



London Borough of Bromley

Value for Money Interim Report

Years ended 31st March 2021, 2022 and 2023

17 May 2024

17 May 2024



London Borough of Bromley
Stockwell Close
London
BR1 3UH

Dear Audit & Risk Committee Members

Value for Money Report up to March 2023 and including 2020/21 and 2021/22

We are pleased to attach our interim commentary on the Value for Money ('VFM') arrangements for London Borough of Bromley (the 'Council' or 'LBB'). This commentary explains the work we have undertaken in relation to our VFM responsibilities and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2020/21, 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report on VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit & Risk Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Risk Committee meeting on 04 June 2024.

Yours faithfully

Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and management of London Borough of Bromley in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of London Borough of Bromley those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of London Borough of Bromley for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 01 April 2020 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2020/21, 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4 of the NAO Code Consultation. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit reports have been issued for 2020/21, 2021/22 and 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Director of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

Executive Summary (continued)

Reporting

Our interim commentary for 2020/21, 2021/22 and 2022/23 is set out over pages 17 to 30. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2020/21, 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023: [EY UK 2023 Transparency Report | EY UK](#)



02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

Persistent high inflation in the recent year, rising interest rates, and the impact of the cost-of-living crisis on residents has resulted in a number significant pressures across the Council's budgets. In addition, demographic changes have added to budget pressures.

Financial Performance:

Net revenue expenditure for 2022/23 on portfolio budgets was £240.1 million, representing a £9.5 million overspend with £8.7 million arising from pressures within children's services. LBB was able to offset the overspend through a combination of release of a contingency provision of £6.4 million and interest from General Fund Balances of £4.6 million.

Financial Position:

LBB held Usable Earmarked Reserves of £167.2 million as at 31 March 2023. In addition, £20 million of General Fund balances were also held. LBB held no external borrowing in 2020/21; 2021/22 and 22/23.

Budgets and Medium Term Financial Strategy (MTFS):

The budget for 2022/23 was approved in February 2022 by the Council.

At the time the MTFS was produced pay and price inflation were significant budgetary pressures and that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the Dedicated Schools Grant statutory override and adult social care reform are all recognised as risks to the Council's financial position over the medium term. The Council has been clear on these risks, which are common with financial pressures at similar local authorities, and associated measures to seek to mitigate them have been well documented in both its internal financial reporting and external communications with relevant stakeholders. The latest MTFS was approved in February 2024 and includes budget gaps of £16.8 million and £34.6 million respectively for 2025/26 and 2026/27. Senior officers are actively looking at a number of options to reduce those forward deficit figures whilst at the same time protecting the Council's overall reserves.

LBB has maintained a Capital Investment Programme. The management of financial risks is supported by robust budget estimates that acknowledge the real pressures experienced by the Council. Those estimates are reinforced by effective financial policies and controls, alongside strong financial and budgetary management. Detailed budget estimates for anticipated cost pressures, as well as mitigating actions and savings, were produced in 2020/21, 2021/22 and 2022/23, with those estimates undergoing review and challenge by the Council's leadership.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services (*continued*)

No significant weakness identified

The future for local government funding remains very uncertain. The conclusion of reviews of Fair Funding, Business Rates and New Homes Bonus, initially expected to come into effect in 2020/21, remain outstanding and are not expected for the 2024/25 planning cycle. The Council has made a provision for the expected outcome of these reviews within the MTFP, however, this uncertainty continues to make medium term financial planning far more challenging. Alongside this, councils are continuing to manage the ongoing effects associated with the COVID-19 Pandemic which has resulted in longer term income losses, particularly around leisure and parking.

The current inflationary environment creates further challenges as the Council manages the impact of increases in the prices of energy, fuel and contracts which have impacted budgeting from 2022/23. Inflation remains pervasively high at the start of 2023/24 and the impact of this has been incorporated into the MTFP through the budget planning process.

The challenges the Council is facing over the medium term are significant and it is critical that the Council continues its scenario assessment of the savings requirement and continues to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

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

No significant weakness identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. We did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes, and protects its reputation and other assets and is compliant with statutory and regulatory obligations. Risks are identified as a routine process of all Council services and these are regularly reviewed and updated.

The Council has implemented systems to ensure conflicts of interest are identified, recorded and acted upon accordingly, excluding anyone from decision-making where a conflict arises, and making public declaration of interests through its Register of Interests which is published on the Council's website and covers employees and members.

This risk management framework is supported and informed by the work of the Council's Internal Audit function. Having completed their work in accordance with the 2022/23 Internal Audit Plan, 87% (PY:77%) of reports issued received either substantial or full assurance. The proportion of Limited Assurance reports was also lower in 2022/23. Where recommendations have been raised, there is an established process of monitoring progress to ensure these recommendations are implemented and embedded. Where actions and recommendations go overdue, management are required to report the rationale to the Committee.

The Council's established budget setting and monitoring processes have continued throughout 2020/21; 2021/22 & 2022/23, with appropriate oversight from the Council's relevant Committees and decision-making bodies. There are well established governance arrangements, policies and procedures in place to ensure compliance with legislative and regulatory requirements and routine monitoring of adherence to those standards.

Value for Money Commentary (continued)

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

No significant weakness identified

Historic Delays of External Audit and Impact on Subsequent Years:

The external audits for 2018/19 and 2019/20 were both extensively delayed due to a number of issues identified during the audit but primarily as a result of the audit of the valuation of land and buildings. Another contributing factor was also capacity issues within the finance team. As a result of these delays the Council missed the statutory reporting timetable for completion of the respective years of external audit for both 2018/19 and 2019/20. The 2018/19 audit opinion was issued on 13 August 2020 and the 2019/20 audit opinion issued on 2 May 2023. The issues impacting the delays were regularly reported to the respective committees in place at that time. The Council also included the delays as significant governance issues with associated action plans in their Annual Governance Statements for the period.

These delays had then in turn an impact on the production of the subsequent years draft financial statements.

The Council published their draft 2020/21 and 2021/22 Statement of Accounts for audit on the 11 August 2023 and 28 March 2024 respectively. We are working with officers to ensure that the Statement of Accounts:

- Were published in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations;
- Are arithmetically correct;
- Agree to the data in the general ledger; and,
- Have been prepared in line with the content required by the CIPFA Code.

We have also requested evidence that the Council has carried out bank reconciliations during the period 2020/21; 2021/22 and 2022/23. Completion of these procedures will enable us to conclude that appropriate arrangements for financial reporting were in place during 2020/21, 2021/22 and 2022/23. We expect the draft 2022/23 accounts to be published imminently.

Whilst we do not see the delayed production of the draft financial statements as evidence of weakness in arrangements, the Council have not met the requirements due to the circumstances which resulted in delays to the prior years of audit. These delays were accentuated by the fact that the Council did not have sufficient capacity within their finance function to support the timely production of draft financial statements and also to support the external audit process.

Recommendation: The Council need to regularly review their capacity within the finance function to ensure that they have adequate capacity to support a timely and efficient audit.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the years ended 31 March 2021, 31 March 2022 and 31 March 2023. We did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. Each of the Council's areas of key service provision are supported by a separate overview and scrutiny committee. Each of these Committees is responsible for ensuring compliance with legislative and regulatory requirements.

The Council has an established process of quarterly reporting of financial performance to the Executive Committee and operational performance reports to the service line Overview and Scrutiny Bodies. These have continued to operate effectively throughout the 2020/21, 2021.22 & 2022/23 period, and clearly outline performance against planned targets and outcomes. These meetings and the decisions made are published on the Council's website. Depending on the performance area, the (full) Council meeting has oversight of actions being identified and taken to address areas where performance is below plan. Where available, services utilise performance information and standards to compare and assess performance with other councils or with nationally recognised performance frameworks (e.g. Department of Work and Pensions and national planning indicators).

The Council's services continue to be subject to review and assessment by external bodies such as the Care Quality Commission and Ofsted. During 2022/23 there were no new inspections of Council services, however there was an Ofsted focused visit of Children's Services during 2021/22, with the findings being issued in October 2021. The Ofsted focused visit of Children's services highlighted a large number of positives in respect of not only the over-arching strategic policy for children's services but also the high degree of care provided to vulnerable children. Although outside the period under review a further Ofsted inspection of Children's services at LBB took place in November 2023 with the findings published in January 2024. LBB achieved a grade of Outstanding in each of the 5 criteria inspected. The recommendations from such reports are reviewed and monitored through an appropriate oversight committee, either within the Council or a joint committee where shared services exist.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21, 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

Arrangements in place

The Council sets a balanced revenue budget annually. Budget arrangements were in place in 2020/21; 2021/22 and 2022/23. The budget supports delivery of the Council's key priorities. The budget is therefore used to ensure financial resources are aligned to areas where the Council believes it will secure the greatest benefit to residents of the Borough. The annual budget is then linked to the medium-term aspirations of the Council through its medium-term financial strategy (MTFS), which considers a three year forward view, and its capital programme which extends forward for 5 years. Council members are fully engaged in this process, including a briefing on the MTFS including options for managing pressures and savings. The budget considers known and expected demand and cost pressures and known and expected changes in funding.

The wider financial environment has become increasingly challenging for local government in recent years, and the Council has needed to operate against a backdrop of reduced funding from traditional sources and increased demand for services. This has meant that difficult choices have needed to be made and rises in council tax have been necessary. In making these choices, the Council seeks to focus on the areas it believes will make the biggest difference to people in the Borough. The Council seeks to take decisions about savings decisions as early as possible, providing as much notice as possible to those affected and maximising the prospect for savings delivery. In prior years, the budget has been significantly impacted by Covid-19, with additional costs associated with supporting individuals and businesses in the local area and reduced income from streams such as fees and charges due to the national lockdown.

LBB have a balanced budget for 2023/24 and have a balanced budget for 24/25, however there is an estimated budget gap for 25/26 of £16.6m rising to £38.7m by 2027/28. Senior officers are actively looking at a number of options to reduce the forward gap. LBB held earmarked reserves of £167.2 million as at 31 March 2023 as per the MTFS.

Appendix A - Summary of arrangements

Financial Sustainability (*continued*)

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

Arrangements in place

How the body plans to bridge its funding gaps and identifies achievable savings

The Council regularly reports on financial performance and planning to the Executive Committee which enables the Council to identify gaps in funding and monitor progress on meeting budget and savings targets. The Council brings its annual budget plans to this Committee for challenge and scrutiny before reporting to the Full Council. The Council had £167.2 million in earmarked reserves at 31 March 2023. As at 31 March 2023 the Council did not have the need for any external borrowing. The Council's strategic savings and efficiency programme 'Transforming Bromley' is being refreshed as the primary conduit to develop and deliver savings, efficiency and transformation change programmes. At the Executive meeting on 17 January 2024, it was proposed that £1million be set aside to create a Transformational Fund 2024-2028 earmarked reserve to be funded from unallocated monies in the Growth and Investment Fund earmarked reserve. LBB is also exploring the potential for the Council to bring in specialist support, which would be funded with the £1million investment. The 2021/21 Annual Governance Statement (AGS) in the 2021/22 unaudited Statement of Accounts highlights that 'A balanced budget for 2022/23 has been achieved through the Transformational Savings Programme, an improved financial settlement from Government and continuing with prudent financial management.' It also highlights that 'significant savings of around £110 million have been realised since 2011/12.'

Looking ahead over the next three years, the MTFs has been prepared against the continued backdrop of uncertainty over funding, increasing pressure on services and continuing expectations from stakeholders for service provision and inflation.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The annual budget and MTFs sit alongside and facilitate the Council's Corporate Plan 'Making Bromley Even Better'. The Corporate Plan has been developed collaboratively with elected members, staff, partners and residents to prioritise the most important areas the Council needs to focus on in the future. This is done for the Council's limited resources to be spent on the areas where it is needed most. It has been developed in parallel with the budget for 2022/23. As it is aligned to the budget and MTFs, it is intended to act as the framework in which investment decisions can be made based on agreed priorities and the outcomes the Council wants to achieve. The process of defining the Corporate Plan has been designed with the intention of bringing together business planning, financial planning and risk management processes. It is intended to provide the framework for the Council's decision making and planning to ensure that it is making the best use of the resources available, properly understanding the value for money delivered and at the same time remaining focused on the delivery of priority outcomes.

The planning process also includes the redesign of business processes to transform services, reduce costs and manage demand. Part of the funding for the work to achieve these ongoing improvements may come from the Government's flexible use of capital receipts initiative which allows, if certain conditions are met, the Council to fund the revenue costs of transformation from ring fenced capital financing sources.

Appendix A - Summary of arrangements

Financial Sustainability (*continued*)

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

Arrangements in place

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The integration between the Council's business and financial planning has been described above, including the link to its capital strategy and capital programme. The development of the annual budget and MTFS, and detailed assumptions on the operations of the Council that underpin them, is now being driven by its vision of the future as set out in the Corporate Plan, which is also then linked to the key governance and control arrangements of the Council, for example its performance and risk management arrangements. This has shown that the Council is able to react and work effectively as part of wider system of public services. This has shown that the Council is able to react and work effectively as part of wider system of public services.

The Council integrates the planning and approval of its Capital and Treasury Management Strategy alongside the budget each year. As part of budget preparation each year, there is a salary re-alignment exercise that looks at the whole salary budget to check that it correctly reflects the position on the ground. Requests to vary posts, fill vacant posts and for job evaluations come through Senior Leadership team and require Finance approval.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council relies upon experts and accountants within individual service lines in order to forecast demand for services and the associated income/expenditure. These forecasts feed into the annual budget prepared by the Council, which is reviewed and approved by the Executive Committee. Unplanned changes in demand or changes in assumptions are proactively managed where possible and budget revisions prepared. Internal departmental reporting is completed monthly. In addition, quarterly reporting of the actual financial position against the budgeted position is completed in order to identify, report and respond to variances which appear. The risk management process is coordinated by the internal audit team. Each department is responsible for maintaining and updating its own risk register. Internal Audit submit the departmental and Corporate Risk Registers to the Audit and Risk Management Committee twice a year. They report to the relevant scrutiny committee; note that red high-risk items are always default items on the agenda.

Appendix A - Summary of arrangements

Financial Sustainability (*continued*)

We set out below the arrangements for the financial sustainability criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Arrangements in place

The Council has high levels of earmarked reserves, general reserves and contingency which can be used to address unplanned changes in demand. We have noted increased monitoring and reporting to Committee due to the additional uncertainty and changes to funding, risks and operations of the Council. Covid-19 forced changes to Committees both in terms of the method of delivery and the content of the meetings. Agendas were updated to ensure that the changing operations, funding and risks were reviewed and monitored and there was an agile decision making process to react to any required changes to policy that may be required. The Council's arrangements for identifying its significant financial pressures as part of its annual budgeting and medium-term financial planning have already been considered as part of this commentary. Performance against those plans is monitored in the quarterly reporting to the Executive Committee which provides an integrated assessment of the Council's business and financial performance through quarterly budget monitoring reporting. This integrated monitoring enables the Council to detect unplanned changes to its service activities and operations with potential to impact its financial resilience.

The Council's risk and performance management arrangements, which are considered further below as part of this commentary, also feed into this. The corporate planning process has been designed with the intention of further integrating business planning, financial planning and risk management processes. Reasonable general and pay-specific contingencies are built into the annual revenue budget and the financial resilience reserve is used to provide a stable platform for service planning as the MTFS is developed. It is intended to be the first call on the Council resources to deal with any unforeseen in year expenditure if the revenue budget were to be exhausted.

An annual assessment is made for the prudent minimum level of General Balances and this forms the basis of the budget planning process. In addition, the authority holds earmarked reserves to manage specific risks. In making this assessment Officers use the CIPFA Financial Resilience index to benchmark against other local authorities.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Arrangements in place

The Heads of Service are responsible for implementing the management of risk throughout the Council. Heads of Service throughout the Council are responsible for managing specific areas of risk that apply in their specific businesses and are to be aligned with business planning. The Council maintains a risk register on their website called the Corporate Risk Register, which outlines the risks identified during 2020/21, 2021/22 & 2022/23 applicable to the current and future financial years. The Corporate Risk Register identifies strategic risks to the corporate delivery of the Council's 'Making Bromley Even Better Vision' strategy.

The Corporate Risk Register is wider than just financial, due to the nature of the Council's activities. The Council assesses impact of risks on a matrix of likelihood and occurrence, with a combined score produced to assess the importance of the risk. The Council has a risk appetite statement that defines acceptable levels of risk for its activities. The Corporate Risk Register is reviewed regularly at the Audit & Risk Committee.

The Council has an internal audit service to help gain assurance over the effective operation of internal controls. The Audit & Risk Committee is responsible for ensuring that Internal Audit's programme of work considers the Council's risks. The Executive Director of Finance & Resources is responsible for the adequate provision of internal audit. The Council's management is responsible for responding to the internal audit findings appropriately and in a timely manner with appropriate challenge from the Audit & Risk Committee. The annual Internal Audit Plan incorporates an appropriate level of coverage in respect of the Council's system of internal control.

Where deficiencies in governance arrangements are identified they are reported in the Council's AGS. This includes concerns raised by external inspectorates, external audit and any limited assurance audit reports which are issued by Internal Audit. In addition, the work of internal audit cover the Council's arrangements to prevent and detect fraud; primarily through confirmation of an appropriate control environment and proactive measures such as whistleblowing, education and training and publication of fraud detected to raise awareness and discourage others from committing fraud. Controls, particularly financial controls such as payment and PO approval are only provided to select staff who require access for their duties. Financial limits for approval and posting are implemented and vary by grade. Internal audit review key financial controls each year as part of a core programme of work. These aid the prevention of fraud in the most common areas.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body approaches and carries out its annual budget setting process

Arrangements in place

The Council sets a balanced revenue budget annually. This process has been in place for 2020/21, 2021/22 and 2022/23. There is a clear link between the annual budget setting process and the MTFs and there is evidence the Council has sufficient procedures in place to identify significant financial pressures that are relevant to its short term and medium-term plans.

Responsibilities and procedures for the annual budget process are set out in the Council's Constitution. Once a budget or a policy framework is in place, it is the responsibility of the relevant Committee to implement it and work within it.

The Committees must also have regard to other formally adopted plans and strategies of the Council. The responsibility for agreeing the budget and policy framework lies with the Council, and decisions by Committees, officers, or joint arrangements discharging functions of the Council must be in line with it.

The Director of Finance is responsible for ensuring that an overall revenue budget and capital programme summarising service budget estimates is prepared on an annual basis. The Council develops its financial plan and budget using dual processes:

- Top down: Where the Council quantifies the core financial gap to assess the Council's affordability envelope and inform the scale of the required increase in Council Tax. This is developed through the application of national and local planning assumptions, as well as known commitments.
- Bottom up: Where the Council develops a granular level of activity, income, expenditure, workforce and capacity. The Council then triangulates these plans with operational, performance and workforce leads.

The Draft Budget is reviewed and scrutinised by the Executive Committee before being presented to Full Council for approval.

Appendix A - Summary of arrangements

Governance (*continued*)

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Arrangements in place

The Council relies upon monthly financial closedowns which are used to monitor budgetary performance within service lines. On a quarterly basis, this information is collated by the central finance team and then reported to the Executive Committee as part of the quarterly financial planning and budgetary. This also identifies variances from budget and the reasons for these variances and allows the Council to take action where necessary. It also ensures there is appropriate oversight of the budgetary performance throughout the financial year.

The data is compiled directly from the Council's general ledger and therefore the systems and internal control environment, which is reviewed and assessed each year by Internal Audit, forms the basis of this data and ensures it is relevant, accurate and timely.

Financial reporting requirements are only considered at year end, when the financial statements are produced. The Council's reporting to the Executive Committee is based upon service lines (as reported in the Expenditure Funding Analysis within the Statement of Accounts) rather than on the financial statement basis.

The outturn report for 2022/23 identified variations in departmental expenditure and the Council's central contingency sum. In addition, there are higher returns from changes to the Council's investment strategy. Underspends from the Central Contingency Sum mainly relate to ongoing action to contain growth pressures, stringent cost controls, effective management of risk, effective use of government funding and also importantly meeting income targets. This financial position enables the Council to be 'better placed' to meet the future years budget gap but also provides opportunities to achieve savings from transformation, economic development and investment income which will provide a more sustainable financial outcome for the future.

Management use the accounting policies from the CIPFA Code and adapt these as necessary for the Council using judgement and the concept of materiality.

Appendix A - Summary of arrangements

Governance (*continued*)

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed (Cont'd)

Arrangements in place

The 21/22 AGS in the Statement of Accounts highlights that 'A balanced budget for 2022/23 has been achieved through the Transformational Savings Programme, an improved financial settlement from Government and continuing with prudent financial management.' It also highlights that 'significant savings of around £100m were realised since 2011/12.'

Financial Reporting: The delays in the audits of 2018/19 and 2019/20 have significantly delayed the production of draft statutory accounts in the subsequent years and as such the draft 2022/23 accounts have still not yet been published as at the end of April 2024. The Council has therefore significantly missed the publication for draft statutory accounts. The 2021/22 draft financial statements were also significantly delayed and were only published in later March 2024 and again these missed the statutory deadline for publication of draft financial statements. Financial reporting through the Financial Statements is a key means of stakeholder accountability and demonstrates good governance and arrangements. Failure to produce draft and audited financial statements goes against the principles of good governance arrangements. During the 2019/20 audit we reported concerns to those charged with governance in respect of the ability of the Council to support the audit effectively and to produce accounts to the agreed timelines. We raised a number of recommendations which the Council has worked to address however we do continue to see pressures within the finance team.

Recommendation: The Council need to regularly review their capacity within the finance function to ensure that they have adequate capacity to support a timely and efficient audit.

Appendix A - Summary of arrangements

Governance (*continued*)

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

Arrangements in place

The effective operation of the executive committee, supported with regular, clear and relevant information, is the Council's key tool for ensuring that it makes properly informed decisions on financial matters.

Similar committees exist for other key areas of the Council (e.g. Adult Social Services, Health and Housing Committee or the Education and Children's Services Committee). The Council committee structure continues to operate, with papers and meetings published online, evidencing the challenge made by members and the transparency in decision making.

The Council committee structure continues to operate, with papers and meetings published on line. The Council continue to prepare a Forward Plan, available on its website. The Forward Plan sets out the 'key decisions' which are proposed to be made on behalf of the local authority over the months ahead and is updated monthly. The plan outlines the key decisions being made across the Council, in all service lines and includes the date of the decision and the Committee, allowing residents to seek out supporting papers and attend the Committee at which the decision is made to voice their support or concerns. This process has remained largely unchanged through and since the pandemic and therefore the associated transparency that arises from this also remains.

Both the Executive Committee and the Audit & Risk Committee meet regularly throughout the year, with Full Council meeting several times a year. The Executive Committee is comprised of members, and the Audit & Risk Committee is comprised of 11 members. There are clear terms of reference that emphasise the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focuses on the relevant aspects of governance, internal control and financial reporting.

Appendix A - Summary of arrangements

Governance (*continued*)

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

The Council has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. Each of the Council's areas of key service provision are supported by a separate overview and scrutiny committee. Each of these Committees is responsible for ensuring compliance with legislative and regulatory requirements.

Officer and member behaviour is guided through the Council's constitution. Specific policies exist for both staff and members and include information in respect of gifts and hospitality and conflicts of interest. Annually, all Senior Staff and members as well the governors are required to make declarations. These declarations are recorded in a register that is available on the Council's website. The responsibilities and statutory requirements of all officers and members is embedded in the Council's Code of Corporate Governance (the Code) within the Constitution. All significant actions by the Council which may have legal implications require authorisation by the appropriate Executive Director as set out in the Council's decision-making rules. Decision makers are also required to act within the Council's Standing Orders and scheme of delegation which makes provision for legal and constitutional advice to inform such decisions.

The Council's Constitution contains a number of checkpoints at which officers are able to identify whether decisions are being taken in compliance with the prescribed rules which ensure legal compliance. All executive decisions and policy proposals are considered and advised on by legal officers with access to all current legal provisions and guidance and who use a knowledge and research resource which updates all legislation and sources of advice automatically and provides alerts for significant changes in the law. The Council's legal services undertake regular reviews of current and expected legislative changes and maintain plans for training officers within the service and for providing relevant information to lead officers in the areas of service affected. Actions or changes resulting are supported by internal legal advice. Also included in the Council Constitution is a Code of Conduct for Members with which all members are expected to comply. This defines the standards of behaviour for members and officers, including policies relating to the responsibilities for ethical behaviour, equality and sustainability.

Appendix A - Summary of arrangements

Governance (*continued*)

We set out below the arrangements for the governance criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

All members undertake training from the Monitoring Officer on the member Code of Conduct. Additionally, all members complete the register of interests, and the need to disclose interests is a standing item on all formal meeting agendas for both officers and members. Officer interests, including gifts and hospitality, are also published on the individual Councillor record on the Council website. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors. The Monitoring Officer has overall responsibility for ensuring the council acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the authority likely to contravene any enactment or rule of law or any maladministration. The Executive Director of Finance & Resources (as Section 151 Officer) has overall statutory responsibility for the proper administration of the authority's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

Attendance at Audit & Risk Management Committee (TCWG - previously General Purposes and Licensing Committee) and review of minutes confirms TCWG receive reports from both external and internal audit, and the minutes of the Overview & Scrutiny Committee which are accessible to the public, demonstrate that effective action is taken where issues of non-compliance have been identified.

Responsibility for overseeing Corporate Governance is formally delegated and documented through the Constitution to the Audit & Risk Management Committee. The terms of reference for the Audit & Risk Management Committee are contained within the Constitution. The Audit & Risk Management Committee has suitable Terms of Reference drawn up in accordance with CIPFA/SOLACE guidance.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The quarterly reporting of financial performance to the Executive Committee and operational performance reports to the service line Overview and Scrutiny Bodies clearly outline performance against planned targets and outcomes. Depending on the performance area, the (Full) Council meeting will have oversight of the actions being identified and taken to address areas where performance is below plan.

Each committee has a process in place for monitoring agreed actions and these are then included in subsequent reports'. The outturn report identifies variations in departmental expenditure and the Council's central contingency sum. In addition, there are higher returns from changes to the Council's investment strategy. Underspends from the Central Contingency Sum mainly relate to ongoing action to contain growth pressures, stringent cost controls, effective management of risk, effective use of government funding and meeting income targets. This financial position enables the Council to be 'better placed' to meet the future years budget gap but also provides opportunities to achieve savings from transformation, economic development and investment income which will provide a more sustainable financial outcome for the future.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council has an array of ways of measuring its own performance across all aspects of its operations. Each of these varies depending on the services being provided but are typically overseen by the overview and scrutiny committee applicable to the service line. Each service has a portfolio plan which sets out the performance targets. The portfolio plans are aligned with the Council's corporate strategy 'Making Bromley Even Better'.

The individual portfolio holder and the member of the Policy Development and Scrutiny Committee are jointly responsible for overseeing the delivery of the plans. Updates on progress are reported to members through the Policy, Development and Scrutiny Process. Some key performance areas, such as schools or social care are also reviewed by external agencies such as OFSTED or the Care Quality Commission (CQC) and provide detailed reporting on the performance of the Council's arrangements and performance in relevant areas. These external inspections are considered seriously and include recommendations for improvements and details of failings which the Councils review and prepare action plans to respond to. During 2022/23 there were no new inspections in either of these, however there was an Ofsted inspection of Children's Services in September 2021, which was issued in October 2021. This was a focused visit with a specific focus on the Council's arrangements for children in care, including disabled children in care. Headline findings noted the fact that children in Bromley are recognised as a high priority with children in care continuing to make good progress supported by a stable and skilled workforce. The findings also make reference to the fact that children in care have a positive experience and are fully supported by an ambitious and determined leadership. We also note that a subsequent inspection of Children's services carried out in November 2023 graded the Council as outstanding across all 5 categories with a headline conclusion that children in Bromley receive exceptionally strong services.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2020/21, 2021/22 and 2022/23.

Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Arrangements in place

The Council has entered into a small number of partnerships. These partnerships were in place through 2020/21; 2021/22 and 2022/23. The Council has 2 Pooled Budget arrangements with Bromley Clinical Commissioning Group under Section 75 of the NHS Act 2006 to work in partnership to deliver better integrated health and social care services in Bromley. The pooled budgets are in respect of Integrated Stores and the Better Care Fund. In addition, there is a further pooled budget arrangement for the provision of mental health services.

The Improved Better Care Fund (IBCF) is a grant to local authorities for spending on adult social care, including services that reduce pressures on the NHS. Spending decisions rest with the Council, however a key requirement of the grant conditions is that this is done in conjunction with wider health and social care partners. The Council is required to pool the funding into the local Better Care Fund.

There is a Health and Wellbeing Board which is a collaboration between Bromley Council and various partner agencies to meet local community needs.

The Council also has a joint venture, More Homes Bromley, for affordable housing. The Council has entered into a joint venture with Mears Group PLC for the acquisition of properties to meet the demand for temporary accommodation.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2020/21, 2021/22 to 2022/23.

Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Arrangements in place

London Borough of Bromley acts in accordance with the requirements of public procurement policy. Key principles embedded within the Council's procurement strategy include: equal treatment, proportionality and transparency. An overarching theme of the Council's procurement strategy is the need to achieve value for money. There is sufficient oversight to ensure there is compliance over the procurement or commissioned of services, through effective authorisation levels as set out in the Standing Orders from designated budget holders to the oversight committees.

As noted above, the Council has a procurement strategy to align the Council's procedures with the relevant legislative and professional standards to ensure that all commissioned and procured services is done in accordance with the relevant legislation and professional standards. The Council regularly publishes details of contracts with start and finish dates.

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UKC-024050 (UK) 07/22. Creative UK.

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