

APPENDIX B - The Council's proposed response to the Statutory Recommendation and Non-Statutory Recommendations in accordance with Schedule 7, Paragraph 2 of the Local Audit and Accountability Act 2014.

This appendix sets out the full details of the recommendations received from KPMG LLP and the Council's responses for Full Council to consider. Key dates for each action are shown in **bold** where appropriate, but it should be noted that the Council has developed a three year Financial Resilience Plan and therefore many of these actions will continue into future years. Full details will be included in future updates of the Medium-Term Finance Strategy and Annual Budget Report as well as updates reported to Audit Committee through the Annual Governance Statement, should the recommendations Section 3 of this report be agreed.

Statutory Recommendation

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 FinanceUpdate – Q1' presented to Cabinet on 16 September 2025.

Council Response

Agreed. The Council has developed a three-year Financial Resilience Plan which recognises that addressing the financial challenges in Haringey cannot be resolved in a single year. The Financial Resilience Plan focuses on key priority service areas, mainly those where spending is high and there is the greatest opportunity to transform and re-design services and deliver savings through cost reductions or increased income. The areas are as follows:

- Adult Social Care
- Procurement and Commissioning
- Housing
- Income generation and income collection
- Customer Services
- Reductions in Senior Management roles
- Reduction in capital programme
- Council Tax

A Delivery Plan will be developed for each of these priority areas with the expected outcome of reducing spend and/or increasing income and a level of performance that aligns Haringey's spending with statistical neighbours. This will also include cost avoidance measures to limit the year on year increase in additional budget required to fund pressures while maintaining appropriate quality standards within services to meet its statutory duties.

All other services not covered by the priority areas above will be required to produce a Value for Money Action Plan with proposals to reduce spend and increase income that align Haringey's spending with statistical neighbours and cost avoidance measures to limit year on year increases in additional budget required to fund pressures over the next three years.

The savings / income / cost avoidance proposals for the listed priority areas and the VFM Action Plans are expected to reduce the budget gap in future years and the reliance on EFS.

The full details will be presented as a bundle of the proposed savings, together with the detailed delivery plans as part of the Medium-Term Financial Strategy to Cabinet in November 2026 and will be subject to the Council's decision-making process. Where opportunities identified can be delivered in year, immediate decisions will be taken to realise reductions in year and reduce the forecast £84m in year reliance on EFS.

Council Response
Monthly monitoring of the agreed savings will be through the Finance Recovery Board which is chaired by the Chief Executive and includes independent external sector experts for scrutiny and challenge with action taken against non-delivery. Progress will be reported externally to Cabinet and Overview and Scrutiny Committee through the quarterly finance reports and to Audit Committee as part of updates on the Annual Governance Statement. All Member briefings by the Section 151 Officer will take place during the year to update on the latest financial position as part of the usual budget setting cycle. Spending controls already in place will continue and a clear Section 151 Officer approval process will be introduced for any department to spend beyond its cash limits, to ensure that there is a clear and agreed funding strategy agreed if spending is deemed essential.
Accountable Officer – Corporate Director for Finance and Resources (Section 151 Officer)
Key Milestones: • November 2026 – publication of the MTFS and proposed savings for consultation. • March 2027 – Full Council to agree the draft budget for 2027/28 and updated MTFS and progress against the three-year Financial Resilience Plan.

Other Observations and Recommendations

Non-Statutory Recommendation 1

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.

Proposed Response to Non-Statutory Recommendation 1

Agreed. All decisions already include statutory finance comments and all decisions over £25,000 require Section 151 sign off to confirm that the spending is essential and the budget provision is available. Going forward, the Section 151 Officer will review how reports are written and presented, including those at Cabinet to ensure that the financial impact of the decision is a prominent feature of the report and all Cabinet Member introductions reference the financial impact of the decision **(From September 2026)**.

In 2026/27, the Commissioning Panel will continue to review and challenge all new commissions for services (funded by revenue) through a formal gateway approval process over £160,000 but this threshold is expected to reduce to £25,000 during 2026/27 **(by March 2027)**. The panel which consists of a panel of commissioning experts who scrutinise requests to ensure there is a clear evidence base for need, quality of service is in line with other authorities, all options are considered, including proposals to reduce spend.

In 2026/27, the new governance on capital spending will continue to be embedded. All schemes in the programme will be subject to review and those not in flight or can be paused will be considered for removal from the capital programme. No scheme will be included in the capital programme without having been subject to the new capital governance and an approved business case by Strategic Capital Board. Ongoing monitoring of business case assumptions and delivery of retained schemes will be through the capital governance framework **(By March 2027)**.

All other spend over £1,000 will continue to be subject to the Spend Control Panel process. Directors will continue to have discretion over determining if spend is essential and therefore not subject to panel decision but in 2026/27, these decisions will be subject to sample checks to ensure that essential criteria is met **(From September 2026)**.

Proposed Response to Non-Statutory Recommendation 1

The Cabinet have been briefed on the financial position, and this will continue through the financial planning process in developing the draft budget for 2027/28 onwards in a smaller financial envelope. All Member briefings by the Section 151 Officer will take place during the year to update on the latest financial position as part of the usual budget setting cycle.

Externally, through officers and Members the Council is committed to be open and transparent about its financial challenges and the steps as set out in this response to bring the budget back into balance, the options considered, choices made and the reasons why. These external communications will commence from September 2026 and will be formally reported through the MTFS and draft budget proposals published for Cabinet in November 2026.

The Council acknowledges that its delivery of savings must improve. A new tighter monitoring and reporting process is in place for 2026/27 and all existing savings and new savings identified through the Financial Resilience Plan will have an identified Corporate Director and Director lead that will be held accountable for delivery and managed through the Finance Recovery Board **(From July 2026)**.

Accountable Officer – Corporate Director for Finance and Resources (Section 151 Officer)

Non-Statutory Recommendation 2

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.

Proposed Response to Non-Statutory Recommendation 2

Agreed. Work has commenced on the 2027/28 financial planning process alongside the development of the Council's new Corporate Delivery Plan.

All members through the Member induction process have been briefed on the Council's financial position and more detailed updates have been provided to Cabinet to highlight the challenge we must address through the Council's Financial Resilience

Proposed Response to Non-Statutory Recommendation 2

Plan as set out in the response to the Statutory Recommendation above. All Member briefings by the Section 151 Officer will take place during the year to update on the latest financial position as part of the usual budget setting cycle.

The full details will be presented as a bundle of proposed savings, together with the detailed delivery plans as part of the Medium-Term Financial Strategy to Cabinet in November 2026 and will be subject to the Council's decision-making process **(November 2026)**.

The Council is committed to consider any early decisions on spending reductions that can be taken in year (mid year budget proposals) that will have an immediate impact on improving the Council's financial position and this may include undertaking consultation of changes in policy as soon as feasible possible to ensure full year impact of any changes in 2027/28 **(From September 2026)**.

Given the Council's current political structure and No Overall Control, All Members will continue to be regularly briefed on the financial position. Support and engagement will be in place with oppositions groups in the development of any alternative budget they put forward **(From June 2026)**.

Identification of savings options will use a range of tools, including benchmarking of performance and spend against other authorities, ideas from previous years and a review of all savings proposals put forward by other authorities over recent years **(November 2026)**.

As detailed in our response to Recommendation 1, the Council acknowledges that its delivery of savings must improve. A new tighter monitoring and reporting process is in place for 2026/27, and all existing savings and new savings identified through the Financial Resilience Plan will have an identified Corporate Director and Director lead that will be held accountable for delivery and managed through the Finance Recovery Board. **(From July 2026)**

Progress will be externally reported through Cabinet and Overview and Scrutiny Committee and to Audit Committee through the update on the Corporate Risk Register and the Annual Governance Statement **(From September 2026)**.

The Council acknowledges that delivering the level of changes and savings needed through its Financial Resilience Plan will require capacity and expertise dedicated to delivery. Therefore, the Council's transformation efforts and capacity will be concentrated on the areas where we can have maximum impact and also where there is the highest priority need for improvement and re-design that will lead to savings. Any funding of additional capacity and skills will need to be agreed through

Proposed Response to Non-Statutory Recommendation 2
the Section 151 Officer and the £2.5m set aside in the 2026/27 budget through the Flexible Use of Capital Receipt. The Council's change and project support capacity will be aligned with the priorities set out in the Financial Resilience Plan (From July 2026) .
Accountable Officer – Corporate Director for Finance and Resources (Section 151 Officer)