

## **MINUTES OF A MEETING OF THE AUDIT COMMITTEE**

**THURSDAY 30 OCTOBER 2025**

**Councillors Present:**

**Councillor Anna Lynch in the Chair**

**Cllr Ben Lucas (Vice-Chair), Cllr Sophie Conway,  
Cllr Zoe Garbett, Cllr George Gooch,  
Cllr Patrick Pinkerton, Cllr Midnight Ross,  
Cllr Caroline Selman, Cllr Gilbert Smyth,  
Doyin-Salau (Independent Member) and Marsh  
Anthony (Independent Member)**

**Apologies:**

**None**

**Officers in Attendance:**

**Ademola Ayinde , Internal Audit Manager  
Christiana Ajilore, Legal Representative  
Deirdre Worrell, Group Director, Finance and  
Corporate Resources  
Mark Kirkham, Forvis Mazars External Auditors  
Michael Sheffield, Corporate Head of Audit, Anti  
Fraud and Risk Management  
Mizanur Rahman, Assistant Director Corporate  
Finance  
Nicholas Fletcher, Forvis Mazars External Auditors  
Pradeep Waddon, Head of Treasury, Banking and  
Accounts Payable  
Suresh Patel, Forvis Mazars External Auditors  
Tom Greensill, Forvis Mazars External Auditors  
Jessica Feeney, Governance Services Officer**

### **1 Apologies for Absence**

There were no apologies for absence.

### **2 Declarations of Interest**

There were no declarations of interest

### **3 Minutes of the Previous Meeting**

**RESOLVED:**

**That the Minutes of the previous meeting held on 18 June were approved as a correct record.**

### **4 Unaudited Statement of Accounts 2024-25**

- 4.1 The Assistant Director of Corporate Finance informed members that the 2024/25 unaudited accounts were published on 30 June 2025, meeting the statutory deadline for public inspection and the national backstop date for completion of the audit is 26 February 2026. The following financial highlights throughout the report were provided to members.
- The general fund balance increased from £18m to £19m.
  - Overall reserves reduced by £38.6m, mainly due to overspends in social care and temporary accommodation, and £12m invested in transformation and school closure programmes.
  - Identified key areas for improvement followed from financial pressures and uncertainty in social care, SEND, temporary accommodation, declining school rolls, cyber impacts, and housing disrepair.
- 4.2 The Chair noted the ongoing reliance on reserves, with £26.3m used in 2024/25 to fund overspends, describing this as unsustainable. Members were urged to maintain robust budget monitoring, particularly within high-spend directorates.
- 4.3 The Chair welcomed the inclusion of governance improvements in the report and emphasised the importance of addressing long-standing financial pressures.
- 4.4 Councillors queried the timeline for the external audit. The officer confirmed the process was underway, with completion required by 26 February 2026 to avoid a disclaimer opinion. A member also queried the reduction in the New Homes Bonus, which was confirmed as a result of central government phasing out the scheme.
- 4.5 The Assistant Director of Corporate Finance was questioned regarding pressures in temporary accommodation and repairs budgets. Officers advised that demand growth had slowed but remained high; overspends were being mitigated through a Temporary Accommodation Supply Board and improvements in planned maintenance procurement under the Housing Improvement Plan. It was noted that AWAB's Law, under the Renters Reform Act, applies primarily to the private rented sector but could have indirect implications for council repair obligations.

**RESOLVED:**

**That the Audit Committee:**

- I. Approved the Council's Unaudited 2024/25 Statement of Accounts, subject to the completion of the external audit.**
- II. Considered and approved, in its own right, the Annual Governance Statement contained within the Statement of Accounts.**

**5 External Audit Progress Report 2024/25**

5.1 The external auditors introduced the report. The Committee was informed that there were two outstanding objections remaining on the 2023/24 accounts due to legal technicalities; the external auditors hoped to close before Christmas 2025 and that Audit work for 2024/25 was ongoing and on track to meet the statutory February 2026 backstop deadline.

5.2 Members of the Committee discussed the following points:

- It was reiterated by the Chair Councillor Lynch that the Committee must remain alert to the continued use of reserves and temporary accommodation costs.
- It was asked about the scale and timeframe for resolving the identified weaknesses in value for money arrangements. The External Auditors confirmed that the weaknesses related to data on temporary accommodation arising from the 2020 cyber-attack rather than finances..
- Members queried whether the depletion of reserves affects the Council's "going concern" status. The external Auditors explained that the concept of going concern does not formally apply to local authorities; however, continued unsustainable use of reserves could lead to the Council seeking exceptional financial support from central government.

**RESOLVED:**

**That the Audit Committee noted the contents of the report.**

**6 Finance Update**

6.1 The Chair agreed to take the Finance Update and the Treasury Management Update as one item. The Group Director, Finance and Corporate Resources, the Head of Treasury, Banking and Accounts Payable, and the Director of Corporate Strategy & Transformation gave a presentation, highlighting the following:

**General Fund & Overspend**

- 2025/26 forecast overspend: £10.1m, mainly in Children & Education and Adults, Health & Integration (£3.7m).
- Housing, Climate & Economy overspend: £1.9m (environmental operations + benefits pressures).
- Finance & Corporate Resources overspend: £1m (revenues admin).
- Overspend remains a major threat to financial sustainability; reserves at risk of exhaustion within 1–2 years.

**Reserves & Fair Funding**

- Planned use of reserves for 25/26: £10m; trajectory suggests severe depletion.
- Fair Funding Review likely to increase budget gap; expected final impact due mid-December.
- Early assessments (London Councils/IFS/Pixel) indicate significant losses for inner London, even with damping.

#### Governance & Recovery Actions

- Strengthened financial governance; Budget Recovery Board active.
- New CLT Resources Approval Panel to control recruitment and agency use.
- New Adult Social Care Finance Improvement Panel being established.

#### Agency Spend

- Forecast agency spend: £32m (down from £40m but rising again recently).
- Breakdown: £4.2m over-establishment, £24.4m covering vacancies, £3.4m maternity/long-term sick.

#### Housing (HRA) Position

- August forecast overspend: £8.4m; winter repairs risk noted.
- Planned £2m contribution to reserves won't be achieved; drawdown from earmarked and general reserves required.
- One off temporary accommodation income from LHA24 changes: £4.3m, not built into base budget.
- Major overspends: £5m DLO, £4.5m legal, £2.8m ADR, plus agency costs and safety-driven repairs.

#### Medium-Term Financial Plan (MTFP)

- Original gap: £51m; £35m savings identified, but gaps remain: £60m (26/27) - £14m (28/29).
- New pressures: higher pay award, extra borrowing costs, levy increases, insurance and business rates rises.
- Some income lines improving (CT/NNDR, EPR grant).

#### Reserves Outlook

- Opening usable earmarked reserves: £86.7m.

- Net use this year: £19m + £12.5m committed reserves.
- Projected usable reserves by April 2027: £9.2m.

#### Capital Programme

- Q1 forecast spend: £493m, £148m below budget (optimisation, viability reviews, delays, supply chain).
- Temporary accommodation investment delivering 150 homes this year, 150 more early 26/27.

#### Treasury Management

- 24/25 borrowing rose to £158m due to falling reserves and capital programme demands.
- Investments fell to £44m (and to £20m in Q2 25/26), reducing interest income.
- Compliance with prudential indicators maintained.
- Bank Rate at 4% in September; advisers expect possible further cuts.

- 6.2 Members shared frustration that issues around workforce deployment and agency spend were only now being fully recognised, and noted agency spend spike in July and suggested better management of leave and staffing.
- 6.3 Children's Centre savings was discussed and it was questioned why were planned savings not delivered, and what can be learned for future budgeting. The Finance lead could not give detailed response as this was not his service areas but explained that he will provide a written explanation. Savings delivery is monitored monthly, challenged by CLT, and non-delivery increases the budget gap.
- 6.4 It was questioned if the adult Social Care Improvement Board have targets. Members were informed that targets will include bringing the service back within budget, delivering planned savings, and reducing demand-driven costs through better management. The boards terms of reference were being finalised.
- 6.5 It was questioned what unachieved capital receipts linked to transformation referred to. Members were informed that the Council was using the flexible use of capital receipts to fund transformation work, but this depended on successfully selling assets. There was a risk capital receipts may not be achieved if assets did not sell.

## 7 Treasury Management Update

- 7.1 This item was considered under agenda item 6.

**RESOLVED:**

**That the Audit Committee noted the contents of this report and the Appendices.**

## **8 Corporate Risk Update**

- 8.1 The Corporate Risk Update was outlined to Members, there were no questions arising from this report.

### **RESOLVED:**

**That the Audit Committee considered the Risk Management Scorecard in Appendix 1.**

## **9 Chief Executive's Directorate Risk Register**

- 9.1 The Chief Executive's Directorate Risk Register was deferred to the next meeting.

## **10 Finance and Corporate Resources Risk Register**

- 10.1 Corporate Head of Audit, Anti-Fraud & Risk Management introduced the report to the Committee highlighting the following key points:
- Major financial risks due to budget overspend driven by rising service demand.
  - Additional concern over fair funding reforms, expected to worsen the council's financial position despite some recent positive signals.
  - Ongoing risks around budget monitoring, ensuring agreed savings and commitments are delivered.
  - Challenges in the capital programme and reduced commercial rental income due to wider economic pressures.
  - Budget Recovery Board identified as a key control to manage financial risks.
  - Significant ICT risks, including heightened cyber-security threats and the need for strong data management to support transformation plans.
  - New risks include: Increasing difficulty obtaining insurance cover due to market withdrawal and risk-averse insurers, Potential service disruption linked to the change in pension provider (not as severe as other risks).
- 10.2 A member noted concern about page 299 highlighting rising difficulties for tenants in meeting rent and questioned the implications. Clarification was provided that the referenced risk relates to commercial properties, not residential rent arrears.
- 10.3 The Committee queried delays to the customer services transformation programme, noting the risk register references slow development and uptake of new technology. It was explained that transformation aims to improve digital tools so that the majority of residents can self-serve, allowing customer services to focus on complex cases. Risk arises if digital tools are not built or

adopted at the required pace. The Chair noted that detailed responses should come from the relevant directors and a written response will be requested.

- 10.4 A Question was asked regarding the new risk concerning difficulty sourcing insurance, and whether the council had proactively approached insurers to identify available products and mitigations. The Committee was informed that the council works with its insurance broker to contact the market in advance of tenders. Significant challenges exist, especially for leaseholder and high-rise block insurance due to market withdrawal and increased risk aversion. Options being explored included increasing excesses, adjusting cover types, and collaboration with other authorities. The Current contract had one year remaining, during which modelling and mitigation options will be reviewed.

**RESOLVED:**

**That the contents of the report and the attached risk registers and controls in place was noted.**

**11 Audit and Anti-Fraud Progress Report to September 2025**

- 11.1 The Committee received the Audit and Anti-Fraud Progress Report, covering performance up to 30 September. Members were asked to note the report and approve the updated Anti-Fraud and Corruption Policy and Fraud Response Plan.
- 11.2 The Following Key items were highlighted in the report
- 13% of audits within the plan had reached reporting stage, compared with 20% in October 2024.
  - Audit resourcing issues in late 2023/24 and early 2024/25 had been resolved and the team was now fully staffed.
  - One audit had been deferred due to capacity constraints in the service area; other planned audits would maintain coverage.
  - An additional school audit had been commissioned at the request of Hackney Education.
  - Two limited assurance reports had been issued (Temporary and Agency Workers; ICT Change Management), with key issues identified around management information, monitoring of off-contract staff, and standardisation of account change processes.
  - Implementation rates for audit recommendations had declined (high: 100% to 73%; medium: 89% to 71%), partly due to a new tracking system and changes to reporting periods.
  - Notable follow-up activity had taken place in Climate and Homes, and Children and Education.
- 11.3 Members highlighted links between audit findings on agency staffing and wider corporate controls. The Chair noted the assurance provided through this work

and acknowledged the improvements introduced by corporate oversight of temporary staffing.

- 11.4 Officers reported that Anti-fraud activity had generated £1.5m in benefits during the first half of the year. Referral levels remained consistent with the previous year. Tenancy fraud outcomes had increased, with as many recoveries in the first half of the year as in the whole previous year. A revised Anti-Fraud and Corruption Policy was presented, updated in response to the Economic Crime and Corporate Transparency Act, which introduced a new corporate offence of failure to prevent fraud. The policy now incorporated anti-bribery controls and strengthened statements of top-level commitment.
- 11.5 Members queried the Cabinet Office partnership on tenancy fraud. Officers explained the National Fraud Initiative matching process and the collaboration with housing officers and legal services. The Committee noted that over 1,000 properties had been recovered since 2011.
- 11.6 Members asked about delayed audits; officers confirmed delays were granted where service capacity was limited, particularly during concurrent transformation activity. On the increase in limited or no-assurance audits, officers explained that post-cyber-attack constraints had delayed review of high-risk services and that the current situation actually represented a return to pre-covid levels.
- 11.7 Members queried whether fraud savings figures accounted for investigation costs. Officers advised that figures were conservative and varied by fraud type, with tenancy fraud estimates based on national metrics.

**RESOLVED:**

**The Audit Committee:**

- I. **Considered and noted the progress and performance of the Audit & Anti-Fraud Service to 30 September 2025.**
- II. **Considered and approved the updated Anti-Fraud and Corruption Policy and Fraud Response Plan (Appendix 5).**

**12 Audit Committee Work Programme**

- 12.1 The Audit Committee Work Programme was noted.

**13 Any Other Business that the Chair Considers Urgent**

- 13.1 There was no other business that the Chair Considered Urgent.

**Duration of the meeting:** 6.30 - 8.00 pm