



London Borough of Enfield

Auditor's Annual Report
Year ending 31 March 2025

25 February 2026



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for the London Borough of Enfield during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue :

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of EFS from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The London Borough of Enfield (the Council) is one of thirty-two London Boroughs that, together with the City of London, make up the administrative area of Greater London. The thirty-two London Boroughs and the City of London provide the majority of services to residents in the Greater London area. At the time we completed our audit, the Council had had exceptional financial support approved in principle for 2024/25 (£20 million) and 2025/26 (£10 million). The Council’s preliminary calculations indicate that the most recent government spending review will not have any negative impact on its position. However, we note that at the end of 2024/25, the Council’s debts stood at £1.286 billion. Some £429 million of the debt related to the Housing Revenue Account, but the rest related to the General Fund.

It is within this context that we set out our commentary on the Council’s Value for Money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	Red Significant weakness in arrangements for financial sustainability identified. Three key recommendations and eight improvement recommendations raised.	Two risks of significant weakness identified in relation the budget and the dedicated schools’ grant.	Red Significant weaknesses in arrangements for financial sustainability were identified (high levels of debt; low risk reserves; turnover in the senior finance team; and dedicated schools grant deficit). One statutory recommendation, two key recommendations and two improvement recommendations have been raised.
Governance	Amber No significant weaknesses identified in relation to governance, but four improvement recommendations raised.	One risk of significant weakness identified in relation to governance over companies.	Red One significant weakness in arrangements for risk management was identified, and one key recommendation has been raised. One improvement recommendation was raised in respect of internal audit; challenge functions within the Council; and awareness of the Nolan Principles.
Improving economy, efficiency and effectiveness	Amber No significant weaknesses identified in relation to improving economy, efficiency and effectiveness, but four improvement recommendations raised.	One risk of significant weakness identified in relation to housing targets and the housing revenue account.	Red One significant weakness in arrangements for working with partners was identified and one key recommendation was raised.

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendation(s) made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the context key for our commentary on the Council's arrangements in respect of value for money.

Grant Thornton UK LLP were appointed as the Council's auditors for a five-year period from 1 April 2023. At that time, the Council's previous auditors BDO LLP had not signed an audit opinion since 2018/19. **BDO LLP had also completed no value for money work under the NAO's new Code of Audit Practice at the time we were appointed and indeed did not complete that work for 2019/20 and subsequent years through to 2022/23 until the start of 2025.** When we carried out the value for money work for 2023/24 we had no prior year audit reports to work from and we had no audited accounts from the past four years to draw assurance. Our 2023/24 audit of the financial statements identified a number of issues with the quality of accounts and the records that supported them. We eventually issued a backstop disclaimer at the end of August 2025 with additional commentary on the areas of the accounts we had not been able to audit during our work. In our 2023/24 value for money work, which we reported, in October 2024 we identified a number of significant weaknesses and made some key recommendations. We also identified a number of issues, particularly around the fragility of the Council's debt position and the risks around recoupment of that debt which required future consideration.

For our 2024/25 audit, we have better understood the financial risks to the Council, and the need to take significant action. We have also recognised that although there has been significant turnover in senior officers, including the S151 Officer role, which is always a risk factor, **management do recognise the scale of the financial challenges and are seeking solutions in a proactive manner.**

The audit of the financial statements for 2024/25 is ongoing, but we have made sufficient progress to give us a better understanding than last year of the Council's underlying financial metrics. **We are very clear that the financial challenges, including debt reduction, must be owned by all members as this is a corporate responsibility and we expect members to engage constructively with our report.**

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council had debts of £1.286 billion at the end of 2024/25. £429 million related to the Housing Revenue Account, the rest to the General Fund. The Council expects to have debts of £1.5 billion by the end of 2025/26 (of which, £467 million will relate to the Housing Revenue Account, with the balance being General Fund). The estimated net cost of General Fund debt for 2025/26 is £31.4 million, but this is expected to grow by another £4 million per annum in 2026/27 and 2027/28.

On 31 March 2025, the Council held risk reserves of £32.441 million. The Council has assessed that its risk reserves are low. It assesses that the minimum threshold should be £43 million, but that the target threshold for 2025/26 is £83 million. There is no Transformation Strategy in place, and although the Council has developed next steps for the reserves, the emphasis needs to be on recurring savings.

The Council does have work underway to de-risk some of the projects it is running using debt finance. This work needs to be prioritised. We note that at the time we completed our work, exceptional financial support had been agreed in principle for the Council (£20 million for 2024/25 and £10 million for 2025/26).

There has been a turnover in senior leadership roles, including the section 151 Officer. The dedicated schools grant deficit increased by 30% in one year and the accounting treatment here still needs to be reviewed by external auditors. We raise one statutory recommendation, two key recommendations and two improvement recommendations within this report on pages 31 to 35 of this report.

Statutory recommendation (presented to and accepted by Full Council on 12th November 2025)

The Council should:

1. Agree and action options for debt reduction; and reductions to the annual cost of servicing debt. In assessing options for debt reduction, the Council should be mindful that some of the debt relates to loans to subsidiary undertakings for investing in energy projects (£51.715 million) and private house purchases (£141.902 million); and loans to finance the Meridian Water project (£379.8 million capital financing requirement). Work is already ongoing to de-risk these projects and should be prioritised, so that debt repayments can be made and financing costs can be reduced.
2. Progress those actions which have been identified to rebuild risk reserves to their minimum threshold of £43 million. The Council should seek to prioritise recurring actions to maintain reserves at their minimum level without future recourse to exceptional financial support; and explore options for further rebuilding of risk reserves to move towards their target level of £83 million from the end of 2026/27. Recurring savings arrangements should be explored.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Governance

The Council needs to sharpen its focus on risk. There was no Corporate Risk Register or Risk Management Strategy shared with the General Purposes Committee in 2024/25; and the remit of the General Purposes Committee is very broad. The Council is involved in very high profile, high risk, loan financed projects. A dedicated Audit Committee may be better placed to deliver more effective risk focus.

There are some areas where the Council may wish to tighten its organisational discipline. These include internal audit of declarations of interest, gifts and hospitality; and Nolan Principles training.

We raise one key recommendation on page 41 of this report and one improvement recommendation on page 42 of this report.



Improving economy, efficiency and effectiveness

There are positive findings. Ofsted concluded in July 2024 that the Council's Children's Service was Good overall. CQC concluded in May 2025 that the Council's Adult Service is Good overall. In July 2025, the Regulator for Social Housing concluded that the Council is delivering to required standards for social landlords.

However, the Council is exposed to financial risk from commercial projects it is delivering with partners and is exploring options for diversifying the markets that Energetik Ltd operates in; re-aligning the Housing Gateway Ltd strategy; and broadening development arrangements for the Meridian Water project.

We raise one key recommendation on page 45 of this report.



What the Council needs to do next

The Council needs to take urgent actions to address all our statutory and key recommendations.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
<p>Opinion on the Financial Statements</p>	<p>Our audit of your financial statements is complete, and we issued a Disclaimer of Opinion in respect of the 2024–25 Accounts on 25 February 2026.</p>
<p>Use of auditor’s powers</p>	<p>We have made one written statutory recommendation under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>The Council now has specific legal responsibilities in connection with our statutory recommendation, which have been met by full Council discussing and agreeing the recommendation at its meeting on 12 November 2025.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>

03 Summary of Recommendations raised in 2024/25

Recommendation made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Recommendation (pages 31 to 32)

The Council should:

1. Agree and action options for debt reduction; and reductions to the annual cost of servicing debt. In assessing options for debt reduction, the Council should be mindful that some of the debt relates to loans to subsidiary undertakings for investing in energy projects (**£51.715 million**) and private house purchases (**£141.902 million**); and loans to finance the Meridian Water project (**£379.8 million** capital financing requirement). Work is already ongoing to de-risk these projects and should be prioritised, so that debt repayments can be made and financing costs can be reduced.
2. Progress those actions which have been identified to rebuild risk reserves to the Council's minimum threshold target of **£43 million**. The Council should seek to prioritise recurring actions to maintain reserves at their minimum level without future recourse to exceptional financial support; and explore options for further rebuilding of risk reserves to move towards their target level of **£83 million** from the end of 2026/27. Recurring savings arrangements should be explored.

Management's response

Enfield accepted risk at a time of low interest rates and low inflation in order to invest in bringing forward housing at Meridian Water when the private sector alone could not carry the risk needed for delivery at the site. The Council, supported by Government investment, enabled development. This was further supported by the local infrastructure brought about by Energetik which is in line with the GLA Heat Zoning Strategy. Housing Gateway Limited works to reduce homelessness pressures and the revenue impact that this has on the Council. It carries minimal risk given the asset cover and the profitability arising.

All debt taken by the Council was to facilitate the delivery of the Council's core priorities, none was with the aim of generating a financial return, but the strategy did succeed in leveraging additional public grant of more than £200m plus private sector investment and new homes and job opportunities for residents.

The Council's risk appetite was redefined in 2022/23. At that point, the forward-looking capital programme and capital financing costs were restructured in line with the new, lower, financial risk appetite at that time arising from the changing economic climate.

The Council's debt as a proportion of Core Spending Power has been reduced every year since 2021/22 while other councils have significantly increased. £0.5bn of planned borrowing for the years 2021/22 to 2024/25 was removed. Capital financing costs have been reduced from 14.3% of net revenue budget (as planned for 2024/25 in February 2020) to an outturn of 7.3% for 2024/25. This is within the affordability threshold set by Full Council (10% - 12%).

[continued overleaf]

Recommendation made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Management's response (continued)

The Statutory Recommendation recognises the work that has happened and is already ongoing to continue to reduce the debt held by the Council and the associated financial risk.

1a. Debt

Action: Already in progress is a strategy to accelerate Meridian Water delivery including through targeted disposals which will generate capital receipts. In this financial year, through management actions, staffing costs have been halved reducing capitalised costs and the level of debt required in year reduced by a similar proportion. Cabinet will receive a full update in February.

Responsible Officer: Joanne Drew

Due Date: February 2026

1b. Energetik

Action: We have appointed external lawyers and a Partnership Selection Manager to support us in carrying out a strategic review of Energetik which may lead to inward investment in the company, sale or mitigation of risk. These firms have experience of finding partners for and/or selling local authority heat networks. We will prioritise and continue to seek opportunities to accelerate this process.

Responsible Officer: Brett Leahy

Due Date: October 2026

1c. Housing Gateway Ltd

Action: A strategic review of HGL is nearing conclusion to continue to align the business strategy to support the Council's Homelessness pressures. This includes consideration of whether Housing Gateway Limited assets better sit within the core Council. A revised HGL business plan will be produced and agreed via the HGL Board and Shareholder.

Responsible Officer: Joanne Drew

Due Date: March 2026

[continued overleaf]

Recommendation made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Management's response (continued)

1d. Asset Management

Actions: We will continue to assess and release assets that are no longer required for operational delivery, enabling capital receipts to support financial resilience (including any future EFS), drive transformation, and reduce debt. The revised programme, associated targets, and long-term assumptions will be incorporated into our budget planning for 2026/27 and beyond.

Responsible Officer: James Raven

Due Date: February 2026

2. Rebuilding Risk Reserves

The recommendation supports the continued implementation of the risk reserves strategy that has already been agreed by Cabinet. It is forecast that Minimal Threshold Risk reserves will be reached by the end of 2025/26, in line with the existing strategy.

Actions: We will build in a recurring budget to maintain reserves through the annual budget cycle and prioritise recurring actions to preserve and rebuild our reserves. The Fair Funding settlement for Enfield is currently forecast to reverse the underfunding over the last decade which has led to an erosion of our reserves to support increased demand pressures. The underfunded position has been recognised by the Institute for Fiscal Studies and successive governments. We await formal confirmation of this settlement. We are actively tackling demand pressures across the priority areas.

Responsible Officer: Olga Bennet

Due Date: February 2026 (i.e. to be included within budget setting)

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
KR1	Financial sustainability (page 33)	<p>This is agreed as a priority. Since the end of 2024/25, a permanent Chief Finance Officer, Director of Finance (Capital) and Director of Finance (Corporate) have been appointed. They have all been internal appointments and therefore facilitate continuity and stability.</p> <p>In order to drive transformation and be central to delivering innovation and the Council Plan, Digital Services is now reporting to the Chief Executive (previously reporting to the S151 officer). The Chief Technology Officer has joined the Executive Management Team.</p> <p>In line with CIPFA’s guidance ‘role of the Chief Finance Officer in Local Government’, the S151 officer’s job description was reviewed “to ensure that their core finance responsibilities can be properly performed” (CIPFA guidance) to support a robust financial position. The post has been renamed ‘Chief Finance Officer’</p> <p>Actions: We are creating a workforce development plan to ensure the finance team have the skills, knowledge, capacity and support to deliver in an increasingly complex environment.</p> <p>Responsible Officer: Olga Bennet</p> <p>Due Date: June 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p data-bbox="112 428 173 456">KR2</p> <p data-bbox="188 676 1263 896">The Council should provide resources and support needed to confirm what can and cannot be charged to the DSG budget; and to audit the charges made to the budget so far. The Council should consider providing support from Internal Audit. The correct approach for charging to the budget should be identified and agreed between the finance and education teams; should be made transparent to all; and should underpin all actions going forward.</p>	<p data-bbox="1294 725 1488 848">Financial sustainability (page 34)</p>	<p data-bbox="1592 297 2430 662">Significant work has already taken place reviewing the DSG budget by the finance team and an external report was commissioned to review the work completed. Changes were made at the end of 2023/24 as part of the Spring 2024 DfE assurance process to realign DSG funding in accordance with a request made by the Department of Education which was sent to all Local Authorities. This work was agreed with the S151 Officer at the time and the changes were reflected in the 2023/24 budget and funding allocations.</p> <p data-bbox="1592 691 2430 911">The Council has established a DSG Board during 2025/26 to monitor and approve DSG funding changes in support of the schools’ budget in accordance with the conditions of grant and school and early years finance (England) regulations and to ensure effective expenditure of the DSG funding to provide value for money.</p> <p data-bbox="1592 939 1717 968">Actions:</p> <p data-bbox="1592 996 2405 1176">The DSG board will review services funded from the DSG high needs block including the current funding arrangements. The outcome of the review will be reported to the Council’s Executive Management Team (EMT) meeting.</p> <p data-bbox="1592 1205 2328 1233">Responsible Officer: Annette Trigg and Peter Nathan</p> <p data-bbox="1592 1262 1921 1290">Due Date: March 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR3 The Council should increase its focus on risk, by:</p> <ul style="list-style-type: none"> • Considering whether the current remit of the General Purposes Committee is too broad to allow dedicated focus time on risk. The Council should consider whether there is scope for separating the administrative and elections functions of GPC away from the core Audit Committee functions of General Purposes Committee. This would mean exploring whether another Committee is best placed to cover administrative and election functions. • Resuming regular Corporate Risk Register reporting to members, with up-to-date RAG rated consideration of the commercial risks the Council is managing included. • Including specific work on risk management of high-profile commercial projects in the Internal Audit Programme of work; and reviewing the current level of Internal Audit and counter fraud coverage; and • Assessing skills and experience of directors on company boards, with a view to recruiting in new skills and experience of required. 	<p>Governance (page 42)</p>	<p>Full Council will consider whether to change the name of the General Purposes Committee to Audit Committee and to narrow its remit to allow more focus on risk and value for money. Some of the existing functions may need to be referred elsewhere but elections may well remain with the committee.</p> <p>The Council has already adopted a new risk strategy and has completely overhauled its Corporate Risk register. The Corporate Risk Register will continue to be reported to the GPC/Audit Committee at least twice per year as well as being discussed with Cabinet Members on a regular basis.</p> <p>The Internal Audit Plan will be revisited to determine whether work can be included to cover risk management of high-profile commercial projects.</p> <p>A review of the coverage of the Internal Audit Plan and the Fraud activity will be undertaken.</p> <p>A review of the skills and experience of Council-appointed company directors will be undertaken.</p> <p>Responsible Officer: Terry Osborne (Monitoring Officer)</p> <p>Due Date: 31st March 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR4 The Council's approach to managing arrangements with partners should be reviewed and where necessary revised:</p> <ul style="list-style-type: none"> As the Council takes steps to manage risk by diversifying Energetik Ltd, Housing Gateway Ltd and Meridian Water activities, it should engage carefully on an ongoing basis with experienced professional advisers; and The Council should be mindful of the administrative capacity needed to make major changes to partnership working. At present, changes are under discussion for arrangements and activities with Energetik Ltd and Housing Gateway Ltd and Meridian Water at or around the same time. As well as the correct external professional advice and support, the Council will need significant internal professional expertise to manage risks and execute the planned changes. 	<p>Improving economy, efficiency and effectiveness (page 45)</p>	<p>Actions:</p> <p>The Council has established enhanced governance arrangements to support the management of companies. External expert advice has been obtained to support the strategic reviews underway in HGL and Energetik. Resources will be secured for implementation as necessary.</p> <p>Responsible Officer: Brett Leahy (Energetik), Joanne Drew (Meridian Water and HGL)</p> <p>Due Date: March 2026</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>IR1 Rolling credit agreements with schools should be reviewed regularly, including with checks on recoverability.</p>	<p>Financial sustainability (page 36)</p>	<p>Action: We will report schools borrowing positions in our Treasury Management papers to Cabinet & Full Council, including a breakdown of individual schools, movements in their position and estimated date by which any debt to the council is repaid.</p> <p>Responsible Officer: Sol Otchere</p> <p>Due Date: January 2026</p> <p>Action: All new school payment advances approvals have now transferred to the Deputy S151 or S151 officer as well as the Director of Education. We will provide additional training and communications to schools, review the process for licensed deficit arrangements (formerly known as rolling credit agreements) and regularly review individual rolling credit agreements. We will refresh our processes and the guidance to schools by the end of December 2025. Meetings with individual schools in deficit will continue and schools will be requested to provide an updated deficit recovery plan and repayment schedule for outstanding debt.</p> <p>Responsible Officer: Peter Nathan and Annette Trigg</p> <p>Due Date: December 2025</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>IR2 The Council should seek to minimise delays on capital projects where possible.</p>	<p>Financial sustainability (page 35)</p>	<p>Actions:</p> <p>Action: The phasing of the ten-year capital programme is reviewed each year as part of reviewing the Council’s capital programme. The Council does not borrow in advance of need and the risk that changes in the phasing affect immediate borrowing decisions is low.</p> <p>Responsible Officer: Sol Otchere</p> <p>Due Date: February 2026</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>The Council should:</p> <ul style="list-style-type: none"> • Ensure Internal Audit review and provide assurance on the arrangements in place for officer and member declarations of interest and gifts and hospitality; • Undertake appropriate and probing enquiries with staff to determine how successful the Council has been addressing Internal Audit's May 2023 finding that 17% of staff they interviewed stated they had been asked by the Council to do something they thought was wrong. Further analysis is required to identify what lies behind any ongoing concerns of staff and to address those concerns; • Provide Nolan Principles training for members and staff. Emphasise within the training that even when organisations do the right thing, poor public perception can still be damaging if "right" behaviour is not publicly clear; • Record in writing reasons for not holding any future scheduled meetings of the Member Code of Conduct Committee; and • Consider whether there is scope for increasing the effectiveness of internal challenge functions, for example by appointing Chairs to key committees from outside the ruling administration. <p>IR3</p>	<p>Governance (page 42)</p>	<p>The process for completing and reviewing declarations of gifts and hospitality by officers has already been reviewed and is now overseen by the Monitoring Officer. Declarations of Interest and of gifts and hospitality by members are already overseen by the Monitoring Officer, with frequent advice given to all members and good levels of compliance we believe. The declarations are publicly available. Nevertheless, a follow up audit will be included in the Internal Audit Work Programme for 25/26 to cover members and officers.</p> <p>Training on Nolan Principles is provided to all members as part of their induction upon election and this will continue. An advice note has also been issued recently and will be re-issued from time to time by way of useful reminder. Guidance will also be issued to officers.</p> <p>The Monitoring Officer will ensure that the reasons for any cancelled committee meetings are recorded in writing.</p> <p>The appointment of chairs to committees is a political matter and two scrutiny are chairs are already appointed from the Opposition and Vice Chair of the Member Conduct Committee.</p> <p>Responsible Officer: Monitoring Officer</p> <p>Due Date: 31st March 2026</p>

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

There was a net overspend of £6.1 million during 2024/25. Exceptional financial support (EFS) of £20 million was approved in principle for 2024/25. The Council prepared a balanced budget for 2025/26, but the budget relied on £18.1 million of forecast savings and £5 million of forecast reserves use. The Council has had an additional £10 million of EFS approved in principle for 2025/26 to mitigate the risks in the 2025/26 budget. There is a forecast budget gap of a further £63.4 million between 2026/27 and 2029/30.

On 31 March 2025, the Council’s General Fund balance stood at £15.927 million, and the Council held risk reserves of £32.441 million. The Council has assessed that its risk reserves are low. It assesses that that the minimum threshold should be £43 million, but that the target threshold for 2025/26 is £83 million. The Council has suggested next steps for 2025/26 that include reviewing non-ringfenced reserves to assess whether there are amounts that can be released (including from insurance reserves); generating more income and savings; and seeking one-off opportunities. For medium term financial sustainability, the focus should be on recurring initiatives. The Council does not have a Corporate Transformation Strategy. Instead, the Council has been relying on “savings weeks” initiatives; miscellaneous grant transfers; the sale of capital assets to bolster its reserves; and spending controls for 2024/25.

The Council had debts of £1.286 billion at the end of 2024/25. £429 million related to the Housing Revenue Account, but the rest related to the General Fund. The Council expects to have debts of £1.5 billion by the end of 2025/26. The net cost of General Fund debt is expected to be £31.4 million in 2025/26, and to rise by £4 million per annum for the two years thereafter. Some of the debt as of 31 March 2025 relate to loans to subsidiary undertakings for investing in energy projects (Energetik Ltd - £51.715 million) and purchasing homes (Housing Gateway Ltd - £141.902 million). More of the debt related to loan financing for parcels of land that the Council is planning to sell to developers under the Meridian Water project (£379.8 million). There has been slowdown on some of the projects due to market conditions. This could impact the recoverability of capital and interest loan repayments and asset/company values.

Red

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

From 2025/26 onwards, following CIPFA recommendations made in February 2025, the Council’s annual minimum revenue provision (MRP) charge is expected to rise to £19 million per annum. CIPFA noted that the policy used in respect of MRP for loans to third parties in 2024/25 and previous years had been different to the standard approach and noted that the accounts for those years have not yet been audited. In addition to issues relating to the correctness of the accounting approach for MRP, we note that the capital value of work on Meridian Water to date (£547 million) includes some £63.9 million of capitalised interest on loans. This was capitalised while the assets were still being accounted for as assets under construction, but the capitalised interest cost will only be recoverable if the assets sell at a rate that covers all costs incurred.

The pace of progress on the Meridian Water project is also a risk for the Council. The project is already running late because of infrastructural issues identified after planning, but any delay now beyond November 2026 could technically result in £195 million of Housing Infrastructure Fund monies being repayable to the Ministry for Housing, Communities and Local Government (MHCLG). We note that MHCLG has been kept up to date on project progress.

The Council has had two changes of s151 Officer recently, and a change of Chief Executive Officer, Leader and General Purposes Committee Chair. Within Finance, the Council has had to deal with recruitment challenges and vacancies throughout 2024/25. Maintaining skilled resources within the finance team and amongst senior officers should be treated as a priority given the number and complexity of financial issues the Council is dealing with and the turnover the Council has already experienced at the top.

Red

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

There is a significant weakness in respect of arrangements for managing the Dedicated Schools’ Grant (DSG) budget. In Quarter 3 of 2024/25, the Council was forecast to overspend against the 2024/25 budget by £4.5 million - taking the deficit on the account from £14.752 million to £19.252 million. This was a 30% increase in the value of the deficit. By year end, the actual cumulative deficit was recorded as £17.4 million, but this was because new offsetting monies were identified at year end - the underlying overspend on high needs remained at £4.5 million. We have seen evidence of queries about what should or should not be charged to the DSG account. We have also seen evidence that there are issues with permanently staffing the correct level of financial support needed for this complex area.

We raise one statutory recommendation on pages 31 to 32 and two key recommendations on pages 33 and 34 of this report.

Red

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>Savings proposals are generated at individual service line during “savings weeks”. Although the savings proposals may individually include transformational initiatives, the Council has no central corporate transformation programme and no central corporate transformation team. Savings performance for 2024/25 to date has been relatively good (substantially all the planned amount delivered), but if the Council is going to replenish reserves and bridge the £63.4 million budget gap for 2026/27 to 2029/30 without further recourse to EFS, a centralised, multi-year approach to planning savings will be needed. We note that savings of £18.1 million were factored into the 2025/26 budget. The Council assesses that although it considers this a prudent estimate, it cannot guarantee that the income proposed will be generated. EFS of £10 million has been approved in principle to mitigate the risk.</p> <p>Our statutory recommendation on pages 31 to 33 notes that recurring savings arrangements should be explored.</p>	Red
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The General Fund and Housing Revenue Account budgets align with the Council's corporate objectives. Members and officers take budgetary control seriously and introduced spending controls during 2024/25 to maintain discipline over budget performance. There are appropriate arrangements for control over day to day spend. However, we note that the Council has £7 million of rolling credit agreements with schools. During 2024/25, there were no repayment plans in place for the agreements. We raise an improvement recommendation on page 35 of this report.</p>	Amber

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system</p>	<p>The Council's financial plans complement one another. For example, the Council had already sold five capital assets for £30 million when it requested EFS from the flexible use of capital receipts in 2024/25 and 2025/26. The capital programme includes out of borough property leases in the Midlands, North of England and Romford to reduce temporary accommodation costs in the General Fund account.</p> <p>Two of the Council's most important areas of capital spend in recent years have experienced delays - Meridian Water (because of land contamination and structural engineering issues that had to be dealt with, as well as changing national interest rates and inflation); and Housing Gateway Ltd (because of difficulties sourcing appropriate housing to buy). Time phasing for capital projects needs to be managed carefully. The Council expects to owe £1.5 billion by the end of 2025/26. At this high a level of debt, even small fluctuations of timing on capital projects may affect Treasury Management, cash flow, and the costs paid for debt.</p> <p>We raise an improvement recommendation on page 36 of this report.</p>	<p>Amber</p>

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans

The Council includes clear and comprehensive disclosure around risks and sensitivities in the medium-term financial planning documents shared with members. For 2025/26, the Council assessed that its most significant risks related to council tax and business rates collection rates; inflation; pay awards; increased demand; demographic change; changes to MRP accounting treatment; the recoverability of loans to subsidiaries; and progress with regeneration schemes. The probability and costs and timelines of each risk were clearly disclosed by the Council. The financial budget impacts of percentage sensitivities were also clearly disclosed.

We note that the Council is active in trying to de-risk some of its position. For example, by leasing properties out of borough to reduce hotel costs budget pressure for temporary accommodation; seeking an investment partner for Energetik Ltd; and diversifying Energetik’s business to include decarbonisation activities. However, the pace of work to de-risk some of the Council’s position needs to increase. For example, the Energetik Ltd business plan was only updated in early 2025/26 and starting work to identify a new partner was delayed until after this was completed. De-risking the Council’s position will require significant focus from senior management and oversight from members.

For Meridian Water, the Council engaged in discussions during 2024/25 concerning a possible new sports facility on a site in the area owned by a private enterprise rather than owned by the Council or one of its development partners. The Council’s main area of risk though is likely to be in respect of its own parcels of land, where debt is committed and financing costs are being incurred.

Our statutory recommendation on pages 31 to 32 notes that work to de-risk the Council’s projects should be prioritised.

Red

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – statutory recommendation

Significant weakness identified in relation to financial sustainability

Key Finding: The Council had debts of £1.286 billion at the end of 2024/25. £429 million related to the Housing Revenue Account, whilst the rest related to the General Fund. The Council expects to have debts of £1.5 billion by the end of 2025/26 (of which, £467 million will relate to the Housing Revenue Account, with the balance being General Fund). The estimated net cost of General Fund debt for 2025/26 is £31.4 million, and this is expected to grow by another £4 million per annum in 2026/27 and 2027/28.

Some of the debt, as of 31 March 2025, related to loans to subsidiary undertakings for investing in energy projects (Energetik Ltd - £51.715 million) and some related to purchasing homes (Housing Gateway Ltd - £141.902 million). Further debt related to loan financing for parcels of land that the Council is planning to sell to developers under the Meridian Water project (£379.8 million).

The pace of progress on the Meridian Water project is a risk for the Council. The project is already running late because of infrastructural issues identified after planning, but any delay now beyond November 2026 could technically result in £195 million of Housing Infrastructure Fund monies being repayable to the Ministry for Housing, Communities and Local Government (MHCLG). We note that MHCLG has been kept up to date on project progress. More generally, slowdown in the delivery of key projects could impact the recoverability of capital and interest loan repayments and impact on asset/company values. The capitalised interest cost will only be recoverable if the assets sell at a rate that covers all costs incurred. There is also a risk of an impairment loss to the Council's balance sheet if the value of assets at disposal is less than the value of the associated borrowing in the Balance Sheet. This is a particular risk in relation to Meridian Water and Energetik Ltd. Whilst the Council has made some impairment assumptions in the accounts, these are unaudited. We note that the Council does have work underway to de-risk some of the projects it is running using debt finance.

From 2025/26 onwards, following CIPFA recommendations made in February 2025, the Council's annual minimum revenue provision (MRP) charge is expected to rise to £19 million per annum. CIPFA noted that the policy used in respect of MRP for loans to third parties in 2024/25 and previous years had been different to the standard approach and noted that the accounts for those years have not yet been audited. In addition to issues relating to the correctness of the accounting approach for MRP, we note that the capital value of work on Meridian Water to date (£547 million, which includes £173.5 million of grant funding) includes some £63.9 million of capitalised interest on loans. This was capitalised while the assets were still being accounted for as assets under construction, but the capitalised interest cost will only be recoverable if the assets sell at a rate that covers all the borrowing costs incurred.

Financial sustainability – statutory recommendation

Significant weakness identified in relation to financial sustainability

Key Finding (continued): The above is in the context of the Council is facing significant financial sustainability challenges, including:

On 31 March 2025, the Council held risk reserves of £32.441 million. The Council has assessed that its risk reserves are low. The Council assesses that that the minimum threshold should be £43 million, but that the target threshold for 2025/26 is £83 million. There is no Transformation Strategy in place, and although the Council has developed next steps for the reserves, the emphasis needs to be on recurring savings

The Government has agreed to Exceptional Financial Support (EFS) with £20 million approved for 2024/25 and £10 million approved in principle for 2025/26. EFS allows the Council to dispose of assets and use capital receipts to support revenue expenditure, or to borrow to support revenue expenditure. The Council has adopted the former approach. Having to request EFS from Government is not a position any Council would want to be in, and reflects significant financial sustainability challenges. The Council used EFS as a means to support reserve balances in 2024/25 and will use EFS in 2025/26 in the same manner, i.e. to support the overall reserve position.

There was a net revenue overspend of £6.1 million during 2024/25.

The Council prepared a balanced budget for 2025/26, but the budget relied on £18.1 million of forecast savings and £5 million of forecast reserves use. This position includes the £10 million of EFS approved in principle for 2025/26, which is being used to mitigate the risks in the 2025/26 budget.

There is a forecast budget gap of a further £63.4 million between 2026/27 and 2029/30.

Evidence: Draft statement of accounts for 2024/25; budget and medium-term financial planning documents; draft reserves strategy.

Impact: Significant weakness in arrangements for financial sustainability.

Our statutory recommendation to this significant weakness is set out on page 13.

Financial sustainability – key recommendation

Significant weakness identified in relation to financial sustainability

Key Finding: There has been a turnover in senior leadership roles, including the section 151 Officer, the Chief Executive Officer, the Leader and the General Purposes Committee Chair. Within Finance, the Council had to deal with recruitment challenge and vacancies during 2024/25. We understand that a significant number of permanent appointments were made at a senior level in finance after the year end. It will be important that this complement is now retained.

Evidence: Discussion with officers; Council website documentation.

Impact: Reduced ability to manage the significant weaknesses in arrangements for financial sustainability.

Key recommendation 1

KR1: Maintaining skilled resources within the finance team should be treated as a priority given the number and complexity of financial issues the Council is dealing with and the turnover the Council has already experienced in senior roles.

Financial sustainability – key recommendation

Significant weakness identified in relation to governance

Key finding: There is a significant weakness in respect of arrangements for the Dedicated Schools' Grant. In Quarter 3 of 2024/25, the Council was forecast to overspend against the 2024/25 budget by £4.5 million - taking the deficit on the account from £14.752 million to £19.252 million. This was a 30% increase in the value of the deficit. By year end, the actual cumulative deficit was recorded as £17.4 million, but this was because new offsetting monies were identified at year end - the underlying overspend on high needs remained at £4.5 million. We have seen evidence of queries about what should or should not be charged to the Dedicated Schools Grant account. We have also seen evidence that there are issues with permanently staffing the correct level of financial support needed for this complex area.

Evidence: Budget monitoring reports; interviews with officers.

Impact: Risk of incorrect accounting for the dedicated schools' grant. Reduced governance over ring-fenced budgets.

Key recommendation 2

KR2: The Council should provide resources and support needed to confirm what can and cannot be charged to the Dedicated Schools Grant budget; and to audit the charges made to the budget so far. The Council should consider providing support from Internal Audit. The correct approach for charging to the budget should be identified and agreed between the finance and education teams; should be made transparent to all; and should underpin all actions going forward.

Financial sustainability – improvement recommendations

Area for Improvement identified: Rolling credit agreements with schools

Key Finding: The Council has £7 million of credit agreements with schools that are regularly rolled forward from one year to the next without any checks on recoverability. There were no repayment plans in place in 2024/25.

Evidence: Credit agreements with schools.

Impact: Increased risk of non-recoverability of loans made to schools.

Improvement Recommendation 1

IR1: Rolling credit agreements with schools should be reviewed regularly, including with checks on recoverability.

Area for Improvement identified: Capital programme time-phasing

Key Finding: Some of the Council's very high-profile capital projects have been subject to delay. For example, the Meridian Water project (because of land contamination and structural engineering issues that had to be dealt with, as well as changing national interest rates and inflation); and Housing Gateway Ltd capital acquisitions (because of difficulties sourcing appropriate housing to buy). The Council expects to owe £1.5 billion by the end of 2025/26. At this high a level of debt, even small fluctuations of timing on capital projects may affect Treasury Management, cash flow, and the costs paid for debt.

Evidence: Capital outturn programme reports; interviews with officers.

Impact: Reduced ability to plan effectively for the cost of finance.

Improvement Recommendation 2

IR2: The Council should seek to minimise delays on capital projects where possible.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>Neither the Corporate Risk Register nor the Risk Management Strategy were shared with the General Purposes Committee during 2024/25. Across the local government sector, sharing up to four times a year is common. A new Risk Management Strategy was shared with the Committee on 30th June 2025, with a self assessment that the Council's current approach towards risk is "Developing" and that an action plan will be produced to move the self-assessment to "Proficient" within one year. We note that during 2024/25, there were still local risk registers within directorates; and decision papers shared with the Cabinet included sections on risk. However, we also note that the General Purposes Committee's remit is very broad (for example it includes member administration items and local elections) and that a dedicated Audit Committee might have had scope for continuing to receive risk updates in some manner while the work to update the Corporate Risk Register and Risk Management Strategy were going on.</p> <p>The Risk Management Strategy shared with the General Purposes Committee on 30th June 2025 included risk categories for strategic, financial, property and commercial risks. Risks around property and high value commercial projects will need to be reflected on the Corporate Risk Register in line with this.</p> <p>A dedicated shareholder panel was introduced in 2024/25. This provides scope for focused debate and challenge in relation to complicated company affairs, with more focused agenda time outside of the main cabinet meetings. We are aware that a wider review of governance over companies is planned and that external lawyers have been [... continued over.]</p>	<p>Red</p>

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)</p>	<p>[...continued] commissioned to produce an overarching governance framework for Council controlled companies. Skills and experience of company board members and officers within the companies as well as governance arrangements over the companies need to be considered by the Council, so that the effectiveness of operations through the Council owned companies can be maximised.</p> <p>We note that in May 2025, the Chartered Institute of Internal Auditors (CIIA) conducted an external validation of the Internal Audit service's self assessment. CIIA reported that the service only partially complies with required standards, and that there is a clear appetite amongst stakeholders for the service to focus on risk more proactively. An Internal Audit Quality Assurance and Improvement Plan was shared with the General Purposes Committee on 30th June 2025, including an action to work with the risk management team to develop a risk and control matrix for 2026/27.</p> <p>For Internal Audit and Counter Fraud, we note that only 14 assurance opinions were delivered by Internal Audit in 2024/25 (three of which related to schools). This compares to 34 assurance opinions for 2022/23 (eight of which were for schools).</p> <p>Overall, we consider that the Council's focus on risk needs to be more effective. We raise a key recommendation on page 41 of this report.</p>	<p>Red</p>

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>The timescales for agreeing and publishing a budget are similar every year. For the most recent 2025/26 budget cycle, key dates for preparing and agreeing the 2025/26 budget included:</p> <ul style="list-style-type: none"> • 11th September 2024 - medium-term financial plan for 2025/26 to 2029/30 update shared with Cabinet; • 8th January 2025 - medium-term financial plan update shared with Cabinet; and • 26th February 2025 - final budget and medium-term financial plan shared with Cabinet. <p>There are weekly executive management team budget meetings and directors were required to provide "Assurance Statements" in accepting their budgets. The Council takes a collaborative approach to budget-setting, and we have no observations to raise on the underlying process.</p>	Green
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>Revenue, Capital, Housing Revenue Account, Treasury and Corporate financial reports are all shared with Cabinet on a quarterly basis. The weekly executive management team budget meetings include discussions on budget performance, and members discuss the budget in informal as well as formal Cabinet meetings. Budget monitoring communication is regular, and we have no observations to raise on the underlying process.</p>	Green

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>Internal Audit reported in May 2023 that staff awareness of the Nolan Principles and how to declare interests was low. The new leadership team should prioritise checks to see whether this assessment can be improved. Recent press coverage at a local and national level covering a range of issue shows how important careful reputation management is.</p> <p>There are wider weaknesses in the arrangements for decision-making, audit and scrutiny. The General Purposes Committee and Overview and Scrutiny Committee are both chaired by members of the administration. The General Purposes Committee has not conducted a recent self assessment exercise. Furthermore, there have been no true and fair audited accounts since December 2019, which makes effective decision-making difficult. Committee meetings are not broadcast live, and no recordings are made available subsequently. The informal committee arrangements, whilst providing a forum for deep budget scrutiny, also risk reducing transparency. Decision-making needs to be publicly seen as effective, as well as needing to be effective.</p> <p>We raise an improvement recommendation on page 42 of this report.</p>	<p>Amber</p>

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>Contract Procedure Rules are set out in the Constitution. All waivers are reported annually at the Council’s General Purposes Committee. All waivers must be agreed locally by the relevant service department’s director and then sent to procurement services. They are then reviewed by a procurement assurance group and sent to the Executive Director for Resources for approval.</p> <p>The member code of conduct is set out in the Constitution. The Local Governance Code was reviewed between March and May 2025. The Councillor Conduct Committee is responsible for standards. There were no meetings of the Committee between 22 June 2022 and 12 August 2025. Officers inform us this was because there was insufficient complaints activity for a meeting to be required. The next meetings are scheduled for November 2025 and April 2026. Reasons for not holding any future scheduled meetings of the Member Code of Conduct Committee should be recorded in writing.</p> <p>We raise an improvement recommendation on page 43 of this report.</p>	<p>Amber</p>

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – key recommendation

Significant weakness identified in relation to governance

Key finding: There was no Corporate Risk Register or Risk Management Strategy shared with the General Purposes Committee in 2024/25; and the remit of the General Purposes Committee is very broad. The Council is involved in very high profile, high risk, loan financed projects, some of which are delivered through subsidiary undertakings; and all of which are subject to delay and change. The Internal Audit programme of work should include work to assess how well those commercial risks are being managed. We also note that the programme was late to start in 2024/25 and was not yet complete at the time we conducted our work. The Council owned companies are funded by high values of debt. Furthermore, Energetik operates in a complex commercial environment. A review of governance over the companies is planned. Skills and experience within the companies should also be considered.

Evidence: Committee papers; schedule of loans to subsidiaries; interviews with officers and members.

Impact: Weaker control over risk, and increased exposure to risk.

Key recommendation 3

KR3: The Council should increase its focus on risk, by:

- Considering whether the current remit of the General Purposes Committee is too broad to allow dedicated focus time on risk. The Council should consider whether there is scope for separating the administrative and elections functions of GPC away from the core Audit Committee functions of General Purposes Committee. This would mean exploring whether another Committee is best placed to cover administrative and election functions.
- Resuming regular Corporate Risk Register reporting to members, with up-to-date RAG rated consideration of the commercial risks the Council is managing included.
- Including specific work on risk management of high-profile commercial projects in the Internal Audit Programme of work; and reviewing the current level of Internal Audit and counter fraud coverage; and
- Assessing skills and experience of directors on company boards, with a view to recruiting in new skills and experience of required.

Governance – key recommendation

Area for Improvement identified: Rolling credit agreements with schools

Key Finding: The Council will want to ensure that it continues to have a strong corporate culture that strengthens its public image and transparency. The Councillor Conduct Committee did not meet during the period due to lack of business but the reasons for not holding any future scheduled meetings should be recorded in writing. The General Purposes Committee and the Overview and Scrutiny Committee are both chaired by members of the administration

Evidence: Press comment; internal audit reports (a 2022/23 report on staff declarations offered limited assurance, and has not yet been followed up); interviews with officers and members; committee papers on Council website.

Impact: Increased risk of reputational damage and/ or poor decision-making.

Improvement Recommendation 3

The Council should:

- Ensure Internal Audit review and provide assurance on the arrangements in place for officer and member declarations of interest and gifts and hospitality;
- Undertake appropriate and probing enquiries with staff to determine how successful the Council has been addressing Internal Audit's May 2023 finding that 17% of staff they interviewed stated they had been asked by the Council to do something they thought was wrong. Further analysis is required to identify what lies behind any ongoing concerns of staff and to address those concerns;
- Provide Nolan Principles training for members and staff. Emphasise within the training that even when organisations do the right thing, poor public perception can still be damaging if "right" behaviour is not publicly clear;
- Record in writing reasons for not holding any future scheduled meetings of the Member Code of Conduct Committee; and
- Consider whether there is scope for increasing the effectiveness of internal challenge functions, for example by appointing Chairs to key committees from outside the ruling administration.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Directorates undertake benchmarking against external data for their service areas. Non-financial performance data is shared with cabinet on a quarterly basis. Key performance indicators (KPIs) are analysed by RAG rated and corporate priority. The KPIs contain little financial data but often appear alongside other financial reports. Members and officers have indicated that there may be scope in future for increasing the frequency, but refining content of the financial and non-financial data shared with members.	Green
evaluates the services it provides to assess performance and identify areas for improvement	Ofsted concluded in July 2024 that the Council's Children's Service was Good overall. The Care Quality Commission (CQC) concluded in May 2025 that the Council's Adult Service is Good overall. The Housing Ombudsman reported an increased rate of maladministration in its most recent Annual Letter (July 2024). There are issues around call centre handling for complaints. However, the Council is already taking steps to address these issues, by recruiting a new head of housing complaints; and reducing its target savings for the complaints area, so that the area can invest in improving performance. Furthermore, in July 2025, the Regulator for Social Housing concluded that the Council is delivering to required standards for social landlords. The Council achieved a C1 grading, which means the Regulator is satisfied the Council identifies when issues occur and puts plans in place to remedy and minimise recurrence.	Green

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</p>	<p>The Council’s risk exposure is increased as a result of debt-financed projects entered into with council owned companies and the Meridian water project.</p> <p>The Council is exploring options for diversifying the markets that Energetik operates in; re-aligning the Housing Gateway Ltd strategy; and broadening the types of development arrangements engaged in for the Meridian Water project. Ongoing professional advice will be needed to support these plans if the Council is to succeed in lowering its risk exposure. For Energetik Ltd, the Council has identified advisers now that the business plan has been updated and approved.</p> <p>Given that there are multiple major areas where diversification and change is planned, the Council should be mindful of the capacity that will be needed within its own staff to manage the level of change effectively.</p> <p>We raise a key recommendation on page 45 of this report.</p>	<p>Red</p>
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The "Doing Business with the Council" section of the Council's website has been updated for the new Procurement Act. Contract Procedure Rules have been updated for the new Procurement Act and training has been provided to officers.</p> <p>There is ongoing contract management support from the procurement team. For very high-profile contracts, for example with key deliverers on the Meridian Water contract, there are arrangements for third party assessors to verify stages of completion during the contracts, and for monthly meetings between the Council's development manager; the Council's project officer; and the third-party assessor. Internal Audit review smaller contracts as part of their work.</p>	<p>Green</p>

- Green** No significant weaknesses or improvement recommendations.
- Amber** No significant weaknesses, improvement recommendations made.
- Red** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – key recommendation

Significant weakness identified in relation to governance

Key finding: For companies and the Meridian Water project, the Council has made loans and/or is carrying high values of debt. This increases its commercial risk profile. For Energetik Ltd and Meridian Water, slow downs in the housing market and increases in materials costs expose the Council to risk. For Housing Gateway Ltd, increases in stamp duty and a rising number of tenants struggling to pay rent expose the Council to further risk. For Energetik Ltd, entry into new de-carbonisation markets may require learning experience.

Evidence: Risk registers; schedule of loans to companies; bad debt records at Housing Gateway Ltd; interviews with officers.

Impact: Partnership working results in weaker control over risk, and increased exposure to risk.

Key recommendation 4

KR4: The Council's approach to managing arrangements with partners should be reviewed and where necessary revised:

- As the Council takes steps to manage risk by diversifying Energetik Ltd, Housing Gateway Ltd and Meridian Water activities, it should engage carefully on an ongoing basis with experienced professional advisers; and
- The Council should be mindful of the administrative capacity needed to make major changes to partnership working. At present, changes are under discussion for arrangements and activities with Energetik Ltd and Housing Gateway Ltd and Meridian Water at or around the same time. As well as the correct external professional advice and support, the Council will need significant internal professional expertise to manage risks and execute the planned changes.

05 Follow up of previous Key recommendations

Follow up of 2023/24 key recommendations

	Prior Recommendation	Raised	Progress	Current status
KR1	<p>We recommend the Council needs to place a significant focus on developing, modelling and implementing interventions which will support the management and reduction of the DSG deficit (£14.75m as of 31 March 2024).</p> <p>Additionally, the Council should ensure that specific training is provided to Schools Forum members in matters relating to DSG deficit, progress in respect of managing DSG deficit interventions are regularly overseen by those charge with governance, and financial risks relating to the DSG deficit are added to the Council’s Corporate Risk Register.</p>	2023/24	<p>In 2024/25, the Council overspent by £4.5 million against the high needs block budget line. A new Head of Finance – Education and Schools post was created by the Council to cover this complex area but there has been difficulty retaining skilled staff within it. For 2024/25 we raise a new key recommendation in respect of the dedicated schools’ grant accounting.</p>	Superseded
KR2	<p>We recommend the Council places a significant and immediate focus on: Developing mitigations to contain further emerging budget pressures; and identifying further planned savings, and wider alternatives to the use of reserves, in the management of budget gaps identified within the Council’s MTFS.</p> <p>These actions will support the Council to remain financially sustainable in the short term.</p>	2023/24	<p>On 20th February 2025, the government approved £20 million of EFS for 2024/25 and agreed in principle to another £10 million of EFS in respect of 2025/26.</p> <p>The Council has high value debts and risk reserves are below target. There are next steps planned for rebuilding the risk reserves, but these include some non-recurring measures. For 2024/25, we raise a new statutory recommendation.</p>	Superseded

Follow up of 2023/24 key recommendations

	Prior Recommendation	Raised	Progress	Current status
KR3	<p>We recommend the Council comprehensively identifies, quantifies, and manages the financial and non-financial risks associated with its involvement in Energetik and these are assessed, along with proposed mitigations, in each stage of the Energetik project plan for strategic review to be agreed by the Council during 2024/25 onwards. We also recommend the Council satisfies itself that the planned governance and oversight arrangements in respect of the Energetik project plan for strategic review are sufficient considering the potential implications of decisions on the Council.</p>	2023/24	<p>Work to de-risk the Council's involvement with Energetik Ltd, by seeking new partnership arrangements and wider markets to sell into, is underway. However, progress seeking a new partner was delayed while the business plan was updated and the Council's overall risk profile remains high. We raise a new key recommendation around partnership working for 2024/25.</p>	Superseded

06 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

 **A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Management Responses/ Progress	Current position
IR1	Provide an update report to Cabinet, in respect of temporary accommodation service and the progress of Council activities to mitigate temporary accommodation budget variances.	2023/24	Work is underway to reduce spend on temporary accommodation in future years by investing in new properties.	Closed
IR2	The impact of the CTS scheme changes, introduced for 1 April 2024, should be subject to enhanced budget monitoring.	2023/24	Cabinet member for Finance and the Executive Management Team receive regular updates on the CTS implementation.	Closed
IR3	Enhance the level of reporting, monitoring, governance and oversight in respect of the proposed programme of land and property assets disposals (including Meridian Water).	2023/24	A disposals dashboard is considered at Executive Management Team Board on a bi-monthly basis. Meridian Water disposal assumptions are included within the Treasury Management Strategy.	Closed
IR4	Provide regular, formal updates, to Cabinet in respect the Meridian Water Optimisation Business Case and overall project delivery.	2023/24	Regular updates on the Meridian Water programme are included in the capital quarterly monitoring report.	Closed

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Management Responses/ Progress	Current position
IR5	Update the Strategic Asset Management Plan.	2023/24	The Strategic Asset Management Plan for 2019-24 remains in place but has not yet been updated.	Retained
IR6	Provide the Overview and Scrutiny Committee with an opportunity to assess and comment on the Council's draft Housing Revenue Account Budget and Rent Setting Report ahead of Full Council.	2023/24	The Council stated that the Overview and Scrutiny Committee already has access to publicly available quarterly Housing Revenue Account budget monitoring reports and has the option to call papers in if the Committee deems it necessary.	Closed
IR7	Include more detailed information in respect of progress made in the delivery of agreed Housing Revenue Account savings within Housing Revenue Account budget monitoring reports.	2023/24	The Council stated that going forward a 'savings monitor' will be included in the quarterly Housing Revenue Account budget monitoring report to Cabinet.	Closed

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Management Responses/ Progress	Current position
IR8	Strengthen finance team operations.	2023/24	There was significant turnover at senior finance team level in 2024/25. We raise a new key recommendation around the importance of maintaining stability going forward.	Superseded (by 2024/25 Key Recommendation 1, page 33).
IR9	Report the Corporate Risk Register to the General Purposes Committee on a quarterly basis.	2023/24	There was no corporate risk register or risk management strategy shared with the Committee in 2024/25. We raise a new key recommendation around the need to sharpen the focus on risk.	Superseded (by 2024/25 Key Recommendation 3, page 41)
IR10	General Purposes Committee terms of reference should be updated to state how often internal audit progress should be reported to it.	2023/24	The Council's position is that Committee terms of reference do not need to specify how frequently it receives reports. However, our new key recommendation on risk shows that the current terms of reference for the Committee may be too broad.	Superseded (by 2024/25 Key Recommendation 3, page 41)
IR11	All sections of the constitution should record the last and next review dates	2023/24	The Council website shows that the Constitution and Contract Procedure Rules were updated in February 2025.	Closed

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Management Responses/ Progress	Current position
IR12	The General Purposes Committee should conduct a self-assessment exercise.	2023/24	Self assessment exercise not yet conducted. We raise a new key recommendation noting that the focus on risk needs to be sharper for the General Purposes Committee.	Superseded (by 2024/25 Key Recommendation 3, page 41)
IR13	Develop a data quality policy/strategy. Ensure all performance indicators are SMART	2023/24	A new Digital and AI Strategy is planned for 2025. Members and officers have indicated that there may be scope in future for refining content of the financial and non-financial data shared with members.	Closed
IR14	Develop a partnership register and partnership policy /strategy and consider reporting activity on key partnerships to an appropriate member.	2023/24	All commercial partnerships are monitored via commercial arrangements (eg contracts). Non-commercial partnerships are monitored via Service Plans and delivery of the Council Plan.	Closed
IR15	Complete planned enhancements to procurement and contract management arrangements in time to meet the requirements of the 2023 Procurement Act.	2023/24	The "Doing Business with the Council" section of the Council's website includes information on the new Procurement Act coming into effect.	Closed



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