South Tyneside Council

Annual Governance Statement 2025/26

This document has been classified as: Not Protectively Marked
Lucy Keating, Director of Legal & Governance
Audit Committee – 20 July 2026

Report to Audit Committee

Cabinet Portfolio/Lead Member: Councillor Susan Sybenga, Deputy Leader and Lead Member Finance and Resources

Report of Lucy Keating, Director of Legal & Governance

Subject: Annual Governance Report 2025/26

Date: 20 July 2026

Wards affected: All

Council ambitions: No direct impact on ambitions. However, robust and effective governance underpins delivery of all ambitions and directly contributes towards the governance theme within the 'Our Council' change programme.

Does the report and any appendices contain information which has been identified as confidential or exempt?

- No, this report does not contain information identified as confidential or exempt.

Purpose of Report

1. The purpose of this report is to provide Audit Committee with relevant information to review and approve the Annual Governance Statement for the 2025/6.

Background Information

2. The Accounts and Audit (England) Regulations 2015 (6) (1) require a relevant authority must, each financial year:

    a. conduct a review of the effectiveness of the system of internal control required by Regulation 3; and
    b. prepare an annual governance statement (AGS)

3. The Regulations also state that:

    a. the findings of the review should be considered by a committee or by members of the authority meeting as a whole;
    b. the AGS must be approved in advance of the relevant authority approving the statement of accounts for that financial year;
    c. the AGS must be prepared in accordance with proper practices in relation to the accounts.
    d. the draft statement of accounts should be produced by 30th June and final statement of accounts by 30th September.

4. The Constitution designates the responsibilities of Audit Committee which include providing independent assurance to the Council on the effectiveness of governance, risk management arrangements and the associated control environment; Para 9.11.6 section J requires Audit Committee to:

    "*Review the Annual Governance Statement, prepared as part of the financial statements, and consider whether this has been prepared in accordance with proper practices in relation to internal control, reflects the risk environment and includes relevant improvement actions. Following that consideration, the Audit Committee will approve the Annual Governance Statement*".

5. The external audit of the 25/26 financial statements is ongoing and therefore the accounts will be approved after the AGS has been approved.

6. The Council have adopted a Code of Corporate Governance which is consistent with the principles and requirements of the CIPFA/SOLACE framework for "Delivering Good Governance in Local Government".

7. Our governance framework comprises the systems, processes, culture and values by which we direct and control our activities and through which we account to, engage with and lead our community. It enables us to monitor the achievement of our strategic objectives and to consider whether these lead to the delivery of appropriate, cost-effective services.

8. The 25/26 annual review of our governance framework has been led by key officers with an understanding of governance arrangements which operate across the Council such as the Monitoring Officer, Chief Finance Officer and Head of Assurance and Risk. The views of other key stakeholders across the Council were also sort as part of review process with the aim of obtaining their views on the effectiveness of the current governance arrangements.

9. The draft AGS is presented to senior officers via the CLT Audit and Risk Board. The resulting Annual Governance Statement 2025/26 which reflects all feedback is attached at Appendix 1.

Main issues and Options to be Considered

Overarching Governance Arrangements (Section 4 of AGS)

10. Our strategic governance arrangements have been reviewed, developed and strengthened throughout 2025/26 with these being embedded as we move into 2026/27. Within 2025/26 (the period covered by this AGS) overarching governance arrangements were operating at Member, Strategic and Operational levels alongside associated monitoring arrangements and included the following:

- Member governance – Leadership, Lead Member briefings, Strategic Lead Members Briefing (SLMB), Cabinet, Council, Scrutiny Committees, Constitution Committee and Audit Committee;
- Strategic governance – Corporate Leadership Team & Extended Leadership Team;
- Operational governance – Directorate Leadership Teams, Corporate Delivery Group, Directorate Programme & Project Meetings and Directorate Performance Meetings;
- Monitoring - CLT Audit and Risk Board, Transformation Board, Cyber and Information Security Group (CISG), Capital Investment Group, and CLT Boards for Performance, Budget Monitoring, Strategy & Business Decisions.

Governance Framework (Section 5 of AGS)

11. Our governance framework is aligned to the CIPFA/SOLACE published 'Delivering Good Governance in Local Government' in 2016 and subsequent updates which sets out the fundamental principles of corporate governance which are as follows:

(i) Behaving with integrity, demonstrating strong commitment to ethical values, respecting the rule of law;

(ii) Ensuring openness and comprehensive stakeholder engagement;

(iii) Defining outcomes in terms of sustainable, economic, social and environmental benefits;

(iv) Determining the interventions necessary to optimise the achievement of the intended outcomes;

(v) Developing the Authority’s capacity, including the capability of its leadership and the individuals within it;

(vi) Managing risks and performance through robust internal control and strong public financial management;

(vii) Implementing good practices in transparency, reporting and audit to deliver effective accountability.

12. For each of the core principles the statement provides examples of how we demonstrate achievement and provides links to published information which supports this.

Review of effectiveness of Governance Framework (Section 6 of AGS)

13. CLT Audit & Risk, have overseen the annual review of the effectiveness of our governance framework and this has been informed by the following:

(i) The independent views of service by regulatory agencies such as Ofsted, Care Quality Commission and Regulator for Social Housing.

(ii) Reports and views of our external auditors which have been presented to Audit Committee through their audit planning and progress reports, Annual Audit Letter and Audit Results Report.

(iii) Views and opinions from our independent Internal Audit Service as reported to Audit Committee through quarterly progress reports and the Annual Internal Audit Opinion.

(iv) The annual review of effectiveness of internal audit (as required by Global Internal Audit Standards).

(v) The views of the key officers such as Council’s Monitoring Officer, Data Protection Officer, Chief Finance Officer and Senior Information Risk Owner alongside wider ELT via an annual self-assessment exercise.

(vi) The views of CLT - Audit & Risk who assist the Council in its ongoing oversight of the quality of governance across the organisation and to ensure that there are robust and effective governance and risk management processes in place.

(vii) The Strategic Risk Register and views expressed through regular monitoring and review by CLT - Audit & Risk and the Audit Committee.

(viii) A self-assessment comparing ourselves against the LGA improvement and assurance framework for local government.

(ix) Discussions at CLT Audit and Risk provided an opportunity to understand departmental governance arrangements, departmental risk registers, associated controls and mitigations and allowed us to discuss and challenge particular governance issues. These discussions will continue into 2026/27 with a renewed focus on key risk areas including key decisions and delegated decision making and also facilitated the development of a Governance Action Plan.

(x) The views of Members as expressed through:

- Standards Committee – responsible for ensuring effectiveness of arrangements to maintain high standards of conduct and behaviour.
- Overview and Scrutiny Committee(s) – responsible for conducting and arranging scrutiny activities.
- Audit Committee – providing independent assurance on the effectiveness of governance, risk management and internal control arrangements.

(xi) Performance information reported through Performance Board and Cabinet in respect of activity for 2025/26.

(xii) Progress towards addressing areas for improvement identified in the Annual Governance Statement for 2024/25.

Overall conclusion (Section 7 of AGS)

14. The annual review of the governance framework concludes that, in the main, overall the Council had robust governance arrangements in place throughout 2025/26 which were fit for purpose and accorded with the governance framework.

15. Areas which have been identified as needing improvement or which warrant monitoring as are felt to be significant to the delivery of the Council's Vision, Ambitions, Strategy and Values are summarised in the table below.

Concern	Action taken / to be taken
Member Conduct Unfortunately, there continues to be instances where member behaviour does not align with the Member Code of Conduct nor the spirit of the Nolan Principles, leading to complaints which have a disproportionate impact upon Council's resources.	We continue to monitor, review and refresh both the Council's Constitution and Member Code of Conduct to help address underlying issues. All new Members are offered induction sessions alongside the ongoing training & support offer available for all members. Whilst training take-up is variable, we are taking measures to encourage & support members to engage with the training offer. Standards Committee considers complaints and issues sanctions where appropriate and the Committee continues to promote and encourage improvements in conduct and behaviour to enhance member and officer relationships underpinned by the Council's values.
Children's Services An Ofsted report in December 22 assessed the overall effectiveness of Children's Services as inadequate. Since that time, the Council has made substantial progress delivering improvements and implementing	The senior leadership team in place is successfully overseeing the approved improvement plan which has led to strong progress confirmed by subsequent Ofsted monitoring visits around oversight, practice and a more focused approach towards corporate parenting.

improvement plans. Given these improvements, this is no longer deemed a significant ongoing concern.	
Financial Resilience The 25/26 revenue budget was overspent as was the case in the prior year. The Council's robust budget monitoring arrangements helped us identify issues promptly and take appropriate steps to partly mitigate the financial pressures. There are significant ongoing cost pressure risks related to social care and Special Educational Needs which could undermine the Council's financial sustainability if not managed robustly.	The Medium-Term Financial Plan for 2026-31 focuses resources towards priorities. Significant additional funding has also been allocated to help address costs pressures in specific areas. The approved financial plan also includes additions to reserves to mitigate the significant financial risk which the Council faces in the light of a disappointing Government grant settlement arising from it's Fair Funding review. Effective governance and budget monitoring frameworks ensure financial performance is regularly reported through senior officer and political structures. A transformation programme is in place which focuses on prevention, change programme across adults services, commercialism, being a modern Council and enhancing the use of evidence and engagement to shape policy and service delivery.
Use of Direct Payments Instances of inappropriate usage of direct payments across Children Services and Adults Social Care were identified. There are weaknesses with controls and ineffective governance frameworks.	Both services are working to develop robust policies to strengthen controls and governance including the recovery of funds where appropriate. There have also been significant changes to management responsibilities alongside implementing more robust processes.
Planning Approvals As over 10% of major planning decisions (made between April 2023 and March 2025) were successfully overturned at appeal, the Government has designated South Tyneside Council under Section 62A of the Town and Country Planning Act 1990. As a result, applicants for major developments may choose to apply directly to the Planning Inspectorate, although they can still submit applications to the Council.	The Council recognises the importance of strong and consistent planning decisions in supporting new homes, jobs and investment; we are now focused on next steps and the development of the action plan. A training programme for Members of the Planning Committee has already started and will continue to support the new Committee not only in the determination of planning applications but to appreciate the requirements of the new national framework. This supports a refreshed approach towards economic growth and housing supply for our residents and businesses

Implications

16. This recommendations in this report enable the Council to meet legislative and constitutional requirements. There are no other implications arising directly from this report.

Financial and Resources

17. There are no financial or resource implications arising directly from this report.

Legal and Governance

18. The recommendations within the report enable the Council to meet legislative and constitutional requirements as defined in paragraphs 2-4, i.e. approval of the Annual Governance Statement enables the Council to comply with the requirements of the Accounts and Audit (England) Regulations and

19. As per its terms of reference in the Constitution, Audit Committee are responsible for review and approval of the Annual Governance Statement.

Risk

20. There is a risk that Audit Committee do not consider that the Annual Governance Statement has been prepared in accordance with proper practices and it does not reflect our arrangements the governance arrangements and therefore do not approve the Statement.

21. Failure to provide an approved Annual Governance Statement would prevent completion of the external audit and the Council would fail to comply with the Accounts and Audit (England) Regulations.

Equality and Diversity and Community

22. There are no significant equality, diversity, community and integration implications arising from the proposed recommendations in this report.

Environmental and Sustainability

23. There are no significant environmental and sustainability implications arising from the proposed recommendations in this report.

Council Ambitions, Policies, Strategies and Plans

24. This report has no direct impact or contribution towards delivery of the Council's ambitions, policies, strategies and plans. However, robust and effective governance underpins delivery of all ambitions and directly contributes towards the governance theme within the 'Our Council' change programme.

Consultation and Engagement

25. There has been no external consultation or engagement undertaken in respect of this report. The Annual Governance Statement is published as part of the annual accounts and is readily available to the public.

26. Officer engagement has taken place through Corporate Delivery Group, CLT Audit and Risk and Member engagement has been undertaken through Leadership. Feedback from these groups is reflected in the AGS.

Recommendations

27. It is recommended that the Audit Committee:

- Note and approve the Annual Governance Statement for 2025/26.

Reasons for Recommendations

28. The recommendations are made to ensure the Council meet legislative and constitutional requirements as follows:

- Accounts and Audit (England) Regulations requiring production of an Annual Governance Statement and this is approved by a committee;
- The Constitution requiring Audit Committee to review and approve the Annual Governance Statement.

List of Appendices

Appendix 1 – Annual Governance Statement

Annual Governance Statement 2025/26

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location