Annual Governance Statement 2025/26

Reading Borough Council - Covering the period 1 April 2025 to 31 March 2026.

1. Executive Summary

This Annual Governance Statement (AGS) provides a transparent and evidence-based assessment of Reading Borough Council's governance arrangements for the financial year ending 31 March 2026. It is prepared in accordance with the Accounts and Audit Regulations 2015 and the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016), including the 2025 Addendum.

The AGS sets out how the Council has complied with the seven core principles of good governance, evaluates the effectiveness of its arrangements, and identifies areas for improvement.

2. Scope of Responsibility

Reading Borough 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.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised. In discharging this responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions.

Our risk management process is a key part of our governance arrangements and provides assurance that:

- Our business is conducted in accordance with all relevant laws and regulations;
- Public money is safeguarded and properly accounted for; and
- Resources are used economically, efficiently, and effectively to achieve agreed priorities which benefit local people.

3. The Governance Framework

The governance framework comprises the systems, processes, culture, and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The framework is based on the seven core principles of good governance as defined by CIPFA/SOLACE:

Key elements of the Council's governance framework, which have been in place throughout 2025/26, are set out below:

Leader, Lead Councillors and Council
The Council operates a committee model of governance which divides the Council into politically balanced committees that make decisions. The Council's committee system is led by 48 councillors, representing 16 wards.

Under the committee system and rules set out in our constitution, decisions are taken by either:

- Full Council
- Standing committees and sub-committees
- Regulatory committees
- Other committees, such as the Health and Wellbeing Board
- Consultative bodies

Risk and Performance Management
The Council’s risk management arrangements ensure operational and strategic risks are managed effectively to support increased performance and delivery of corporate priorities. Identified risks and mitigating controls are monitored through Service, Directorate, and Corporate Risk Registers which are reported to the Corporate Management Team and Audit and Governance Committee.

Statutory Officers

- **Head of Paid Service (the Chief Executive):** responsible for the operational management, leadership and strategic direction of the Council, alongside the management and performance of the Corporate Management Team.
- **Director of Legal and Governance (the Monitoring Officer**): responsible for maintaining the Constitution and ensuring that functions act in accordance with the Constitution and relevant legal requirements. These arrangements include overseeing the ethical conduct of the Council and the production of associated codes, conventions and protocols.
- **Director of Finance (Section 151 Officer):** responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial procedure rules, a scheme of delegation, and an independent and objective Internal Audit function.
- Statutory Scrutiny Officer: responsible for promoting the role of the Council’s Scrutiny Committees within the Council and providing guidance and support to Scrutiny Members. This role cannot be held by the Head of Paid Service, Monitoring Officer, or Chief Finance Officer.

Corporate Management Team
The Council’s Corporate Management Team (CMT) is collectively responsible for ensuring that effective governance arrangements are in place and are subject to regular review. The CMT provides leadership, determines policy, and upholds expected standards of behaviour.

Scrutiny Activity
Policy development, decision-making, and performance challenge are embedded directly into politically balanced standing committees and sub-committees.

Effective and objective scrutiny is undertaken within the responsibilities of each of the Council’s committees. The role of the scrutiny is to help develop policy, to carry out reviews of Council and other local services, to provide effective challenge, and to hold decision makers to account for their actions and decisions.

Audit and Governance Committee
The Audit and Governance Committee oversees the Council’s audit and corporate governance arrangements and provides independent assurance on the adequacy

of the risk management framework and internal controls. The Committee considers annual audit plans, and reports of internal and external auditors.

External Audit
External audit provides an opinion on the Council's annual Statement of Accounts and review the Council's Value For Money (VFM) arrangements which are designed to secure economy, efficiency, and effectiveness in its use of resources.

Internal Audit
Internal audit provides an independent and objective opinion on the Council's governance, risk management and control environment; evaluating effectiveness through a risk-based approach. The annual Internal Audit Plan comprises operational audit reviews, cross-cutting governance audits, annual review of key financial system controls, IT audits, grant assurance work, and any other special or unplanned review aligned to the Council's corporate risks.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This review is informed by:

- The Chief Auditor's annual report and opinion; (insert link here once done)
- Assurances from statutory officers (Chief Executive, Section 151 Officer and Monitoring Officer);
- Performance and risk management reports;
- External audit and inspection reports; (insert link here once done)
- Feedback from the Audit and Governance Committee; (insert link here once done) and
- Self-assessments against the CIPFA Financial Management Code and other relevant standards. Agenda for Audit and Governance Committee on Wednesday, 8th April, 2026, 6.30 pm - Reading Borough Council

During 2025/26, the Council continued to operate within a sound governance framework while responding to significant organisational change, sustained financial pressures, and response to external regulatory findings.

Key governance developments during the year included:

- The adoption of the Council Plan 2025–28;
- Updates to the Constitution and Financial Regulations;
- The reintegration of Children's Services into the Council; and
- Ongoing oversight of high-risk service areas through the Strategic Risk Register and internal audit programme.

Key strengths during the year included:

- Strong member oversight through the Audit and Governance Committee, supported by regular internal audit, investigations, and risk reporting;

- An established Strategic Risk Register, reviewed quarterly, which provided visibility of the Council's most significant risks, including financial sustainability, safeguarding, cyber security, and statutory service delivery;
- Effective internal audit coverage across core financial systems and high-risk operational areas, with a high proportion of audits receiving reasonable or substantial assurance;
- Improved transparency and governance oversight following previous weaknesses, including in relation to Traffic Regulation Orders, fuel management and information governance; and
- Improvements recognised following the 2025/26 CIPFA Financial Management Code self-assessment which identified that two individual standards have improved from Amber to Green and one standard has reduced from Green to Amber since last year, whilst retaining an overall Amber rating against the Code.

Significant governance issues identified during the year included:

- Management and oversight of improvement actions arising from CQC, Social Housing Regulator and Children's Services inspections;
- Ongoing delivery of improvement plans across Children's Services, Youth Justice, SEND, Home to School Transport, and fostering services;
- Strengthening governance and contract management arrangements for housing repairs and property services;
- Enhanced governance capability through targeted Digital, IT, financial, and leadership training;
- Continued embedding of ethical governance arrangements, including Gifts and Hospitality and Declarations of Interest;
- Financial resilience risks arising from demand pressures and reliance on reserves to balance the budget;
- Capacity pressures within internal audit and investigations, resulting in amendments to the approved audit plan; and
- Areas where internal audit provided limited assurance, requiring continued management attention.

These issues are set out in Section 6 of this Statement, together with the actions being taken to address them.

5. Governance Arrangements by Principle

This section outlines how the Council's arrangements align with each of the seven CIPFA/SOLACE principles. Full details are available in the Council's Local Code of Governance.

Principle A: Integrity, Ethics, and Lawfulness

- Codes of conduct for members and officers are in place and regularly reviewed.
- Registers of interests and gifts/hospitality are maintained and published.
- Whistleblowing and anti-fraud policies are operational and accessible.
- Statutory officers, along with their deputies, meet regularly to review key governance matters, complementing the work of the CMT.

Principle B: Openness and Stakeholder Engagement

- Public consultations are conducted on key policies and decisions.
- Council meetings and decisions are published and accessible online.
- Residents can attend committee meetings, ask questions, submit petitions and access councillors through local surgeries.
- Engagement strategies are in place for residents, businesses, and partners.

Principle C: Defining Outcomes

- The Council's strategic objectives and priorities are set out in the Council Plan 2025–28 and are supported by service planning, budget setting, and performance reporting arrangements. Progress against priorities is monitored through regular performance and financial reporting to Members, with value for money assessed through benchmarking, service reviews, and internal audit work.
- Major change programmes are overseen through cross-cutting internal boards, with outcomes feeding into the CMT performance cycle.
- The Medium-Term Financial Strategy provides a realistic assessment of available resources, while the annual Budget and Policy Framework sets spending limits, savings, and key priorities.
- Performance and risk are tracked through KPIs and regular reports to CMT, Policy Committee, and Audit and Governance Committee

Principle D: Interventions and Decision-Making

- CMT meets monthly to monitor performance, using KPI reports that track progress, risks and issues, and ensuring remedial action where services underperform.
- Business planning and budget setting are aligned with strategic priorities.
- Equality impact assessments are conducted for major decisions.
- Programme and project management frameworks are in place.

Principle E: Capacity and Capability

- Member and officer development programmes are delivered annually.
- Workforce planning and succession strategies are in place.

- Statutory roles are clearly defined and supported.
- The Monitoring Officer left the Council at the end of December 2025, with the duties and responsibilities transferring to an interim officer to provide stability and cover. The Council will recruit to a permanent successor during 2026/27.

Principle F: Risk Management and Internal Control

- The Council maintains a Strategic Risk Register, which is reviewed quarterly by the CMT and the Audit and Governance Committee. During 2025/26 key strategic risks included financial sustainability, cyber security, safeguarding of vulnerable adults and children, SEND provision, information governance, and health and safety.
- **Internal audit operates in accordance with the Public Sector Internal Audit Standards and provided reasonable assurance overall**. Where weaknesses were identified, management action plans were agreed and progress monitored through audit follow-up and committee reporting.
- Financial management complies with the CIPFA Financial Management Code.
- Individual Directorates continue to exercise robust financial management through routine expenditure control processes, identifying variances from budget in a timely and transparent manner, and actively monitors expenditure and income trends and savings targets. This is a key process to ensure the Council fulfils its Best Value duty to secure continuous improvement in the economy, efficiency and effectiveness in the use of its resources.

Principle G: Transparency and Accountability

- The AGS and financial statements are published on the Council's website.
- The Audit and Governance Committee provides independent oversight.
- External audit recommendations are tracked and implemented.
- In year commentary and reporting by external and internal audit, including any assurances provided or risks emerging, are discussed through Finance Management Team, CMT and through Lead Members and committees as appropriate. Both external and internal audit have unfettered and independent access to Audit and Governance and to all other Members at all times.

Governance Developments and Key Matters During 2025/26

During 2025/26 the Council's governance framework continued to evolve in response to strategic policy decisions, organisational change and external requirements. Key developments included the adoption of the Council Plan 2025–28, updates to constitutional and financial governance arrangements, the reintegration of Children’s Services into the Council, and changes to group governance following the closure of a Council-owned company. Member oversight through Policy Committee, the Audit and Governance Committee and Full Council ensured these matters were managed through established governance processes, supported by performance monitoring, risk management and assurance activity.

The Council Plan 2025–28 established the Council’s strategic priorities, intended outcomes and performance framework for the medium term. It provides the overarching framework for service planning, budget setting and performance management, with progress monitored through regular reporting to Members.

During the year, updates to the Council’s Constitution and Financial Regulations were approved, strengthening clarity around decision-making responsibilities, financial controls and delegations, and supporting effective accountability and compliance with proper standards.

The reintegration of Children’s Services represented a significant organisational and governance change. Arrangements were put in place to manage the associated governance and assurance implications, including strengthened member oversight, revised internal audit planning, and the incorporation of services into the Council’s corporate risk and performance management frameworks.

In its role overseeing Council-owned companies, the Policy Committee approved the closure of Reading Hampshire Property Partnership Ltd. This resulted in a change to the Council’s group governance arrangements and was managed through established governance processes to ensure appropriate oversight of risk, financial implications, and accountability during the wind-up process.

The CQC outcome was finalised in January 2026 and a revised Adult Social Care improvement plan is being implemented, with progress monitored through established governance and committee arrangements during 2026/27.

An improvement plan to address issues identified through the Social Housing Regulator inspection is in place, with progress monitored through internal governance arrangements until formal sign-off is confirmed by the Regulator.

Significant progress has been made in strengthening housing repairs and property services governance, with a number of high-priority contracts secured and a clear programme in place to complete Priority 1, 1A and 2 contracts and embed these within a rolling programme of contract management during 2026/27.

The Children’s Services Integrated Improvement Plan and Partnership Improvement Plan have been fully implemented and continue to be embedded through established governance and assurance arrangements.

Youth Justice arrangements continue to be monitored by the independently chaired Youth Justice Management Board, with positive progress recognised by the Youth Justice Board and Phase 2 of the Service Improvement Plan implemented following completion of the Rapid Improvement Plan.

TRO-related issues were substantially resolved during the year, the Restitution Scheme was closed in September 2025, and the Digital TRO programme progressed, with implementation of digital waiting, moving traffic and speed limit orders planned through to 2027/28.

The Council's policy framework was strengthened through legislative updates, including the introduction of a new Declarations of Interest policy requiring annual staff declarations to support compliance with *failure to prevent fraud* requirements.

The transfer of BFfC functions back to the Council has been fully implemented, supported by strengthened governance arrangements and an independently chaired Improvement Board, with formal company closure progressing in line with an agreed closure plan.

The Council's Anti-Fraud, Bribery and Corruption Policy was revised to reflect legislative changes and formally approved by the Policy Committee in October 2025, strengthening the Council's overall counter-fraud framework.

Throughout the year, the Audit and Governance Committee provided oversight of risk management, internal control and assurance arrangements, including scrutiny of internal audit delivery, the Strategic Risk Register, information governance improvements, and external audit and inspection findings.

6. Forward Look

Looking ahead to 2026/27, the Council anticipates the following governance developments:

i. Implement and oversee improvement actions arising from Adult Social Care's CQC assessment through established internal governance arrangements, with progress reported to the Adults, Children's & Education Committee.

ii. Deliver and monitor improvement actions arising from the Social Housing Regulator Inspection through internal governance boards, with progress reported to the Regulator and the Housing, Neighbourhoods and Leisure Committee.

iii. Progress the procurement strand of the housing repairs and property services improvement plan to ensure contractual arrangements are current, effectively mobilised and supported by robust contract management arrangements.

iv. Continue delivery of the Children's Services Integrated Improvement Plan and Partnership Improvement Plan, overseen by the Children's Services Improvement Board, the Reading Safeguarding Children's Partnership and the Adults, Children's & Education Committee.

v. Continue implementation of the Youth Justice Improvement Plan, with progress monitored through the Youth Justice Management Board.

vi. Implement the Children's Services *How We Care* Gold Programme, with oversight provided by the RBC Transformation and Efficiency Board and the Children's Services Improvement Board.

vii. Implement the Children's Services SEND and Home to School Transport Gold Programmes, monitored by the RBC Transformation and Efficiency Board and the Children's Services Improvement Board.

viii. Deliver targeted training and support for Digital and IT leadership to strengthen governance, assurance and decision-making arrangements.

ix. Roll out financial management training for councillors and managers during 2026/27 to strengthen financial governance and accountability.

x. Continue embedding Gifts and Hospitality and Declarations of Interest policies and processes across councillors and officers, including a refresh of staff declarations.

9. Conclusion

We are satisfied that Reading Borough Council's governance arrangements for 2025/26 were fit for purpose. Where areas for improvement have been identified, appropriate action plans are in place.

Cllr Liz Terry

Leader of Reading Borough Council

Date:

Jackie Yates

Chief Executive

Date: