

Audit Committee

11 September 2025

Delivering Good Governance in Local Government Framework

Report from/Author: Bhupinder Gill, Assistant Director, Legal and Governance
Summary

It is a statutory requirement for the Council to produce an Annual Governance Statement (AGS) to accompany the annual audit of the accounts and report produced by the external auditors. CIPFA and Solace jointly issued an addendum (May 2025) to their existing 2016 framework.

1. Recommendations

1.1. The Committee is recommended to

1.1.1. Note the addendum to the framework.

1.1.2. Request the Assistant Director for Legal and Governance to review the

a. Existing processes and revise where necessary, for production of the AGS

b. Local code of Governance and recommend revisions.

2. Budget and policy framework

2.1. The purpose of the report is to provide the Audit Committee with details of the addendum, highlight the material changes and set out work proposed to meet the new requirements.

2.2. A revised code of corporate governance will need to be prepared and consulted upon. The document forms part of the council's policy framework and is contained within the constitution, thus any changes to the document will require approval by full council.

3. Background.

3.1. Regulation 6(1) b of the Accounts and Audit Regulations 2015 details the requirements of a local authority in respect of the publication of a governance statement.

Review of internal control system

6. (1) A relevant authority must, each financial year—

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must—

(a) consider the findings of the review required by paragraph (1)(a)—

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of—

(i) a committee; or

(ii) members of the authority meeting as a whole.

3.2. Medway Council falls into the definition of a relevant council by not being classed as a smaller authority under Reg 8(2) The Local Audit (Smaller Authorities) Regulations 2015,

(2) This paragraph applies to an authority if—

(a) the higher of the authority's gross income for the financial year and its gross expenditure for the year does not exceed £25,000; or

(b) the higher of the authority's gross receipts and gross payments for the financial year does not exceed £25,000

3.3. In 2016 CIPFA/SOLACE produced a Framework for Delivering Good Governance in Local Government. That framework has remained unchanged save for guidance that was issued to support authorities during the COVID 19 pandemic. The addendum issued earlier this year (May 2025) replaces Chapter 7 of the 2016 Framework (**Appendices 2 and 1** respectively). The addendum will be applicable to Annual Governance Statements for 2025/26.

3.4. Members are encouraged to review the two appendices and the link to the background paper, where the full framework can be accessed. It will be noted that the seven principles (see below) and many sub principles forming the substance of the AGS have not changed;

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3.5. The addendum recommends that:

- the production of the AGS is an opportunity to take stock
- it should be based on evidence gathered through the year
- there should be an established process
- the review should identify areas for improvement
- evidence from stakeholder engagement exercises
- differing perspectives ought to be included (management, risk and compliance, and elected members)
- should be forward looking (re risks and challenges)

3.6. The addendum also recognises that there is no standard format for an AGS but recommends that it should include

- executive summary
- assessment of effectiveness
- areas for improvement
- how the arrangements have improved since the last AGS and
- looking forward

3.7. It further recommends

- The AGS should be reviewed by the authority's external auditor before final approval by a member body and where that duty is delegated to a committee, steps ought to be taken to engage with the full authority
- that the AGS is published on a bespoke webpage which additionally includes links to the financial statements and local codes of governance.

3.8. Whilst many of the recommendations in the addendum are already followed at Medway, the Council's local code of corporate governance based on the original guide will need to be reviewed.

4. Risk management

4.1. Failure to produce an AGS could expose the Council to the risk of receiving a qualified opinion on the Statement of Accounts and would amount to a breach the 2015 regulations.

5. Financial implications

5.1. There are no financial implications arising directly from this report.

6. Legal implications

6.1. The legal implications are set out in the body of the report.

Lead officer contact

Bhupinder Gill, Assistant Director legal and Governance, Gun Wharf,
01634 332133 bhupinder.gill@medway.gov.uk

Appendices

Appendix 1 Chapter 7 Delivering Good Governance in Local Government
Appendix 2 Delivering good governance in Local Government Framework 2025

Background papers

Delivering Good Governance in Local Government: Framework (cipfa/solace)
Review of annual governance statements 2016/17

Delivering good governance in Local Government Framework 2016 Edition