Committee Audit and Governance Committee 15th July 2026 10:00am	Public

Annual Governance Statement and Code of Corporate Governance 2025/26

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Service Area:	Finance and Governance	
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Electoral Divisions Affected	All	
Key Decision?	Non-Key	
Cabinet Forward Plan	Not applicable	
Report considered by	N/A	

1. Purpose of Report

1.1. It is a requirement under the Accounts and Audit Regulations 2015, Regulation 6, to produce an Annual Governance Statement (AGS) to accompany the annual statement of accounts, which must be signed by the Leader of the Council and the Head of Paid Service. This statement should be considered after a review of the effectiveness of the Council's system of internal controls as required by the Accounts and Audit Regulations.

1.2. As part of the review of the effectiveness of the Council's system of internal controls, Shropshire Council's Code of Corporate Governance has been examined, the results of which have informed the AGS. The Code is compiled based on guidance provided by the Charted Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives

(SOLACE) and identifies how the Council achieved reasonable corporate governance in 2025/26.

2. Recommendations

The Committee is asked to:

2.1. Consider, with appropriate comment, the Draft Annual Governance Statement 2025/26 at **Appendix A**.

2.2. Receive and comment on the Internal Audit conclusion that the Council has reasonable evidence of compliance with the Code of Corporate Governance. The detailed code, incorporating evidence, is contained in **Appendix B**.

2.3. Note the progress made on the actions identified in the 2024/25 Annual Governance Statement contained in **Appendix C**.

3. Background

3.1. Shropshire Council is required to prepare an Annual Governance Statement (AGS), **Appendix A**. The AGS is an accountability statement from the Council to stakeholders setting out how well it has delivered on governance over the course of the previous year. The Council demonstrates how it complies with the principles of corporate governance set out in the CIPFA and Solace governance framework; Delivering Good Governance in Local Government: Framework, April 2016 and the addendum published in May 2025, containing seven governance principles. Whilst CIPFA has not established any 'set text' for authorities to use in acknowledging their responsibility for the governance framework, by adopting the framework, the Council ensures that its governance arrangements accord with best practice.

3.2. The framework is a discretionary code against which the Council is judged. In addition to the Council acknowledging its responsibility for ensuring governance is effective, the AGS should:

- focus on outcomes and value for money;
- evaluate against the local code and principles;
- be in an open and readable style;
- include an opinion on whether arrangements are fit for purpose;
- include identification of significant governance issues and an action plan to address them;
- be signed by the chief executive and leading member in a council.

3.3. The framework also requires a section to be included in the AGS that accounts for actions taken in the year to address the significant governance issues identified in the previous year's AGS. This has been integrated within each of the relevant principles and the completed Action Plan is attached as **Appendix C**.

3.4. The Audit and Governance Committee play a very valuable role in the development of the AGS and in the finished look of the statement. The Committee's terms of reference include a requirement to review and report on the adequacy of the Council's Corporate Governance arrangements. Compliance with the Code helps to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

4. Summary of Main Proposals

4.1. This report looks at the governance arrangements in place for last financial year to enable the Audit and Governance Committee to deliver its year end assurance report. The Committee should also understand the process that has been undertaken to review governance and so should be able to see how the conclusions in the AGS have been arrived at. There should be no real surprises for the Committee allowing it to provide a valuable reality check for the Statement.

4.2. The Committee can send an important message about the value and importance of the AGS, which will assist those providing assurance to support its conclusions. Once the AGS has been received and commented upon, the Committee can review progress in implementing the actions, so helping to ensure that the AGS is meaningful and is an effective tool for governance improvements.

4.3. Shropshire Council's Code of Corporate Governance, which forms part of the Constitution, is based on the seven core principles referred to in the CIPFA framework.

4.4. The Monitoring Officer and Section 151 Officer are responsible for ensuring an annual review of compliance with this Code and Internal Audit independently reviews the governance process. In conducting the review, evidence is collated from prime documents and, following discussions with and statements from key officers, this information is compared to known results of Internal Audit reviews. The assurance is then circulated publicly through Audit Committee which allows for further member and officer challenge. The results of this review are included in the Chief Audit Executive's annual report and will form part of the overall assurance for the Annual Governance Statement.

4.5. On a practical basis, the Code contains a corporate governance map defining our framework by reference to key processes, procedures and documents which contribute to our aspiration of excellent corporate governance in Shropshire. This is felt to be a very useful way of illustrating how the Council achieves good corporate governance.

4.6. The Council's formally adopted Code of Corporate Governance is compliant with CIPFA/SOLACE guidance. The Code was reviewed by Internal Audit to determine whether the Council complied with the approved Code of Corporate Governance and is assessed as Reasonable; the evidence in **Appendix B** demonstrates in the areas examined there is generally a sound system of control but there is evidence of non-compliance with some of the controls, these have been escalated to senior management.

4.7. The Draft Annual Governance Statement, **Appendix A**, is meaningful and written as an open and honest reflection of the Council's governance and current challenges. It identifies areas for improvement in an action plan and explains how the Council has complied with the Code of Corporate Governance and meets the requirements of the Accounts and Audit Regulations 2015. It is structured to reflect each of the principles in turn. Compliance with the Council's existing Code of

Corporate Governance has been reviewed and assessed and is reported in **Appendix B**. Significant Governance Issues are identified within the AGS for targeted improvement activities with identified lead officers and time frames.

4.8. The Annual Governance Statement is a key corporate document with the Chief Executive (CEO and Head of Paid Service) and the Leader having joint responsibility as signatories for its accuracy and completeness. It is also important that all other senior officers provide assurances to the process. As a corporate document which is owned by all senior officers and members, the preparation of the Annual Governance Statement is coordinated by the Head of Policy and Governance and overseen and approved by executive directors supported by senior management.

4.9. In compiling the Annual Governance Statement, a review of the effectiveness of the Council's systems of internal controls, as required by the Accounts and Audit Regulations 2015 (3), is conducted and information is obtained from a range of sources. As such, the signatories to the statement can assure themselves that it reflects the governance framework for which they are responsible. Annex A of the Annual Governance Statement (AGS) Assurance Framework 2025/26 clearly identifies the areas from which assurance and supporting evidence has been obtained, thereby demonstrating the effectiveness of the Council's systems of internal control. Further key assurances are provided via:

i) CEO / Head of the Paid Service.
ii) Section 151 Officer and Responsible Financial Officer.
iii) Monitoring Officer.
iv) Chief Audit Executive (Head of Policy and Governance).
v) External Audit and other review agencies.

4.10. To moderate their views and to identify the significant governance issues to be identified in the AGS, Statutory Officers consider information from their services and across the authority (second line of assurance), and third-party reports such as Ofsted, peer reviews, internal and external audit (third line of assurance).

4.11. The Annual Governance Statement is a key document which identifies the strong systems and processes the Council has in place to continue its high standards of corporate governance. A copy of the Statement is attached as **Appendix A**.

4.12. The Shropshire Plan covered 2022 to 2025 framing corporate priorities, with the Improvement Plan 2025 acting as the first component of the refreshed strategic planning suite (Corporate Plan 2026–30 and MTFS). The Corporate Plan 2026-2030 (finalised May 2026) is informed by the 'New Direction' ambitions presented to Council in September 2025 which set out the Administration's strategic direction as a precursor to the development of a new strategic plan. The strategic plan will set out the priorities the Council will focus on to deliver, enable, and influence better outcomes for Shropshire and its residents. The Shropshire 2050 Plan: Sets out the longer-term shared vision and priorities for the county (as a place) that the council will agree and work with partners on.

4.13. Having considered the evidence from management assurances, Internal Audit, External Audit, peer challenge, and Improvement Board oversight, our overall conclusion for 2025/26 is:

- The Council's governance arrangements remain in transition, reflecting a period of material financial stress and organisational change.
- The Council has acknowledged significant governance issues and has established credible governance responses via the Improvement Plan, People Plan and Improvement Board, enhanced financial controls, and strengthened scrutiny.
- In line with the CIPFA/SOLACE framework and the 2025/26 addendum, our governance framework is **Reasonable**, with proposed improvements underway to ensure it is applied consistently across the Council. Defined actions are in place to address identified weaknesses, particularly in financial sustainability and control limitations.

4.14. The Council will continue to monitor delivery through 2026/27, report publicly on progress, and adjust governance arrangements to ensure they remain robust, transparent, and sustainable, consistent with Best Value expectations.

5. Alternative Options

5.1. There are no alternative options to be considered.

6. Key Risks and Opportunities

6.1. Risk management is part of the overall arrangements for internal control and contributes to the Council's position of strong governance. Corporate Governance is part of the overall internal control framework and contributes to the Council's governance arrangements. The AGS has been drafted based on information contained in the risk register alongside assurance from key officers. The strategic risk register is monitored and updated by senior managers and is a useful tool to identify governance issues. Consequently, this creates a clear link between the AGS, the strategic risk register, business planning and performance.

Risk	Mitigation	Link to Strategic Risk
Financial sustainability and delivery of a balanced budget – continued financial pressures may affect the Council's ability to maintain effective governance, deliver statutory services and achieve corporate priorities.	Ongoing monitoring through the Medium Term Financial Strategy, budget monitoring, savings delivery arrangements, member oversight and escalation through corporate governance and risk management processes.	Inability to Contain overall committed Expenditure within the Current Available Resources within this Financial Year. Inability to Set a Balanced Budget for a given year within the MTFS.
Delivery of transformation, savings and key strategic projects – delays, weak governance or	Programme and project governance, savings tracking, benefits realisation monitoring, clear accountability, risk escalation and reporting	Failure of Officers and Members to adherer to governance arrangements.

Risk	Mitigation	Link to Strategic Risk
insufficient capacity could affect the delivery of savings, intended outcomes and corporate priorities.	through senior management and member oversight arrangements.	
Ethical governance, culture and decision-making – weaknesses in standards, transparency, declarations of interest or decision-making processes could affect trust and accountability.	Code of Corporate Governance, Constitution, member and officer codes of conduct, Monitoring Officer oversight, declarations processes, training and Audit and Governance Committee review.	Failure of Officers and Members to adhere to governance arrangements.

6.2. The AGS offers opportunities to strengthen assurance and accountability as the process can improve the visibility of key controls, assurance sources and ownership of improvement actions.

6.3. The AGS also supports Best Value through supporting delivery of improvement activity by focusing attention on governance areas that affect economy, efficiency and effectiveness.

7. Council Priorities

7.1. The AGS links the Council's governance arrangements to delivery of all elements of the Corporate Plan by showing how internal control, risk management, decision-making and accountability support the achievement of corporate priorities. It also identifies significant governance issues and improvement actions, helping ensure that risks to delivery are understood, owned and addressed.

8. Financial Implications

8.1. Currently there are no financial implications. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.

8.2. By maintaining a system of good governance and managing and mitigating risks where practicable Shropshire Council can ensure that it gets the best value from its assets. The AGS also has a focus on value for money outcomes.

9. Legal and HR implications

9.1. Currently there are no Legal or HR implications. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.

10. Electoral Division Implications

10.1. Currently there are no electoral division implications. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.

11. Health, Social (including "Child Friendly Shropshire") and Economic Implications

11.1. Currently there are no health, social or economic implications. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.

12. Equality and Diversity Implications

12.1. Currently there are no equality and diversity implications. Any which arise when implementing future improvement activities will be reported upon separately in accordance with approved policies.

13. Climate Change, Biodiversity and Environmental Implications

13.1. There are no environmental consequences of this proposal and consultation has been used to inform the Annual Governance Statement and review of the Code of Corporate Governance by seeking assurances and evidence from senior officers as to the effectiveness of internal controls and governance processes.

14. Background Papers

14.1. Accounts and Audit Regulations 2015.
14.2. International Framework: Good governance in the Public Sector: International Federation of Accountants and CIPFA, July 2014
14.3. CIPFA/ SOLACE: Delivering Good Governance in Local Government Framework 2016 edition
14.4. CIPFA/ SOLACE: Delivering Good Governance in Local Government Guidance notes for English Authorities 2016 edition and the addendum published in May 2025
14.5. Centre for Governance and Scrutiny (CFGS) Governance risk and resilience framework March 2021

15. Appendices

Appendix A – Draft Annual Governance Statement 2025/26
Appendix B – Code of Corporate Governance 2025/26
Appendix C - Annual Governance Statement 2024/25 Action Plan Update