MIDDLESBROUGH COUNCIL	Middlesbrough moving forward

Report of:	Chief Executive, Erik Scollay
Submitted to:	Audit Committee
Date:	23 July 2026
Title:	Draft Annual Governance Statement
Report for:	Information
Status:	Public
Council Plan priority:	Delivering Best Value

Proposed decision(s)

That the Audit Committee:

- **CONSIDERS** the robustness of the underlying review of governance and whether the evidence presented provides sufficient assurance that the Council's governance arrangements are operating effectively.
- **NOTES** the draft Annual Governance Statement (AGS) for 2025/2026.
- **NOTES** the Annual Governance Statement (AGS) conclusion that the Council's governance arrangements were operating effectively and are fit for purpose.
- **NOTES** the governance improvement actions identified for 2026/2027.
- **NOTES** that the Committee can provide comments to inform the finalisation of the AGS prior to its approval alongside the Statement of Accounts.

Executive summary

This report presents the draft Annual Governance Statement (AGS) for 2025/2026 that has been published in draft.

The AGS forms part of the Council's statutory reporting requirements under the Accounts and Audit Regulations 2015 and provides an evidence-based assessment of the effectiveness of the Council's governance arrangements during the year.

The draft AGS concludes that governance arrangements were operating effectively and are fit for purpose, supported by a comprehensive review drawing on internal and external assurance, including Internal Audit opinion, statutory officer assurances and member oversight arrangements.

In line with CIPFA/SOLACE guidance, Audit Committee plays a key role in reviewing the AGS and considering the robustness of the underlying evaluation and the adequacy of the assurance framework prior to final approval.

The report highlights key strengths, identifies areas for continued development, and sets out a programme of improvement actions for 2026/2027 aligned to the Council's commitment to continuous improvement.

Audit Committee is invited to scrutinise the draft AGS, consider whether it provides sufficient assurance regarding governance arrangements, and provide any comments to inform its final version.

1. Purpose

1.1 To present the draft Annual Governance Statement (AGS) 2025/2026 to Audit Committee for review, scrutiny and noting prior to finalisation.

2. Recommendations

2.1 That the Audit Committee:

- **CONSIDERS** the robustness of the underlying review of governance and whether the evidence presented provides sufficient assurance that the Council's governance arrangements are operating effectively.
- **NOTES** the draft Annual Governance Statement (AGS) for 2025/2026.
- **NOTES** the Annual Governance Statement (AGS) conclusion that the Council's governance arrangements were operating effectively and are fit for purpose.
- **NOTES** the governance improvement actions identified for 2026/2027.
- **NOTES** that the Committee can provide comments to inform the finalisation of the AGS prior to its approval alongside the Statement of Accounts.

3. Background and relevant information

3.1 The Council is required to prepare an Annual Governance Statement each year to accompany its Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015.

3.2 The purpose of the AGS is to provide a transparent and evidence-based assessment of the effectiveness of the Council's governance arrangements, including systems of internal control, risk management and assurance.

3.3 The AGS is informed by a comprehensive annual review of governance, drawing on multiple sources of assurance including:

- the annual opinion of the Head of Internal Audit;
- reports to Audit Committee, Executive and Scrutiny;
- statutory officer assurances;
- external audit findings and other external challenge.

3.4 The Council's governance framework is underpinned by its Local Code of Corporate Governance, which reflects the CIPFA/SOLACE principles of good governance. The AGS assesses whether these arrangements are operating effectively in practice.

3.5 The CIPFA/SOLACE Framework highlights that Audit Committee has a key role in reviewing the AGS and considering the robustness of the evidence and evaluation that underpin it, prior to its approval by the body charged with governance.

3.6 The draft AGS for 2025/2026 (Appendix 1) concludes that:

- governance arrangements were operating effectively during the year;

- they are fit for purpose in supporting delivery of the Council's objectives;
- there is reasonable assurance from the range of governance and assurance processes in place.

3.7 The AGS also identifies key strengths, including:

- strengthened performance and financial governance;
- clearer strategic planning through a refreshed Council Plan;
- embedding of a continuous improvement approach;
- effective audit, scrutiny and assurance arrangements.

3.8 The Statement recognises that governance is not static and identifies areas for continuous improvement focus during 2026/2027, including:

- embedding integrated performance, financial and risk management;
- strengthening partnership and place-based governance;
- enhancing organisational capacity and member development;
- developing information governance and digital/AI governance arrangements.

3.9 Audit Committee's consideration of this report forms a key part of its role in providing assurance to those charged with governance and will inform the final AGS presented for formal approval alongside the Statement of Accounts.

4. Other potential alternative(s) and why these have not been recommended

4.1 The Committee could have not received the draft AGS as a separate report at this stage, however this was not recommended as a course of action as providing the Committee with a formal opportunity to review and comment on the draft AGS supports delivery of its key role in providing assurance on governance arrangements.

5. Impact(s) of the recommended decision(s)

Topic	Impact
Financial (including Social Value)	There are no direct financial implications arising from this report. The AGS provides assurance regarding the effectiveness of the Council's financial governance arrangements, including financial management, internal controls and value for money arrangements, and identifies areas for continuous improvement.
Procurement	There are no direct procurement implications arising from this report. The AGS considers the effectiveness of governance arrangements that support procurement and contract management.
Legal	The preparation and publication of the Annual Governance Statement is a statutory requirement under the Accounts and Audit Regulations 2015. This report supports compliance with these requirements.

Risk	The AGS provides assurance on the effectiveness of the Council's risk management framework and internal control environment. It also identifies governance-related risks and improvement actions to strengthen arrangements further. The AGS proposed continuous improvement actions are mapped against the strategic risk that the Council could fail to have effective corporate governance arrangements in place as planned future mitigation. Progress against delivery of those risks is reported within quarterly reports to both Executive and Overview and Scrutiny Board during the year.
Human Rights, Public Sector Equality Duty and Community Cohesion	There are no direct impacts arising from this report. The governance framework described in the AGS supports the Council in meeting its human rights and equality obligations through effective decision-making and oversight arrangements.
Reducing poverty	There are no direct impacts arising from this report. Effective governance arrangements support the delivery of the Council Plan, including priorities relating to reducing poverty and inequality.
Climate Change / Environmental	There are no direct impacts arising from this report.
Children and Young People Cared for by the Authority and Care Leavers	There are no direct impacts arising from this report.
Data Protection	There are no direct impacts arising from this report. The AGS includes consideration of the Council's information governance arrangements, including data protection, data quality and digital governance.

Appendices

1	2025/26 Draft Annual Governance Statement

Background papers

Body	Report title	Date
Full Council	Local Code of Corporate Governance	1 April 2026

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