

# London Borough of Bromley

Auditor's Annual Report  
Year ended 31 March 2025

26 February 2026



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Audit and Risk Management Committee  
London Borough of Bromley  
Bromley Civic Centre, Churchill Court  
2 Westmoreland Road  
BR1 1AS

26 February 2026

Dear Audit and Risk Management Committee Members

2024/25 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for London Borough of Bromley. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement.

The commentary covers our findings for audit year 2024/25.

This report is intended to draw to the attention of the Audit and Risk Management Committee Member's any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

The [EY UK 2025 Transparency Report | EY - UK](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

*E. Jackson*

Elizabeth Jackson

Partner, For and on behalf of Ernst & Young LLP

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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/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

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 the Audit and Risk Management 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 and Risk Management 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 and Risk Management 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

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Audit and Risk Management Committee and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their annual report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

## Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued on 30 April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the London Borough of Bromley;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the London Borough of Bromley's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

## Responsibilities of the Council

The Council is responsible for the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Executive Summary (cont'd)

## 2024/25 conclusions

<b>Financial statements</b>	<p>As reported in our 2023/24 Audit Completion Report we issued a disclaimer of opinion on the Council's 2023/24 financial statements, we also issued a disclaimed audit report on the Council's financial statements for 2020/21, 20221/22 and 2022/23 under these arrangements to reset and recover local government audit.</p> <p>In 2024/25, we commenced the audit of the balance sheet and in-year transactions. Although the level of assurance gained has increased, For the reasons set out in our Value for Money commentary, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. Additionally, as a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over brought forward balances from 2023/24 where we did not gain assurance. This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements.</p> <p>Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements.</p> <p>We have considered the weaknesses in the London Borough of Bromley's arrangements for external financial reporting as part of our follow up on the 2023/24 statutory recommendations, as well as our 2024/25 work, and raised related recommendations for improvement. See Section 03 for further details.</p> <p>We therefore issued a disclaimed 2024/25 audit opinion on 26 February 2026.</p>
<b>Going concern</b>	<p>Where a disclaimer of opinion is issued on the financial statements, we do not conclude on whether the use of the going concern basis of accounting is appropriate.</p>
Consistency of the other information published with the financial statements	<p>Where a disclaimer of opinion is issued on the financial statements, we do not conclude on whether Financial information in the narrative statement and published with the financial statements is consistent with the audited accounts</p>

# Executive Summary (cont'd)

## 2024/25 conclusions cont'd

<p><b>Value for money (VFM)</b></p>	<p>Our planning procedures have identified two risks of significant weakness in arrangements in relation to Value for Money:</p> <ul style="list-style-type: none"> <li>• Financial Sustainability - The Council has a balanced budget for 2025/26, however before allowing for further savings to be identified the Council faces an estimated budget gap of £58.9 million in 2026/27 rising to £74.7 million per annum by 2029/30.</li> <li>• Governance - Capacity of the finance team: Response to Statutory Recommendations issued in 2023/24 of the Council's ability to prepare accurate working papers and provide appropriate supporting evidence within in agreed upon deadlines.</li> </ul> <p>Having updated and completed the planned procedures in these areas we have concluded:</p> <ul style="list-style-type: none"> <li>• There are no weaknesses in arrangements in relation to the financial sustainability arrangements.</li> <li>• There is a weakness in arrangements in relation to governance arrangements</li> </ul> <p>We have included our VFM commentary in Section 03.</p>
<p><b>Consistency of the annual governance statement</b></p>	<p>We were satisfied that the annual governance statement was consistent with our understanding of the Council.</p>
<p><b>Public interest report and other auditor powers</b></p>	<p>As a result of the significant weakness identified in governance arrangements, we have made Statutory Recommendations under section 24 and Schedule 7(2) of the Local Audit and Accountability Act 2014 (as amended).</p>
<p><b>Whole of Government Accounts</b></p>	<p>We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.</p>
<p><b>Certificate</b></p>	<p>We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of London Borough of Bromley.</p>

# Executive Summary (cont'd)

## Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

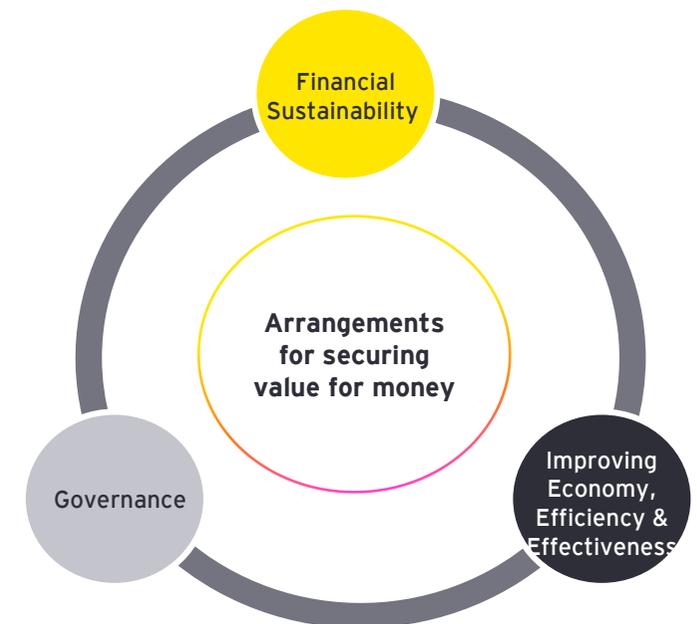
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

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

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 officers including the S151 officer;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.



# Executive Summary (cont'd)

## Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	Future budget gaps: The Council has a balanced budget for 2025/26, however before allowing for further savings to be identified the Council faces an estimated budget gap of £58.9 million in 2026/27 rising to £74.7 million per annum by 2029/30.	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Capacity of the finance team: Response to Statutory Recommendations issued in 2023/24 of the Council's ability to prepare accurate working papers, provide appropriate supporting evidence within in agreed upon deadlines.	Significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> 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 weakness identified

# Executive Summary (cont'd)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and 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 the 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 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2025

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 2025:

[EY UK 2025 Transparency Report | EY – UK](#)



# 02

# Audit of financial statements

# Audit of financial statements

## Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 26 February 2026, we issued a disclaimer of opinion on the financial statements. We reported our audit scope, risks identified and detailed findings to the 25 February 2026 Audit and Risk Management Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit. We reported 14 internal control recommendations and areas for improvement in the control environment in our Audit Results Report

Risk	Conclusion
Misstatement due to fraud or error	Testing of journals and other transactions susceptible to management override did not identify any exceptions. However, there is inadequate segregation of duties, with a single individual able to prepare, process and approve transactions. This weakness increases the risk of management override, and despite no errors being found in the sample, overall assurance remains limited. Please refer to section 06 for our control deficiencies.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We have completed our REFCUS testing and did not identify any issues.  However, we were unable to gain assurance over capital additions, as we did not receive sufficient appropriate evidence to address our audit assertions. Consequently, we were unable to obtain full assurance over this area at 31 March 2025.
Implementation of IFRS 16	We were unable to complete all planned audit procedures within the agreed audit timetable. This was due to significant delays in the provision of evidence and responses. Resolving these issues required substantial time and input from both Management and the audit team, diverting resources away from other scheduled audit work. As a result, we were unable to obtain assurance over this area at 31 March 2025.

# Audit of financial statements

## Key findings continued

Risk	Status of our work
Valuation of Land and Buildings (EUV/MV), Assets Held for Sale and Investment Property	<p>We have completed our Assets Held for Sale testing and did not identify any issues.</p> <p>We planned to audit the valuation of a sample of assets revalued during 2024/25. We were unable to gain sufficient assurance in this area to complete planned procedures due to significant delays in the provision of evidence by Management and the valuer.</p> <p>We were unable to get assurance in the 2024/25 year over additions and existence due to insufficient evidence.</p> <p>Until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE and IP at 31 March 2025.</p>
Pension Liability Valuation	<p>We noted a difference in the value of Pension Fund assets in the report from the actuary to the statement of accounts. The Authority did not incorporate adjustments of £15 million, relating to the asset ceiling.</p> <p>Management requested and received a revised IAS 19 report from the actuary. Our work on the updated report confirmed changes to the remeasurement of the net defined liability and pension reserve, which management have updated for accordingly.</p>
Group Boundary Assessment	<p>We performed initial procedures on Managements group boundary assessment. However, we were unable to complete all our planned procedures as we did not receive responses to our queries within the agreed timeframe.</p>
Valuation of Property, Plant & Equipment (PPE) measured using the Depreciated Replacement Cost (DRC) method	<p>We selected a sample of assets revalued during 2024/25 for testing. We were unable to gain sufficient assurance in this area to complete planned procedures due to significant delays in the provision of evidence by Management and the valuer. We were unable to get assurance in the 2024/25 year over additions and existence due to insufficient evidence.</p> <p>Until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.</p>

# Audit of financial statements

## Financial Statement reporting assessment

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the financial statements	Effective			The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the financial statements	Ineffective			There were a significant number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were provided to the agreed timetable. Due to issues arising in the past we set out a longer timetable for preparing the working papers. The deadline for 2024/25 was mid-September for all working papers to be with audit.	N/A
Quality of working papers and supporting evidence	Ineffective			<p>We identified high levels of inconsistency between working papers and supporting evidence provided to us when compared to the draft financial statements submitted for audit. Significant levels of differences were also identified showing that insufficient review of the draft financial statements/working papers had occurred.</p> <p>For majority of the sample areas, the quality of evidence provided was of a poor quality resulting in numerous requests for clarification and further evidence. Evidence was not provided in a timely manner. This resulted in significant delays to the audit process and has led to a number of accounts areas being incomplete at the end of the audit timeline.</p>	We consider this further in our VFM reporting. See Section 03
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement			Delays were experienced in the provision of supporting evidence from the Authority's valuer for the valuation of Property, Plant and Equipment and Investment Property assets. There are still outstanding matters not responded to. This has led to our work being incomplete at the end of the audit timeline.	N/A

# Audit of financial statements

## Financial Statement reporting assessment

Area	Status			Explanation	Further detail
	R	A	G		
Access to finance team and personnel to support the audit in accordance with agreed project plan	Ineffective			<p>There were no issues with access to key members of the finance team and key personnel. The Head of Corporate Finance and Accounting and the Chief Accountant were engaged in a positive way throughout the audit visit.</p> <p>However, there is insufficient capacity within the finance team to service the audit. There was limited oversight and quality control procedures by Management over the evidence being returned to us from the wider finance team and this adversely impacted our ability to progress our planned procedures as per the detailed audit plan and timelines. There needs to be greater responsibility across the wider finance team for the delivery of the audit working papers, and responding to evidence requests and explanations for queries raised in a timely manner. The culture across the wider finance team is that the audit is the responsibility of a small number of key individuals.</p>	We consider this further in our VFM reporting. See Section 03
Volume and value of identified misstatements	Ineffective			<p>On areas where procedures could be completed we identified material misstatements.</p> <p>Further details can be found in sections 05 and 06 of this report.</p>	N/A
Volume of misstatements in disclosure	Ineffective			<p>On areas on where procedures could be completed, we identified over 60 disclosure misstatements.</p>	N/A



# 03

# Value for Money commentary

# Value for Money

## The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Our responsibilities

Under the revised NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified
 <p><b>Financial sustainability</b> How the Council plans and manages its resources to ensure it can continue to deliver its services.</p>	The Council has a balanced budget for 2025/26. However, the Council has identified an estimated budget gap of £58.9 million in 2026/27, before allowing for further savings to be identified, rising to £74.7 million per annum by 2029/30.	Whilst internal arrangements are sound, and no significant weakness has been identified; the Council needs to ensure the transformation programme delivers the planned savings in line with the business plans and revenue spend is contained within budget.
 <p><b>Governance</b> How the Council ensures that it makes informed decisions and properly manages its risks.</p>	Capacity of the finance team	Significant weakness identified. Please refer to our reporting from pages 24 to 28.
 <p><b>Improving economy, efficiency and effectiveness</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services.</p>	No significant risks identified	No significant weakness identified



# VFM commentary: Financial Sustainability

## Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- 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;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- 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; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Significant risks identified during planning procedures

Our audit procedures identified a risk of a significant weakness in the Council's arrangements for financial sustainability. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years.

The 2024/25 risk of significant weakness is in relation to the Council's Future budget gaps: The council has a balanced budget for 2025/26, however before allowing for further savings to be identified the Council faces an estimated budget gap of £58.9 million in 2026/27 rising to £74.7 million per annum by 2029/30.

## Overview of our conclusions

We undertook a programme of work to assess the identified risk of significant weakness in respect of financial sustainability. The main areas reviewed, and conclusions reached, are set out on the following pages, alongside our wider understanding of related arrangements and reported outcomes/forecasts. Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services and has implemented robust processes to deliver balanced budgets, despite a highly challenging financial environment.

However, the medium-term position remains challenging, and while the previously forecast budget gap for 2026/27 has now been fully closed through use of reserves and achieving 95% of savings programme for 2025/26, the significant financial pressures continue for 2027/28 and future years. The reserves strategy and ongoing transformation programmes provide assurance, but continued monitoring, corrective action, and critically realistic recognition of the diminishing scope for further efficiencies without impacting services will be required to maintain financial sustainability.



# Financial Sustainability considerations

## Medium Term Financial Strategy

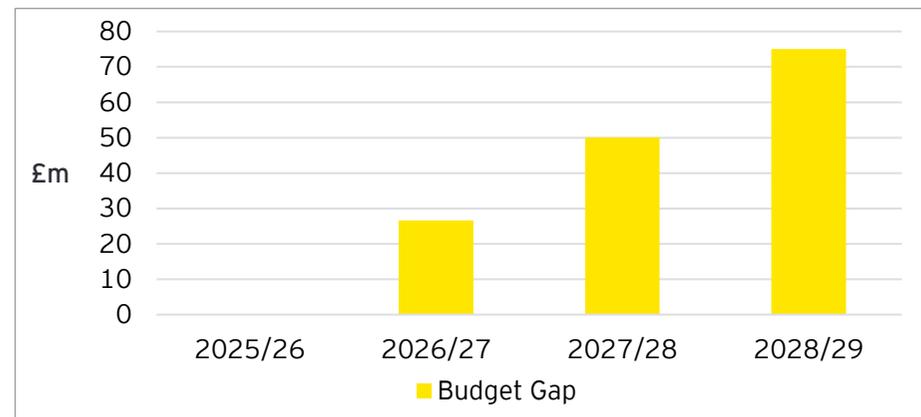
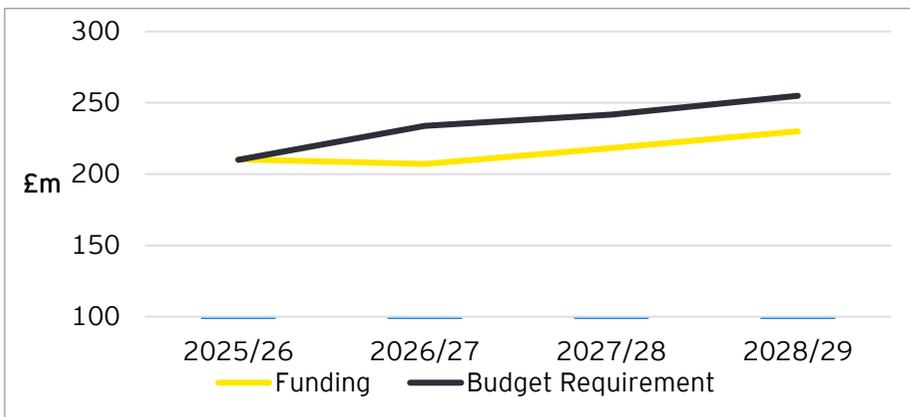
The Council's Medium Term Financial Strategy (MTFS) presented the Executive Committee in February 2025 highlights significant and ongoing financial uncertainty for London Borough of Bromley. The 2025/26 budget is balanced, but future years face a growing budget gap—projected at £26.6 million in 2026/27, £23.5 in 2027/28 and nearly £25 million per year by 2028/29—driven by rising costs in children's and adult social care, housing, and education. These pressures are compounded by one-year government funding settlements, inflation, and the risk of further reductions in core funding. The Council's reserves are being used to bridge shortfalls, but this is not sustainable in the medium term. Key challenges include managing the Dedicated Schools Grant deficit, increasing demand for temporary accommodation, and the need for further transformation and savings. Without additional funding or major service changes, the Council faces heightened financial risk and must continue to maintain a strong focus on financial resilience and service prioritisation.

The updated position presented to Executive Committee in September 2025 reflects a worsened position to the above. Before allowing for further savings to be identified, the Council faces an estimated budget gap of £58.9 million in 2026/27 rising to £74.7 million per annum by 2029/30.

The above projections exclude the impact of the annual DSG deficit. Whilst the statutory override remains in place, the Council's cumulative DSG deficit continues to grow. As of 31 March 2025, the deficit is projected at £27.1 million, with an underlying shortfall that could reach £39.0 million by the end of 2025/26. The Council anticipates that this figure may rise further to £85.5 million by 2028/29. The statutory override is scheduled to end after 2027/28. Once removed, the Council will need to directly address the DSG deficit as part of achieving a balanced budget.

The tables below represents data using the Council's Medium Term Financial Strategy (MTFS) presented the Executive Committee in February 2025

## The Council's MTFP outlines a cumulative gap of £75 million by 2028/29





# Financial Sustainability considerations

## 2026/27 Draft Budget and Council Tax Report

London Borough of Bromley Council presents a balanced 2026/27 budget, but only by closing a £26.4m budget gap through one-off use of earmarked reserves, a 4.99% increase in Council Tax and the Adult Social Care precept, and delivery of £29.3m transformation savings, despite £32.8m in cost and demand pressures.

Future budget gaps forecast rise to £43.4m in 2027/28 and £61.1m in 2028/29, even after assuming continued savings and maximum Council Tax increases. The Council's financial strategy relies on the transformation programme, which is expected to deliver up to £35.5m savings by 2028/29, alongside mitigation actions to contain growth.

The reports highlights that the Dedicated Schools Grant deficit is projected to reach £77.5m. However, recent announcements confirm that central government will take on responsibility for SEND costs from 2028/29. In advance of this change, the High Needs Stability Grant will fund 90% of Dedicated Schools Grant (High Needs) deficits accumulated up to the end of 2025-26, with payments expected from Autumn 2026. This support applies only to deficits incurred up to 2025-26; any further deficits arising in 2026-27 and 2027-28 will be managed through transitional arrangements until SEND funding is fully centralised in 2028-29. While these measures significantly reduce the Council's financial exposure—leaving only the remaining 10% of historic deficits to be funded locally—they do not remove all risk. Deficits accumulated during 2026, 2027, and 2028 remain the Council's responsibility until national funding takes effect in April 2028. As a result, continued prudent financial planning and the delivery of robust savings plans remain essential.

## Savings plans

London Borough of Bromley Council's Transformation Programme has delivered strong results in its first two years, achieving 95% of Year One savings (£18m of £18.9m) and identifying £32.5m of savings for Year Two, of which £29.3m will contribute directly to closing the budget gap in 2026/27, mitigating 53% of that gap. Across the two years, the Programme has worked through 95% of 138 initial opportunities and delivered savings across all major departments through service redesign, growth-reduction initiatives, digital transformation, procurement improvements, corporate reviews, and staff-generated ideas. Growth-reduction projects—such as right-sizing domiciliary care, SEN transport policy changes, Housing with Care, and Family Hubs—aim to reduce future demand and inflationary pressures. Continued governance through the Corporate Transformation Hub, RAG monitoring, and Transformation Board oversight has ensured timely intervention where savings were at risk, with remaining shortfalls limited to £904k in Year One. The Programme continues to be essential to addressing escalating statutory service costs, population growth, rising complexity in social care, and inflation, with further corporate reviews and organisational realignment planned to strengthen financial resilience and deliver £1.5m staffing savings. As Bromley faces significant medium-term financial challenges, the Transformation Programme remains the Council's primary mechanism for delivering sustainable savings, modernising services, and supporting the long-term Making Bromley Even Better vision.

To aid the above a Growth Reduction Board was established October 2025; the role of the board is to monitor revenue control and transformation delivery. The board is to report monthly to Executive and quarterly to Audit and Risk Management Committee.



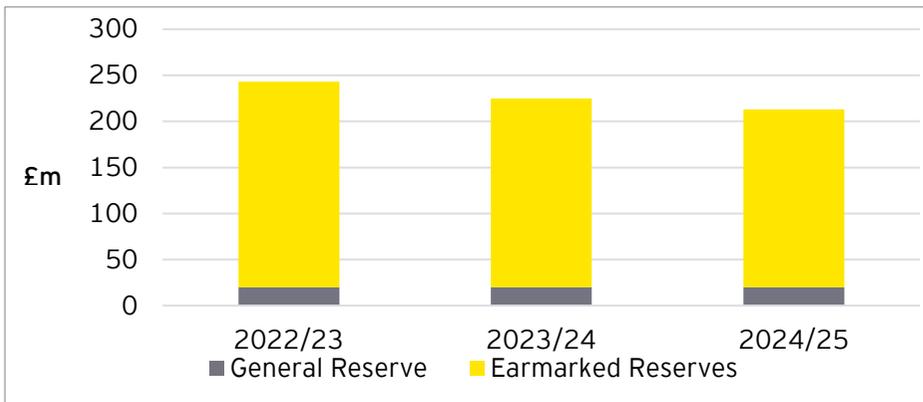
# Financial Sustainability considerations

## Reserves position

London Borough of Bromley's reserves position is slowly depleting, with the Council relying on £26.4m of earmarked reserves to balance the 2026/27 budget after already drawing £14.4m to support the 2025/26 in-year overspend, resulting in a £54.4m two-year depletion of reserves. General reserves will be held at £20m, the minimum level judged prudent by the Council, while earmarked reserves are being significantly re-designated and drawn down to sustain the revenue budget, leaving reduced flexibility to absorb future shocks. The Council notes that this reliance on one-off reserves is not sustainable, particularly alongside a structural budget gap rising to £43.4m in 2027/28 and £61.1m in 2028/29, which—if unaddressed—would exhaust reserves completely within three years.

The Council has robust savings plans in place in order to minimise to use of the reserves.

## The Council's General Fund and Earmarked Reserves have reduced over recent years





# Financial Sustainability considerations

## Outturn position

The outturn position for the 2024/25 is an overspend of £17.1 million against a revised budget of £268.2 million. The variances between budget and actual expenditure for each portfolio is highlighted in the table on the next page. As a result of this overspend, there has been a significant reduction in Earmarked Reserves.

The latest projected position for the 2025/26 year is a projected net overspend on services of £17.3 million based on information as at June 2025.

The final capital outturn for the year was £51.4 million, compared to the final revised budget of £58.8m million. The total net variation is an underspend of £7.4 million, which is due to slippage in four portfolios: Renewal, Recreation & Housing; Environment and Community; Resources, Commissioning and Contracts Management; and Children, Education and Families.



# Financial Sustainability considerations

The Council recorded an overall overspend against budget in 2024/25

Portfolio	Budget £'000	Expenditure £'000	(Underspend)/Overspend £'000
Adult Care and Health	89,386	94,871	5,485
Children, Education & Families	68,384	75,722	7,338
Environment & Community	40,604	40,894	290
Public Protection & Enforcement	3,459	3,459	0
Renewal, Recreation & Housing	17,084	30,086	13,002
Resources, Commissioning and Contracts Mgmt	53,497	52,901	(596)
<b>Total Controllable Budgets</b>	<b>272,414</b>	<b>297,933</b>	<b>25,519</b>
Capital Charges, Insurance and Pension Costs	16,712	16,712	0
Non General Fund Recharges	(913)	(913) Cr	0
<b>Total Portfolio Budgets</b>	<b>288,213</b>	<b>313,732</b>	<b>25,519</b>
Capital, Insurance & Pension a/c Requirements	(14,559)	(14,231)	328
<b>Total Portfolio Budgets (adj. for carry forwards and accounting requirements)</b>	<b>273,654</b>	<b>299,501</b>	<b>25,847</b>
Income from Investment Properties	(5,943)	(5,210)	733
Interest on General Fund Balances	(12,041)	(13,601)	(1,560)
<b>Total Investment Income</b>	<b>(17,984)</b>	<b>(18,811)</b>	<b>(827)</b>
Contingency Provision (see Appendix 4)	8,155	0	(8,155)
Other Central Items	4,392	5,057	665
<b>Total Variation on Services and Central Items</b>	<b>268,217</b>	<b>285,747</b>	<b>17,530</b>
Prior Year Adjustments	0	(390)	(390)
<b>Total Variation</b>	<b>268,217</b>	<b>285,357</b>	<b>17,140</b>



# Financial Sustainability considerations

## Recommendation

The council has adequate arrangements in place to address its short-term budget gaps and use of reserves; however, the Council needs to ensure the transformation programme delivers the planned savings in line with the business plans and revenue spend is contained within budget.



# VFM commentary: Governance

## Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- 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, including in relation to significant partnerships;
- 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; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

## Significant risks identified during planning procedures

Within our Audit Plan we referred to our 2023/24 statutory recommendations and the follow up required in 2024/25. In the prior year, significant weaknesses were identified, and we reported three statutory recommendations in relation to the governance arrangements. We summarise our consideration of the Council's progress against the recommendation in Appendix A.

## Overview of our conclusions

Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to the capacity of the finance team to support the audit for 2024/25. Our findings from the financial statement audit is that the improvements required in response to the statutory recommendations from 2023/24 have not been achieved. Therefore, the weakness in arrangements for preparing the financial statements and servicing an audit continue to be in place for 2024/25.

Please refer to appendix B for the 2024/25 statutory recommendations.



# Governance considerations

## Risk identified: Capacity of the finance team

We planned to complete all accounts procedures for the 2024/25 audit. We held an audit workshop with management and the finance team on 07 May 2025. In this workshop we discussed: audit timelines; the basics for good financial statement close down processes; the importance of good evidence; what is considered good evidence and what insufficient evidence looks like. All finance team officers linked to the accounts and audit attended the workshop.

The execution phase of the audit commenced from 06 October 2025 and continued through to 19 December 2025. Prior to the start of this phase, we held meetings with the Council to discuss year end schedules and listings, as well as EY's project plan. The plan—shared and discussed with the Council on 19 September 2025—included the areas to be audited, key milestones, weekly deadlines, and assigned team members. Management provided all year end schedules and listings before commencement of the execution phase.

During the first week of execution, which was dedicated to sample selection, we encountered several issues with the quality and completeness of supporting schedules and listings. Key challenges included:

- Poor quality transaction listings for debtors, creditors, income, and expenditure. The level of manual preparation required by the audit team prior to sampling was significant. These areas also carry large sample sizes, increasing the time required for completion.
- Debtors listing containing substantial credit balances, which resulted in a significantly increased sample size.
- An error identified in the reporting of Grants, with revised figures not provided promptly
- Ongoing concerns regarding the adequacy of bank reconciliations, as previously reported in our 2023/24 completion report, leading to delays in completing audit procedures
- Identification of a substantial creditors balance relating to prior years that should have been written off as there is insufficient detail supporting the balance.
- Inadequate evidence provided first time across all sampling areas necessitating clarification and additional submissions

As management was experiencing delays in providing evidence for several audit areas already underway, we mutually agreed that debtors and expenditure testing would be deferred so that management could prioritise supporting other planned procedures. We reported the issues arising and the approach for debtors and expenditure to the Audit and Risk Management Committee in November 2026.

Despite these adjustments, significant delays and issues continued to arise, preventing the audit team from completing planned procedures within the allocated audit window.

Given that the Council has not adequately responded to our 2023/24 statutory recommendations, detailed in appendix A, we concluded that it was necessary to continue to exercise our additional auditor reporting powers and re-issue the statutory recommendations updated for the latest position.



# Governance considerations

## Annual Governance Statement

The Annual Governance Statement (AGS) confirms that London Borough of Bromley Council maintains robust governance arrangements, aligned with the 'Delivering Good Governance in Local Government Framework'. The Council's governance framework is underpinned by its Corporate Strategy, 'Making Bromley Even Better', and the cross-cutting Transforming Bromley Programme, which focuses on financial sustainability, service transformation, and innovation.

Key governance issues identified for 2025/26 include:

- Medium-term financial pressures: Despite achieving a balanced budget for 2025/26, significant budget gaps remain for future years, driven by inflation, demand pressures (especially in housing and children's social care), and uncertainty over government funding
- Statement of Accounts: Historic delays in closing accounts have been addressed, reference is made to EY's statutory recommendation and that further improvements in finance team workflow, capacity, and quality assurance is required
- Dedicated Schools Grant (DSG) deficit: The DSG deficit has grown, reflecting national funding challenges and local demand for Education, Health and Care Plans. A recovery plan and new special school proposals are in place
- Housing and homelessness: While prevention work has reduced homeless approaches, reliance on costly temporary accommodation remains high, with ongoing challenges in procuring affordable, in-borough placements
- Rising cost of residential care for children: Costs and complexity of placements continue to rise, with actions underway to increase local provision and secure better value.

The Annual Governance Statement highlights strong internal controls, regular risk management, and effective scrutiny by the Audit and Risk Management Committee. External inspections have been positive, with 'Outstanding' ratings for Children's Services and Youth Justice, and 'Good' for Adult Education. The Council's internal audit provided 'reasonable' assurance over governance, risk, and control in the Chief Audit Executive opinion for 2024/25.

Progress against previous year's governance issues is detailed in the AGS reporting improvements in financial management, property compliance, and contract management, although some challenges remain ongoing. The Council has stated that it is committed to continuous improvement, transparency, and addressing the significant issues identified.

## Risk Management

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 regularly. They report to the relevant Scrutiny Committee; with red high-risk items as default items on the agenda.

We have reviewed the latest risk register, taken to the Audit and Risk Management Committee in November 2025. Our review highlights the main risks facing the Council are budget gap; IT security failure; failure to deliver effective children's services; temporary accommodation; failure to deliver the Transforming Bromley Programme; and capital financing shortfalls. The review found that the existing controls and oversight mechanisms are sufficient to mitigate these risks to an acceptable level and do not lead to a weakness in VFM arrangements.



# Governance considerations

## Internal audit arrangements

The Council has an internal audit service to help gain assurance over the effective operation of internal controls. The Audit and Risk Management 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 Management Committee. The annual Internal Audit Plan incorporates an appropriate level of coverage in respect of the Council's system of internal control.

We have reviewed internal audit reports issued in 2024/25 and have not identified any potential weakness in arrangements. Overall, in 2024/25, 70% of audits received 'Reasonable' assurance and a further 20% received 'Substantial' assurance (the highest rating). Internal audit in their report noted that this is a strong set of results which indicates that there are controls in place to manage the majority of risks reviewed as part of their audits. Overall, 90% of audits received 'Reasonable' or higher, compared to 74% in 2023/24 and 87% in 2022/23.

In 2023/24 we noted that there was a backlog of reports to be done from prior years, however, internal audit set plans in place, such as contracting out some audits. In 2024/25 more than 30 internal audit reports were completed, our discussions with internal audit and review of the reports note that there backlog has now been closed.

## Economic Crime and Corporate Transparency Act 2023

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures.

London Borough of Bromley has reviewed its existing fraud policy and procedures against the latest Home Office guidance; this was taken to the Audit and Risk Management Committee in November 2025.



# Governance considerations

## Recommendations

Further to the statutory recommendations made in 2023/24, the following recommendations remain for 2024/25:

- **Finance Function Workflow Review:** The Council should ensure the 2024/25 workflow review is fully embedded across the finance function to address the operational bottlenecks that persisted during the year. Despite reassessing roles and responsibilities to increase capacity in the finance function, vacancies in roles delayed the effective implementation of the revised structure, resulting in ongoing reliance on a small number of individuals for key financial reporting and audit activities. To address this, the Council must operationalise the review's outcomes with appropriate staffing levels and robust processes. In addition, workplace culture should be improved to ensure clear task ownership, stronger accountability in finance, and shared responsibility for financial reporting. These changes will build a more resilient team, reduce reliance on individuals, and support sustainable and equitable workload distribution.
- **Quality Assurance Function Review:** As reported in the prior year, the Council should implement a thorough review of the quality assurance process for draft accounts and underlying workpapers of both the Council and Pension Fund. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Risk Management Committee.
- **Finance Team Capacity:** The Council should ensure the agreed roles, responsibilities and resource needs for financial reporting across both the Council and the Pension Fund are fully implemented. This includes clarifying support required from other functions, so financial reporting operates effectively and meets statutory deadlines. The accounts production plan should cover audit delivery, such that the wider finance team prioritise timely responses to audit queries provision of evidence.



# VFM commentary: Improving economy, efficiency and effectiveness

## Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

## Significant risks identified during planning procedures

Within our Audit Planning Report, we reported that we were yet to complete our detailed VFM planning. We have now completed this work and did not identify any risk of significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness.

In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years.

In 2024/25, we did not identify any recommendations in relation to arrangements for improving economy, efficiency and effectiveness. The Council's underlying arrangements for improving economy, efficiency and effectiveness are not significantly different in 2024/25.

## Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



# Improving economy, efficiency and effectiveness considerations

## Financial and performance information

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 and monitored in subsequent reports. The outturn report identifies variations in departmental expenditure and the Council's central contingency budget. In addition, there are higher returns from changes to the Council's investment strategy. Underspends from the central contingency budget 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. Due to the Council's financial pressures, there is robust financial reporting and monitoring to enable the Council to understand the future years budget gap. It also provides opportunities to achieve savings from transformation, economic development and investment income which will provide a more sustainable financial outcome for the future.

## Procurement and contract management

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.



# Improving economy, efficiency and effectiveness considerations

## Partnership working

The Council has a Pooled Budget arrangements with South East London Integrated Care Board and Integrated Care System (Formerly Bromley CCG) 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 also 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.

## External bodies' review

During 2024/25, the Local Government and Social Care Ombudsman investigated 43 complaints against Bromley, with 88% upheld—equating to 11.5 upheld decisions per 100,000 residents compared to an average of 9.1 for similar authorities. While the Ombudsman confirmed full compliance with all recommendations, most upheld cases related to children's social care, particularly delays in Education, Health and Care plans. The Ombudsman's annual review highlighted the need for more timely responses and better resolution of complaints internally.

Ofsted inspections were positive: a Child Protection inspection in January 2025 found arrangements well established and effective, and the January 2024 inspection of Children's Services rated Bromley 'Outstanding' across all areas.

## Recommendation

We have no recommendations.



# 04 Appendices

# Appendix A – Recommendations from previous years

## Recommendations brought forward from previous years

The table below sets out the statutory recommendations arising from the value for money work in the prior year, 2023/24, and progress made in the current year. All recommendations have been agreed by management.

Issue	Recommendation	Progress made in 2024/25
Governance	<p><b>Finance Function Workflow Review:</b> Conduct a comprehensive review of the finance function workflow to identify bottlenecks in the flow of information and the completion of key finance tasks. Use the findings to redefine roles and responsibilities within the finance team, ensuring an equitable distribution of workload and preventing any single individual from being overburdened.</p>	<p>Progress has been made in respect to account publication as the Statement of Accounts was issued by the 30 June 2025 legislative deadline and the Council providing all working papers by the agreed upon timelines.</p> <p>However more progress needs to be made with regards to the quality of working papers/evidence provided and the timeliness in which these are provided</p> <p>We have concluded that significant weakness exist for 2024/25 and updated recommendations have been made. Please refer to page 35.</p>
Governance	<p><b>Quality Assurance Function Review:</b> Implement a thorough review of the quality assurance process for accounts and underlying workpapers of both the Council and Pension Fund. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Risk Management Committee.</p>	<p>Progress has been made in respect to account publication as the Statement of Accounts was issued by the 30 June 2025 legislative deadline and the Council providing all working papers by the agreed upon timelines.</p> <p>However more progress needs to be made with regards to the quality of working papers provided.</p> <p>We have concluded that significant weakness exist for 2024/25 and updated recommendations have been made. Please refer to page 35.</p>

# Appendix A – Recommendations from previous years

## Recommendations brought forward from previous years

Issue	Recommendation	Progress made in 2024/25
Governance	Finance Team Capacity: Re-assess roles, responsibilities and resource requirements for financial reporting across the Council and Pension Fund, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.	Insufficient progress has been made.  We have concluded that significant weakness exist for 2024/25 and updated recommendations have been made. Please refer to page 35.

# Appendix B – Recommendations from current year

## Recommendations from 2024/25

The table below sets out the recommendations arising from the value for money work for the year 2024/25. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability	The Council needs to ensure the transformation programme delivers the planned savings in line with the business plans and revenue spend is contained within budget.	
Governance	The Council should ensure the 2024/25 workflow review is fully embedded across the finance function to address the operational bottlenecks that persisted during the year. Despite reassessing roles and responsibilities to increase capacity in the finance function, vacancies in roles delayed the effective implementation of the revised structure, resulting in ongoing reliance on a small number of individuals for key financial reporting and audit activities. To address this, the Council must operationalise the review's outcomes with appropriate staffing levels and robust processes. In addition, workplace culture should be improved to ensure clear task ownership, stronger accountability in finance, and shared responsibility for financial reporting. These changes will build a more resilient team, reduce reliance on individuals, and support sustainable and equitable workload distribution.	
Governance	As reported in the prior year, the Council should implement a thorough review of the quality assurance process for draft accounts and underlying workpapers of both the Council and Pension Fund. Establish clear timelines for the closedown process, ensuring appropriate segregation of duties between those preparing and those reviewing the draft accounts and workpapers. Monitor adherence to this process and report performance to the Audit and Risk Management Committee.	

# Appendix B – Recommendations from current year

## Recommendations from 2024/25

Issue	Recommendation	Management response
Governance	The Council should ensure the agreed roles, responsibilities and resource needs for financial reporting across both the Council and the Pension Fund are fully implemented. This includes clarifying support required from other functions, so financial reporting operates effectively and meets statutory deadlines. The accounts production plan should cover audit delivery, such that the wider finance team prioritise timely responses to audit queries provision of evidence.	

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