Melton Borough Council

Annual Governance Statement 2025/2026

SUBJECT TO AUDIT

Executive summary

Overall opinion and conclusion

The Council is satisfied that appropriate governance arrangements are in place however, it remains committed to maintaining and where possible improving these arrangements, in particular by addressing the issues identified whilst undertaking the annual review. The Council will continue to work to enhance and strengthen governance arrangements within these areas and monitor progress made as part of our next annual review.

The Council is in the process of reviewing its Code of Corporate Governance for the period from 2026 to 2029 to reflect the content of the CIPFA Delivering Good Governance in Local Government Framework (2016) and 2025 Addendum.

The current version of the Council's Code can be found at: Local Code of Corporate Governance.

Summary of key conclusions

The Accounts and Audit Regulations 2015 require the Council to produce an Annual Governance Statement (AGS) each year describing how the corporate governance arrangements contained in its Local Code have been working. This statement gives assurances on compliance for the year ending 31 March 2026 and up to the date of approval of the statement of accounts.

This AGS for the year 2025/26 shows that in most areas the Council has very effective arrangements in place. We will continue to review, streamline and improve our processes to ensure these arrangements remain effective, now and for the future.

The Leader and Chief Executive confirm they have been advised of the implications of the review of governance arrangements by Senior Management and the Audit and Standards Committee and are satisfied that the arrangements continue to be regarded as fit for purpose and the steps outlined in this document will address the areas identified for improvement.

Signed on behalf of Melton Borough Council:

Chief Executive   Leader

[   ] July 2026

1. Our assessment of effectiveness

The Governance Framework – Our Vision, Priorities and Values

The Council's vision, priorities and values are set out in the Corporate Strategy which was adopted by Council in February 2024 (this can be found at: Corporate Strategy 2024 -2036 – Melton Borough Council). The Strategy re-affirmed the Council's Mission as "Helping People, Shaping Places". The Council's vision is:

"We want to be a first-class council: on the side of our communities and providing great services, where the customer comes first. We want to help people reach their potential, support the most vulnerable, and protect our rural environment. We want to provide more and better homes, create better jobs and regenerate the town. We want to ensure Melton prospers, benefitting those who live here and attracting others to visit and invest".

The Council's Strategy is designed to present a clear focus for the Council during this time and is separated into six priority themes under 3 Core Values:

Helping People
Theme 1: Healthy communities and neighbourhoods
Theme 2: High quality homes and landlord services

Shaping Places
Theme 3: Tourism and town centre regeneration and vitality
Theme 4: Sustainable growth and infrastructure

Great Council
Theme 5: Right conditions to support delivery
Theme 6: Engaging and connected Council

The key elements of each priority are set out in detail in the Strategy, with Themes 5 and 6 being relevant for the purpose of this Statement.

Theme 5 sets out key actions in relation to the Key Focus Areas of: ensuring good governance and performance management; effective organisation and great place to work; and delivering financial sustainability and value for Money.

Similarly, Theme 6 sets out key actions in relation to the Key Focus Areas of: promoting local democracy; and engaging and communicating effectively with residents.

The strategy has been developed using a range of sources to ensure it is evidence based and responds to the issues facing both the Council and the community.

As stated above, the Council is currently reviewing its Code of Corporate Governance. The Code contains extensive detail of the Council's governance arrangements and responsibilities of members and officers and should be read alongside this AGS however, to give context to this statement it is helpful to set out the seven principles on which the Code is based. These are:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

C. Defining outcomes in terms of sustainable economic, social and environmental benefits.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes.

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

F. Managing risks and performance through robust internal control and strong public financial management

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Senior Leadership Team - Annual Assurance Statements

At the end of the year annual assurance statements are issued to each member of the Senior Leadership Team to provide assurances on the identification and assessment of risks and that sound operational arrangements exist within their service. Following their return, these are considered by the Senior Leadership Team to identify which areas of improvement are appropriate to be included within the Annual Governance Statement.

The conclusion from the review is that the Council has continued to demonstrate that the governance arrangements and framework within which it operates are sound and effective and comply with the Local Code of Corporate Governance which is consistent with the principles set out in the CIPFA/SOLACE Framework.

The areas of improvement identified in the last Annual Governance Statement are addressed and updated in the Table below. Following on, a further table shows the improvement areas identified for 2026/27 which will be administered by Senior Leadership Team on a quarterly basis.

Internal Audit Conclusion

I am satisfied that sufficient internal audit work has been undertaken to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control for 2025/26. In giving this opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Moderate Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2025/26 – see definition of assurance opinions in the Internal Audit charter. This control environment comprises of the system of internal control, governance arrangements and risk management. Any limitations over this opinion are detailed and explained further below.

Financial control

This year's key financial systems audit sought to provide assurance over the operation of key financial processes, specifically sundry debtors (including housing benefit overpayments and Universal Credit attachments), housing rent billing, and bank reconciliations. An overall opinion of Good Assurance has been given for the control environment and compliance.

Sundry debtor invoices were found to have been raised promptly and accurately, and aged debt reports were being reviewed on a regular basis. Sundry debtor control account reconciliations are also performed monthly, supporting the accuracy and completeness of financial records. An escalation process is in place to support the recovery of outstanding debt. Sample testing identified some inconsistencies in engagement with service areas and Legal Services, which in certain cases contributed to delays in progressing recovery actions.

The rents property database is regularly reviewed to ensure accuracy and completeness, and testing confirmed that the 2025/26 rent charges were correctly calculated in line with approved rent schedules. Sample testing also confirmed that rent payments are allocated accurately, with any suspense items appropriately monitored and cleared on a timely basis.

Bank account reconciliations are generally performed regularly, and testing confirmed that they are independently reviewed. For all reconciliations tested, balances agreed to supporting documentation, calculations were accurate, and the reconciliations balanced to zero with no unexplained reconciling items identified. However, due to a changeover in staff and a vacancy within the team, the monthly General Bank Account reconciliations were not up to date at the time of the audit. Weekly reconciliations between the bank statement and cash book had, however, been completed throughout the period.

Risk management

The Council's structures and processes for identifying, assessing and managing risk have remained generally consistent during 2025/26. Strategic and directorate level risk registers have been subject to review during the year and the strategic risk register was reported to the Audit and Standards Committee in year. The audit on

Risk Management resulted in an opinion of Good Assurance for the control environment and compliance. The assurances gathered enable Internal Audit to place reliance on the risk management framework to inform internal audit coverage.

Internal control

For the audits completed by the Internal Audit service in 2025/26 and finalised at the time of reporting, 100% of the opinions given in relation to the control environment and compliance have been of at least Moderate Assurance. There have been no audits resulting in an opinion of High organisational risk finalised during 2025/26.

Of the agreed management actions due for implementation during 2025/26, 69% had been completed during the year. This is a reduction on the previous year (i.e. 80% implementation in 2024/25).

Key risks

The audit plan coverage had targeted areas of known risk and was informed through consultation with senior management and the Audit and Standards Committee. Key areas of risk for the Council during 2025/26 included financial stability, resourcing of major projects, partnership working and IT. In 2025/26, Internal Audit has reviewed controls relating to disaster recovery, major projects and partnership working (including on anti-social behaviour and the Business Improvement District) in addition to coverage on key systems and processes that are fundamental to delivery of the Council's corporate objectives.

Role of External Audit

The current external auditors are Grant Thornton LLP. External Auditors audit the financial statements and provide an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2026 and of the income and expenditure for the year then ended. External Auditors also consider whether the Council has put in place proper arrangements to secure economy, efficiency, and effectiveness on its use of resources. No significant issues have been raised relating to issues arising from audit work undertaken to date.

2. Where our governance needs to improve

Following review of the Council's governance processes for the year 2025/26 as outlined above, the following areas for improvement during 2026/27 have been identified.

Directorate	Issue	Action Proposed	Owner
Corporate Services	Financial sustainability – unable to fund a full roll out of food waste collection as required in addition to the pressures caused by LGR transition costs and meeting ongoing service provision due reducing central government funding particularly at the end of the 3 year protection offered up to 1.4.29	LGA undertaking a review. Plan B in place but the exit costs are unlikely to be affordable. Lobbying of Government to recognise financial position and need to defer the introduction of a food waste service until April 2028 to coincide with LGR.	Director for Corporate Services
Corporate Services	Accountancy service staffed by majority of agency staff which could lead to weaknesses in controls and lack of knowledge transfer and failure to hit core deadlines. Also issue with upgrade to finance system which has been delayed and is now uncertain	Recruit to permanent staff as urgent and enhanced management oversight to mitigate impact as much as possible Undertake an options appraisal for the upgrade to the finance system	Director for Corporate Services
Corporate Services	Contracts Register not being updated with contracts being entered into and weaknesses over consolidated spend as highlighted in internal audit review	Further training and support to be provided to core staff. Implementation of audit recommendations Ensure discussed in Managers Network and Assistant Director Meetings Increased SLT oversight	Director for Corporate Services and All Directors

Directorate	Issue	Action Proposed	Owner
Corporate Services	The loss of deeds & transaction files in the building fire means we cannot identify statutory powers under which some land is held. This creates a risk that certain transactions are unenforceable or void	Work is still required to locate documents held elsewhere which may identify the statutory powers under which various pieces of land are held. This is an ongoing issue and the work, which commenced in 2024/25 including reviewing historic documents held at the county records office, will continue on a case by case basis as further property transactions take place	Assistant Director for Governance & Democracy
Corporate Services	The Council's current arrangements for provision of its ICT service by another authority need to be regularised.	Counsel's advice was obtained on the issue, and the other authority has now instructed external lawyers to draft compliant legislation to reduce any exposure to risk, including in relation to data processing.	Director for Corporate Services Assistant Director for Governance & Democracy
Corporate Services	Capacity within Legal Services causing delays to key priorities and decisions	Review of Legal Services capacity and processes underway	Director for Corporate Services Assistant Director for Governance & Democracy

Directorate	Issue	Action Proposed	Owner
Chief Executive	Effective use of Resources: · All resources within the service are deployed in the achievement of Council business objectives.	Increasing focus on need to transition from BAU to LGR preparation. The Council has established an internal LGR Transition Board, alongside supporting wider partnership structures. Ongoing discussions at Cabinet briefing continue and dedicated priorisation and LGR sessions being arranged for over the summer 2026, prior to formally considering a revised corporate strategy and LGR transition plan in the Autumn.	Chief Executive
Chief Executive	Effective use of Resources: The use of resources is kept under review and action is taken to address any instances of ineffective, inefficient and uneconomic use.	Capacity Pressures session held in February 2026. Identified 3 priority focus areas – assets, finance and legal. Intervention / review plans in place for each. SLT oversight will be maintained. Engaging a strategic partner to provide critical friend perspective on LGR preparedness.	Chief Executive

3. How we have improved our governance arrangements in 2025/2026

Following preparation and publication of the last AGS the Council has taken the following steps in relation to the areas for improvement which it identified.

Directorate	Improvement	Action Proposed	Owner	Action Taken / Comments
Corporate Services	Financial sustainability - vulnerability from lower reserves than other similar councils, the possibility of borrowing to fund property investments and regen schemes and the future uncertainty of national funding such as business rates and New Homes Bonus, the need to fund any one off costs of any service reductions. Local Government Reorganisation transition costs are likely to impact on the Council's financial position.	Further development of the Financial Sustainability Plan and Plan B and range of other activities set out in the risk action plan.	Director for Corporate Services	LGA Review undertaken (see above)
Corporate Services	Contracts Register not being updated with all contracts completed.	Reinvigorated Process by Welland Procurement Unit and work with service areas to improve compliance.	Director for Corporate Services	Internal Audit undertaken and actions to address are set out above

Directorate	Improvement	Action Proposed	Owner	Action Taken / Comments
Corporate Services	Locating Property Information. The loss of deeds & transaction files in the building fire means we cannot identify statutory powers that land is held under. This creates a risk that certain transactions are not enforceable or void.	Continue to review historic documents at Leicestershire Records Office to identify decisions relevant to property transactions. Review and catalogue paper records held off site.	Assistant Director for Governance and Democracy	Ongoing - see above
Corporate Services	Resource consumption from breakdown in political relationships and distraction in focus and capacity consumed in consequence.	Continue to discuss at Leaders' Group meetings.	Chief Executive	Ongoing and being kept under review following recent change of administration
Place and Prosperity	Remaining issues regarding fragility in Corporate Property and Assets Teams. Difficulties in providing the supporting information to evidence the property valuation work for the accounts in respect of 2023/24. A limited assurance audit report was received in relation to the Asset Development Plan.	Service Improvement Plan being developed and increased grip on stabilising and resourcing the team effectively A Programme Board has been established to assist in addressing the issues raised in the ADP audit report.	Director for Place and Prosperity	

Directorate	Improvement	Action Proposed	Owner	Action Taken / Comments
Place and Prosperity	Failure to follow statutory process for increase in car-parking charges, impacting on lawfulness of charges.	Reset charges to previous level and undertake the correct process.	Director for Place and Prosperity	Internal Audit undertook review of processes and recommendations have been implemented
Housing and Communities	Adverse findings from Homelessness Internal Audit Report.	Implement the recommendations set out in the Internal Audit Report.	Director of Housing and Communities	

4. Forward look on governance

In addition to the matters highlighted above, the Council will continue to review its governance arrangements including maintaining and updating the Constitution to reflect changes in legislation and guidance, ensuring that internal audit priorities are updated as required to reflect any emerging risks or identified deficiencies in control and via Senior Leadership oversight of the issues set identified.

Notwithstanding the impact on resources identified above, the Council's senior officers are alert to the requirement to ensure that its functions are properly discharged and that rigorous control processes are in place during the build up to Local Government Reorganisation which will see further strain on Council resources.