26

Issue in 2025/26

1. Financial Challenge – Service Demand and Cost Pressures

The Revenue & Capital Outturn 2025/26 report to Cabinet on 2nd July 2026 reported an adverse net variance of £2.63m on the Council's Revenue Budget, after allowing for agreed transfers to/from reserves and carry forwards.

This position included a one-off pressure of £0.84m relating to invoices that were raised in 2024/25 that were required to be written-off due to no prospect of recovery.

The most significant pressure was within Children's Services which reported a £10.18m adverse variance to budget which was driven by continued demand and increasing residential placement costs. The Council had set a total Corporate Contingency budget of £9.83m which offset the majority of this pressure.

Other significant adverse variances were reported within Heritage Services (lower visitor numbers than had been anticipated), Home to School Transport (increased demand, rising fuel prices and route complexity) and within Commercial Estate and Regeneration (rental income underachievement. Positive variances were reported within Adult Services, Transport and Corporate Budgets (capital financing and treasury management).

The 2025/26 revenue budget approved savings and income generation proposals of £14.01m. Of the total savings, 65% (£9.15m) have been delivered in full, 15% (£2.04m) have been

Commentary & mitigating actions for 2026/27

The Council's 2026/27 Budget was approved by Council on 24th February 2026. The report set out that after considering demands on services and inflationary pressures the Council's revenue budget requires £10.240m in budget growth. This is funded through increases in Council Tax (4.99%), Business Rates, income, savings plans and grant adjustments.

The material items requiring additional funding were:

- Adult Services budget growth £5.51m
- Children's Services budget growth £4.07m
- Heritage Services income rebasing £1.33m

These increases in growth are partly mitigated by releasing £7.22m of the corporately held contingency which formed part of the 2025/26 base budget. This leaves contingency held within the 2026/27 budget of £2.62m.

The Budget also included:

- Income generation plans of £2.59m.
- Cost reduction plans of £4.65m

Children's Services are delivering a targeted response through an enhanced Transformation Programme and detailed scrutiny of all areas of activity and spend, including but not limited to, children's residential placements. This has included a focused placements taskforce

Issue in 2025/26

mitigated through savings, contingency or income elsewhere in the respective service, with the remaining 20% (£2.82m) delayed until 2026/27 or addressed through the budget setting proposals. The majority of the savings that have been delayed into 2026/27 relate to the Being our Best Programme.

The £2.63m adverse net variance was funded by the following drawdowns from Earmarked Reserves:

- £1.18m from the Commercial Income Risk Reserve to fund the associated adverse variances within Commercial Estate and Regeneration. This reserve was created to fund fluctuations in the Council's key commercial income streams.
- £1.46m from the Revenue Budget Contingency Reserve:
 - £0.840m relating to the one-off pressure relating to the write-off of irrecoverable 2024/25 invoices; and
 - £0.62m to fund the residual adverse net variance across all other Council services.

The Capital Programme Outturn in 2025/26 was a total expenditure of £77.83 (80%) against a budget of £97.27m giving a variance of £19.44m, the variance mostly reflected the delivery of projects moving into future financial periods.

Commentary & mitigating actions for 2026/27

responsible for cost assurance and ensuring that young people's needs are met through the most effective and sustainable means possible. This process will lead to reductions in cost for the financial year 2026/27. Other workstreams major on placement sufficiency and amending the market structure. These workstreams will deliver reduced costs over the medium term.

The carried forward savings target relating to the Being our Best Programme has been fully allocated out to services for delivery in 2026/27 which will be regularly monitored by Executive Directors.

A review of Earmarked Reserves, led by the Director of Finance (S151 Officer) is currently taking place in order to give assurance that reserves are appropriately allocated and give adequate mitigation against financial risk. Consideration will also be given as to whether reserves need to be replenished in future years as part of the 2027/28 budget setting process.

The General Fund Un-earmarked reserve is retained to meet the Council's key financial risks. The year-end position of uncommitted non-earmarked reserves was £12.58m. The 2026/27 budget risk assessment, contained within the Budget and Council Tax 2026/27 and Financial Outlook Report to Council on 24th February 2026 set a range of between £12.0m and £13.2m to meet those risks. The available balance is £12.58m is therefore still within the budget risk assessment range.

The Budget report to Council also included the projected savings requirements in future years, particularly £12.59m for 2027/28 and a further £10.47m for 2028/29. These figures include the significant adverse impact on the Council's financial position of Central Government's Fair Funding Reform which came into effect from 2026/27. In recognition of

2. Children Services – DSG Deficit & Safety Valve Agreement

The Dedicated Schools Grant (DSG) is a ring-fenced budget distributed across four blocks: schools, early years, high needs, and central school services. Since 2019/20, the Council has exceeded the allocated funding, resulting in a deficit primarily within the high needs block, which supports services for individuals with special educational needs and disabilities (SEND).

The centrally held elements of the DSG were over budget by £13.72m in 2025/26, due to significant increases in numbers and cost of placements for children with SEND, which is funded from the High Needs Block within the DSG. This overspend will be carried forward along with the brought forward accumulated deficit on the DSG of £32.79m giving a total overspend to be carried forward into 2026/27 of £46.51m. This balance is carried forward in an unusable reserve called the Dedicated Schools Grant Adjustment Account. This Statutory Override accounting treatment has the effect of separating DSG budget deficits from the Council's General Fund and covers the period to 31st March 2028. In line with Government guidance any overspend is carried forward for recovery against future DSG funding

these future year pressures, the Council started its 2027/28 budget planning process early (in May 2026) which includes a significant focus on identifying opportunities for delivering service transformation alongside sustainable financial savings.

As part of the white paper on schools and SEND, the DFE have issued guidance related to the new High Needs Stability Grant. This grant is to be paid to Local Authorities (LAs) in 2026/27 as part of the SEND reform plans. The DFE have indicated that the High Needs Stability Grant will be paid in Autumn of 2026 providing that individual LAs have created an acceptable SEND reform plan which has been approved by the DFE. Reform plans are required to be submitted to the DFE by 19th June 2026.

Once an acceptable plan has been provided to the DFE they will pay the LA a grant equal to 90% of the accumulated deficit of the DSG. It is anticipated that the Council would receive a grant of £41.93m leaving a residual gap of £4.57m to be funded by the Council from 2028/29 when the Statutory override will end.

The DFE have indicated that they will take over responsibility for the High Needs Block from April 2028 and have recognised that LAs will generate further deficits in the 2 years to that point. The DFE have indicated that there will be further funding support for the deficits arising in 2026/27 and 2027/28 but have not indicated the exact methodology or any timelines for the delivery of those funds.

The new High Needs Stability Grant process replaced the Safety Valve programme. Under that programme, the Council received £8.23m and this receipt has been taken into account in the new High Needs Stability Grant process.

7. Update on Significant Governance Issues 2024/25

Issue in 2024/25

Update on Mitigating Actions

1. Financial Challenge – Service Demand and Cost Pressures

Based on the Revenue Budget Monitoring (April to December 2024), the budget outturn for 2024/25 was forecast to be £0.97m over budget. Demand-led placement and package costs continue to cause a significant pressure in Children's Services. Combined with pressures on Home to School Transport, the forecast for Children Services was £5.5m over the budget position.

Refer to Section 6 (Item 1 above).

Pressures were not just being felt in social care but also in other service areas including – Corporate Estate (costs of vacant buildings and maintaining the estate); Regeneration (rental income shortfall); and Waste Services (staffing pressures). The Dedicated Schools Grant was also £11.9m over budget as a result of in-year SEND placement pressures.

Increased parking income, strong treasury management performance, and reduced capital financing costs partially mitigated pressures.

Savings delivery was monitored closely, and management action plans identified if delivery was at risk. In relation to the 2024/25 approved savings of £16.42m, 77% (£12.66m) are forecast to be delivered in full. Of the £3.76m not currently achieved, £2.77m are

being mitigated through savings, contingency or income elsewhere in the respective service, while £0.99m of savings are being delayed until 2025/26 or addressed through the budget setting proposals. This reduced the forecast overspend considerably, but nevertheless an over budget position was still forecast.

The overall position improved over the final quarter of the year with the final outturn reporting an improved position of £0.2m overspend (after carry forwards) which has been funded by utilising the Council's Revenue Budget Contingency Reserve.

2. Children Services – Dedicated Schools Grant Deficit & the Safety Valve Agreement

The DSG is a ring-fenced budget which is allocated in four blocks: schools, early years, high needs and central school services. Since 2019/20 the council has spent more than the funding provided and has been in a deficit (overspend) position. This deficit is attributable to the high needs block, i.e. to fund services to those with special educational needs and disabilities. Refer to Section 6 (Item 2 above).

The Department for Education (DfE) established two programmes to support councils who have large deficits within their DSG high needs block; the Safety Valve (SV) and the Delivering Better Value programmes. In 2022/23, B&NES Council was successful in being accepted into this programme and the SV agreement and recovery plan were agreed with the DfE in January 2023, with ministerial approval granted in March 2023.

The council was successful in securing £19.22m. The council received £7.68m in March 2023 and the remainder is payable in stages over six years based on the DSG Recovery Plan. The B&NES Council recovery plan agreed with the DfE set out to save £48.2m over 6 years to 2028/29.

During Q2 2023/24, the council reported slippage against the plan which has resulted in a DfE review and pausing of the safety valve payments. The cumulative deficit balance at the end of the 2023/24 financial year was £22.3m.