

## **Stevenage Borough Council's Annual Governance Statement 2025/26**

### **Executive summary**

This Annual Governance Statement summarises the results of the Council's annual review of the effectiveness of its governance arrangements for the year ended 31 March 2026.

Based on the evidence considered through the annual review, the Council concludes that its governance arrangements were fit for purpose during the year. The arrangements in place supported effective decision-making, accountability, stewardship of public resources and delivery of the Council's priorities, in line with the CIPFA/SOLACE Delivering Good Governance in Local Government Framework's seven principles of good governance.

The review identified a small number of areas where governance arrangements require further strengthening. These are reflected in the governance improvement actions set out later in this statement.

The Council remains committed to maintaining effective governance arrangements and to monitoring and delivering the agreed improvement actions during 2026/27 as part of its ongoing approach to continuous improvement.

### **What is Corporate Governance?**

Corporate governance describes how the Council is directed and controlled to ensure it operates lawfully, transparently and in the public interest, makes effective decisions and is accountable for the use of public resources. The Council reviews the effectiveness of its governance arrangements each year through the Annual Governance Statement.

### **The Council's responsibility in relation to Corporate Governance**

Stevenage Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Council also has a duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, Stevenage Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

Stevenage Borough Council has adopted a Local Code of Corporate Governance that sets out a commitment to corporate governance and summarises the governance arrangements in place to enable the Council to monitor the achievement of its strategic objectives, to consider whether those objectives have enhanced delivery of appropriate cost-effective services and outlines the activities through which it accounts to and engages with its communities. The

Local Code reflects the core and sub-principles outlined in the 2016 CIPFA/SOLACE Framework, 'Delivering Good Governance in Local Government'.

The Council's Local Code of Corporate Governance is reviewed and approved by the Audit Committee each year. It was last approved by Audit Committee at its meeting on 3rd June 2025 and the revised Local Code is being presented to Audit Committee at its meeting in June 2026 for approval.

This Annual Governance Statement explains how the Council has complied with the Local Code, summarises the review of its governance arrangements and identifies areas of governance to be strengthened and associated actions. The Statement also meets the statutory requirements in section 6 of the 2015 Accounts and Audit (England) Regulations, which requires all relevant bodies to prepare an Annual Governance Statement.

### **Our assessment of effectiveness**

The Council has undertaken a review of the effectiveness of its governance, risk management, and internal control arrangements for the 2025/26 financial year. This review has been informed by the following sources of assurance:

- Corporate Governance Group oversight and advice, including consideration of risks that may pose a governance concern and organisational alignment with the principles of the CIPFA Good Governance Framework.
- Service Assurance Statements completed by Directors, covering operational delivery, risk management, and compliance with governance arrangements.
- Internal Audit annual opinion (as detailed later in the report), which has evaluated the adequacy and effectiveness of the control environment.
- External assurance reports, including any reviews from our external auditors and regulatory bodies, confirming that statutory and financial responsibilities are being met, with no material weaknesses identified.

The Council has assessed its arrangements against the principles of good governance as set out in its Local Code of Governance. The review confirms that:

- The Council's governance arrangements are adequately aligned to support the delivery of planned outcomes, including statutory responsibilities and the achievement of value for money / best value objectives.
- Arrangements are in place and operating effectively to support and deliver each of the principles of good governance.
- The core arrangements for the Local Code are operating effectively.

Where governance arrangements are not operating effectively, these have been identified as areas for improvement, as detailed later in the report.

The Governance Framework summarised in this Statement has been in place for the year ended 31 March 2026 and up to the date of approval of the Statement of Accounts.

## Overall Opinion

Based on the review of effectiveness and the assurances received, the Council's overall opinion is that its governance arrangements are generally effective, providing a robust framework to support the delivery of its objectives. The draft AGS has been reviewed by the Corporate Governance Group and Senior Leadership Team, and the statement is due to be formally approved by the Audit Committee alongside the approval of the Statement of Accounts.

## **Internal Audit Arrangements**

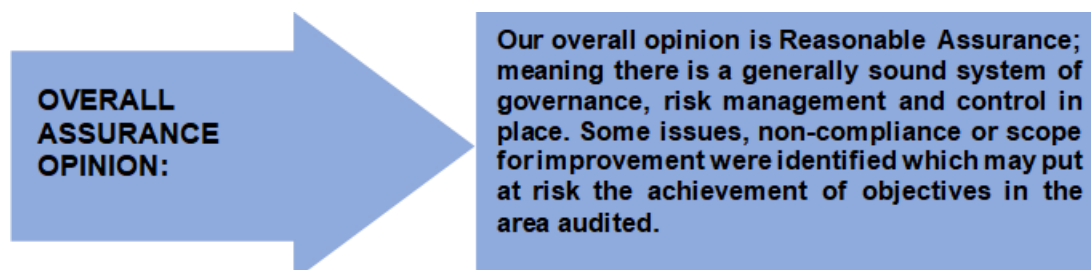
### **Annual Audit Coverage**

The Council's Internal Audit coverage is planned and delivered by the Shared Internal Audit Service (SIAS) hosted by Hertfordshire County Council. It is managed by the Client Audit Manager. Internal audit coverage is determined through an established annual planning approach, which is influenced by external regulatory requirements and the strategic and operational risks of the Council. By reviewing the Council's systems of internal control, risk management and governance in accordance with an approved Internal Audit Plan, the SIAS contribute to the Council's corporate governance framework.

The SIAS operates to defined professional standards, i.e. the Global Internal Audit Standards and the Client Audit Manager reports to the Council's Strategic Director (S151 Officer) providing updates on internal audit matters at regular liaison meetings. The Client Audit Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control, and this is reported annually to Audit Committee. The main responsibility of the SIAS is to provide assurance and advice on the internal control systems of the Council to both Management and Members. The SIAS reviews and appraises the adequacy, reliability, and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems by providing advice on matters pertaining to risk and control.

### **2025/26 Audit Report**

The Client Audit Manager's Annual Internal Audit Report and Assurance Statement is being reported to the Audit Committee in June 2026. From the internal audit work undertaken in 2025/26, the SIAS can provide the following assurance on the adequacy and effectiveness of the Council's control environment:



## Review of Effectiveness of Systems of Internal Audit

As part of demonstrating the efficiency and effectiveness of the internal audit activity and identifying opportunities for improvement, the Head of SIAS must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This includes an annual self-assessment undertaken by the Head of SIAS against the Global Internal Audit Standards. The self-assessment concluded that the system of Internal Audit employed at Stevenage Borough Council is effective.

In addition, the Standards require that an external assessment or peer review is undertaken at least once every five years. An independent peer review was undertaken in 2021/22, which concluded that SIAS 'partially conforms' to Standards, including the Definition of Internal Auditing, the Code of Ethics and Standards. Key recommendations made in the peer review were addressed in year, permitting SIAS to 'generally conform' to Standards. 'Generally conforms' was the highest opinion within the scale of three ratings, and the peer review also identified areas of good practice and high standards. A new independent peer review is being undertaken during 2026/27.

The annual performance indicators for the SIAS are set by the SIAS Board which is comprised of the Chief Finance Officers from the client authorities within the partnership. The table below sets out the SIAS performance against the performance indicator relating to planned days delivery and planned projects delivery by 31 March 2026.

Indicator	Target 2025/26	Actual to 31 March 2025	Notes
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	97%	281 days delivered out of the 290 days planned
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects by 31 <sup>st</sup> March 2026	90%	90%	26 projects to draft or final report from the 29 planned

The assurance arrangements conformed with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit, as demonstrated through the assessment in the SIAS Annual Assurance Statement and Internal Audit Annual Report being reported to Audit Committee in June 2026.

## **CIPFA / SOLACE Governance Principles Reviews**

This section outlines the seven governance principles established in the CIPFA/SOLACE framework, Delivering Good Governance in Local Government, and details the arrangements in place that demonstrate the Council's compliance with these principles and by extension the Council's own Local Code of Corporate Governance. The review considers not only whether governance arrangements are in place, but whether they are operating effectively in practice and supporting the achievement of the Council's intended outcomes.

### **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

#### *Sub-principles:*

- *Behaving with integrity*
- *Demonstrating strong commitment to ethical values*
- *Respecting the rule of law*

The standards of conduct and personal behaviour expected of Members and Officers, partners and the community are defined and communicated through Codes of Conduct and Protocols and the Council's Constitution. Induction arrangements are in place to ensure that Members and Officers are aware of their responsibilities under these codes and protocols. The Council's Local Code of Corporate Governance is reviewed annually and sets out the expectation that Members will have regard for the seven principles of public life (the Nolan Principles), as set out in Section 26 of the Localism Act 2011. The seven principles of public life are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These principles are readily accepted by the Council as underpinning all local government activity.

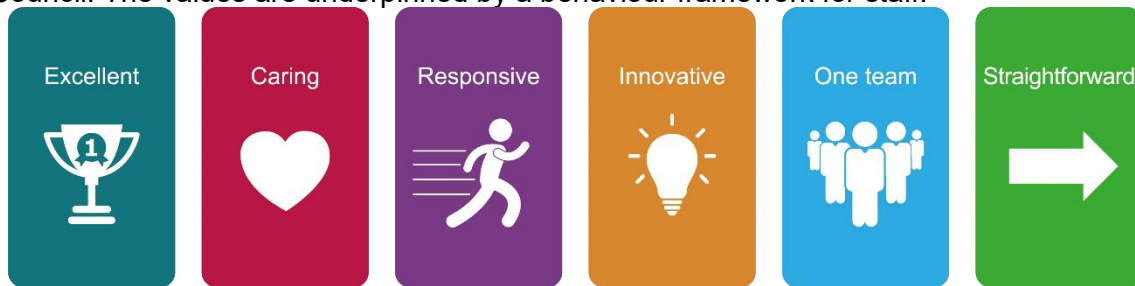
All Members make declarations of interest on appointment and are reminded to review and update their declarations if circumstances change. Minutes of meetings demonstrate that declarations of interest are sought and appropriately handled at each meeting.

The Council's website outlines the arrangements for making a complaint that a member of the authority has failed to comply with the Code of Conduct and sets out how the authority will deal with such allegations. Complaints about Members and allegations that a Member has breached the Code of Conduct would be dealt with by the Standards Committee and the Borough Solicitor (Monitoring Officer) under the Localism Act 2011. The Council has appointed an Independent Person, to be consulted on any alleged breaches to the Member Code of Conduct.

The Council has a Standards Committee to promote and maintain high standards of conduct by Members of the Council and deal with any allegations that a member is in breach of the Council's Code of Conduct and to consider changes to the Code as required.

The Constitution is reviewed annually and approved by Full Council, ensuring it remains fit for purpose. The Constitution sets out the employment procedures for the Head of the Paid Service, Strategic Directors, Directors, Monitoring Officer and Chief Finance Officer. The Council's three statutory officers – the Head of Paid Service, the Monitoring Officer, and the Chief Finance (Section 151) Officer – meet regularly to ensure they are able to fulfil their statutory responsibilities effectively and that governance arrangements continue to support lawful and ethical decision-making.

The Council's has agreed six organisational values, which guide and inform the work of the Council. The values are underpinned by a behaviour framework for staff.



The Values are embedded into Member and Officer induction, regular officer meetings with their managers (REAL conversations), the Modern Member training programme, and management development programmes. A set of desired behaviours associated with each of the Values has been developed and forms part of the Council's appraisal process for officers.

The Council has a Whistleblowing Policy which is based on the Public Interest Disclosure Act 1998, which details the arrangements through which employees can raise whistleblowing concerns. The Council also has Anti-Fraud and Corruption, Anti-Money Laundering, Anti-Bribery and Fraud Sanctions policies. The policies are available on the Council's website and intranet, with details on how to report suspected fraud. These policies are regularly reviewed and recently were updated to include reference to the Economic Crime and Corporate Transparency Act as appropriate.

To address ethical considerations relating to the use of artificial intelligence, the Council is establishing a dedicated group to provide oversight and challenge. The group will support responsible use of AI and help ensure that emerging technologies are implemented in line with the Council's values and governance standards.

## **Principle B: Ensuring openness and comprehensive stakeholder engagement**

### *Sub-principles:*

- *Openness*
- *Engaging comprehensively with institutional stakeholders*
- *Engaging with individual citizens and service users effectively*

Stevenage Borough Council is committed to finding better ways of working for, and with, local people for the benefit of the local community whilst operating in an open and transparent manner.

The Council regularly provides local residents, partners, and other interested parties with opportunities to influence the planning, prioritisation, and monitoring of services. A variety of methods are used to engage the local community, such as surveys and questionnaires, community events, focus and action groups and stakeholder conferences.

In relation to tenants and leaseholders, the Resident Engagement Strategy 2024-2027, published in July 2024, outlines how the Council will engage with those who live in properties owned by Stevenage Borough Council to ensure they have the opportunity to scrutinise, influence, and contribute to the services they receive. This Strategy reflects the Council's commitment to ensuring that 'tenant voice' is embedded across the Council landlord service. Dedicated tenant engagement resource has recently been put in place and performance is

tracked via the relevant Tenant Satisfaction Measures with positive progress seen against both TP06 (Proportion of respondents who report that they are satisfied that their landlord listens to tenant views and acts upon them) and TP07 (Proportion of respondents who report that they are satisfied that their landlord keeps them informed about things that matter to them) over the course of the year.

The Equality, Diversity, and Inclusion (EDI) Action Plan for 2025/26 sets out 18 actions across six key objectives to ensure fair access to services and support the diverse needs of the local population. The Council has an internal governance structure to oversee EDI activity which includes a dedicated SLT Equality Champion and Cabinet Member.

The Stevenage Together partnership is a collaborative initiative designed to bring together a wide range of local stakeholders, including public sector bodies, businesses, and voluntary organisations, to work on the town's most significant strategic issues. Its ethos is to foster innovative ways of working together, in order to improve the lives of people who live work and visit Stevenage. Stevenage Together is supported by four themed sub-groups:

- SoSafe Community Safety Partnership
- Social Inclusion Partnership
- Healthy Stevenage Partnership
- Stevenage Works Strategic Partnership

This partnership ensures that a diverse range of perspectives and expertise is considered by the Council. Topics covered this year have included Climate Change and Local Government Reorganisation.

In addition, the Council has established shared service arrangements in order to provide service delivery benefits and added value with other Hertfordshire local authorities across a range of areas including IT, revenue and benefits, legal, procurement and internal audit and Anti-Fraud. Governance arrangements vary to some extent based on the nature of the service and structure of the shared service but involve Member and senior management oversight from all participating partners. The shared services are also considered for inclusion in the annual internal audit programme.

The Council maintains a commitment to openness and transparency in all its processes. Council meetings are open to the public, and relevant papers are published in advance to ensure that residents and other interested parties can access information about key decisions, unless there are specific legal or operational reasons for withholding them. In addition, Cabinet and Council meetings are made available to watch online. This approach helps foster accountability and trust, allowing residents to engage with and scrutinise the decision-making processes that affect them.

A Resident Survey was conducted in 2025, with the findings presented to Cabinet and shared internally. The results provide valuable insight into residents' perceptions of Council services and help inform service priorities. The findings have also been discussed at relevant service team meetings, including Community Safety and Environment and Leisure, and will be used as an evidence base to help target interventions such as Pride in Place. The findings of the most recent survey show that, compared with 2021, overall satisfaction with the Council has increased and the percentage of respondents who feel informed about Council services has improved. Perceptions of value for money have declined, although all three measures remain above the LGA benchmark.

Through these initiatives, the Council maintains a strong commitment to openness and accountability, ensuring that decisions are informed by a broad range of voices and that residents are involved in shaping the services they receive.

## Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

### Sub-principles:

- *Defining outcomes*
- *Sustainable economic, social and environmental benefits*

The Council's long-term vision is articulated in the three-year Corporate Plan: Making Stevenage Even Better, which was approved in February 2024 and implemented April 2024. The plan outlines the Council's strategic priorities and intended outcomes, shaped by feedback from residents and local partners and taking account of local demographic trends. It builds upon the previous Future Town, Future Council programme and is supported by key enabling strategies, including the Medium-Term Financial Strategy (MTFS) and Capital Strategy, to ensure delivery is financially sustainable.



The Corporate Plan sets out five strategic priorities:

- Tackling Climate Change
- More Social, Affordable and Good Quality Homes
- Balancing the Budget
- Thriving Neighbourhoods
- Transforming Our Town

Each strategic priority has specific intended outcomes, key performance indicators, and milestones. These flow through into the annual service planning process, and in turn influence staff members' annual objectives. This format provides a structured framework to track progress and ensure accountability.

Three cross-cutting themes - Equality, Diversity and Inclusion, Health and Wellbeing, and Technology and Innovation - are embedded across all priority areas. The inclusion of cross cutting themes represents the need to raise awareness of these areas when designing and delivering services.

The Council's Climate Change Strategy underpins the ambitions set out in the Making Stevenage Even Better Corporate Plan in relation to Tackling Climate Change and outlines actions to support both organisational and district-wide decarbonisation. Progress is monitored through regular reporting and a public-facing dashboard, with governance oversight maintained by SLT and Cabinet.

The concept of social value is embedded within the Council's commissioning and procurement activity. The Social Value Portal, underpinned by the National TOMs (Themes, Outcomes, Measures) framework, is used to assess and monitor the wider economic, social

and environmental benefits delivered through contracts. This approach ensures that procurement decisions contribute meaningfully to the Council's broader strategic aims.

Taken together, these arrangements provide assurance that the Council's outcomes are clearly defined and that there is an integrated governance framework in place to support their achievement in a sustainable, accountable and inclusive manner.

**Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

*Sub-principles:*

- *Determining interventions*
- *Planning interventions*
- *Optimising achievement of intended outcomes*

Progress against the delivery of the corporate plan is monitored and tracked via a suite of performance measures that are reported to Cabinet on a quarterly basis. The report highlights achievements as well as identifying areas for improvement. Where specific areas requiring improvement have been identified, dedicated performance clinic sessions have been held to explore the challenges and solutions in more detail.

The Council's report template is designed to help officers take a structured approach to report writing, including a comprehensive assessment of the legal, financial, risk, climate change, LGR and other implications of any proposed recommendations. All reports with legal or financial implications are checked by the Monitoring Officer or Chief Financial Officer as appropriate prior to consideration at committee. All Cabinet and Council reports are reviewed by the Clearance Board consisting of Strategic Directors and Monitoring Officer.

The Balancing the Budget programme continues to enhance the financial resilience of the Council by ensuring resources are being used effectively and efficiently and through the development of commercial efficiency including business change and entrepreneurial skills and services.

The Council's system of internal financial control is based on clear financial regulations, appropriate management information and effective oversight, underpinned by defined responsibilities, separation of roles and a suitably skilled workforce.

The Medium-Term Financial Strategy (MTFS) and HRA 30-year Business Plan provide the framework for the Council's financial planning, ensuring that resources are aligned with strategic priorities. It is reviewed at least annually (more often if financial risks are heightened) with the projected funding needs and financial pressures identified to support long-term sustainability.

Overall, the Council's governance arrangements ensure that decisions are made based on thorough analysis and are subject to ongoing scrutiny and challenge, both at an officer and Member level, contributing to the achievement of intended outcomes.

**Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

*The sub-principles are:*

- *Developing the entity's capacity*
- *Developing the capability of the entity's leadership and other individuals*

The Council supports both Members and Officers to develop the skills, knowledge and capacity required to deliver effective governance and high-quality services. Newly elected Members undertake an induction programme, including briefings with key officers, to support their understanding of the Council's functions and responsibilities. Ongoing development is provided through the 'Modern Members Programme' (MMP), which offers training tailored to Members' roles, including budget management, legislative updates and topical briefings. The programme is reviewed and developed in response to Member feedback.

For officers, the Council's 'Workforce Strategy - People, Even Better' - sets out a framework for building a modern, skilled, and inclusive workforce aligned with the Council's Corporate Plan. It focuses on five key priorities: ways of working, attracting and retaining the best people, engagement and communication, inclusion and wellbeing, and organisational development.

The Council uses a HR Management system to support workforce planning (aligned with annual service and financial planning), training, development and the implementation of the Council's competency framework structure. The Council's Competency Framework provides a map of the behaviours and skills that are valued and recognised by the Council.

Performance management is supported through a suite of HR policies and the REAL Conversations approach - a rolling programme of one-to-one meetings between managers and staff covering objectives, development and wellbeing.

Staff feedback is collected through an annual staff survey and informs improvement activity. Staff engagement is supported through regular internal communications, Chief Executive updates, staff events and visits to teams across the organisation.

The Chief Executive and Leader meet regularly to maintain a collaborative relationship whilst recognising their distinct leadership roles.

**Principle F: Managing risks and performance through robust internal control and strong public financial management**

*The sub-principles are:*

- *Managing risk*
- *Managing performance*
- *Robust internal control*
- *Managing data*
- *Strong public financial management*

The Council's risk management and corporate governance arrangements were subject to internal audit during 2025/26 and both received 'substantial' assurance opinions. The Risk Management Policy was updated in 2025 and is supported by a practical guidance document for staff and periodic training. Strategic risks are reviewed quarterly by senior officers and reported to the Audit Committee, with operational risks managed at service level. Risk considerations are embedded into decision making through committee and officer reports, which explicitly require the consideration of key risks and impacts, and the Corporate Risk Group provides quarterly oversight of the framework.

Service planning is undertaken annually and aligns service activity to delivery of the Strategic Plan. The process produces the Council's annual performance framework, which supports oversight of delivery and performance throughout the year.

At business unit level, Directors are required to complete and certify an annual Service Assurance Statement, providing assurance on compliance with the principles of good governance. While some improvement actions have been identified through this process, none constitute a significant governance concern, and progress will be monitored through the Corporate Governance Group.

Internal financial control is supported by documented Contract Procedure Rules and Financial Regulations, which are regularly reviewed and set out the Council's approach to financial planning, budgeting, risk management, auditing, treasury management and procurement. Financial Regulations are scheduled for review in 2026.

The Council is a member of the Hertfordshire Shared Anti-Fraud Service, which provides fraud prevention and investigation services and supports training, awareness and policy development. The service reports quarterly to the Audit Committee, and the Council expects the highest standards of conduct from all those it works with.

Information governance is overseen by the Information and Records Governance Manager, who also acts as the Council's Data Protection Officer. There is regular reporting on breaches and emerging issues to the Corporate Governance Group, with significant matters escalated to senior management. A suite of policies is in place to support the safe and lawful use of data, and data protection e learning is available to staff.

Cyber security is recognised as an increasing risk across the sector. This risk is monitored through the Strategic Risk Register and is identified as an area for further improvement activity within this Annual Governance Statement.

Governance and assurance over corporate and community asset compliance is maintained through established performance and risk management arrangements. Remedial actions

arising from compliance monitoring are tracked and prioritised, with escalation through management and corporate governance structures where risks or delivery issues emerge. This provides ongoing assurance over asset safety and statutory obligations.

The Housing Revenue Account Business Plan sets out the Council's strategic approach to managing and maintaining its housing stock, including priorities for investment and long term financial planning. The Plan is reviewed regularly and was last updated in 2025/26, however the HRA remains a high risk area due to the scale of savings required from 2027/28 onwards.

The Council has two wholly owned subsidiary companies, Queensway Properties LLP and Marshgate Ltd, and one joint venture, Swingate Developments LLP. It also has interests in Broste Rivers (Hertfordshire Building Control Ltd) and Hertfordshire CCTV Partnership Ltd. While these entities operate within their own governance arrangements, they remain accountable within the Council's wider governance framework. Strengthening oversight of Council owned companies and corporate entities has been identified as an area for improvement and is addressed later in this Statement.

**Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

*Sub-principles:*

- *Implementing good practice in transparency*
- *Implementing good practice in reporting*
- *Assurance and effective accountability*

Reporting on performance, value for money, the stewardship of resources and the assessment of robust corporate governance arrangements is provided throughout the year through:

- Quarterly financial monitoring reports to Cabinet
- Quarterly corporate performance reports to Cabinet
- Annual publication of Statement of Accounts
- Publication of the Annual Governance Statement
- Publication of the Council's Annual Report
- Internal reporting of Financial KPI's to the Council's Senior Leadership Team quarterly

Performance reporting is complemented by targeted performance clinics, convened where material KPI variances arise. These sessions provide structured internal review, support timely corrective action and strengthen accountability by feeding outcomes back into ongoing reporting and governance oversight.

Compliance with the publication commitments detailed in the Local Government Transparency Code 2015 is monitored throughout the year by Corporate Governance Group.

The Council's internal audit provision is delivered by the Shared Internal Audit Service, hosted by Hertfordshire County Council. A summary of 2025/26 arrangements and the Head of Internal Audit opinion is set out in an earlier section of this Statement. Medium and high

priority actions arising from internal audits are monitored to completion by the Audit Committee and internal tracking of all internal audit actions has been strengthened in 2025/26 with the development of a dedicated internal audit report and action tracker which is monitored via Corporate Governance Group and SLT.

To support service delivery improvements, the Council welcomes constructive challenge through internal/external audit activity as well as through the work programme of Overview and Scrutiny Committee and other external review agencies and inspectorates.

The Audit Committee produces an annual report which reflects on its effectiveness over the year. The report provides an overview of how the Committee has discharged its responsibilities and highlights any areas identified for future focus or development. The report is considered by the Committee as part of its annual work programme, including at its June meeting.

The Council was subject to a Regulator of Social Housing inspection in 2024/25 and received a C2 grading. While this represented a positive outcome, areas for improvement were identified and a Provider Improvement Plan was agreed with the Regulator. Progress against the Plan is monitored on an ongoing basis, supported by regular engagement with the Regulator to provide assurance that the actions agreed are being delivered.

At the time of writing, the external audit for 2025/26 was underway.

Overall, the review has found arrangements to be effective and well aligned to the CIPFA / SOLACE governance principles, though some improvement actions have been identified to strengthen governance arrangements, as detailed later in the Statement.

## How we have improved our governance arrangements in 2025/26

Following the review of governance in 2024/25, the previous AGS identified some key areas where work would be undertaken to strengthen governance arrangements. Progress against those actions is set out below.

Issue identified	Action taken
<p><b>Local Government Reorganisation / Devolution</b> (<i>strategic risk</i>)</p> <ul style="list-style-type: none"> <li>Review the capacity needed to engage effectively with the local government reorganisation process,</li> <li>Establish an internal governance structure to oversee the process,</li> <li>Following due consideration and engagement with local partners, ensure submission of required returns.</li> </ul> <p><i>Target date:</i> <i>Next submission due November 2025</i></p>	<p>Following due process, the proposal was submitted on time. The action as originally drafted has been completed but focus has now turned to the next phase of work required to support the LGR process (see later in the Annual Governance Statement for further details).</p>
<p><b>HRA Business Plan</b> (<i>strategic risk</i>)</p> <p>To ensure that medium to long-term viability of the HRA is sustainable, the following activity is planned:</p> <p>Undertake a full review of the HRA business plan and investigate saving opportunities identified through the MTFS November 2024 update.</p> <p><i>Target date:</i> <i>Review to be published November 2025</i></p>	<p>The new 30-year HRA Business Plan and financial model has been completed and was approved by Cabinet in November 2025. A number of key actions have been identified including approved options for savings for 2026/27 as well as requirements for growth that will be actioned to ensure that the plan remains sustainable.</p> <p>To strengthen oversight and governance, dedicated housing-focused senior leadership arrangements, including a Housing Senior Leadership Team (SLT), have been embedded over the year. This has provided more focused leadership and accountability for HRA-related risks and actions, ensuring that housing-specific challenges, compliance and improvement activity are monitored and addressed promptly.</p> <p>This remains a high risk area for the Council due to changing regulation, uncertainty about rent policy and ambitious savings targets required for 2027/28 and as a result remains an improvement action for 2026/27, as detailed later in the AGS.</p>

Issue identified	Action taken
<p><b>IT resilience</b> (<i>strategic risk</i>)</p> <p>To manage risks relating to IT resilience, the following work is planned:</p> <ul style="list-style-type: none"> <li>(a) Build on existing cyber security training for Staff and Members,</li> <li>(b) Gain Cyber Essentials certification.</li> <li>(c) Gain PSN certification,</li> <li>(d) Complete the Cyber Assessment Framework.</li> </ul> <p><i>Target date:</i></p> <ul style="list-style-type: none"> <li>(a) End of March 2026</li> <li>(b) End of March 2027</li> </ul>	<p>Regular updates to the cyber security training continue to be released and completion rates remain high.</p> <p>Progress has been made towards achieving the various accreditations and cyber resilience continues to improve in the process, in advance of achieving the formal accreditations. The timeframe for this action was recognised as being multi-year from the outset, and as such, the action will be carried forward into 2026/27, as detailed later in the Statement. Additionally, following discussion with the other Hertfordshire local authorities as part of the preparation for LGR, it has been agreed that the Cyber Assessment Framework will be used as the baseline standard to support a consistent approach to IT resilience across councils.</p> <p>Oversight continues to be provided by the by ICT Partnership Board and ICT Joint Committee.</p>
<p><b>Balancing the budget</b> (<i>strategic risk</i>)</p> <p>To ensure that the Council has sufficient resources to fund its medium and long-term service plans and corporate priorities, the following activity is planned:</p> <ul style="list-style-type: none"> <li>• Find Balancing the Budget (BTB) savings and new revenue streams as part of the 2026/27 budget setting process,</li> <li>• Ensure robust budget monitoring and all costs are accurately forecast and profiled in year, providing budget monitoring reports to Cabinet.</li> <li>• Review of Fees and Charges for 2026/27 to contribute to the BTB savings.</li> </ul> <p><i>Target date:</i></p> <p><i>A process has been implemented for the 2026/27 budget and savings will be published for approval in Q3.</i></p>	<p>2026/27 budget setting has now concluded and these actions have been completed. The Council has taken significant steps in recent years to balance its budget, and the three-year Fair Funding Settlement has strengthened the Council's financial position and provided some certainty regarding Government funding (2026/27-2028/29). Future savings targets could now be met from annual fees and charges increases rather than necessitating service reductions or cuts, subject to the projections in the MTFS being realised</p> <p>However, the Council remains mindful that substantial changes in the wider economy, such as inflationary pressures or shifts in national policy, could still impact the Council's financial outlook.</p> <p>Budget monitoring reports continue to be provided to Cabinet on a quarterly basis to ensure effective in-year oversight.</p>
<p><b>Housing Property Services – Contract Compliance</b> (<i>internal audit programme</i>)</p>	<p>a) Eight of the nine contractor appointments identified to support the repairs service have been completed. The remaining appointment will be progressed through the Council's</p>

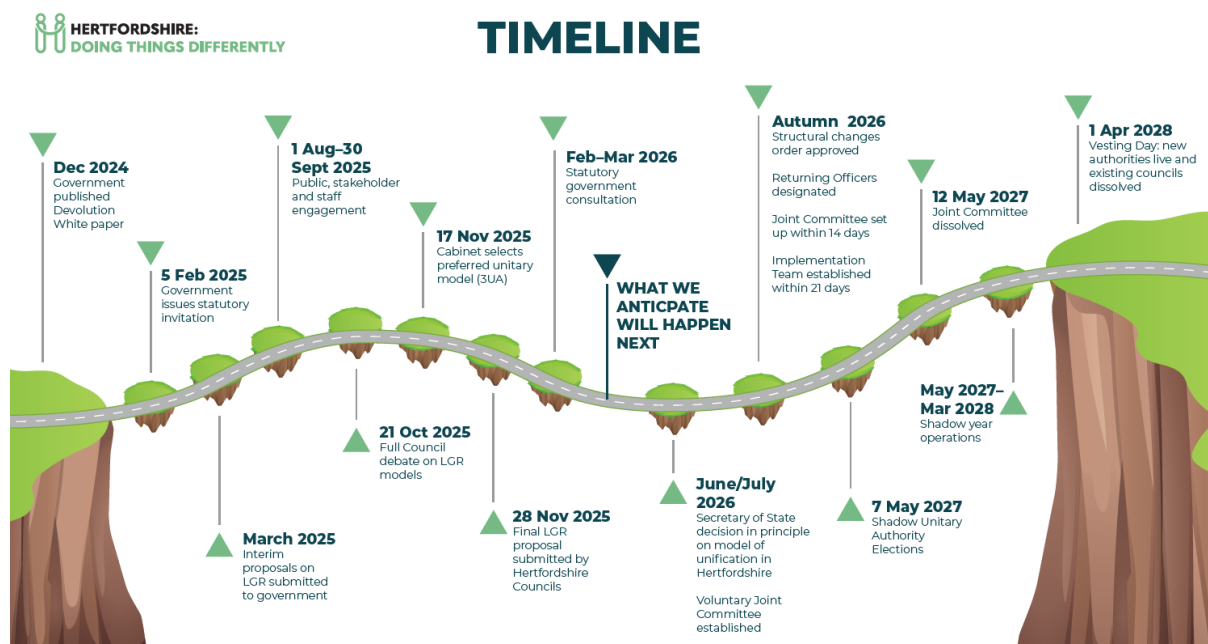
Issue identified	Action taken
<p>To improve contract compliance within Housing Property Services, the following activity is planned:</p> <p>(a) Appoint repairs and maintenance contractors to support the in-house Repairs team and a lift servicing and maintenance contractor for stairlifts, through floor lifts and hoists, etc installed in council properties following a robust procurement / appointment process, held in accordance with the Contract Procedure Rules and supported by the Corporate Procurement team.</p> <p>(b) Embed improved documentation processes in relation to contract compliance.</p> <p><i>Target date:</i>  (a) Support contractors for repairs: Q1,  Servicing and maintenance contract for lifting equipment: Q4  (b) To be tested through 2025/26 internal audit programme</p>	<p>established governance and assurance processes.</p> <p>b) Reasonable assurance rating from internal audit completed in Q3 and management actions agreed.</p>
<p><b>Constitution review</b> (<i>review of governance principles</i>)</p> <p>Ensure a high-level targeted review of the constitution takes place and that a process is in place for this to happen on an annual basis (recognising that future reviews may be influenced by forthcoming local government reorganisation developments).</p> <p><i>Target date:</i>  Q2 2025/26</p>	<p>An initial review and update was completed in May 2025, restarting the annual review process aligned with the Full Council meetings.</p>
<p><b>Regulator of Social Housing Inspection – Provider Improvement Plan</b> (<i>inspection outcome</i>)</p> <p>Ensure completion of corrective actions identified in the post inspection action plan.</p> <p><i>Target date:</i>  Ongoing monitoring throughout the year, as per the Regulator of Social Housing’s timetable</p>	<p>The Provider Improvement Plan continues to be submitted to the Regulator for consideration at the agreed frequency (currently quarterly), and follow-up queries are addressed and responded to as they arise. The Council remains committed to undertaking the improvement steps needed to achieve a C1 rating.</p>

## Forward look on governance

The Council recognises that an effective approach to governance considers not just the issues of today, but also takes steps to prepare for the challenges of tomorrow. This section takes a forward look at some of the areas where governance needs to change or develop to meet the future needs of the Council.

### Local Government Reorganisation

Local Government Reorganisation represents a fundamental change to the governance landscape for the Council through the replacement of the current two-tier arrangements with new single tier unitary authorities. A decision on the future structure in Hertfordshire is expected in 2026.



The Council has started preparing for the transition, but the scale and complexity of activity will increase once the new arrangements are confirmed. During this period, governance arrangements must support both transition activity and the continued effective operation of the Council's existing responsibilities.

While new governance frameworks will be developed for any future unitary authorities, the current arrangements need to remain robust, proportionate and flexible enough to support short-term and transitional decision-making, including effective joint working with other Hertfordshire authorities during the transition period.

Potential governance issues identified so far include:

- constraints on financial decision-making during the transition period (under Section 24 arrangements),
- service and workforce planning within an uncertain organisational and structural timeframe, and,
- the organisational capacity and capability required to manage transition activity alongside day-to-day governance and assurance responsibilities.

As a result, preparation for local government reorganisation has been identified as a key area for governance development and improvement, with specific actions set out later in this Statement.

### Legislative Developments

In addition to local government reorganisation, forthcoming legislative changes will require further development of the Council's governance and assurance arrangements, particularly in relation to housing. From 2026, Phase 2 of Awaab's Law will extend statutory, time-bound duties beyond damp and mould to a wider range of serious health and safety hazards, increasing the importance of clear accountability, effective oversight and robust escalation arrangements. These changes will require continued review of governance, reporting and assurance frameworks to ensure that statutory responsibilities are clearly owned, risks are identified and monitored, and members receive appropriate assurance as compliance requirements expand over the medium to long term.

In addition, the Renters' Rights Act comes into force from 1 May 2026, introducing significant reforms to the private rented sector. Ongoing governance focus will be required during implementation to ensure compliance is fully embedded in practice and that emerging risks or capacity pressures are identified and appropriately escalated as the new regime beds in.

## Planned Improvement Activity for 2026/27

Taking account of the earlier sections of the Annual Governance Statement and the findings of the annual review, this section details the areas of governance identified as requiring improvement and how this is being addressed.

<b>Issue:</b>	<b>Identification of 2027/28 onwards HRA savings</b> A new 30-year Housing Revenue Account Business Plan and financial model were agreed in 2025/26. The plan identifies savings options and growth requirements to support sustainability, however, the risk level remains very high in the context of changing regulation, uncertainty about rent policy and ambitious savings targets required for 2027/28.
<b>Action:</b>	To ensure that the Council has sufficient resources to fund the HRA Business Plan, the following activity is planned: <ul style="list-style-type: none"> <li>• Identify savings required as part of the 2027/28 budget setting process,</li> <li>• Ensure robust budget monitoring and all costs are accurately forecast and profiled in year, providing budget monitoring reports to Cabinet.</li> </ul>
<b>Owner/s:</b>	Director of Housing and Neighbourhoods, Director of Building Safety, Director of Land, Development and Neighbourhood Regeneration.
<b>Target date:</b>	January 2027

<b>Issue:</b>	<b>Financial assurance build-back</b> As a result of the national local audit reset, the Council published accounts for previous financial years with disclaimed audit opinions where audit work could not be completed before statutory backstop dates. While these disclaimers do not indicate identified misstatement, they limit assurance over certain historic balances that continue to roll forward into current accounts.
<b>Action:</b>	Work with the Council's external auditor to implement a structured programme of audit assurance "build-back" activity, focusing on high-risk balances and areas where assurance has previously been limited. This will include agreeing and delivering a comprehensive build-back plan, setting out priority areas and sequencing of work to progressively restore assurance. The aim is to re-establish a position where the Council is able to achieve unmodified audit opinions ahead of Local Government Reorganisation vesting, supporting robust financial governance as part of transition.
<b>Owner/s:</b>	Director of Finance
<b>Target date:</b>	Plan to be agreed Q2 2026/27 (subject to External Audit capacity)

<b>Issue:</b>	<b>Awaab's Law</b> Phase 2 of Awaab's Law will extend statutory, time-bound duties beyond damp and mould to a wider range of serious health and safety hazards, increasing the importance of clear accountability, effective oversight and robust escalation arrangements.
<b>Action:</b>	There may be the need for further governance improvement activity once government guidance is known.
<b>Owner/s:</b>	Director of Building Safety

<b>Target date:</b>	Ongoing (timing of phase 2 is not currently known).
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<b>Issue:</b>	<b>Council-owned Companies</b> During the year the Council identified the need to further strengthen governance and oversight arrangements in relation to Council-owned companies and other corporate entities, recognising the potential financial, operational and reputational impact of weaknesses in financial sustainability, performance or compliance. This need has also been highlighted through external audit work. As a result, enhanced governance arrangements have been developed, including the establishment of a Companies Oversight Board to strengthen assurance, escalation and intervention where issues arise.
<b>Action:</b>	Implement and operate the Companies Oversight Board as part of the Council's wider governance and assurance framework, including consistent quarterly reporting, review of risks and mitigations, and clear escalation and intervention arrangements where issues arise.
<b>Owner/s:</b>	S151 Officer
<b>Target date:</b>	Arrangements to be put in place for April 2026 and then to operate quarterly through 2026/27

<b>Issue:</b>	<b>IT Resilience</b> Cyber security and IT resilience remain a significant and persistent risk. While core controls are in place, improvement actions to strengthen resilience and gain relevant certifications are ongoing, and a small number of medium-priority IT control recommendations were identified through the external audit process. The importance of robust IT resilience is further heightened in the context of Local Government Reorganisation, where consistency, assurance and readiness across councils will be critical.
<b>Action:</b>	In agreement with other Hertfordshire local authorities, it has been determined that the Cyber Assessment Framework (CAF) will provide the baseline standard that councils will work towards in preparing for local government reorganisation. During 2026/27, the Council will align its IT resilience improvement activity to CAF requirements, embedding this baseline within its wider IT governance, risk and assurance arrangements. Progress will be reported to the ICT Partnership Board and ICT Joint Committee.
<b>Owner/s:</b>	Director of IT
<b>Target date:</b>	March 2027

## Local Government Reorganisation

Alongside the wider forward look set out above, the Council has identified the need for a more focused consideration of governance improvement activity specifically to support preparation for Local Government Reorganisation. While formal decisions on future structures will be taken by the Secretary of State for Housing, Communities and Local Government and are expected by the summer of 2026, the transition phase will place increasing demands on the Council's governance, assurance and decision-making arrangements.

Whilst formal governance arrangements will be established for the creation of the new unitary authorities via the Structural Change Order and subsequent implementation governance and committees, the improvement actions set out below are intended to ensure that existing governance arrangements remain effective and resilient during the transition period at a time when capacity will be split across business as usual activities and new unitary establishment.

Areas of focus will include, supporting our workforce through the LGR process, to ensure they remain engaged and ready for the changes that will result from reorganisation, proactive review and management of our asset and contractual arrangements in readiness for reorganisation, preparation for the section 24 financial governance notice which will come into force during 2027/2028, and shadow election preparation.

Progress against these actions will be monitored through the Council's established governance and assurance processes.

These actions will be delivered in the context of the wider Local Government Reorganisation programme, which is expected to culminate in Vesting Day on 1 April 2028, in line with key milestones set out earlier in this Statement.

<b>Issue:</b>	Workforce Engagement and Change readiness in the context of Local Government Reorganisation
<b>Action:</b>	Implement and maintain proactive communication and engagement arrangements to support workforce understanding of the Local Government Reorganisation process and its likely impacts, so that staff remain informed, supported and engaged during the transition period. Governance arrangements will support escalation of workforce risks and capacity issues where required.
<b>Owner/s:</b>	Service Lead for Local Government Reform and Head of HR
<b>Target date:</b>	Throughout 2026/27

<b>Issue:</b>	Contracts and asset readiness for unitarisation
<b>Action:</b>	Undertake proactive review and management of the Council's contracts register to ensure it is complete, accurate and suitable to support unitarisation, including preparation for Section 24 requirements and contract novation, with appropriate oversight to ensure decision-making remains lawful during the transition.
<b>Owner/s:</b>	Director of Finance
<b>Target date:</b>	Throughout 2026/27

<b>Issue:</b>	Preparation for the aggregation of all services into new unitary authorities.
<b>Action:</b>	Implement and maintain governance and assurance arrangements to support the Council's engagement in the Hertfordshire-wide local government reorganisation programme, ensuring service design for the new unitary authorities is person centred and prevention led in line with the design principles documented within the Hertfordshire LGR submission
<b>Owner/s:</b>	All service leads
<b>Target date:</b>	Throughout 2026/27

The Council is committed to monitoring implementation of these actions in-year through the Corporate Governance Group, SLT, and as part of the next annual review.

## **Approval of Statement**

### **Approval of Statement by Chief Executive and Leader of the Council**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Strategic Leadership Team, relevant officers and the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Areas to enhance the governance framework already addressed are summarised in this Annual Governance Statement. Areas to be addressed and ensure continuous improvement are set out in the table above on pages 19-22.

We propose over the coming year to take steps to address the above matters, to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed .....

Date .....

Cllr Richard Henry  
Leader of Stevenage Borough Council

Signed .....

Date .....

Tom Pike  
Chief Executive of Stevenage Borough Council