

FINANCE, AUDIT & RISK COMMITTEE

10th February 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2024/25 AND ACTION PLAN FOR 2025/26

REPORT OF: POLICY & COMMUNITY MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: ACCESSIBLE SERVICES

1. EXECUTIVE SUMMARY

- 1.1. For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the year 2024/25. The Statement reviews the Council's governance arrangements for the 2024/25 period. It also includes a proposed Action Plan to update/improve those arrangements for the following financial year (2025/26).

2. RECOMMENDATIONS

- 2.1. That the Committee is recommended to approve the AGS at Appendix A.
- 2.2. That the Committee notes the current position of the actions within the AGS Action Plan, outlined in Appendix B.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.
- 3.2 The Committee is the legal body with responsibility for approval of the AGS.
- 3.3 Reviewing the AGS Action Plan for 2025-26 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 A copy of the draft AGS was sent to the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS), and the external auditors, KPMG. Comments were received from SIAS, suggesting a number of additions which we incorporated. SAFS fed into these additions through the provision of more information around fraud referrals. SIAS also advised early application of aspects of the CIPFA/SOLACE 2025 addendum (officially for application to the 2025/26 AGS onwards). This included adding sections on how we have improved governance arrangements, and a forward look on governance. The draft AGS was also brought to FAR Committee in June for comment.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.

7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹.

7.3 The AGS has been prepared following an in-depth review/input and scoring of arrangements by the Leadership Team against the Framework 2016 Principles (in accordance with the guidance²). The Leadership Team reviews and provides details of systems and examples that meet the 2016 Principles and score the arrangements on the assurance level basis:

- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
- Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
- Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
- Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
- No: Control is weak, leaving the system open to material error or abuse.

7.4 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have

¹ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.
² As above (*ibid*)

been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.

7.5 Members are reminded that the AGS must be approved before the Statement of Accounts, and it must be published alongside them. The Council will include the 2024/25 AGS with the Statement of Accounts (as it has in previous years).

8. RELEVANT CONSIDERATIONS

8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. The means to do so are through the Leadership Team self-assessment document, external bodies review and presentation at the Finance and Audit committee, both at draft stage and then final approval stage. It highlights areas where governance can be further improved or further reinforced.

8.2. The AGS is prepared soon after the end of the year to which it relates. The back-stop dates and other reforms are gradually bringing audit timescales closer to the end of the relevant financial year. But there is still currently a significant gap between the end of March 2025 and now (when the Committee is asked to approve the Accounts and the final AGS). As well as considering feedback on the draft AGS, it has also been considered whether the passage of time requires any changes to the AGS. The conclusion of that was that there were no changes required.

8.3. The AGS for 2024/25 is attached at Appendix A for approval.

8.4. The Council will publish the approved 2024/25 AGS alongside the Statement of Accounts as it has in previous years. Updates to the Action Plan will be reported to this Committee at future meetings.

9. LEGAL IMPLICATIONS

9.1 Under the LAAA 2014/ AAR 2015 Regulations (as amended by the Accounts and Audit (Amendment) Regulations 2024)³, the statutory backstop date for the publication of the 2024/25 Statement of Accounts is 27th February 2026. The 2024/25 AGS should be approved by this Committee in advance of the approval of the Statement of Accounts in line with this amended timeline. Where this date for the Statement of Accounts is not achieved then the Council must publish a notice on its website stating that this is the case and the reason for the delay.

9.2 Other legal implications are set out under section 7 above.

9.3 The Terms of Reference of this Committee under 10.1.5(i) are: "To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement." This review of the draft AGS therefore falls within the Committee's remit.

10. FINANCIAL IMPLICATIONS

³ [CIPFA Bulletin 18 Local audit backlog in England | CIPFA](#)

10.1 The final 2024-25 AGS will ultimately accompany the final 2024-25 Statement of Accounts. Other than this there are no financial implications arising from this report.

11. RISK IMPLICATIONS

11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

11.2 The process of assessing the Council's governance arrangements enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 There are no direct equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the Leadership AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Policy & Strategy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy & Strategy Team undertake an Annual Cumulative Equality Impact Assessment and publish it on the website.

13. SOCIAL VALUE IMPLICATIONS

13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no direct environmental implications of this report for the AGS. Council reports include any environmental implications and are assessed by the Policy & Strategy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy & Strategy Team undertake an Annual Cumulative Environment Impact Assessment and publish it on the website.

15. HUMAN RESOURCE IMPLICATIONS

15.1 The Organisational Values and Behaviours, Employee Handbook, HR policies, and our mandatory e-learning provide further guidance on the standards we expect from our staff. Human resources will support the relevant actions within the Action Plan for 2025/26.

16. APPENDICES

- 16.1 Appendix A – Annual Governance Statement for 2024/25
- 16.2 Appendix B – AGS Action Plan for 2025/26

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18. BACKGROUND PAPERS

- 18.1 The Leadership AGS self-assessment will be published on the Corporate Governance Page: <https://www.north-herts.gov.uk/corporate-governance>
This also contains links to relevant background documents, reports, Policies and Guidance. The AGS also contains links to relevant documents.

- 18.2 [Annual Cumulative Equality Impact Assessment](#)

- 18.3 [Annual Cumulative Environment Impact Assessment](#)