Auditor's Annual Report for Haringey London Borough Council

Year-ended 31 March 2024

28 January 2025

Contents

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This report is addressed to Haringey London Borough Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Haringey London Borough Council (the 'council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our responsibilities under the ACT, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:

Financial Statements - To provide an opinion as to whether the financial statements: give a true and fair view of the financial position of the group and the council and of their income and exsioditure during the year and. have been properly prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting 2023/24 ('the Code').

Other information (such as the narrative report) – To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the council.

Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the council to secure economy, efficiency and effectiveness in its use of resources. We also provide a summary of our findings in the commentary in this report..

Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued a disclaimed opinion on the council accounts on 28 February 2025. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts ahead of the statutory backstop date of 28 February 2025. Further details are set out on page 7. We have provided further details of the key risks we identified and our response on pages 9-12. Additionally, we are the auditor of the Haringey Pension Fund financial statements. We have issued a qualified opinion on these financial statements as we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the backstop date. Further details are set out on page 8.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the council.
Value for money	We are required to give an opinion as to whether the council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that the council does not have appropriate arrangements place. We identified 4 significant weaknesses in respect of arrangements to secure Value for Money. Further details are set out on page 13.
Other powers	See overleaf.

Executive Summary

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have raised 6 other recommendations relating to significant weaknesses in arrangements.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action on these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements

Audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the council's financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the financial statements

We have issued a disclaimer of opinion on the Council's financial statements on 28 February 2025. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, the assessment of any impacts on the financial statements in respect of the outstanding objection and incidences of fraud, the carrying amount of property, plant and equipment, pension assets, the valuation of investment properties, disclosures of related party transactions, and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024 in relation to both the Group and the Council.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Group's and the Council's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Group's and the Council's net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on their income and expenditure and cash flows for the years then ended.

Audit of the financial statements

Our disclaimer of opinion on the financial statements

Additionally, we are the auditor of the Haringey Pension Fund accounts. We have issued a qualified opinion on the Pension Fund financial statements on 28 February 2025. The reasons for our qualified opinion is as follows:

The Accounts and Audit (Amendment) Regulations 2024 (the “Amendment Regulations”) require the Pension Fund to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the “Backstop Date”).

We have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date, including the valuation of investment assets with a carrying amount of £1,709,824,000 as at 31 March 2023. Therefore, we were unable to determine whether any adjustments were necessary to the net assets of the fund available to fund benefits as at 1 April 2022 or 31 March 2023 or whether there were any consequential effects on the profit and losses on disposal of investments and changes in market value of investments for the years ended 31 March 2023 and 31 March 2024.

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the London Borough of Haringey (as administering authority for the Pension Fund, the “Authority”) in accordance with, UK ethical requirements including the FRC Ethical Standard.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our qualified opinion.

Our full audit reports are included in the Council’s Annual Report and Accounts for 2023/24 which can be obtained from the Council’s website. Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit of the council.

Significant financial statement audit risk	Findings
Valuation of land and buildings The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The council adopts a revaluation policy in relation to freehold and long leasehold land and buildings, with a full valuation occurring as at 31st March each financial year. Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied. The value of the council's Land & Buildings at 31 March 2024 was £2.9bn. The last revaluation took place as at March 2024. The council appointed an external valuer – Wilks Head & Eve - to perform the revaluation as at 31 March 2024.	While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings: • We inspected the instructions issued to the valuers for the valuation of land and buildings and verified they were appropriate to produce a valuation consistent with the requirements of the CIPFA Code. • We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information and noted several discrepancies, with incomplete information being provided to the valuer such that WHE were unable to assign a value to circa £50m of DRC assets (£18m of which were completed during 23/24). We have raised a control deficiency in respect of the incomplete information and timely completion of the capital exercise at year end. • Whilst we did not conclude over the entire Land & Buildings balance, we challenged some of the key assumptions within the valuation as part of our work. In relation to the Council's housing stock which is valued at EUV, we were satisfied that the value of the Beacons used by the valuer were appropriate and in line with market conditions. However, we noted inconsistencies in the Beacons (property type) assigned to each property by the valuer when compared to the Council's records and have raised a control recommendation in this regard. As this has not been satisfactorily resolved during our audit we are not able to conclude on this work. • We have completed work over £919m of DRC assets and we have assessed that the use of BCIS Indices, Location Factors & Obsolescence Factors were appropriate and that these assumptions were balanced and reasonable. • We were able to assess that the information provided by the Council to the valuer relating to the Gross Internal Area of the Council's assets was accurate

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit of the council.

Significant financial statement audit risk	Findings
Management override of controls Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.	While we are disclaiming our audit opinion we are still required to identify our audit findings based on the work performed. We have identified the following audit findings: • We evaluated the selection and application of the Council's accounting policies and concluded that these were in line with the 23/24 CIPFA code. However, items relating to income or expenditure that fall below £20k are not accrued or deferred in the accounts, that is, they are recorded in the period in which the cash is received or spent rather than the period to which they relate. The risk here is we cannot confidently conclude how many transactions this has been applied to and the value of the impact - albeit they would be unlikely to reach the materiality threshold. • We identified 71 journal entries and other adjustments meeting our high-risk criteria – however we did not complete our examination and testing of these entries. • We did not reach a conclusion in regards to our work over accounting estimates within the financial statements. However, we did assess several assumptions which drive the estimate over Land & Buildings and found these to be reasonable where we were able to complete our work. • Our procedures did not identify any significant unusual transactions. • We identified a control deficiency in regards to management's review and approval of journals entries

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit of the council.

Significant financial statement audit risk	Findings
Valuation of post retirement benefit obligations The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council. The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements. We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.	While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings: • We are mandated to consider the design of controls around approval of the pensions assumptions because these relate to a significant audit risk. The control currently in place is a management review control ('MRC'). Such controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria to be considered effective. From discussion with management, it has been determined that although the actuarial assumptions are assessed on a high level, the review is not performed on a detailed enough basis to reliably and consistently address the risk that the assumptions used in the valuation may not be appropriate. Additionally, management do not produce control documentation to evidence the performance of this review, therefore the MRC has been deemed ineffective. • We evaluated the capability, competency and objectivity of the actuaries to confirm their qualifications and the basis for their work with no issues noted. Also, basis inquiries performed with LGPS Actuaries, no unusual transactions were noted. • We considered that the assumptions used in valuing the defined benefit obligation and concluded overall to be balanced compared to our central actuarial benchmarks. • Individually all assumptions are balanced except mortality future improvements, which is considered as cautious but within a reasonable range. This is mainly because management's specialist considered 1.50% as the long-term trend rate as compared to our central rate of 1.25%. • There is no change in methodology while setting the actuarial assumptions except for mortality, which is set in line with the most recent triennial funding valuation and allowance for future improvement has been updated from CMI 2021 model to the CMI 2022 model to reflect the latest available industry data. Our actuaries have assessed the change and believe it is reasonable. • The Actuarial Funding Valuation for the Pension Fund, with an effective valuation date of 31 March 2022, was completed and signed in the prior accounting period. Given this is the first year of audit for KPMG, we have considered the following areas and noted no issues: Funding position and agreed contributions, areas of uncertainty around data or benefits, the completeness, existence and accuracy of benefits paid and valuation adjustments. • We have verified the cashflows data, i.e. input data used within the calculation of the scheme valuation by obtaining the direct confirmation from the auditors of the pension fund and noted an overstatement in benefits paid during the year. • Management proposed to record full surplus, on the basis that present value of future service cost and contributions are greater than current surplus. Our actuaries have reviewed the workings and concurs with the proposed treatment. • We have reviewed the Council's disclosures and proposed few presentational changes.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit of the council.

Significant financial statement audit risk	Findings
Fraud Risk from Expenditure The Council has a statutory duty to balance their annual budget. Where a council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This creates an incentive for manipulation of expenditure recognised in the year. While the Council had usable reserves of £97.2m (as at 31st March 2023) upon which it is able to ftw where needed, this balance has reduced over recent periods which underlines the increasing budgetary pressures it is experiencing. We consider that this risk is focussed around the completeness of manual accruals (i.e. excluding those which are system-generated such as Goods Received Not Invoiced), with the council looking to push back expenditure to 2024-25 to mitigate financial pressures.	While we are disclaiming our audit opinion we are still required to identify our audit findings based on the work performed. We have identified the following audit findings: • We selected a sample of invoices and bank payments after year end and obtained sufficient supporting evidence such that we did not identify any unrecorded expenditure or liabilities that should have been included within the 23/24 accounts. • Whilst not directly linked to the significant risk, we note that we have tested the completeness, accuracy and existence of Other Operating Expenses with no issues noted, with the exception of the spend relating to Social Care due to a system migration where we were unable to gain assurance on the data transfer due to time restraints. • We note that work is still being undertaken by the Council to satisfy themselves over the potential impact of any fraudulent transactions due to the lack of requisite controls of spend beneath the £160k threshold within the procurement system. This is a direct response to historical fraudulent activity that took advantage of the £160k threshold, for which appropriate control remediations have not yet been put in place. As such the Council could not quantify or assess the potential impact of any further fraudulent transactions upon the 23/24 financial statements. The result of this is that despite our satisfactory conclusion of the above testing of invoices & bank payments, we would not be able to conclude our work over the expenditure significant risk.

03

Value for Money

Value for Money

Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:

- **Financial sustainability**: How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We are not required to consider whether all aspects of the Authority's arrangements are operating effectively. We are also not required to satisfy ourselves that the Authority has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	16	26	30
Identified risks of significant weakness?	✓ Yes	✓ Yes	✓ Yes
Actual significant weakness identified?	✓ Yes	✗ No	✓ Yes
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified

Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

Haringey is a London Borough covering a diverse area of North London, including Tottenham, Wood Green & Crouch End. The borough is home to a multicultural population, reflecting a mix of backgrounds, languages & traditions. The Borough is home to approximately 270,000 residents.

Haringey is undergoing significant regeneration, particularly in areas like Tottenham, with new housing, transport upgrades and business opportunities. Like many London Boroughs, Haringey faces significant challenges such as housing demand, economic inequality and sustainable development.

The Council recognises these challenges and aims to ensure access to health services and support for adult residents as well as developing a housing strategy to meet both current and future needs.

The Council owns approximately 15,500 homes formerly managed by Homes for Haringey (wholly owned by Haringey Council), a service which was brought back in-house in 2022/23. Recent years have seen significant challenges within the Housing service, with a self-referral to the Regulator of Social Housing resulting from the backlog of electrical and fire safety checks and the level of units not meeting the Decent Homes standard. During 2023/24, good progress has been made against the actions agreed with the Regulator.

The Council faces significant financial pressures through a combination of cost inflation, increased demand for its services, and reduced central government funding. As a result, the Council has a budget gap for 2024/25 of £37 million.

Financial Sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that 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; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budget Setting 2023/24

- The Council’s budget setting process is underpinned by the Council’s Financial Regulations. For the year 2023/24, the Council began the budget setting process far in advance of the financial year, with Budget Fortnight taking place in July 2022 with the output included in the draft budget in December 2022.
- Executive Directors are responsible for setting budgets for the Service Lines they lead, with budgets adjusted for any known pressures within the Directorate and any efficiencies required. Directorates strive to ensure their budgets are realistic and achievable by identifying cost pressures from a number of sources including but not limited to: policy changes; economic indicators; contracting data; and in year budget monitoring.
- There was an Overview & Scrutiny Committee meeting in January 2023 which gave opportunity to provide commentary on the Council’s proposed budget. Review of this meeting confirmed that the appropriate information was provided to those in attendance to facilitate appropriate scrutiny. This included the total agreed revenue budget reduction proposals for 2023-2028, new revenue growth proposals for 2023/24, Medium Term Financial Strategy (MTFS) savings tracker and budget scrutiny recommendations. The final 2023/24 budget was approved by the Council in February 2023.
- The approved budget was a balanced one, with budgeted spend of £279.5m after incorporating an assumed £3.5m contribution from the Strategic Budget Planning reserve. As can be seen on the next page, outturn at 31 March 2024 was an overspend of £21.8m.

Monitoring

- The council has a clear budget monitoring timetable. Each directorate has a dedicated business partner who attends monthly meetings where budgets are discussed and they provide challenge and support to senior managers. A savings tracker is also presented as part of the monthly reporting using a RAG rating. KPMG has viewed this document for 23/24 and many savings were not given a RAG rating. Equally, commentary was not provided against any savings schemes nor any actions documented to mitigate where shortfalls had been identified. We are therefore not satisfied that throughout 23/24 that the budget monitoring process and associated committee scrutiny was sufficient to identify and analyse pressures that could present risks to the achievement of the Council’s financial plan. See our recommendation on page 20.
- As at Q1 of 2023/24 Haringey were reporting a forecast overspend of £16.6m, made up of a base budget overspend of £13.5m and savings challenges of £3.1m. The overspend was driven predominantly by significant increases in demand for adult social care services, and a sharp rise in demand for temporary accommodation and related costs. The final overspend, of £21.8m was driven by a £4.3m overspend in Children’s services, linked both to demand and increased placement spend and also to overspends within schools, and an overspend on Housing Benefit of £3.3m which was known during Q3 but could not at that time be quantified and built into revised budget expectations. The Council has a system for identifying and reacting to overspends but these examples demonstrate that unexpected pressures and changes in demand do occur and can have a significant impact on reported outturn.

Financial Sustainability

Financial Performance 2023/24

- Total overspend against budget for Haringey Council in 23/24 was £21.8m, with £5.1m and £15.1m of that overspend arising in Children's Services and Adult Social Care respectively, against a budgeted spend of £75m and 118m. The revised outturn across all directorates totalled £301.7m against a budgeted £279m. We therefore identified a significant risk around the Council's budget setting processes. **See significant VFM risk 1 on Page 19.**
- The biggest pressure for these directorates is demand – with a particular increase in mental health needs post the COVID pandemic. To address the overspend in these areas the Council are working on increasing direct payments and modifying the use of day centres to reduce the strain on council resources in the short term. In the long-term, the Council is focusing on playing its part in the integration of health, social care and community care with the aim of making care more person-centred and efficient.
- The General Fund capital programme reported an underspend of £140m. The Housing Revenue Account equally reported an underspend of £120m on its capital programme. These are mainly due to delays in schemes and pausing of schemes, driven by the rises in cost of materials and high interest rates, impacting on viability of most schemes.

Savings plans

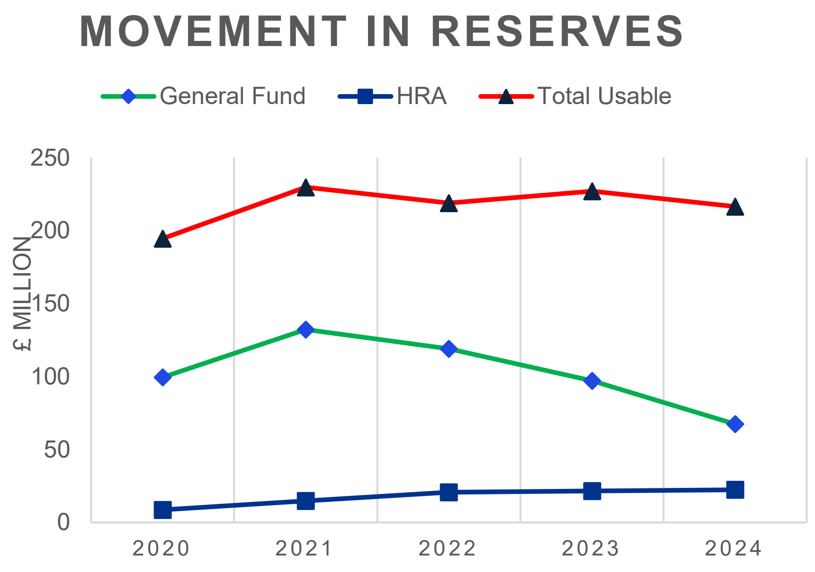
- For 2023/24, Directorates were asked to specifically identify efficiency schemes and present these at the annual Budget Fortnight. We have reviewed these and the level of detail varies between Directorates, with some instances of the financial impact not being established prior to Budget Fortnight. The process with regard to savings is decentralised on a project-by-project basis. This has led to inconsistency in the process followed in determining initial targets and subsequent monitoring.
- Due to ongoing budgetary pressures, the council must increase the savings target for future years, however it has under delivered in 2023/24 with £13.5m (77%) of the £17.5m target achieved. These were largely due to operational efficiencies which allowed the Council to reduce cost without negatively impacting the quality of the service provided. Delivery of savings requires a coordinated effort across all services and prominence given to financial impacts in all planning and decision-making activities. As can be seen in the table to the below, as of November 2024 the budget gap after agreed savings is set to grow substantially between now and 2030, which underlines the scale of the challenge faced by the Council. **See significant VFM risk 2 on Page 20.**

Savings gaps 2026/27 to 2029/30	2026/27 £'000s	2027/28 £'000s	2028/29 £'000s	2029/30 £'000s
Pressures	46,865	40,832	32,600	36,907
Agreed savings	(2,848)	(3,292)	(3,022)	-
Proposed savings	(8,677)	(6,440)	(125)	-
Total savings gap	**35,340**	**66,440**	**95,893**	**132,800**

Financial Sustainability

Reserves

- Councils are required by law to maintain adequate reserves. The principal reserve for a Council is the General Fund, which is used to meet day to day expenditure. The Council's General Fund balance has diminished over recent years. At 31 March 2024 it stood at £67m, which is almost half the balance at 31 March 2021.
- The overspend on the previous page led to an unplanned drawdown from earmarked reserves of £19.25m – against a budgeted £3.5m. This action was approved at Cabinet in July 2024 as part of the 2023/24 Provisional Outturn Report.
- The below graph highlights that the General Fund has dwindled substantially since 2021 and emphasises the need for the Council to develop a coordinated plan for better long term financial resilience.



Governance arrangements related to financial sustainability

- We have reviewed the Corporate Delivery Plan, which the Council published in 2022 for the 2022/23 and 2023/24 financial years. This details the Council's strategic ambitions and mission and includes the requirements for success in the provision of good value council services. This included aims around workforce, operational plans and included detail to support capital and estates. The aims were consistent with those included in the Council's Medium Term Financial Strategy hence we are satisfied that there is consistency between the financial & operational plans set.
- We have reviewed the Strategic Risk Register and note that the Council have numerous risks relating to financial sustainability and performance. These risks are presented to the Audit Committee on a quarterly basis. Our review of the Risk Register, alongside meeting minutes, confirmed that sufficient information was included to enable informed decision making. These include the risk score, mitigating actions and future actions.
- The financial sustainability challenges described in this section are well understood and acknowledged by officers of the Council. As a result of the gaps outlined on the previous page and wider financial challenges and pressures the Council is facing, the Council has applied to the Ministry of Housing, Communities and Local Government (MHCLG) for additional resilience funding in 2024/25. This is an important step to ensure a balanced budget can be delivered in 2024/25 and 2025/26 and will provide the Council room to plan effectively over the longer term and work to rigorously identify areas where savings can be achieved, however the scale of the challenge means that a significant and coordinated effort is required to do so.

Significant Value for Money Risk

1 Cost setting & budgetary process

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

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 cost setting and budgetary processes to achieve financial sustainability over the short to medium term.

Our response

We sought to understand the process for budget setting during the period and for future financial periods.

Our findings

Findings

The total overspend against budget for Haringey Council in 23/24 was £21.8m. This resulted from significant pressures in Children's Services and, particularly, Adult Social Care linked to demand for the Council's services in addition to general inflationary pressures.

Without an effective budget setting process, expenditure may exceed available resources, leading to a long-term deterioration in reserves available to the Council, principally the General Fund.

This is reinforced by a current estimate of a £37m gap to balance the budget for FY25. This is after assumed savings and management actions totalling nearly £8m. Over the medium term, the budget gap is projected to grow as outlined on Page 18 of this report, with the latest projections for FY26 being a £32m gap to budget, after assumed savings of £19m.

What this illustrates is that not only do the identified savings need to be delivered rigorously, but additionally the Council requires a coordinated plan, to which all Services contribute and are bought-in, to transform the way that the Council manages its budget and identifies savings.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to the cost setting and budgetary processes to achieve financial sustainability over the short to medium term.

See recommendations on Page 21.

Significant Value for Money Risk

2 Identifying & monitoring cost saving schemes

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

The council does not have adequate processes to identify or monitor cost saving schemes to address the significant budget gap. There is a risk that, given the level of reserves held by the Council, the current quantum of savings identified is insufficient to meet the ongoing expenditure of the Council.

Our response

We sought to understand the process for identifying the cost saving schemes and how these are subsequently monitored throughout the year.

Our findings

Findings

The council's cost saving identification process is decentralised on a project-by-project basis leading to a inconsistency in the process followed in determining initial targets and subsequent monitoring.

Due to ongoing budgetary pressures, the council must increase the savings target for future years, however it has under delivered in 2023/24 with £13.5m (77%) of the £17.5m target achieved.

This lack of an effective process for identifying and delivering cost saving programmes risks putting pressure on an already strained financial outlook. The budget gap after taking into account agreed savings is set to grow substantially between now and 2030, by which point the gap stands at £132.8m. This is clearly a pessimistic figure that assumes the Council does nothing to address the financial pressures it faces, but it underlines the scale of the challenge faced by the Council.

Conclusion

The Council is exposed to a risk of significant financial loss as a result of inadequate management arrangements to date, with a lack of process for the systematic identification of savings opportunities and rigorous implementation and monitoring of savings plans.

Based on the findings above we have determined that there is a significant weakness in arrangements relating to the identification and monitoring of cost saving schemes. See recommendation on page 24 .

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	High	The Council set a balanced budget for 2023/24 but the outcome was an overspend of £21.8m 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 cost setting and budgetary processes to achieve financial sustainability over the short to medium term. The Council should create an organisation wide resilience plan which evaluates pressures and service delivery models and seeks to make longer-term decisions about the shape of the organisation, the configuration of services to make them a more financially resilient organisation, as well as doing the basics right and identifying productivity savings robustly	This recommendation is accepted. The Council's financial position is challenging and necessary action must take place to protect its long term financial sustainability and reduce reliance on Exceptional Financial Support. During 2024, a strengthened medium term and annual budget setting process was established which has set some good foundations but must be further improved during 2025. This has included: • Establishing a set of budget and financial planning principles. • An open and transparent relationship across the organisation, including with CLT and Members for organisational ownership of the financial position. • Review of financial pressures. This has initially focussed on 2025/26 but also across the 5 years of the MTFS. This is now based on the current financial position across services, particularly social care and housing demand (temporary accommodation), increasing the use of data and evidence to forecast pressures, scenario planning and a more realistic view of risks with the estimates. • Review of all current and proposed savings to test their validity and assurance on delivery. • Review of other assumptions, including inflation and pay to provide a more realistic financial position across the next five years. • Regular review of all assumptions through the annual budget setting process as new information comes to light, up to the point of publication. (Continued overleaf)

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	High	The Council should strive to make the 'Budget Fortnight' process more robust. This can be done by ensuring complete stakeholder engagement & complete information needed in a timely manner to ensure informed decision making. An improvement in forecasting can better help predict external factors that influence budget setting and various scenario testing can address uncertainties.	• Review of the Capital Programme which will be undertaken annually as part of the budget process and its governance. This includes establishment of a Strategic Capital Board to oversee the development, monitoring and reporting of the whole programme and improve the decision making of all schemes as well as prioritisation with the expectation of a reduced capital programme over the medium term, reducing the rate at which debt is increasing. A refreshed Budget Week in June 2024 and further planned for 2025 with a focus on increasing awareness and accountability of Leadership Network and time within the week for identifying budget proposals and delivery plans. • Review of 'committed' reserves, of which those which are uncommitted are exceptionally low given the level of risk faced by the authority. This has focussed on £22m of balances within the Services Reserve and Grants Reserve to identify any transfer into the Budget Planning Reserve. This review is underway and the outcome will be reported in the 2024/25 Outturn report and any balances expected to be required for addressing the current forecast overspend of £37m in 2024/25. This review includes the implementation of the budget principle of replenishing reserves over the medium term and an annual contribution has been assumed from 2026/27 onwards. • External support commissioned to support in a full review of all services to identify further opportunities to reduce costs and spending and increase income. An 'emergency response' will be put in place and overseen by the Chief Executive and Director of Finance and which will establish an organisation response to the immediate financial position for 2025/26. This will be based on an improvement and recovery plan. Progress will be monitored weekly and reported to Cabinet and Scrutiny as part of the quarterly finance report and will form a key part of the Annual Governance Statement reported to Audit Committee. (Continued overleaf)

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	High		All of the actions put in place in 2024 will continue and be further improved and strengthened but more will be required in light of delivering the recovery plan. For 2025, this includes; • A move towards medium term financial planning and work to balance the 2026/27 budget will commence before the end of the current financial year. • A review of the structure and format of budget week which will take place earlier in the year and allow more time to focus on delivery of change. • More structures communications plan with the whole organisation on the position and changes required. **S151 Officer – September 2025**

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	High	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 management arrangements. Due to ongoing budgetary pressures, the council must increase the savings target for future years, however it has under delivered in 2023/24 with £13.5m (77%) of the £17.5m target achieved. We recommend the Council works to change the culture across services to one where the financial implications of decisions are given as prominent a focus as the quality of service. The Council should then make the process of both identification and monitoring more robust by ensuring early engagement with stakeholders and encouraging the full use of tools available – in particular in-year monitoring documents.	The Council accepts this recommendation, and the development and monitoring of savings will be improved during 2025/26. A number of actions are already underway or planned, including: **Identifying Savings** • Publish a Medium-Term Financial Strategy (including a Capital Strategy) in July of each year to set the foundations for the forthcoming year, including the latest savings that are required. • Start the next financial planning process before the start of the forthcoming financial year. • Review structure and timeliness of budget week to ensure that budget ideas are generated earlier in the process and options for balancing the budget are known by July and there is an earlier focus on delivery plan being in place before the start of the financial year. • Move to a medium-term approach to financial planning such that budget ideas focus on ongoing efficiencies as well as more significant transformation and service redesign that may deliver benefits in the longer term. (Continued overleaf)

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	High		**Monitoring** • Review and re-prioritisation of Category A projects that will have an overall change framework, resource and programme governance to track delivery and benefits. • Improved monitoring through a tracker for all savings planned for 2025/26 and to be monitored and reported monthly and quarterly to Cabinet. This will include a RAG rating but also include the strengthening of the explanations for any non achievement, action plan and mitigations. • A review of previously discounted ideas that could yield sustainable savings and efficiencies in future years. • More focus on aspects of cross-cutting savings and efficiencies. In the past, and in-year, the Council has largely focussed on service-focused savings leaving a void in the corporate infrastructure to deliver across service teams and directorates. • Savings to be categorised through an efficiency and transformation lens, using categories such as service reduction, prevention, demand avoidance and management reduction, efficiency and productivity, growth and productivity. • Reporting through new emergency governance framework. **S151 Officer – September 2025**

Governance

How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

***Risk Management** - See Significant Risk details on page 29*

- The Risk Management Policy & Strategy was a key element of the risk management architecture during the financial period. Strategic risks are those which may threaten the achievement of the Council's strategic priorities.
- The Council has created a culture in which employees are responsible for identifying, assessing, measuring, monitoring, reporting and escalating risks associated with their functions or activities which feed into directorate and strategic risks. Once risks have been challenged and the appropriate actions developed, these will be added to the relevant risk register. These risk registers follow the same format as the Strategic risk register. Through review of internal audit reports and inquiries with management, we were made aware that there were gaps in the risk registers held at the Council. This resulted in our initial significant risk, detailed on page 29. Although risk registers are not always held at a service level, there is sufficient representation from senior service staff at Directorate level meetings above to enable risks to be captured on the directorate risk register. All directorates have a risk register.
- Risk scores (both current and target) are calculated by multiplying the potential impact by the potential likelihood of the risk. The Council uses a 5 x 5 matrix scoring system, which produces a range of scores from 1 to 25.
- The Strategic risk register is reported to committees. The risk report provides the following information against each risk to enable informed decision making: current impact; current likelihood; current risk score; proximity; and mitigating actions. The entries have a sufficient level of detail with well-considered mitigating actions.
- The Council's key risks as at January 2024 included:
  - Impact of cost of living on service demand;
  - The management of Council Property;
  - Cyber Security; and
  - Major failure of key supplier or partner relationships.
- Our review of meeting minutes identified that an Anti-Fraud & Corruption Report is shared with the Audit Committee quarterly throughout 2023/24. The contents of the report have sufficient detail to allow the relevant audience to be assured about the role of the Anti-Fraud function.

Governance

Legal & regulatory environment

- One of the functions of the Council is compliance with laws and regulations and its subsequent monitoring – this is included within the Council's Constitution, most recently approved by the Council in May 2023. Additionally, included within the Constitution is the role of the Monitoring Officer. The Monitoring Officer reports to the full Council or to the Executive in relation to an Executive function if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. No such reports were made in 2023/24.
- The Council stays informed about relevant legislative changes through Letters and Guidance notes from the Government. These updates are distributed to the appropriate departments responsible for implementing any legally mandated changes. Legal Services also share pertinent information with council departments and provide training or access to training resources.
- Following a breach of GDPR in which the Council's external solicitors released personal data to the CQC and an individual, the Information Commissioner's Office (ICO) offered a voluntary audit on overall compliance which took place in May 2024. The findings were 'reasonable' assurance on governance & accountability and training & awareness but 'limited' assurance in Personal Data breach management and reporting
- Through inquiry with management we are aware of isolated instances of Equal Pay claims in social care and schools. We have evidence to confirm that officers have dealt with these effectively and there is no evidence of this being a significant issue beyond these services. Given recent issues elsewhere in the Local Government sector we would recommend in future this issue is monitored through the risk management framework of the organisation to ensure the Council is sighted through local risk registers if and when this issue may emerge. Although likelihood may be low based on the level of instance of claims to date, potential impact is high and without recognition on the risk register the Council is hindered in its ability to identify and respond to these instances.

Policies & Procedures

- The Council's Code of Conduct documents the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. In addition to this, the Council's processes in place to monitor officer compliance are included within a separate disciplinary policy for statutory officers which works in conjunction with the Council's Code of Conduct. This document ensures officers, including the Monitoring Officer, are held to account. The Code of Conduct, and Code of Governance have not, however, been updated since 2019.
- We have inspected the Council's insourcing policy, which was created and ratified in 21/22, to enable services to be reviewed regularly as to whether insourcing should be undertaken. During 23/24 all services were asked to assess service delivery options as to whether insourcing can be achieved. This led to limited results, however the Council does insource many of its services.
- We note that the Council has an approved procurement strategy. As part of our review of this strategy we have identified a specific policy on engaging with local suppliers. For 23/24 87.34% of contracts awarded through the Dynamic Purchasing System (DPS) were to SMEs, with 31.62% of these being local to the borough.

Governance

Decision Making

- If there is a decision which is deemed to be a 'key decision', it will go through pre-decision scrutiny and the relevant committees. We note that the Council maintain a register of decisions, which is held on the Council website for public consumption. Our review of an example ‘key decision’, made within 2023/24, confirmed that discussion took place at the Placemaking & Housing Board in April 2023, before going to Cabinet in June 2023, with appropriate information available to members to make this decision which is evidenced in the minutes.

Purchase cards

- The Council operates a purchase card scheme. There is inadequate oversight of usage within each directorate and a lack of analysis of how the cards are used. There is no list maintained of cash withdrawals. As of April 2024, there were 259 active purchase cards in use across the Council. From April 2023 to December 2023 expenditure totalled £4.35m. This marks a significant increase (43%) in expenditure from 2022/23 to 2023/24. Purchase card purchases are necessary sometimes and they are approved retrospectively, but by this point the council is committed to the spend and it means that the regular purchase ordering process is not used which is in place to ensure budget holders have grip of expenditure in their areas, so extensive use of purchase cards creates increases risk around efficient use of resources. The value involved means we do not deem that this could meet the threshold of a weakness.

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	6	6
Head of Internal Audit Opinion	Reasonable Assurance	Reasonable assurance
Ofsted rating	No inspection of services in year	Good

Significant Value for Money Risk

3 Risk Management

Risk that value for money arrangements may contain a significant weakness linked to governance

Significant Value for Money Risk

The Council does not manage, report & assess risk consistently across different service lines, resulting in the possibility of unrecorded risks which could have a financial impact upon the wider Council.

Our response

We have reviewed risk registers held at various levels of the Council and inspected minutes to corroborate if these registers are appropriately discussed and challenged.

We have carried out work to understand the extent to which risk registers are in place at different levels.

Our findings

Findings

Although risk registers are not always held at a service level, there is sufficient representation from senior service staff at the Directorate level (above service level) to enable risks to be captured on the directorate risk register. All directorates have a risk register.

The Strategic Risk Register, reported through Audit Committee, provides the following information against each risk to enable informed decision making: current impact; current likelihood; current risk score; proximity; and mitigating actions.

The detail in meeting minutes does not fully reflect the level of discussion around risk that occurs in committee.

Additionally, the Audit Committee were provided with external training in July 2023 to reinforce their roles and responsibilities, including effective scrutiny of various risk reporting.

Conclusion

Based on the findings above we have not identified any significant weaknesses in the arrangement. We have made a best practice recommendation that the minutes from risk discussions are more detailed to give a more accurate reflection of discussion at meetings.

Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council 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; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Operational Performance

- Financial performance is reported quarterly and highlights departmental spending, actual and forecast variances to budget and any areas that may need attention.
- The Council employed Key Performance Indicators (KPIs) during 2023/24 to assess and evaluate the services it provides to residents. The Council's Corporate Delivery Plan outlines the strategic objectives and corresponding KPIs used to measure performance. Performance against these objectives is presented regularly at Cabinet meetings. Specific KPIs are used in different services. For example, in Housing Services, metrics such as emergency repair responses are used to assess performance.
- The Overview and Scrutiny Committee performs an important role in monitoring performance, per the Corporate Delivery Plan. Documented meetings were held in year to assess progress, as well as question and answer sessions with senior members of the Council to challenge the effectiveness of service delivery.
- The implementation of the above practices, and by combining financial and non-financial data, enables the Council to identify areas of improvement and subsequently enhance the services provided to residents.
- Our work over these arrangements, as well as interviewing management personnel, highlighted four key areas of concern in our risk assessment phase. The details of these can be found on the subsequent pages.

Improving economy, efficiency and effectiveness

Social Housing – See Significant Risk details on page 35

- The Haringey Council Housing Revenue Account (HRA) manages approximately 15,000 council properties. There have been significant pressures relating to void properties and an increase in legal disrepair costs. The HRA outturn was a surplus of £5.5m compared to the budgeted surplus of £8.2m. This includes a £4.9m drawdown from HRA reserves. Whilst HRA reserve balance at 31/03/204 is £22m, the ongoing pressures necessitate careful management.
- In January 2023, the Council referred itself to the Regulator of Social Housing because it identified a failure to meet statutory health and safety requirements for some Council owned homes. The Regulator issued its findings in March 2023, which outlined there were over 4,000 high risk fire actions, over 8,000 instances of no electrical safety checks and 32% of the council's social housing stock being classed as non-decent. By March 2024 the closing position was a significantly reduced number - with 1,798 high risk fire actions, 438 homes with no electrical safety certificate and a reduction of 10% in the council's non-decent social housing stock. Management have developed an action plan to respond to these deficiencies and made strong progress – with 9 of the 10 agreed actions with the regulator having been completed. In February 2024 the Regulator commented on the significant improvements made by the Council since the self-referral.
- Through inquiries we have determined the Council had a large level of void properties at any one time across its social housing stock. The Council's target is 150 void properties whereas Haringey had between 350-500 throughout the year. This impacts the Council's ability to provide homes to tenants to meet the demand.
- The council's void costs are greater than the average for a London borough, with void works cost per unit sitting at £250.76 against the median of £208.86. This is caveated by the level of the work the Council are doing to improve its housing stock, meaning more extensive works are needed to be carried out.

Commercial Property - See Significant Risk details on page 33

- Prior to 2021, the Council utilised a joint venture, Haringey Development Vehicle, for much of the management of its commercial property. The dissolution of this led to issues such as a loss of information and corporate knowledge. Through inquiry we identified staffing pressures and a lack of record keeping in relation to leases and minimal digitisation of records. The Council does not have full oversight of its responsibilities in relation to these leases, which could leave the Council open to unexpected maintenance and repair costs, or legal claims regarding health & safety. This equally limits the Council's ability to ensure it effectively collects rental income.

Improving economy, efficiency and effectiveness

Agency Staff - See Significant Risk details on page 39

- We are aware through our inquiries and review of payroll costs that the Council has a higher agency spend than most - circa 20% of payroll spend - putting it in the top 3 of London Boroughs in terms of absolute spend. It should be noted that it is difficult to draw direct comparatives as Haringey also deliver a lot of its services in house when compared to some other Authorities. This affects certain roles more significantly, such as social workers and professional capacities such as accountants, lawyers & town planners. There is a risk that the council lacks experienced embedded staff for continuity, consistency and cumulative knowledge. The council is overpaying for specific roles as they are unable to fill them substantively. In Culture, Strategy and Engagement, at the end of the year, the agency staff totalled 68, amounting to 12% of the total headcount. Of this, 35 individuals have had more than one year of service and 19 have a day rate greater than £500.

Procurement - See Significant Risk details on page 36

- Through our inquiries with heads of service lines, and review of Council policies, we are aware the procurement team at Haringey currently have limited visibility on contract management across the Council and the monitoring of KPIs. There are varying degrees of contract management present at the council. The procurement team has no oversight on any spending decisions below £160k. A significant amount of spend is with SMEs who may fall below this threshold. Contract renewals and variations are the responsibility of the service line resulting in a further lack of oversight on significant agreed elements of spending. One of the roles of the procurement team is to support services to get the best possible value and it is unable to do so under the current arrangements.
- It is the responsibility of the services to ensure the contract information in the systems is accurate. There is no formal process that validates the accuracy of any of the contract information within the systems. There is an intention for a new centralised contract management platform to be introduced in 2025.
- This resulted in significant deficiencies in the monitoring of the contract to manage the Council's leisure centres during 23/24. Deficiencies had been identified but not appropriately escalated and no KPIs had been set, with no plan in place to manage the arising deficiencies. This has caused the council to write off 53% of the £5.8m owed by the external provider . The services have now been in-sourced.
- The Council utilises a contract register within SAP to monitor the tendering and review of its significant contracts. There is no evidence the contract register has been analysed for potential efficiency or cost-saving opportunities. Individual services are responsible for monitoring and reporting contract savings. Strategic Procurement lacks oversight of service spending and relies on services to communicate savings after contract delivery. The current systems do not have the functionality to produce valuable monitoring data.
- There is no performance reporting to senior management to allow for effective scrutiny of the contract management process. We were also made aware that there are a number of contracts in the system with neither an end date nor value, with no centralised system for procurement to check the validity of the information input by the services.

Significant Value for Money Risk

4 Commercial Property

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

Significant Value for Money Risk

There is a lack of oversight and processes in place for the effective management of the commercial property portfolio across areas such as leases, repairs and health & safety, which could impact the Council's return on investment and legal responsibilities as a landlord.

Our response

We have considered the processes in place for the management of the Council's commercial leases.

We have assessed if the Council has adequate knowledge of its leases and the underlying terms such that it can effectively budget for any financial implications.

Our findings

Findings

The Council does not have full oversight of its responsibilities in relation to leases – driven by a lack of record keeping and digitisation. This brings several potential financial, legal and operational challenges.

Without effective oversight, there may be missed rental payments or a failure to adjust rents or lease terms in line with current market conditions.

The above could also lead to neglecting legal obligations in relation to maintenance or compliance with health & safety.

From an operational perspective, poor oversight may hinder the Council in utilising its portfolio effectively to achieve its broader goals. This management of public assets can erode trust in the ability to manage taxpayer resources effectively.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to commercial property.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	High	A Council needs full oversight of their responsibilities in relation to commercial leases. At Haringey there are ineffective processes in place for the management of the commercial property portfolio across areas such as leases, repairs and health & safety, which could impact the Council's return on investment.. The Council should review all commercial property leases to ensure accurate and accounted for. Where gaps are identified, steps should be taken to address them.	These weaknesses have been highlighted in the Commercial Property audit and broadly accepted. We have strengthened the Commercial Property team and are in a better position to reactively manage the portfolio, the weakness is with data and systems. The intention is to fully review all property records held by LBH and implement and store data in an improved Property Management system which will enable us to store lease information digitally, and act on it in accordance with lease terms and obligations. This will also allow for better financial control over transactions and debt management. Ahead of that, we are systematically working through our leases, actioning lease events, and identifying and managing any onerous conditions. There are limitations in how we can record and store this data which is why a digital solution is much needed. This includes ensuring safety and repairing obligations are clarified between landlord and tenant, fulfilling our statutory obligations and achieving best consideration. **Head of Resilience – April 2027**
4	High	The Council should consider investment in a system solution incorporating entralised document management with standardised checklists for identifying key terms of leases and automated tools to monitor important dates, such as the expiry of lease terms.	The council recognises its shortcomings in not having an effective property data solution. We are actively working on this, as set out in the Council's Strategic Asset Management and Property Improvement Plan. We have identified the scope of a property review programme, completed soft market testing of suitable Property Management software, and are now working to develop the business case to gain approval for this investment. **Head of Resilience – April 2027**

Significant Value for Money Risk

5 Social Housing

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

Significant Value for Money Risk

There is a risk to the Council’s repairs and maintenance programme across its social housing portfolio. With respect to compliance, there was a regulatory self-referral during 2023. Additionally, high void rates are impacting the council’s return and the housing of local tenants.

Our response

We reviewed the correspondence relating to the self referral to the regulator as well as the ongoing action plan.

Our findings

Findings

In January 2023, the Council referred itself to the Regulator of Social Housing because it identified a failure to meet statutory health and safety requirements for some Council owned homes.

The Regulator issued its findings in March 2023, which outlined there were over 4,000 high risk fire actions, over 8,000 instances of no electrical safety checks and 32% of the council’s social housing stock being classed as non-decent. By March 2024 the closing position was a significantly reduced number - with 1,798 high risk fire actions, 438 homes with no electrical safety certificate and a reduction of 10% in the council’s non-decent social housing stock.

Management have made strong progress against the action plan – with 9 of the 10 agreed actions having been completed.

The remaining open action relates to the non-decent stock, which was agreed with the regulator would be remediated over a period up to 2028.

The Council was set a target for 23/24 to make 1000 properties decent and the Council overachieved on this – with 1,245 reported at the end of February 2024.

With respect to voids, although numbers are above the London average, this is in part due to the condition of the stock mentioned above leading to more extensive work needed to bring properties up to the standard needed for occupation.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements. Whilst there were weaknesses in arrangements during the period of audit, we believe that management have already put in place appropriate actions to address these issues in the short to medium term.

Significant Value for Money Risk

6 Procurement

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

Significant Value for Money Risk

The Council does not have adequate procurement processes in place to enable it to achieve value for money in respect of contracts entered into for services received.

Our response

We have reviewed the processes in place for contract management and oversight of contract renewal and virements.

Our findings

Findings

The procurement team at Haringey currently have limited visibility on contract management across the Council and the monitoring of KPIs. There are varying degrees of contract management present at the council. The procurement team has no oversight on any spending decisions below £160k.

Strategic Procurement lacks oversight of service spending and relies on services to communicate savings after contract delivery. The current systems do not have the functionality to produce valuable monitoring data.

There is no performance reporting to senior management to allow for effective scrutiny of the contract management process

A lack of monitoring and involvement of procurement specialists may lead to Council funds being wasted on poorly managed or negotiated contracts.

From a compliance perspective, the Council is expected to adhere to a number of related regulations. Again, this lack of oversight exposes the Council to a risk of non-compliance.

Insufficient tracking and monitoring may result in unidentified quality and performance issues, which could result in disruption and diminution in the quality of services provided.

In extreme cases high profile failures can attract negative media attention, as experienced in respect of the Council’s Leisure Services contract, threatening the loss of local taxpayers’ trust.

Conclusion

Based on the above we have determined that there is a significant weakness in arrangements relating to procurement.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
5	High	The Council does not have adequate procurement processes in place to enable it to achieve value for money in respect of contracts entered into. Strategic Procurement lacks oversight of service spending and relies on services to communicate savings and contract details after delivery. The current systems do not have the functionality to produce valuable monitoring data. The Council should ensure the implementation of the incoming new procurement system is prioritised. This will allow the team to have effective oversight on the monitoring of contracts. Relevant data should be discussed with senior members of staff to report performance and/or identify efficiencies.	This recommendation is accepted and implementation of new Procurement system is planned but review currently underway to ensure successful implementation across the organisation and support the Procurement Modernisation Plan to improve procurement processes, improve compliance and ensure all contracts offer value for money. This includes: • Review of scope of the current planned system, ensuring that the system meets all the requirements of the Procurement Act 2023 (PA). • Review of implementation plan, including timescales and budget. This includes a review of the programme to date to identify lessons learnt and make the changes to ensure successful implementation for the remainder of the programme. The new system will not be in place for February 2025 and therefore alternative manual processes are being developed to ensure compliance with PA. • Strengthened governance of the implementation progress has been put in place with SRO as the Director of Finance and for which the Programme Board includes all key stakeholders who enable the delivery. • Communications and engagement plan with services to ensure implementation at the point of organisational readiness. It is recognised that the implementation of a new system supports the Procurement Modernisation Plan. Therefore, although a key factor, its implementation alone will not lead to the improvements needed in Procurement practice and compliance which will require a series of other actions which are currently in progress (See Management Response on next page). **S151 Officer – September 2025**

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
6	High	The Council should ensure services do a stock-take of contracts held to ensure procurement have access to this information and any key responsibilities and renewal dates therein.	This recommendation is accepted. A review of procurement processes is underway and in line with the Procurement Act 2023 (PA) that will come into force in February 2025. This includes: • Centralisation of all procurement activity associated with contracts over £25,000 which will be managed and overseen through the Strategic Procurement Team. Strategic Procurement will also monitor and ensure compliance for spends under £25,000. • All contracts over £2m to be published on the website to align with the PA. • Directors required to submit quarterly an update on their pipeline of procurements planned for the next two years, with Strategic Procurement maintaining an up to date contracts register. • Communications and Education plan to be developed to ensure all services comply with the requirements of the PA and new CSOs, including a review of the Code of Practice. • Establishment of a new Procurement Board which will among other things will oversee the pipeline of procurement activity (monitoring progress and timeliness of forthcoming procurements), compliance with CSOs, review of individual procurements at each gateway stage and compliance monitoring of all procurement activity. **S151 Officer – September 2025**

Significant Value for Money Risk

7 Agency Staff

Risk that value for money arrangements may contain a significant weakness linked to economy, efficiency & effectiveness

Significant Value for Money Risk

The Council utilises significant levels of agency staff, resulting in a risk of increased spend and lack of continuity across various services.

Our response

We have assessed the level of agency spend and headcount across the council to understand the underlying factors and benchmarking against other local councils.

Our findings

Findings

The Council has a higher agency spend than most - circa 20% of payroll spend - putting it at the top end of London Councils. Particular issues arise within social workers and professional capacities such as accountants, lawyers & town planners.

The council is overpaying for specific roles as they are unable to fill them substantively – albeit there are some associated cost mitigations (e.g. pension costs).

More pertinent are the potential non-financial implications of high temporary staffing levels. A high turnover of staff may lead to the disruption or reduced quality of important public services.

Additionally, significant agency use is associated with higher staff turnover, which increases the risk of loss of knowledge and 'corporate memory' when staff members leave, as well as the subsequent pressures associated with training incoming staff.

Staff may also be less likely to 'buy into' the Councils long term strategic objectives, affecting the ability to meet these goals.

The latest available data shows Haringey having an agency headcount of 15.99%,putting it third out of the London Boroughs. This data is subject to change but unlikely to move significantly.

Overall agency spend of £45m is the third highest overall, and highest in outer London. However, this data may be skewed by the level of insourced services offered by the Council versus outsourced (where cost would not be categorised as staff costs) when compared with other boroughs.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements. The financial implications of high agency usage are broadly cost neutral. This is an issue across London councils and although needs action, it does not equate to a significant weakness.

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