

REPORT OF THE AUDIT COMMITTEE No. 3, 2026/27

FULL COUNCIL 2nd of March 2026

Chair: Councillor Erdal Dogan

Deputy Chair: Councillor Cathy Brennan

1. INTRODUCTION

1.1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.2. The CIPFA Code requires the Committee responsible for monitoring treasury management activities to formulate the Treasury Management Strategy Statement (TMSS). The TMSS is then subject to scrutiny before being approved by Full Council.

1.3. This report presents Council with the updated TMSS for 2026/27, subject to its scrutiny at the Overview and Scrutiny Committee at its meeting on 19 January 2026, and subject to consultation with the lead Cabinet Member for Finance and Corporate Services

2. TREASURY MANAGEMENT STRATEGY STATEMENT 2026/27

We considered the Treasury Management Strategy Statement 2026/27 at our meeting on the 29th of January 2026 and discussed the following:

- Table 1 in the report listed the capital expenditure. It was not the total borrowing position associated with the exceptional financial support. It would be unrealistic to assume that no exceptional financial support would be needed in future years. the Council had made an assumption based on available data, because to assume nothing probably would provide a false picture and therefore the Council had assumed that the £100 million would continue throughout the next five years. This also assumed that the Council would identify cost reductions, income savings in-year to close in-year budget gaps, but if the Council was to use the £100 million, it would still have the structural deficit that the Council would need to borrow every year. When exceptional financial support was applied for, only one year's worth of approval was ever given. There had still been no response to the 2026/27 application, but to not assume any use of exceptional financial support over the next five years would provide a false position in terms of the levels of debt.

- Exceptional financial support would be available for the next five years. The Council still had to apply every year, but this was a facility that would be available to local authorities for the next five years. The Council would revisit its assumptions every single year. In 2024/25, the Council applied for £28 million of exceptional financial support. When the account was closed, the Council only needed £10 million. So only £10 million was formally agreed by Government. The Council had also made an assumption that all exceptional financial support would be funded by borrowing. However, this may not be a reality, partly because of the conversation that there could be further capital receipts for the Council's normal disposals program that it could utilise. The Council did borrow until the point it had to. This was a budgeted position if the Council had to borrow the whole £100 million. In-year, the Council would decide what balances and reserves it had and borrow when absolutely necessary. The report showed that the Council held a £30 million balance. Quarterly updates would provide updated positions on actual borrowing.
- The borrowing within the treasury management strategy was driven by the capital scheme. The Council had to match its borrowing to it. The department itself could not simply decide for the borrowing to be lower.
- Table 1 which stated areas listing £100 million for exceptional financial support was outlining the amount of borrowing needed to plug the gap. This was for the general fund. There was no exceptional financial support on the HRA.
- If the Council did not have exceptional financial support, then it could not set a balanced budget or meet statutory requirements. The Council would be violating statutory requirements. The Council needed to commit to looking at opportunities to minimise the amount it needed. Realistically, the Council needed to focus on prevention and early intervention to avoid some of the high costs. This took time and the Council did not have reserves that would allow the time to do more of the transformative work. However, this work would be completed in any case.
- The Council needed to urgently look at more alternative means for greater income generation.
- The HRA and the general fund were separate accounts. The exceptional financial support and the borrowing costs was all based on the general fund. The HRA was separate. There was always scope to look at improvements and the HRA should be looking at good value for money and the Council should complete its due diligence on the HRA. The Council's debt levels were seen as a totality. The report was intentional in displaying it separately, because the debt levels in the HRA were driven because the Council was significantly investing in new homes

and its existing stock. The debt levels on the capital program in the general fund were because the Council was investing in schools and roads. The debt levels for the HRA were high because the Council was investing, but the 30-year business plan showed that the HRA becomes more financially viable in the longer term because of rent.

We further agreed, as a Committee, to refer our serious concerns to the Cabinet about the level of reliance on exceptional financial support and for Cabinet to report to the Audit Committee on potential alternatives. I am informed that there will be a response provided to the March Audit meeting from the Cabinet.

We further delegated to the Section 151 officer in consultation with me as Chair of Audit Committee, authority to agree any updates to the Treasury Management Strategy Statement for 2026/27 before Full Council for approval. The Director for Finance and Resources had advised at the meeting that they were still working through the draft budget for 2026/27 and the figures for EFS were subject to change. I have been subsequently advised that this was completed before Cabinet on 10 February and the final EFS requirement for 2026/27 was £84m (previously £89m) – following an improved Local Government Finance Settlement for 2026/27.

In addition, the finalisation of the HRA business plan had led to some small adjustments in the HRA capital programme which then feed through to the TMSS in terms of forecast capital spend and associated borrowing.

I have noted that both of the changes are a normal part of finalising the draft budget and capital programme for the General Fund and HRA.

3.RECOMMENDATIONS

Full Council is recommended:

1. To agree the proposed updated Treasury Management Strategy Statement for 2026-27 as attached to agenda item 14, 2026/27 Budget and Medium-Term Financial Strategy 26/31 at Annex 5.