Report for:	**Full Council – 20 July 2026**
Item number:	
Title:	Statutory recommendation in accordance with Schedule 7 of the Local Audit and Accountability Act 2014
Report authorised by:	Andy Donald, Chief Executive and Taryn Eves, Corporate Director of Finance and Resources (Section 151 Officer)
Lead Officers:	Taryn Eves, Corporate Director of Finance and Resources (Section 151 Officer)
Ward(s) affected:	All

Report for Key/ Non-Key Decision: Non-Key Decision

1. Describe the issues under consideration

1.1 The purpose of this report is to present a recent Statutory Recommendation and Non-Statutory Recommendations in accordance with Schedule 7 of the Local Audit and Accountability Act 2014 received from the Council's external auditors, KPMG LLP, along with the Council's proposed response.

1.2 Full Council must decide if (a)whether the recommendations are to be accepted, and (b) what, if any, action to take in response to the recommendations.

1.3 As well as giving an opinion on the financial statements and assessing the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, KPMG LLP have additional powers and duties under the Local Audit and Accountability Act 2014. KPMG LLP have concluded that it is appropriate to use their powers to make a written Statutory Recommendation and two Non-Statutory Recommendations under Schedule 7 (Paragraph 2) of the Local Audit and Accountability Act 2014. The recommendations were made owing to the concerns of the Council's financial position (including the significant decrease in the level of reserves), the continuing need for Exceptional Financial Support from the Ministry of Housing, Communities and Local Government and its impact on financial sustainability.

1.4 The Statutory Recommendation follows Schedule 7, Paragraph 2 (2) of the Act and makes it clear that a statutory recommendation can be made during or at the end of an audit and was received on 18 May 2026. This recommendation is being made with respect to the financial year 2025/26.

1.5 A copy of the letter received from KPMG LLP is attached as Appendix A to this report. The Council's proposed response to the recommendations, for Full Council consideration, is attached in Appendix B.

1.6 A representative from KPMG LLP will be in attendance at the Council meeting to answer any questions from Members.

2. Cabinet Member Introduction

2.1 As a new administration we have come into office after a decade and half of central government austerity which has led to one of the most challenging financial periods in the history of Haringey Council. In May, the Council was issued with a statutory recommendation and two non-statutory recommendations by its auditor, KPMG. This follows them raising concerns on value for money in both preceding two financial years. The escalation of concern clearly demonstrates that our new administration and council officers must take these recommendations incredibly seriously and act to prioritise improving the Council's financial position by changing culture and delivering savings across directorates.

2.2 The 2025/26 outturn report showed that the Council required £40.6m of exceptional financial support from government. There is no denying that this is a huge figure. Every £1m of EFS comes at the cost of around £70,000 of borrowing costs, each year for the next 20 years. This is in no small part due to the punitive interest and repayment cost, which currently sits at around 7%. As the council well knows, the 2026/27 budget shows an even greater reliance on EFS, rising to £84 million. Of the eight local authorities in London reliant on EFS, we are in the second most precarious position. This emergency loan scheme is a relatively new phenomenon but it is increasingly spreading across the length and breadth of the country and will continue to do so, until national politics changes.

2.3 Since the onset of austerity in 2010, real terms funding in Haringey has been cut by £143 million and, while there were decisions that previous local administrations made that have not helped our situation, they are not the primary authors our current predicament. Despite real terms cuts, the demands on our services have continued to increase. A housing crisis has driven up requirements on temporary accommodation, social care is increasingly unaffordable as successive governments pass the buck on a national care service and a failing funding model drives schools to close. Local authority funding has led to the outsourcing of services over many years for the benefit of the few, at the expense of the many. Private companies can impose eyewatering costs on councils in social care and temporary accommodation, helping to contribute to around 80% of our budget being spent on services we must deliver. The incoming Prime Minister has said some encouraging things in the past about devolving money and power to local authorities and about tackling some of underlying causes of the rigged markets in housing and social care. His challenge now is to turn words into action and we hope that he can follow through on his promises and not fall foul to party orthodoxy.

2.4 While this administration will continue to campaign for a fairer funding settlement, and transformative solutions like rent controls, a national care service and a land value tax, clearly as councillors of all parties and the new administration, we must maintain confidence amongst our partners that we take seriously the need to stabilise Council finances. The Council already has a three-year Financial Resilience Plan in place which identifies eight priority areas to reduce costs and increase income collection, and ensures the finances are working for the benefit of all residents. There are now much stronger governance arrangements around Council spending to ensure value for money and responsible decision making. Committing to ensuring that we are delivering services at the best possible value for all our residents is vital to demonstrating our recognition of the financial challenges we face.

2.5 We know that an administration that focuses on prevention, an invest to save agenda, competitive and responsible procurement and reducing unnecessary waste can free up resources to deliver for our residents in a fair and progressive way. We want all councillors and residents to come of this journey with us with transparency and accountability at the heart of everything we do.

2.6 We will be developing a new financial transparency dashboard for residents to understand how we are spending our budgets and will be exploring options for much wider resident participatory budgeting. In the coming months, we'll be holding Town Halls to hear directly from people in every corner of the borough to best understand their priorities.

2.7 We are committed to taking action, rising to the challenge, working with our communities to best deliver our finances, and making the case for lasting change to government.

3. Recommendations

Full Council is recommended to:

- Accept the Statutory Recommendation and Non-Statutory Recommendations presented by KPMG LLP (Appendix A).
- Approve the actions in response to this Statutory Recommendation and Non-Statutory Recommendations as set out in Appendix B.
- Delegate the monitoring of the delivery of the actions through the regular reporting of the Annual Governance Statement Action Plan to Audit Committee.

4. Reasons for Decision

4.1 Schedule 7 of the Local Audit and Accountability Act 2014 requires that the Council must consider the Statutory and Non-Statutory Recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the authority (18 May 2026). It was subsequently agreed with KPMG LLP that the report and the Council's response could instead be considered at the next available Full Council meeting, that being 20 July 2026.

4.2 At that meeting the relevant authority must decide— (a)whether the report requires the authority to take any action or whether the recommendation is to be accepted, and (b)what, if any, action to take in response.

5. Alternative Options Considered

5.1 None

6 Background Information

6.1 The Audit Committee received the Auditor's Annual Report [AAR Final Draft 16-01-26.pdf] (AAR) for the year ended 31 March 2025 from the Council's external auditors, KPMG LLP at their meeting on 29 January 2026. Within that report, it included the following:

We note that we have not raised any statutory recommendations as part of this audit. However, in relation to the financial sustainability recommendation on page 25, we expect that we will consider it necessary to raise such a statutory recommendation in future, should the budget for 2026/27 be approved without an appropriate level of planned savings to address the Council's challenging financial position.

6.2 On 2 March 2026, the Council agreed its budget for 2026/27. This has resulted in KPMG LLP concluding that it is appropriate to use their powers to make a written Statutory Recommendation under Schedule 7 (Paragraph 2) of the Local Audit and Accountability Act 2014 and have therefore, issued a Statutory Recommendation and two Non Statutory Recommendations to the Council which relates to the financial year 2025/26.

6.3 The Statutory Recommendation is:

Section 39 of AGN 03 identifies both "Unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan" and "Persistent failure to meet savings plans or financial targets" as illustrative significant weaknesses in arrangements for securing economy, efficiency and effectiveness in the use of resources or 'value for money' (VFM), in line with Section 20(1)(c) of the Act. Due to the challenging financial position at the Council, and increasing demands on resources, there is a risk that the Council does not have in place adequate arrangements in respect of its identification and monitoring of savings schemes to achieve financial sustainability over the short to medium term. The Council is exposed to a risk of significant financial loss as a result of inadequate arrangements.

As such, the Council must increase its savings targets for future years and deliver savings in line with these targets. A wider range of transformational savings must be identified and implemented to allow the Council to bridge the financial gap and reduce its reliance on EFS.

This is vital given that the continued use of EFS poses significant long-term financial challenges for the Council; at current rates, each £1m of EFS increases by approximately £62,000 the revenue costs to the Council each year for 20 years, assuming the amount borrowed is repaid at maturity. This figure is according to the Council's own projections contained within the '2025/26 Finance Update – Q1' presented to Cabinet on 16 September 2025.

6.4 In addition to the Statutory Recommendation above, KPMG LLP have also made the following enabling, non-statutory recommendations:

We recommend the Council works to change the culture across directorates to one where the financial implications of decisions are given as prominent a focus as the quality of service. Whilst the Council did begin to identify a number of cross-cutting initiatives in 2025/26, the delivery of these have been the worst performing area of the savings plans to date.

The Council should demonstrate a commitment from the Cabinet and officers to increase the level of savings being delivered and to make the process of both identification and monitoring of savings more robust. This can be achieved by ensuring earlier engagement with stakeholders and encouraging the full use of tools available, including those that enable more effective in-year monitoring. Importantly, these improvements should be enabled by an enhancement in organisational capacity, including building central project management capability, to effectively oversee and assist services to drive delivery.

6.5 The full details and a copy of the letter received from KPMG LLP on 18 May 2026 is set out in Appendix A. The Council's proposed response to the Statutory Recommendation and Non-Statutory Recommendations is set out in Appendix B.

6.6 Subject to Full Council agreeing to delegate the monitoring of the delivery of the actions proposed in this report to Audit Committee, it is proposed that monitoring of these recommendations will be added to the Action Plan and undertaken through the regular reporting of the Annual Governance Statement to Audit Committee. External Audit will also report on progress of the Statutory and Non-Statutory Recommendations during the course of the following year's audit.

7. Contribution to Strategic Outcome

7.1 Accepting the recommendations to this report is expected to improve the financial position and financial sustainability of the Council and enable the continued delivery of the Corporate Delivery Plan outcomes. Going forward, Through the delivery of the actions set out in Appendix B, financial plans will be aligned to the Corporate Delivery Plan but priorities and outcomes must be delivered within a smaller financial envelope.

8. Carbon and Climate Change

8.1 There are no direct implications on the Carbon and Climate Change agenda included in this report.

9. Statutory Officer Comments

Finance

9.1 If Council accepts the Statutory Recommendation and Non-Statutory Recommendations, the actions in response are expected to increase the level of savings agreed by the Council for 2027/28 onwards, improve delivery of these savings and reduce future reliance on Exceptional Financial Support. These outcomes together are expected to improve the financial sustainability of the Council.

9.2 If delegation of the monitoring of these actions to the Audit Committee is agreed, the actions will be added to the Annual Governance Statement Action Plan and monitored through the regular reporting of the Action Plan to Audit Committee.

9.3 External audit will also report on progress of the Statutory and Non-Statutory Recommendations during the course of the following year’s audit.

Strategic Procurement

9.4 Strategic Procurement has been consulted on the contents of this report. The recommendations and proposed responses do not give rise to any immediate procurement implications requiring a procurement decision by Full Council. However, Procurement and Commissioning has been identified as a priority area within the Council's Financial Resilience Plan and may contribute to the delivery of future savings, service transformation and value for money initiatives. Any resulting procurement, commissioning or contract management activity will be undertaken in accordance with the Procurement Act 2023, the Council's Contract Standing Orders and the Council's established governance arrangements.

Director of Legal and Governance

9.5 Under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014 (the Act), a local auditor may make a written recommendation to a “relevant authority” during or at the end of an audit, and any such recommendation must be sent to the Secretary of State. The Act defines a relevant authority as including “A London borough council”.

9.6 The basis for a recommendation to be issued is where the auditor considers that it would be in the public interest for it to raise an issue discovered during the audit, so that the authority can consider it or bring it to the attention of the public.

9.7 If a recommendation is made, then an obligation is placed on the authority under the Act to consider it at a meeting “held before the end of the period of one month beginning with the day on which it was sent to the authority”.

9.8 The Act stipulates that the body which is to consider the recommendation is Full Council, and that the function cannot be delegated further.

9.9 The Act requires the authority to give notice of the meeting in a prescribed format and location “before the beginning of the period of 8 days ending with the day of the meeting”. Confirmation is given that notice was published on the Council’s website on 10 July 2026.

9.10 The Act also requires the authority to provide a copy of the recommendation to all Members on a non-exempt basis as part of the meeting agenda papers.

9.11 At the meeting the Act stipulates that the authority must make a decision on the following two issues:

- “Whether the report requires the authority to take any action or whether the recommendation is to be accepted, and
- What, if any, action to take in response to the recommendation”

9.12 Once a decision is made, there is a twofold requirement under the Act for the authority to "As soon as is practicable" thereafter:

- Notify the auditor of what it is, and
- Publish on the website / such other prominent place where it will come to the attention of the public, a notice which contains as summary of the decision as approved by the auditor.

9.13 Confirmation is given that the Council's Audit Committee does have the Constitutional power to monitor progress being made to implement the Council's response to the recommendations by virtue of its following Terms of Reference:

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

9.14 There is no legal reason why Full Council cannot adopt the Recommendations detailed on page 2 of the report.

Equality

9.15 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

9.16 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty. Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

9.17 The financial sustainability measures proposed through the Statutory Recommendation and Non-Statutory Recommendations and the Council's response may have differential and potentially disproportionate impacts on residents and staff with protected characteristics.

9.18 The potential cumulative equalities impact of proposals within the Financial Resilience Plan and associated Delivery Plan will continue to be considered as individual proposals are developed. Any cumulative impact on residents will also be assessed through the Council's annual budget-setting process, including the preparation of a cumulative Equality Impact Assessment.

10. Use of Appendices

Appendix A – Letter received from KPMG LLP - Statutory Recommendation AND Non Statutory Recommendations in accordance with Schedule 7 of the Local Audit and Accountability Act 2014.

Appendix B – The Council's proposed response to the Statutory Recommendation and Non Statutory Recommendations in accordance with Schedule 7 of the Local Audit and Accountability Act 2014.

11. Background Documents

11.1 None.