



CORPORATE GOVERNANCE COMMITTEE – 26 June 2026

**JOINT REPORT OF THE DIRECTOR OF CORPORATE
RESOURCES AND THE ASSISTANT DIRECTOR OF LAW AND
GOVERNANCE**

**PROVISIONAL DRAFT ANNUAL GOVERNANCE STATEMENT
2025-26**

Purpose of the Report

1. The purpose of this report is to:
 - (a) Outline the background and approach taken to produce the County Council's 2025-26 provisional draft Annual Governance Statement (AGS)
 - (b) Present the provisional draft AGS for comment by the Committee prior to publishing it on the Council's website by 30 June 2026 alongside the draft County Council Statement of Accounts for 2025-26.

Background

2. Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.
3. 'Delivering Good Governance in Local Government: Framework' by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) (2016), and the addendum published in 2025, sets the standard for local authority governance in the UK. The preparation and publication of an AGS in accordance with the Framework fulfils the statutory requirement.
4. The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.
5. The AGS encompasses the governance systems applied in both the Authority itself, and any significant group entities e.g. ESPO, East

Midlands Shared Services (EMSS) during the financial year being reported. Commercial and collaborative arrangements that the Council is involved in are also reported to provide a fuller picture including assurances.

6. To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework and that the conclusions and future challenges are appropriate, the CIPFA/SOLACE Framework requires high level input from the Committee into the AGS. A provisional draft AGS for 2025-26 (attached as Appendix A to this report) has been produced for initial consideration and any comments made by the Committee will be duly considered and incorporated as appropriate. The final AGS will accompany the published audited accounts in the usual way.
7. The provisional draft AGS has already been considered by a Senior Officer Group comprising of:
 - Chief Legal Officer & Monitoring Officer
 - Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
 - Assistant Chief Executive
 - Assistant Director – Finance, Transformation and Commissioning
 - Assistant Director – People, Property and Business Services
 - Head of Governance & Strategy
 - Head of Internal Audit and Assurance Service

Approach

8. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
9. The planning and undertaking of assurance and advisory engagements, knowledge of, and co-ordination with, other assurance providers and specific requirements under the Global Internal Audit Standards (GIAS) in the UK Public Sector, leaves the Head of Internal Audit Services (HoIAS) well placed to compile the AGS. The process of preparing the AGS adds value to the corporate governance and internal control framework. CIPFA is of the opinion that the HoIAS should not draft the AGS, but where this is the practice, it should be documented in the audit charter, as is the case. At the Council, the AGS remains a corporately owned document overseen by a Senior Officer Group which alleviates the risk of impairment.
10. The revised CIPFA/SOLACE Framework (the Framework) requires local authorities to review arrangements against their Local Code of Corporate Governance. The Council's Local Code was revised in May 2026. Changes in legislation may also require the Code to be reviewed.

11. To ensure the provisional draft AGS represents an accurate picture of the governance arrangements for the whole Council, each Director completes a 'self-assessment' designed to ensure conformance (or otherwise), within their departments, with the corporate governance arrangements as detailed in the Council's Local Code of Corporate Governance during the financial year 2025-26. The self-assessment also allows for the recognition and recording of areas where developments are required.
12. The departmental self-assessments require a corresponding score to be given reflecting the department's positions regarding practice, standards and quality. This is a gauge of effectiveness. The application of a quantitative approach to assessing compliance against the Local Code of Corporate Governance allows the Committee and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment.
13. The completed statements were analysed along with various other sources of evidence to determine whether there were any significant governance issues that should be reported in the provisional draft AGS. Other sources include:
 - a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council.
 - b. The Head of Internal Audit Service's annual overall conclusion on the Council's governance, risk management and internal control arrangements.
 - c. Evaluation of any negative media articles.
14. The provisional draft AGS assesses governance arrangements in place during 2025-26.

Outcome of the 2025-26 review of the Governance Framework

15. The County Council has defined 'Significant Governance Issues' as those that:
 - a. Seriously prejudice or prevent achievement of a principal objective of the authority;
 - b. Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
 - c. Have led to a material impact on the accounts;
 - d. The Corporate Governance Committee advises should be considered as a significant issue for reporting in the AGS;
 - e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment.
 - f. Have attracted significant public interest or have seriously damaged the reputation of the organisation.
 - g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer;

- h. The issue has resulted in a legal breach or prompts intervention from a regulator.
16. The final AGS for the two previous financial years (2023-24 & 2024-25) contained details of six significant governance issues that arose during those financial years. Section 7 of the provisional draft AGS (Appendix A) provides details of the progress made during 2025-26 to address the six issues.
17. During the review of the 2025-26 provisional draft AGS; the Senior Officer Group determined that there were two new significant governance issues that require reporting (refer to section 8 of the Appendix for more details). They relate to: -
- (a) Members Code of Conduct issues – the volume and nature of complaints and the impact on public confidence and the Council’s reputation.
 - (b) Deficit Schools Balance – a net deficit for maintained primary schools in 2025-26 of £3.6m. The budget submissions for 2026/27 are expected to show that the majority of the maintained schools will need to apply for a deficit license for the next 3-5 years.
18. Similarly, the Senior Officer Group determined that those areas listed in the Future Challenges - Section 9 (Appendix A) will be subject to scrutiny through existing reporting channels.
19. At the time of producing this report, full details of any developments identified by departments in their self-assessments of conformance to governance arrangements, had not been completed. These will be entered in the Annex before the draft AGS is published with the draft Statement of Accounts on 30 June.
20. The Code of Practice on Local Authority Accounting in the UK 2025-26 (the Code) states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported if pertinent to the prior year. Therefore, in the event of the above occurring, the AGS presented in the Appendix would change at the time of its final publication.
21. Approval and ownership of the draft AGS have been reflected at corporate level and the final statement will be signed on behalf of the Council by the Chief Executive and Leader of the Council and published on the County Council’s website along with the audited Statement of Accounts.

Conclusion

22. The Council is satisfied that appropriate governance arrangements are in place and continue to be regarded as fit for purpose. It is proposed over

the coming year to take steps to address any matters to further enhance governance arrangements in challenging times. The Council is satisfied that these steps will address the need for any developments that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Recommendations

23. The Committee is requested to:

- a. Consider the provisional draft AGS 2025-26 (Appendix A) and indicate whether it is consistent with the Committee's own perspective on internal control within the Authority.
- b. Note that there are two significant governance issues reported in the provisional draft AGS 2025-26.
- c. Note that the provisional draft AGS 2025-26 which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice.

Resource Implications

24. None.

Equality and Human Rights Implications

25. None.

Background Papers

CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework (2016)

Report of the Director of Corporate Resources – 'External Audit of the 2024-25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts' - Corporate Governance Committee 23 January 2026

<https://democracy.leics.gov.uk/documents/s194117/CGC%20-%20230126%20-%20SOA%20Holding%20Report.pdf>

Circulation Under the Local Issues Alert procedure

None

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List of Appendices

Appendix A – Provisional Draft Annual Governance Statement 2025-26