London Borough of Brent

Auditor’s Annual Report
Year ending 31 March 2026

September 2026

Contents

01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for the London Borough of Brent during 2025-26 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The value for money auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2026 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025-26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue:

- Statutory Recommendations to full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. During 2024/25, the NAO consulted on and updated the Code to align it with accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. The deadline requirement for 2025/26 AARs is 30 November 2026.

Local government – context

Local government has remained under significant pressure in 2025-26

National

Past

Funding not meeting need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.

Workforce and governance challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present

Financial sustainability

Despite the Fair Funding Review 2.0, many councils continue to face significant financial challenges, including social care, SEND and temporary accommodation pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.

External audit backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future

Digital change

AI and digital change are automating routine processes and enabling more personalised services for residents. This is shifting workforce skills as councils seek productivity gains. Risks around digital exclusion, data quality, ethics, and governance mean strong leadership and controls are increasingly important.

Reorganisation and devolution

Many councils in England are impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

The London Borough of Brent is a London borough council and a unitary authority serving a population of approximately 353,000 residents. The Council operates a Leader and Cabinet executive governance model, under which Full Council is responsible for the Council's constitutional and policy framework, while the Cabinet takes key executive decisions and oversees the delivery of Council services. The Council's decision-making and governance arrangements are supported by a range of committees, including scrutiny committees and regulatory committees. The London Borough of Brent comprises 57 councillors representing 19 wards, with elections held every four years. Following the local elections held on 7 May 2026, Labour remained the largest political group with 26 seats, but no party secured an overall majority, resulting in a council under no overall control (NOC). Councillor Muhammed Butt continues as Leader of the Council, leading a Labour minority administration

It is within this context that we set out our commentary on the Council's value for money arrangements in 2025-26.

02 Executive summary

Executive summary – our assessment of value for money arrangements

Our overall summary of our value for money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2024-25 Assessment of arrangements		2025-26 Risk assessment	2025-26 Assessment of arrangements	
Financial sustainability	R	Significant weakness in arrangements identified in relation to medium-term financial planning and savings. Two improvement recommendations raised.	Two risks of significant weakness identified in relation to medium-term financial planning and savings/ transformation activity.	R	One prior year key recommendation, in relation to savings is retained and updated. One prior year key recommendation in relation to the sustainability of the budget is addressed and closed. We raise two new improvement recommendations. All prior year improvement recommendations are addressed.
Governance	A	No significant weaknesses identified; one improvement recommendation raised in relation to arrangements for producing financial accounts.	No risks of significant weakness identified.	G	No significant weaknesses in arrangements identified, no improvement recommendations raised. Prior year improvement recommendation is fully addressed.
Improving economy, efficiency and effectiveness	R	Significant weaknesses identified in relation to the Regulator of Social Housing's regulatory judgement.	One risk of significant weakness identified in relation to the quality of the Council's housing stock.	R	Significant weakness in arrangements for the Council's housing compliance, as a result of one prior year key recommendation retained and updated.

G	No significant weaknesses or improvement recommendations
A	No significant weaknesses, improvement recommendation(s) made
R	Significant weaknesses in arrangements identified and key recommendation(s) made

Executive summary (1)

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

The Council had a £18.3m overspend in 2025-26, predominantly met from reserves. The 2026-27 budget is balanced, without reliance on reserves or government support due to a favourable outcome of the Fair Funding Review on the Council's spending power and identification of £10.4m of savings. Our prior year Key Recommendation, and weakness, in relation the budget is addressed.

The Council updated its approach to identifying and managing savings with the aim of increasing success in this area. A significant weakness and Key Recommendation remains, pending the outcome of savings delivery in 2026-27, and further identification of savings to address a medium-term financial gap of £20m. The Council does not have sufficient budget stabilisation reserves to support this gap and will need to identify further savings. As these reserves, specifically, were used to support the 2025-26 outturn position, management will need to focus on protecting and replenishing the reserves for the future.

The budget remains closely aligned to Council priorities within the Borough Plan, despite and increased level of savings since the prior year.

The Council's Housing Revenue and Dedicated Schools Grant positions have stabilised in 2025-26 and the medium-term.

Governance

The Council has arrangements in place to identify and manage risk throughout 2025-26. There is an established Risk Management Strategy, supported by a Strategic Risk Register regularly reported to Audit and Standards Advisory Committee.

The budget setting process remains largely consistent with prior years, it is well-established, well-understood and well-embedded at the Council. Despite this, the Council sought to strengthen arrangements further by introducing an additional layer of budget scrutiny from the Budget Scrutiny Task Group.

The frequency, timeliness and content of the Council's budget monitoring reports continues to be appropriate and reflective of the Council's financial risk.

Management has effectively responded to our prior year improvement recommendation by producing good quality draft accounts for audit by the national deadline, supported by appropriate working papers.

Executive summary (2)

Improving economy, efficiency and effectiveness

Corporate performance against the Borough Plan 2023-2027 was reported to Cabinet quarterly. 46.7% of indicators were green-rated, red-rated indicators (23.3%) were concentrated in housing, actions to respond are ongoing.

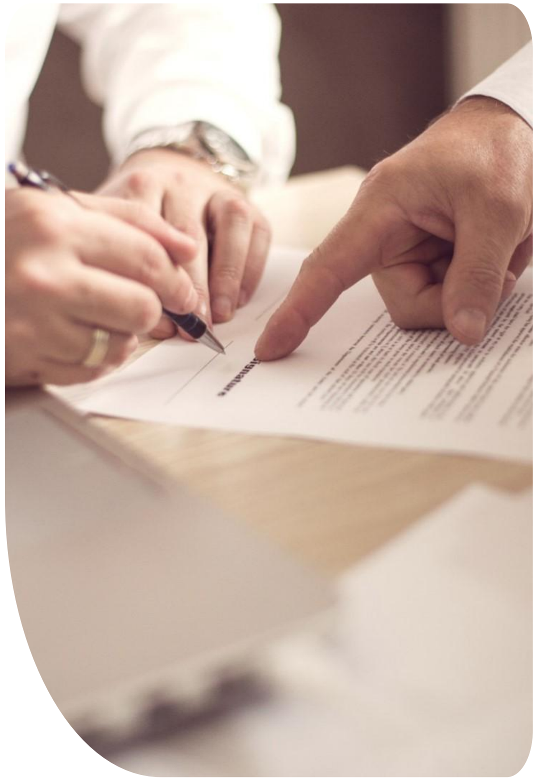
In May 2025, following the Council's self-referral, the Regulator of Social Housing (RSH) gave a ‘requires improvement’ C3 rating for failing to meet the Safety and Quality Standard in relation to accuracy and completion of fire safety data and housing repairs. A programme of work was put into place to rectify these failures with some progress being made. Despite positive developments, further progress is required to meet standards of compliance in several areas like fire, water and asbestos safety. We consider this to remain a significant weakness and retain and update the prior year Key Recommendation.

There has been continuing work to drive forward the Council’s Procurement Improvement Programme (PIP), which formally closed in April 2026 given sufficient improvement demonstrated.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2025-26 outcome
Opinion on the financial statements	Our opinion of the financial statements is anticipated to be an unmodified opinion. The details of our work can be found in the Audit Findings report, which form part of our external audit papers for the Audit and Standards Committee to consider and review.
Use of auditor's powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our opinion of the financial statements is anticipated to be an unmodified opinion. The details of our work can be found in the Audit Findings report, which form part of our external audit papers for the Audit and Standards Committee to consider and review.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2026 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025-26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the NAO Code of Audit Practice (2024, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2026.

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report can be found in our external audit papers pack which we are presenting at this Committee. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the Pension Fund financial statements, and whether we have used any of the other powers available to us as the Pension Fund's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2026. We issue an auditor's consistency report which includes our opinion that the 2025-26 Brent Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We expect to issue the consistency report at the same time as our opinion on the financial statements.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2026 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority accounting in the United Kingdom 2025-26; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report can be found in our external audit papers pack which we are presenting at this Committee. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Use of auditor's powers

We bring the following matters to your attention:

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

04 Value for money commentary on arrangements

Value for money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements (1)

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	**General Fund** - The Council reported a £18.3m overspend for the 202526 year, which was mitigated by the use of £16.7m of the Future Funding Risk Reserve and the remaining offset from the net underspend position on central budgets, to ensure a balanced budget. The Council set a balanced budget for 2026-27, based on realistic assumptions, supported by scenario planning and not requiring government Exceptional Financial Support. The 2026-27 budget seeks to strengthen the unallocated reserves position, following the use of reserves to balance the budget in 2025-26. Further details are provided on page 42, however these actions respond to the weakness and Key Recommendation raised in our prior year work. The Council updated its Medium-Term Financial Strategy (MTFS) to 2028-29, which includes the impact of the 3-year Local Government Settlement, following the Fair Funding Review. The Council was impacted favourably by the review; the settlement delivers increases in core spending power of 9.6% in 2026-27 for the Council, with further increases in later years 2027-28 (7.4%) and 2028-29 (7.0%), inclusive of 4.99% increases in council tax in all years. This allows management to build additional growth into the MTFS to stabilise demand-led budgets and replenish reserves over the medium-term – there is £54.2m growth in budgets overall, at the same time as £10.4m of savings. Despite this, there is still a forecast £20m gap in the medium-term, between 2027-28 and 2028-29. The Council does have sufficient earmarked and general fund reserves to support the position, although it is not sustainable to apply these to mitigate the gap, and would divert reserves away from their earmarked purposes. Management must now focus on identifying alternative solutions, such as additional savings, to meet the gap – we raise **Improvement Recommendation 1** (page 25) to encourage this focus on protecting reserves. (*Continued overleaf*)	A

G	No significant weaknesses or improvement recommendations
A	No significant weaknesses, improvement recommendation(s) made
R	Significant weaknesses in arrangements identified and key recommendation(s) made

Financial sustainability – commentary on arrangements (2)

We considered how the Council:	Commentary on arrangements	Rating
(continued from page 18)	**Dedicated Schools Grant (DSG)** – The cumulative DSG deficit at the end of 2025-26 rose to £20.2m. Prior to recent government announcements the Council needed to meet deficits from its revenue reserves at the end of 2027-28. Now, the Council is eligible for government support, in the form of the High Needs Stability Grant, supporting up to 90% of deficits at the end of 2025-26. The Council submitted the required Special educational Needs Reform Plan, to support its application for the grant, by the required deadline. The Council received a £2.1m increase in Revenue Support Grant resulting from a technical change to the baseline for the Fair Funding Assessment in 2025-26. Management used this to create a new reserve which will hold sufficient funds to resolve the remaining 10% of the accrued DSG deficit, such that no cumulative deficit remains. This responds to one element of our prior year improvement recommendation (see Appendix C page 47 for further details). **Housing Revenue Account (HRA)** – The outturn position for 2025-26 is an underspend of £0.1m, which was transferred to reserves, increasing the General HRA Reserve balance to £4.6m. The proposed 2026-27 HRA budget forecasts a break-even balance, maintaining the reserve levels achieved at the end of 2025-26. Management sets a target operating HRA reserve balance of 5% of rental income. For 2026-27 this equates to £3.7m, and plans are comfortably within this level. The HRA budget is set each year in the context of the 30-year Business Plan. The Business Plan is reviewed annually allowing for horizon scanning, sensitivity analysis and the identification and mitigation of risks in the short, medium and long-term. Baseline assumptions forecast consistently small surpluses over 30 years, with a projected HRA reserve balance of £154.7m in year 30, which could potentially be used to reduce debt. However, the Council has a track record of overspends, in addition to sensitivity analysis demonstrating that if voids run 0.5% higher than baseline, bad debt write off is 1% higher than baseline, and retail price index is 0.5% higher than baseline, there will be consistent deficits on the HRA with a negative reserve of £0.9m by 2035-36. Given the long-term nature of the forecasts, management has sufficient time with which to find solutions to mitigate risks identified from the sensitivity analysis. **Balance Sheet** – The Council holds significant net assets of £1.655bn at year-end, this is a small reduction of 1.1% compared to prior year. Within this, the Council holds fewer current assets than current liabilities, creating pressure should all liabilities fall due at the same time. As such we raise **Improvement Recommendation 2** (page 26) to encourage management to consider how it can strengthen this position.	A

Financial sustainability – commentary on arrangements (3)

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The 2025-26 budget included an £8.9m savings target, £6.9m (77.5%) of these savings were achieved. Although savings delivery was closely monitored, under-delivery contributes to the year-end overspend position. Savings of £10.4m are included in the 2026-27 budget, an increase on both the target and actual delivery in 2025-26. Management moved away from identifying and managing savings centrally via a top-down approach for 2026-27 and instead requested each service to identify its own savings and efficiencies. The aim is to make each department take ownership of its financial challenges, build resilience into future budget planning, and find savings that are realistic and specific to that service. Each department has its own savings programme, with clear targets, owners and reporting in place. A strong level of senior stakeholder engagement was observed through the process as savings were developed through meetings involving Cabinet and the Corporate Management Team, with support from the Embrace Change Programme, as well as individual departments heads. A key outcome from this process is that savings are now more evenly spread across departments, the purpose of which was to achieve stronger buy-in to deliver plans. On this basis, we think the increase in savings required compared to prior year, is reasonable and well-supported. Each individual savings scheme is supported by comprehensive and clear documentation which serves to support effective monitoring, transparency and accountability for delivery. For each scheme the type of saving, service impact, staffing impact, risks involved (and how they will be managed), financial impact, Equality Impact Assessment (EQIA) and responsible owner is fully understood. We identified a significant weakness in arrangements in the prior year and raised a Key Recommendation in relation to the Council's arrangements to deliver savings. We acknowledge the actions taken, specifically changing the way in which savings are identified. We will keep a watching brief in 2026-27 to determine if the actions taken impact outcomes, i.e. the savings identified can successfully be delivered under this new approach. Pending further evidence, the Key Recommendation remains open and is updated to ensure if reflects current circumstances and progress made, refer to Key Recommendation 1 (page 24).	R

Financial sustainability – commentary on arrangements (4)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's Borough Plan continues to set the vision for 2023-2027. The overarching theme of the plan is 'Moving Brent Forward Together', and this is achieved via 5 priorities - Prosperity and Stability in Brent, A Cleaner, Greener Future, Thriving Communities, The Best Start in Life, A Healthier Brent. The most significant areas of growth in the Council's budget are observed within the Service Reform and Strategy (SRS) Directorate, where the growth specifically relates to Adult Social Care Services, and Children, Young People and Community Development (CYPCD) Directorate. There is a degree of 'fire fighting' observed in the growth, with the budget re-based in these areas to respond to increasing demand, outside costs and changing demographics in these services. However, the budget is not solely reactive, with investment directed towards commissioning teams to work to limit fee uplifts in care packages, technology enabled care, and improving support for children transitioning into adulthood. This strongly aligns to values and priorities in the Borough Plan. Savings included in the budget are spread evenly across directorates, and, on a net basis, budgets across all directorates have grown as the Council invests in improving its services. Savings are focussed on prevention, early intervention or income generation. As such, the need to make savings as not hindered the Council works towards its goals.	G
ensures 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	The Council's People Strategy 2025-28 focusses on building a diverse, inclusive, and future-ready workforce. It aims to foster a culture of empowerment, tackle pay gaps, and use data-driven insights from staff surveys to ensure a supportive environment, where staff feel valued and represented. Workforce considerations are evident and implicit within the 2026-27 budget. Examples include a review of workforce to accommodate demand in the Planning Service, converting agency staff to permanent staff within Adult Social Care in 2025-26 (ongoing in 2026-27) and ongoing review of agency usage and consideration of the impact of pay inflation and the national living wage. The Property Strategy 2024-2027 aims to create a sustainable, compliant, and diverse portfolio that fosters thriving communities, taking one of four actions with regards to Council assets – strategic hold, actively manage, invest, and dispose. Within the Capital Programme and Strategy for 2026-27 and beyond, the Council is investing in its estate, with the largest areas of investment in regeneration and housing projects. Simultaneously, capital receipts from asset disposals fund a proportion of the programme, accounting for £61m of £1.4bn funding over 6 years. Asset disposals are scrutinised and approved by Cabinet to ensure that decision makers are satisfied with the rationale for disposal and have assurance that the Council can continue to effectively provide service following disposal. This responds to our prior year improvement recommendation, refer to Appendix C page 47. (*Continued overleaf*)	G

Financial sustainability – commentary on arrangements (5)

We considered how the Council:	Commentary on arrangements	Rating
(continued from page 21)	The Council aims to achieve a carbon-neutral Borough by 2030, through its Climate & Ecological Emergency Strategy 2021-2030. The Strategy focusses on reducing emissions by enhancing energy efficiency in buildings, promoting sustainable travel, reducing waste, and boosting green spaces and encouraging residents to join the Brent Environmental Network. There is strong alignment between the Strategy and the Capital Programme, which includes £40m investment in climate action projects, £0.075m for community-led climate projects, £2.1m for energy efficiency measures across the retained estate, £36m to development a District Heat Network in South Kilburn, £2.9m to install energy efficient heating in the Council-owned flats.	G

Grant Thornton insight

Climate data

Progress against the Climate & Ecological Emergency Strategy is monitored via the Council's Climate Action Dashboard. A variety of data sources are used to collate the information included in the dashboard, many external to the Council. The availability of relevant and timely data is not always within the Council's control, as such several metrics are dated between 2023 and 2025. The timeliness, relevance and reliability of the data could be improved, and so management may wish to explore alternative, internally produced data, to strengthen monitoring arrangements. The detailed dashboard tracking itself is notable practice. It achieves transparency and its predictive nature, based on forecasting outcome, allows decision Members to take action in good time.

Financial sustainability – commentary on arrangements (6)

We considered how the Council:	Commentary on arrangements	Rating
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council explicitly identifies risks within the 2026-27 budget, identification of these is supported by scenario planning and sensitivity analysis used in developing estimates within the budget. Those identified, and provided for, include demand pressures in housing services, Adult Social Care and Children's Services, increases in the London Living wage, market risk increasing costs in Adult Social Care, lack of caps applied to supported accommodation providers, costs of recruitment and agency staff, increasing costs of waste and leisure facilities and that Public Health grant uplifts may be insufficient to meet pay and contract inflation. Risks identified are considered to be complete and representative of the Council's operating environment. Identified risks are supported by analysis and data, ensuring that Members are well informed when approving the budget. Contingency reserves are held to mitigate unforeseen events, over and above these risks. A minimum of £4.1m has been allocated to a combination of contingency provision for 2026-27 and the replenishment of earmarked reserves. The level of contingency reserves is based on professional judgement, considering risks such as delivery of savings, demand pressures, funding uncertainty, and exceptional events, and creates an important buffer for the Council within its financial plans. Risks are then monitored through quarterly Financial Forecast Reports, presented to Cabinet.	G

Financial sustainability – Key Recommendation

Significant weakness identified in relation to financial sustainability

Key finding: In the prior year we identified a significant weakness in arrangements, and raised a Key Recommendation, encouraging management to quantify the savings identified through the Embrace Change Transformation Programme and integrate these into the Medium-Term Financial Strategy (MTFS), providing a pipeline of sufficient recurrent savings and income generation schemes supported by robust business cases through collaboration and business transformation. We note significant progress in responding to the recommendation, as highlighted earlier in the report. However, until there is evidence that the savings identified for 2026-27, under the updated arrangements, are delivering as expected, the recommendation remains in progress.

Evidence: Management has moved away from identifying and managing savings, centrally via a top-down approach for 2026-27, and instead requested each service to identify its own savings and efficiencies. This identified £10.4m of recurrent savings, quantified and included in the 2026-27 budget and MTFS as permanent savings. The savings are allocated to individual departments and assigned a responsible owner. Departments will take a lead role in managing their own savings delivery, as well as it continuing to be monitored via existing budget monitoring reports to Cabinet. At the time of writing, success of the delivery of the savings identified is unknown, and further savings are required in the medium-term to address a £20m MTFS budget gap. Therefore, the weakness is not yet fully addressed but significant progress has been made in responding.

Impact: If management is not able to effectively deliver all planned savings, the MTFS position will be negatively impacted, which could further reduce reserve levels and risk the medium-term financial sustainability of the Council.

Key Recommendation 1

KR1: Following changes to how savings are identified, through the Embrace Change Transformation Programme, management needs to both, focus on successful delivery of these savings, and work at pace to consistently apply these changes to identify the savings required to address the £20m medium-term gap in the MTFS. This will provide a continuous pipeline of sufficient recurrent savings and income generation schemes to achieve financial sustainability in the medium-term.

Financial sustainability – improvement recommendations (1)

Area for improvement identified: Protecting unallocated reserves

Key finding: Management forecasts a gap in the MTFS of £20m; £10m in each of 2027-28 and 2028-29 (this has since been updated to £5m and £15m, in respective years). The Council holds sufficient total usable reserves to support the gap as a temporary measure, but unallocated general fund reserves alone are not sufficient to respond and if reserves alone were used to support the gap, earmarked reserves would need to be diverted away from their planned purposes. This is not a sustainable solution, nor one that we are aware of management expecting to explore; however, it is important management identifies alternative solutions through the 2027-28 budget- setting process.

Evidence: The 2026-27 budget expects the Council to hold £45.2m in unallocated reserves – a general fund working balance of £22.5m and a Future Funding Risk Reserve of £22.7m, which is an uncommitted budget stabilisation to respond to future budget risk. This suggests the Council has sufficient uncommitted reserves to support the MTFS gap, as a temporary measure. However, the budget was set prior to confirmation of the 2025-26 outturn position. The year-end position required use of the Future Funding Risk Reserve of £16.7m, reducing the reserve to £6m. This is not sufficient to support the MTFS gap alone. Pending alternative solutions being identified, management would either reduce the general fund working balance below the acceptable threshold set by the Council (5% of net expenditure, or approximately £20m) or require the use of earmarked reserves. The Council expects to hold £40.5m in committed earmarked reserves and service budget reserves at the end of 2026-27.

Impact: Although the Council has sufficient unallocated and earmarked reserves to support the MTFS gap of £20m, this is not a sustainable solution as reserves are a finite resource that need to be protected and replenished to support future financial risk.

Improvement Recommendation 1

IR1: Through the 2027-28 MTFS and budget-setting process management should focus on exploring ways it can boost the Future Funding Risk Reserve, whilst simultaneously protecting earmarked reserves, by identifying alternative measures to fund the MTFS budget gap.

Financial sustainability – improvement recommendations (2)

Area for improvement identified: Strengthening the balance sheet

Key finding: At the end of 2025-26 the Council holds fewer current assets than liabilities, potentially hindering its ability to service these obligations.

Evidence: The Council holds fewer current assets than liabilities, by £53m and may need to consider ways it can strengthen its balance sheet. Management may explore how this can be achieved through its Treasury Management Strategy, as cash, cash equivalents and short-term investments account for 22% of current assets and have reduced by 5% since prior year.

Impact: Should all current liabilities fall due at once the Council could not meet these obligations with its available current, liquid assets.

Improvement Recommendation 2

IR2: Management should explore ways it can strengthen its balance sheet, specifically its current ratio, considering how this could be achieved through its treasury management practices.

Governance – commentary on arrangements (1)

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has established risk management arrangements to identify, assess, monitor and report strategic risks that could impact achievement of its objectives. A Strategic Risk Register is maintained and continues to be regularly reported to the Audit and Standards Advisory Committee (ASAC), which has oversight of the Council's most significant risks and mitigating actions. There were 13 strategic risks on the Register which is appropriate for a council of Brent's size, with the two highest possible risks identified around lack of affordable accommodation and non-compliance with statutory housing duties (refer to page 35). The Risk Management Strategy, dated 2023, is being refreshed, which is good practice as we expect key policies to be updated every two to three years. In addition, the Council maintains an effective Internal Audit function, and over 2025-26, it was noted within the Head of Internal Audit's opinion that there was improvement in management implementation of recommendations, which is positive. There were several limited assurance opinions issued over 2025-26, this included areas like AI governance and contract management which are discussed later in further sections of the report, nevertheless an overall 'reasonable assurance' opinion was issued by the Head of Internal Audit for 2025-26.	G
approaches and carries out its annual budget setting process	The budget-setting process remains largely consistent from prior years, it is well-established, well-understood and well-embedded. The process includes adequate time for consultation with budget holders, elected Cabinet Members, the public and other appropriate stakeholders. Budget reports are comprehensive in their detail, to ensure Members' decision-making is well-informed. There is clear focus on service pressures, risks and savings, with each assumption clearly justified. Management proactively strengthened budget setting arrangements by introducing the Budget Scrutiny Task Group, established on 2 September 2025 in time to input into the 2026-27 budget-setting process from the outset. This introduces an additional layer of challenge into the process, brings together a wealth of expertise and demonstrates a tangible response to a challenging financial environment in the sector. The Group, comprises of Members from both scrutiny committees (Resources and Public Realm, and Community and Wellbeing) and the Audit and Standards Advisory Committee, to ensure challenge and risk are at the heart of their review. The Group has supported existing stakeholder engagement, by holding a series of meetings with the Cabinet and Senior Officers between November and December 2025, and financial data, forecasts, benchmarking, narrative explanations, and risk information to help inform its findings and recommendations on the budget, which were considered by Cabinet in its approval of the budget.	G

Governance – commentary on arrangements (2)

We considered how the Council:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Budget monitoring arrangements remain consistent with the prior year, where no improvement opportunities were identified. The frequency (quarterly), timeliness (within 2 months of the period being reported on) and content of the reports continues to be appropriate and reflective of the Council's financial risk. The report is risk-focussed, providing the most detail on areas with the most significant variances, and forward looking, focussing on the forecast outturn and mitigating actions at directorate level. This allows Members to understand the tangible changes being made at the Council, achieving transparency and accountability, reviewing outcomes at subsequent meetings. Specific attention is paid to savings, as a separate appendix to the budget monitoring, which reflects and responds to the heightened risk in this area. In the prior year, we raised an improvement recommendation encouraging management to strengthen arrangements around accounts production and facilitation of the audit process in line with statutory deadlines. Although the 2024-25 audit process did face challenges the audit was completed, with an unmodified opinion, by the national backstop deadline of 28 February 2026. The 2025-26 draft accounts were produced by the national deadline of 30 June 2026, and the audit team is satisfied with the quality of these accounts and associated working papers. As such the recommendation is addressed, further details are provided in Appendix C (page 48).	G

Grant Thornton insight

Scrutiny scheduling

The Council's Scrutiny Committee tends to review the budget monitoring information following Cabinet review. It is common practice for scrutiny committees to review such information prior to Cabinet, for them to effectively support Members in decision-making. Management does aim to ensure that the Committee undertakes pre-scrutiny, but this is not always feasible due to Committee scheduling. Instead, in these instances, the role of the Scrutiny Committee is to focus on accountability and assurance, their emphasis is less on whether Cabinet should have approved a decision, and more on whether the Council is effectively managing its position. Management has alternative arrangements, where financial matters are urgent and scheduling does not align with formal public meetings. Specifically, the Chair convenes informal briefing sessions to enable a degree of pre-decision scrutiny in these instances and ensure that the Committee is not constrained by the schedule of formal meetings and can be agile to time sensitive risks as they arise. These arrangements do address the potential risk of the Committee not being able to fully realise its role. However, management may wish to consider if Committee scheduling can be reviewed to ensure that Scrutiny consistently occurs prior to Cabinet, to avoid additional arrangements being required, achieving transparency in scrutiny arrangements.

Governance – commentary on arrangements (3)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	Management can evidence sufficiently detailed, comprehensive and informative papers which support effective challenge, scrutiny and debate at Committee. We have not reviewed any evidence of inappropriate decision-making. Reports are supported by covering reports which clearly articulate recommendations, further detail, consideration of alternative options, relevant stakeholder engagement, as well as financial, legal, climate change and HR implications. In 2025-26, the Council continued to have two Overview and Scrutiny Committees: the Community and Wellbeing Scrutiny Committee and the Resources and Public Realm Scrutiny Committee. The Council's call-in process is operating effectively and utilised where appropriate to facilitate additional scrutiny of executive decisions. Over 2025-26, there was one call-in meeting in relation to decisions concerning the Barham Park Trust. The call-in process is used as a mechanism for further review of significant decisions and reinforces accountability within the decision-making process, use of this to further scrutinise decisions indicates that members actively exercise their scrutiny responsibilities. The Council's audit structure continues to include both an Audit and Standards Committee as well as an Audit and Standards Advisory Committee. Audit business is primarily conducted through the Advisory Committee, which in 2025-26 was chaired by an independent member and includes three additional independent members. This level of independent representation is indicative of robust governance arrangements and exceeds CIPFA best practice guidance, which recommends two independent members. In addition to this, a review of Committee effectiveness was undertaken which supports continuous improvement while also highlighting strengths and learning gaps.	G

Governance – commentary on arrangements (4)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council refreshes its Constitution annually, which sets out expected standards of behaviours for Members and officers through policies like the Members' Code of Conduct and the Protocol for Member/Officer Relations. There is an annual process in place for constitutional review, designed to ensure that the Constitution remains current, effective, fit for purpose and aligned with the external environment within which the Council operates. This provides assurance that governance arrangements are regularly evaluated and updated where necessary, we would consider this to be an appropriate control mechanism and good practice. The review undertaken in May 2025 included an update to the gifts and hospitality provision of the Member's Code of Conduct, which supports transparency, maintains public confidence and provides assurance that potential conflicts of interest are appropriately managed. Registers of interests are published on the Council's website, in line with good practice. Quarterly standards reports were considered by Audit and Standards Advisory Committee in 2025-26, supporting the maintenance of high standards of Member conduct and facilitating effective oversight of complaints and declarations of gifts and hospitality. In 2025-26, there were eight Member Code of Conduct complaints received by the Monitoring Officer, all were subject to the Council's assessment process and the majority of which are resolved. This is a relatively low number of complaints, suggesting that the expected standards of behaviour are generally upheld across the organisation. The 2025-26 Local Government and Social Care Ombudsman (LGSCO) statistics identify that the Council's rate of upheld complaints, together with the number of upheld decisions per 100,000 residents, is slightly higher than the average for comparable authorities. Nevertheless, the Council is not identified as an outlier for poor performance, and demonstrates strong responsiveness to Ombudsman findings, in maintaining a 100% compliance rate with recommendations and achieving a satisfactory remedy rate that exceeds the sector average. As a result, no recommendation has been raised as there is assurance that the Council is committed to learning from complaints and implementing appropriate solutions where failings are identified.	G

Governance – commentary on arrangements (5)

Grant Thornton insight

Governance – next steps

Overall, the Council's governance arrangements are strong, have been consistent and stable for several years and well engrained into business-as-usual process. This is reflected by the 'green' rating across all governance areas reviewed. With the introduction of new Members in 2026-27, following May 2026 elections, and a change in political balance, governance arrangements are being reviewed and updated.

Priorities the Council may need consider for the year ahead:

- Ensure assurance arrangements (performance, finance, risk) are in place to support the new corporate plan
- Continue taking stock of Member-officer relations following induction, and checking group dynamics under no overall control (NOC)
- Continue to engage and involve officers across the Council in advance of and as part of budget development in the context of this ebing the first time in over a decade that the Council is in NOC for budget setting.
- Stress-test constitutional provisions for budget amendments, given the more complex path to agreement under NOC
- Revisit Standing Orders in light of NOC, as it is ten years on from the last full constitutional review
- Begin scenario-planning governance mechanics for SEND and adult social care reform ahead of national change
- Active use of the Annual Governance Statement as an improvement tool, see suggested article for information and best practice - Making the Annual Governance Statement matter | Grant Thornton

Improving economy, efficiency and effectiveness – commentary on arrangements (1)

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Cabinet considers quarterly performance scorecards, which track progress against the five priority areas identified within the Borough Plan 2023-2027. Benchmarking is used to support performance reporting and continuous improvement. The Q4 Performance Report identified 46.7% of indicators to be green-rated, 23.3% to be red-rated and the remainder to be amber/contextual. A significant portion of red-rated indicators related to continued pressures in housing demand and temporary accommodation, both of which are also influenced by broader national challenges. Management is aware of the areas requiring continued focus in 2026-27 to drive improvement and looks to further deliver new council homes and to bring empty properties back into use; this will be followed up as part of our work in 2026-27. Artificial intelligence (AI) has been a primary area of focus for the Council, notably the Council established its own in-house automation capability through the Intelligent Automation Centre of Excellence (CoE), responsible for identifying, designing, and delivering automation solutions across the organisation. This is noteworthy, as it is relatively uncommon for local authorities within the sector to possess this level of specialist expertise and dedicated resource internally. The CoE enables the Council to drive innovation, improve efficiency, and support service transformation by leveraging AI and automation technologies. An internal audit review of AI governance commissioned by management resulted in a limited assurance opinion in August 2025. Since then, there is clear evidence that management is addressing findings and taking proactive steps to strengthen governance arrangements to drive improvement - this includes a follow-up internal audit review scheduled for 2026-27, a detailed deep-dive review presented to Audit and Standards Advisory Committee in February 2026, and implementation of refreshed risk management and reporting arrangements. These developments demonstrate Council awareness of existing gaps and development areas, with improvement activity being progressed in response. Given the work already underway and management’s commitment to addressing Internal Audit findings, we do not raise a separate recommendation within this report.	G

Improving economy, efficiency and effectiveness – commentary on arrangements (2)

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	The Council received positive feedback from Ofsted following the focused review of Children's Services in November 2025, which provided assurance regarding the effectiveness of service delivery and the Council's commitment to supporting vulnerable children and families but did not provide a formal graded judgement. The Council's last LGA Corporate Peer Challenge Report was received in April 2025, and a Progress Review Report was issued in January 2026 which commended the Council for the positive progress made in responding to identified recommendations. Following the Council's self-referral, the Regulator of Social Housing (RSH) gave a 'requires improvement' C3 rating for failing to meet the Safety and Quality Standard in relation to accuracy and completion of fire safety data and housing repairs, resulting in a key recommendation in our 2024/25 Auditor's Annual Report. Over 2025/26, the Council has developed and implemented a Housing and Tenant Satisfaction Improvement Programme (HTSIP) to drive forward improvement activity in housing quality, regulatory compliance, resident safety and satisfaction across the Council's housing portfolio. The Programme has three major projects, one of which is a remediation project primarily focused on addressing regulatory breaches and rebuilding compliance. The Council has taken proactive action following the C3 Judgement to appoint independent advisors to audit the Council's big eight areas of compliance, and to undertake a root cause analysis, with findings and recommendations incorporated into the HTSIP. These are positive developments and it is clear that the Council is on an improvement journey, however poor compliance in fire, water and asbestos safety was still being reported as at June 2026. As a result, the Council has not yet reached a position which would support an upgrade from its current C3 rating. Our key recommendation has been updated (**Key recommendation 2**).	R

Improving economy, efficiency and effectiveness – commentary on arrangements (3)

We considered how the Council:	Commentary on arrangements	Rating
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	The Council has continued to demonstrate a strong commitment to partnership working and collaboration, while also enhancing stakeholder engagement through its 'Have Your Say' consultation portal. The portal is a central feature on the Council's public-facing website, and provides a mechanism for engagement with residents, businesses, community groups and other stakeholders on matters like 2026/27 budget proposals and the Brent Connects agenda. There has also been work underway to strengthen partnership arrangements with the voluntary and community sector building upon a recommendation raised within the LGA Corporate Peer Challenge, demonstrating the Council's approach towards enhancing collaboration with partners in the public sector and voluntary community sector with a new Voluntary Community Sector Steering Group established. By strengthening these arrangements, the Council is enhancing its ability to work collaboratively with partners to address local challenges, improve outcomes for residents and to build a more coordinated local support network.	G
commissions or procures services, assessing whether it is realising the expected benefits	Over 2025-26, management maintained a strong focus on driving forward the Procurement Improvement Programme (PIP) and progressing the associated five workstreams. A Commissioning, Procurement and Contract Management Assurance Board (CPCMAB) was established for oversight, scrutiny, challenge and assurance over the PIP and other commissioning, procurement and contract management activity. Significant progress was made across the workstreams, including the successful recruitment of additional procurement resource to enhance capacity and resilience, a comprehensive review and refresh of procurement guidance, tools, templates, policies and supporting documentation, as well as the continued embedding of procurement and contract management expertise within service areas to promote greater organisational awareness and accountability. The PIP was closed in April 2026 as sufficient improvement had been demonstrated, nevertheless, management recognises that there are further opportunities to drive continuous improvement and to strengthen arrangements. Significant progress was also made in strengthening contract management arrangements across the organisation. As part of this work, management introduced a contract tiering approach to categorise contracts into four levels (platinum, gold, silver and bronze) based on their value, risk and strategic importance. (continued overleaf)	G

Improving economy, efficiency and effectiveness – commentary on arrangements (4)

We considered how the Council:	Commentary on arrangements	Rating
(continued from page 33)	This aligns with good practice and supports a proportionate, risk-based approach to contract oversight and management across the Council. A Contract Management Framework was developed and implemented in April 2026, supported by targeted training for contract managers across the organisation. Management is in the process of implementing a new centralised contracts register designed to improve the accuracy, visibility and management of contract information. The new register is scheduled to go live from August 2026 and planned to be integrated with the Council's tendering platform from 2027-28 onwards to provide a single consolidated system for managing the full contract lifecycle. Although Internal Audit issued a limited assurance review for contract management in draft in June 2026, this work was primarily undertaken prior to the implementation of the new Framework and other improvement activity. Discussion with officers and our review of findings indicates that recommendations are largely focused on ensuring that recent improvements are effectively embedded, consistently applied and sustained over time, rather than identifying new or systemic weaknesses within arrangements. The Council is currently transitioning from the implementation of improvement activity towards practical application and embedding within day-to-day activities. Our work did not identify a separate recommendation given the improvement activity over 2025-26. Despite formal conclusion of the PIP in April 2026, management remained committed to further strengthening arrangements and continues to build on progress achieved to date with ongoing initiatives to strengthen governance arrangements. Ongoing recruitment activity is also in place to enhance contract management capacity and to provide additional oversight over the Council's contract portfolio.	G

Improving economy, efficiency and effectiveness – Key Recommendation

Significant weakness identified in relation to the quality of the Council's housing stock

Key finding: A significant weakness and Key Recommendation was reported in our 2024-25 Auditor's Annual Report given the Council's C3 regulatory judgement (serious failings in meeting quality and safety consumer standards) issued in May 2025 from the Regulator of Social Housing following a self-referral. The Council has since been on an improvement journey through the development and implementation of its Housing and Tenant Satisfaction Improvement Programme (HTSIP) however continued and sustained improvement is still required to rebuild compliance, particularly in areas like fire, water and asbestos safety.

Evidence: The HTSIP is a comprehensive improvement plan with three projects: Building Safety Compliance, Housing Improvement, Estate Community Safety and Public Realm Improvement Project. The Building Safety Compliance Project is focused on addressing regulatory breaches, and each of the three projects has an individual Project Board reporting into the overarching HTSIP Board which is chaired by the Chief Executive. Boards meet monthly, with further updates reported to Cabinet for oversight over improvement activity.

Despite this, as at August 2026, the Council was still reporting compliance statistics where improvements are required for the following areas: overall compliance of 69% for fire safety risk assessments, 71% compliance for legionella risk assessments and water safety, as well as 5% compliance for asbestos reinspection and asbestos safety. Although we are noting gradual improvement in 2026-27 to date. Over 1,700 (19%) of assets still have no stock condition survey on record, despite management accelerating stock condition survey activity significantly in 2025-26. The Council is targeting C1 readiness by 2029 and appears to be on track for this with several years of improvement activity ahead, however continued focus on the delivery of the HTSIP and embedding of continuous improvement will be required.

Impact: Failure to deliver required improvements in response to the C3 judgement could lead to increased regulatory intervention and heightened scrutiny.

Key recommendation 2

KR2: Management must continue to drive forward improvement activity through delivery of the Housing and Tenant Satisfaction Improvement Programme against the C3 regulatory judgement, with a sustained focus on strengthening compliance for fire, water and asbestos safety. Progress against improvement must continue to be reported regularly to Cabinet to ensure sufficient oversight and assurance that necessary service improvements are delivered in readiness for the next inspection.

Pension Fund (1)

The Council is the administering authority for the Brent Pension Fund. As part of our value for money work we are required to consider the Council's arrangements in respect of the Pension Fund.

We considered the Pension Fund's:	Commentary on arrangements	Rating
Financial sustainability: Sufficiency of funds to meet liabilities	The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers' contribution rates. The most recent formal valuation, as at 31 March 2025, assessed the whole Pension Fund as being 113% funded. This is a strong position whereby the Fund is estimated to be able to meet its pension liabilities with its available assets. This is a significant and positive improvement from 87% funded at last valuation (March 2022). Benchmarking the Fund's investment management costs against other Local Government Pension Schemes (LGPS), based on 2024-25 data, the Fund was highlighted as having comparatively low costs compared to net investment assets at 0.179%. The Pension Fund has a deep understanding of the causal factors of the low costs, attributed to its investment strategy, ongoing fee arrangements, and as a significant proportion of Fund's assets are invested through pooled vehicles, the Fund benefits from economies of scale and competitive fee structures. In addition, the Fund has a relatively high allocation to passive investment strategies, which attract lower management fees than actively managed mandates. The Fund has appropriate governance and monitoring arrangements in place to ensure that any future increases are identified, challenged and considered in the context of the value delivered to the Fund.	G
Governance: Appropriateness of governance arrangements	The Fund's governance arrangements consist of a Pensions Committee and Pensions Board. The Pensions Committee has delegated responsibility to manage the Fund and is the decision-making body supporting the Pensions Board in its role to ensure compliance with LGPS regulations and legislation, and to ensure the effective and efficient governance and administration of the Fund. The two met sufficiently regularly, quarterly, in 2025-26. Standing agenda items and ad hoc reports cover a range of issues in relation to risk, performance and compliance. Local Pensions Partnership Administration (LPPA) is responsible for administration of the Fund against agreed Service Level Agreements (SLAs), reporting quarterly to the Pensions Board on performance. The average percentage of cases processed on time during the final quarter of the year was 98.9%, performance stabilised over the year, and no case types fell below the SLA target of 95%. Risks are appropriately mitigated or managed, and this is clearly articulated through the Pension Fund Risk Register, reviewed quarterly by the Pension Board. (*Continued overleaf*)	G

Pension Fund (2)

We considered the Pension Fund's:	Commentary on arrangements	Rating
Governance (continued from page 36)	The Pension Schemes Act 2026 received Royal Ascent in April 2026 and the Pooling, Management and Investment of Funds Regulations and Governance amendment Regulations were published in May 2026, coming into force on 30 June 2026. Under the legislation all investment assets in the Pension Fund will need to be held and managed by a pool company by 30 September 2026, unless it is not practicable to do so. 93% of assets were pooled as at 31 March 2026. The Pension Fund has worked with the London Collective Investment Vehicle (LCIV), signing an Investment Management Agreement, under which the Pension Fund's assets will pass to LCIV for their management, achieving the pooling requirements by the deadline.	G
Improving Economy, Efficiency and Effectiveness: annual report findings	We considered arrangements for implementing some key work streams and the impact on the Fund Administration teams. For 2025-26 these include: • **Implementing the McCloud remedy** - Implementation requires lots of complex calculations so could potentially impact heavily on administration teams. At July 2026 the LPPA is focused on ensuring that members who are eligible for the remedy receive an annual benefit statement with an underpin by 31 August 2026. The LPPA is completing a review of its retrospective cases that will enable remedy payments to be made. Therefore, the Fund is progressing implementation as expected and remains on target. • **Preparing for the Pensions Dashboard** - The Department for Work and Pensions designed an online platform (Pension Dashboard) and public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. The LPPA held a roundtable dashboard discussion with its clients on 7 July 2026. It is continuing to assess the Pension Fund's business readiness for the Dashboard Available Point (member go live). Members from the LPPA Member Panel were invited to support the Money and Pensions Service testing of their Dashboard. Positive progress towards the deadline is observed. • **Preparing and maintaining a Funding Strategy Statement** - In January 2025 the Pensions Scheme Advisory Board, CIPFA and MHCLG produced "Guidance for Preparing and maintaining a Funding Strategy Statement (FSS)". The Pension Committee approved the updated FSS in February 2026, following consultation with employers and review by the Pensions Board for compliance with the guidance. The FSS was agreed to be compliant via this process.	

05 Summary of value for money recommendations raised in 2025-26

Key Recommendations raised in 2025-26

	Recommendation	Relates to	Management actions
KR1	Following changes to how savings are identified, through the Embrace Change Transformation Programme, management needs to both, focus on successful delivery of these savings, and work at pace to consistently apply these changes to identify the savings required to address the £20m medium-term gap in the MTFS. This will provide a continuous pipeline of sufficient recurrent savings and income generation schemes to achieve financial sustainability in the medium-term.	Financial sustainability (page 24)	**Actions:** The Embrace Change Portfolio is strengthening the Council's ability to deliver transformation in a more strategic, coordinated, and financially sustainable way, with clearer alignment to corporate priorities. All major change programmes are required to define clear outcomes, financial and non-financial benefits, and delivery milestones, with progress monitored through strengthened portfolio governance and reporting. The Corporate Programme Management Office (CPMO) works alongside programme teams, Finance and Corporate Management Team (CMT) to provide challenge and assurance on delivery confidence, monitor risks and issues, and validate the realisation of expected benefits. This ensures that planned savings are achievable, sustainable and fully evidenced before they are incorporated into the MTFS. The Quarter 1 Financial Forecast report to Cabinet in July 2026 contained an update from each directorate on the progress towards delivery of the agreed savings. Following feedback from the Council's Budget Scrutiny Task Group, the Quarter 2 Financial Forecast in October 2026 will include a detailed savings tracker by theme and service to enable enhanced scrutiny of the savings delivery. Where savings are considered to be at risk of non-delivery, services are expected to develop mitigating actions where possible. The tracking will also cover the reasons for under and over delivery against themes, to ensure that the savings delivered continue to align with corporate priorities. For 2027/28-2028/29, the Council has a £20m budget gap, profiled £5m in 2027/28 and £15m in 2028/29 as at July 2026, with a further £30m gap in the medium-term to 2032. The Council has acknowledged the scale of this challenge and that transformational change is required. Building on the approach taken in 2026/27, the Council is adopting a new approach called Integrated Business Planning from the 2027/28 budget setting cycle onwards. This approach will combine budget, risk and performance in one place, ensuring that the MTFS and the new Council Plan are more closely aligned. **Responsible officer:** Ravinder Jassar, Deputy Director - Corporate & Financial Planning **Due date:** As part of the 2027-28 Budget Setting Process (February 2027)

Key Recommendations raised in 2025-26

	Recommendation	Relates to	Management actions
KR2	Management must continue to drive forward improvement activity through delivery of the Housing and Tenant Satisfaction Improvement Programme against the C3 regulatory judgement, with a sustained focus on strengthening compliance for fire, water and asbestos safety. Progress against improvement must continue to be reported regularly to Cabinet to ensure sufficient oversight and assurance that necessary service improvements are delivered in readiness for the next inspection.	Improving economy, efficiency and effectiveness (page 35)	**Actions:** Management accepts this recommendation and acknowledges that sustained improvement is required to address the findings of the Regulator of Social Housing's C3 regulatory judgement. The Council has established a comprehensive Housing and Tenant Satisfaction Improvement Programme (HTSIP), overseen by the Chief Executive and supported by dedicated programme boards and monthly reporting arrangements, to drive and monitor improvement activity across housing compliance, housing management and estate services. The programme is designed not only to address the specific areas of non-compliance identified by the Regulator but also to embed stronger governance, assurance, asset management and reporting arrangements to support long-term compliance and continuous improvement. Significant progress has been made during 2025/26 and continues into 2026/27 to strengthen the Council's understanding of its compliance position through the completion of a comprehensive compliance audit and the implementation of the action plan. Progress against the HTSIP will continue to be reported regularly to Cabinet. This will ensure Members maintain oversight of delivery, risks and recovery actions, and provide assurance that the Council is making sustained progress towards regulatory compliance and future inspection. **Responsible Officer:** Spencer Randolph, Director – Housing Services **Due Date:** 31st March 2027

Improvement recommendations raised in 2025-26

	Recommendation	Relates to	Management actions
IR1	Through the 2027-28 MTFS and budget-setting process management should focus on exploring ways it can boost the Future Funding Risk Reserve, whilst simultaneously protecting earmarked reserves, by identifying alternative measures to fund the MTFS budget gap.	Financial sustainability (page 25)	**Actions:** Management acknowledges the risk to the General Fund reserve balances and this risk has been explicitly communicated to members in the Quarter 1 Financial Forecast 2026/27 and the Medium Term Financial Outlook reports to Cabinet in July 2026 Prior to the reporting of a £9.5m overspend at Q1, as part of the budget setting for 2026/27, the MTFS was updated to include provision for increases to both the general fund working balance (to maintain the 5% level) and the Future Funding Risk reserve in each year up to 2030/31. In acknowledgement of the importance of this, these growth items have been retained in the MTFS, even as pressures have increased again in the first few months of 2026/27. Protecting earmarked reserves is recognised as important, to ensure that the priorities for which the funding is required can be delivered. The Council only considers repurposing earmarked reserves where it is both legitimate within the conditions of the funding and where it is considered on the balance of risks to be the most appropriate use of the available resources. **Responsible officer:** Ravinder Jassar, Deputy Director - Corporate & Financial Planning **Due date:** As part of the 2027-28 Budget Setting Process (February 2027)

Improvement recommendations raised in 2025-26

	Recommendation	Relates to	Management actions
IR2	Management should explore ways it can strengthen its balance sheet, specifically its current ratio, considering how this could be achieved through its treasury management practices.	Financial sustainability (page 26)	**Actions:** The Council will consider options to strengthen its balance sheet as part of the 2027/28 Treasury Management Strategy. In line with advice from our Treasury Management advisers, we adopt a "little and often" approach to borrowing to minimise unnecessary interest costs. This approach is supported by detailed and proactive cash flow monitoring. During 2025/26, cash balances did not fall below the £20 million minimum level set out in the Treasury Management Strategy. As a result of this approach, cash balances may fluctuate from year to year, and such movements do not necessarily indicate a deterioration in the Council's balance sheet position. A lower cash balance at 31 March 2026 compared with 31 March 2025 was anticipated, as funding expected in April 2026 was higher due to the positive outcome of the Fair Funding Review and the receipt of additional capital grants. The Council continues to have ready access to borrowing through the Public Works Loan Board (PWLB) and the inter-authority lending market. Consequently, we do not consider there to be a significant risk to the Council's ability to meet its liabilities as they fall due. The increase in current liabilities is primarily attributable to the maturity of historic debt and the Council's increased use of EIP loans, which currently offer better value in a higher interest rate environment. In addition, accruals typically increase in March as service areas process receipts before the financial year-end and Finance posts year-end adjustment journals. Finance is working with service areas to encourage more timely receipting, while the Oracle team is developing new dashboards to enhance the monitoring and reporting of actual expenditure. **Responsible officer:** Amanda Healy, Deputy Director – Investment and Infrastructure **Due date:** As part of the 2027-28 Treasury Management Strategy (February 2027)

06 Follow up of previous Key Recommendations

Follow up of 2024-25 Key Recommendations (1)

	Prior Key Recommendation	Raised	Progress	Current status	Further action
KR1	The Council must urgently take additional difficult decisions to ensure that a realistic budget can be set for next year and in the medium-term, so this can be delivered without the need to further draw on reserves nor Exceptional Financial Support (EFS) from central government.	2024-25	The 2026-27 budget is balanced, without the requirement of EFS. The Council benefitted from an increase in core spending power over the next three years, resulting from the impact of the Fair Funding Review on the Local Government Settlement. This was applied to known and ongoing pressures in Adult Social Care, Children's Social Care, Temporary Accommodation and the Dedicated Schools Grant deficit. Simultaneously, management identified £10.4m of savings in the 2026-27 budget and seeks to strengthen unallocated reserves. There is planned usage of usable reserves in 2026-27 of £19.2m, however this is for the purpose the reserves were set aside for. The Council determined that a minimum of 5% of net expenditure (service budgets) should be held as generally usable reserves; equivalent to £20.0m for 2025-26 and £22.6m for 2026-27. An increase is built into the budget to maintain balances at this level. There are unaddressed gaps in the latter two years of the MTFS, which will be worked through in the 2027-28 budget setting process.	Implemented	No further action required

Follow up of 2024-25 Key recommendations (2)

	Prior Key Recommendation	Raised	Progress	Current status	Further action
KR2	It is critical that savings through the Embrace Change Transformation Programme are quantified and integrated into the Medium-Term Financial Strategy (MTFS) providing a pipeline of sufficient recurrent savings and income generation schemes supported by robust business cases through collaboration and business transformation.	2024-25	Action is ongoing as part of the 2027-28 budget-setting process. As part of the 2026-27 budget-setting process, management updated the approach to identifying savings. This service-led approach fully identified £10.4m of permanent budget savings required for 2026-27, more evenly spread across services. There remains a £20m cumulative budget gap in the latter two years of the MTFS which will require further savings identification as part of the 2027-28 budget-setting process. We acknowledge the proactive change to the savings process, but there is continued need to deliver further savings in later years. This, coupled with the need for us to observe delivery of the 2026-27 savings under the new approach, keeps the recommendation open. We require evidence in 2026-27 to demonstrate that the change in approach leads to a change in outcomes, savings are delivered, and medium-term savings are identified.	**Partially implemented** – in progress	Updated key recommendation - See **Key recommendation 1** page 24
KR3	The Council should ensure that governance and oversight arrangements for the Housing Improvement Plan provide assurance for officers and Members over timely delivery of actions and that improvements are sustained and embedded across housing services.	2024-25	In response to the C3 rating, management established a Housing and Tenant Satisfaction Improvement Programme (HTSIP) with three major workstreams. To support governance and oversight of the HTSIP, the Council established an HTSIP Board, chaired by the Chief Executive and a resident-led Housing Management Advisory Board (inaugural meetings held in September 2025). Each of the three major projects of the HTSIP has its own project Board which feeds into the overall HTSIP Board. Despite this, management continued to report poor compliance in several of the big eight areas, including fire, water and asbestos safety. The Council also lacks stock condition survey data for almost one-fifth of its asset portfolio, constraining its ability to effectively assess and manage property-related risks.	**Partially implemented** – in progress	Updated key recommendation - See **Key recommendation 2** page 35

07 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Corporate Director of Finance and Resources is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Finance and Resources is required to comply with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the Corporate Director of Finance and Resources is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B: Value for money auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's value for money arrangements.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised by the Council's auditors as follows:

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2024-25 improvement recommendations (1)

	Prior recommendation	Raised	Progress	Current position	Further action
IR1	Using the property strategy, the Council could identify assets for disposal to support the capital programme, reduce long-term borrowing, and lower revenue costs. The impact of capital receipts should be reflected in the MTFS once confirmed.	2024-25	£61m of capital receipts are included within the Capital Programme to 2030-31, although borrowing remains the predominant source of funding for the life of the programme this is planned to reduce year on year. We have seen evidence of the Council actively disposing of assets and gaining approval for these via Cabinet; management is actively pursuing this strategy. The Property Strategy 2025-2028 remains in place, which governs the disposal of assets. The Corporate Assets Board, established in 2025-26, is responsible for overseeing the management of Council-owned assets, including disposals.	Implemented	No further action required
IR2	The Council should develop and integrate a comprehensive DSG deficit recovery strategy, reflected in the MTFS and aligned with the statutory override timeline, while also strengthening HRA financial planning to address compliance risks and future cost pressures. This should include scenario modelling, reserve strategy adjustments, and engagement with DfE and the Regulator of Social Housing to mitigate long-term sustainability risks.	202425	The government committed to covering up to 90% of local authority accumulated deficits up to March 2028 subject to the approval of the local SEND Reform Plan, after which councils will need to fund the remaining 10%. The plan was been submitted within the required deadlines. The cumulative DSG deficit at the end of March 2026 was £20.2m and the MTFS was updated to include the financial impact of the 10% that will not be covered by the High Needs Stability Grant. Management set up a reserve to fund the remaining 10% which is sufficient to cover this in full. In relation to the HRA, a sensitivity analysis was undertaken to explore the impact on HRA reserve balances from a range of assumptions. The year-end HRA outturn position increased reserves slightly, by £0.1m, to £4.6m and a breakeven plan for 2026-27 maintains this position. This is above the £3.7m (or 5%) minimum threshold the Council set that it estimates maintains a sustainable position. Baseline assumptions in the 30-year plan provide consistently small surpluses over 30 years, with a projected reserve balance of £154.7m in year 30, which could potentially be used to reduce debt.	Implemented	No further action required

Appendix C: Follow up of 2024-25 improvement recommendations (2)

	Prior recommendation	Raised	Progress	Current position	Further action
IR3	The Council should put in place robust arrangements for the production of the financial statements going forward, ensuring that there is sufficient capacity and capability within the finance team to meet statutory reporting requirements, comply with the international financial reporting standards, and support the full audit of the financial statements.	2024-25	Management met the statutory deadline of 30 June 2026 for the production of the draft accounts. Officers understand the underlying cause of the issues experienced with accounts preparation and effectively facilitating the audit in 2024-25. This can be pinpointed to the quality of data on the Council's assets and capacity/experience challenges within the Finance Team. In 2025-26 the Finance Team recruited a permanent Head of Finance for capital, a largely permanent capital team reporting to them, and a permanent Deputy Chief Accountant. In recent years these roles were mostly filled by interim staff, exacerbating the challenges. In addition, management created a project team to review the current data held on the Council's assets and develop a single version of the truth. The Finance Team worked with the external auditors to undertake more advanced testing, to reduce pressure at year-end. The Finance and audit teams developed a delivery plan, with key milestones, targeting a mid-September deadline for completion of the audit fieldwork. The audit team is satisfied with the effectiveness of audit process and the quality and timeliness of accounts and working papers.	Implemented	No further action required

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