

London Borough of Havering **Auditor's Annual Report**

Year ended 31 March 2024

16 April 2025



Audit Committee
London Borough of Havering
Town Hall
Main Road
Romford RM1 3BB

16 April 2025

Dear Audit Committee Members

2023/24 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 Havering. 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 2023/24.

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

We welcome the opportunity to discuss the contents of this report with you at the next Audit Committee meeting.

Yours faithfully



Mark Hodgson

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 ([Statement of responsibilities of auditors and audited bodies \(from 2023/24 audits\) - PSAA](#)). 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 Committee and Management of London Borough of Havering in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit Committee and Management of London Borough of Havering 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 Audit Committee and Management of London Borough of Havering 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 purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year and the value for money commentary, including confirmation of the opinion given on the financial statements; and, by exception, reference to any reporting by the auditor using their powers under the Local Audit and Accountability Act 2014. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) published in November 2024 and the supporting guidance of the National Audit Office (NAO) published within their Auditor Guidance Note 3 (AGN 03). This commentary aims to draw to the attention of the Council and the wider public relevant issues from our work including recommendations arising in the current year and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

The 2024 Code paragraph 4.10 has suspended the requirement to issue an Auditor's Annual Report by 30 November. It states that auditors may exercise judgement to determine when to issue their Annual Report including their commentary on arrangements to secure value for money.

Responsibilities of the appointed auditor

We have undertaken our 2023/24 audit work in accordance with the Audit Plan that we issued on 14 May 2024. We have complied with the NAO's 2024 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- the 2023/24 financial statements;
- conclusions relation to going concern; and
- the consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- if the Annual Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- any significant matters or written recommendations that are in the public interest; and
- if we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (continued)

2023/24 Conclusions

Financial statements

Disclaimed - Due to delays in receiving audit evidence in some areas of the audit of the Council's financial statements, as set out below, in sufficient time before the backstop date, we did not have the required resource available and have been unable to complete our audit. Those areas were: Short-Term Creditors, Property Plant and Equipment, Cash and Cash Equivalents, Long-Term Debtors, and Short-Term Debtors.

In addition:

- due to delays in receiving assurances from the component auditors of the subsidiaries, we were also unable to complete our audit procedures in respect of the Group elements of the financial statements.
- the Council has processed prior year adjustments relating to the Group and Council Balance Sheet and Movement in Reserves Statements. Due to the imposed backstop date, we were unable to perform sufficient further audit work to determine the completeness and accuracy of the adjustments made and recorded in the 2023/24 financial statements.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work, which was impacted by the backstop date, we did not have sufficient appropriate audit evidence over the following:

- in the Balance Sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'Other Land and Buildings' and 'Heritage Assets' that were not revalued in year.
- in the Comprehensive Income and Expenditure Statement and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet
- in the Cash Flow Statement and accompanying note(s): opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet.

We therefore issued a disclaimed audit opinion on 26 February 2025 on the Council's 2023/24 financial statements. On the same date, we issued an unqualified opinion in respect of the Council's Pension Fund accounts.


Consistency of the other information published with the financial statements

Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.

Executive Summary (continued)

2023/24 Conclusions

Value for Money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the Annual Governance Statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of Government Accounts	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.



Executive Summary (continued)

Value for Money

Scope

We are required to be satisfied that London Borough of Havering 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 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 Management and Key Officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council Management and the Finance team.

Executive Summary (continued)

Value for Money (continued)

Reporting

Our commentary for 2023/24 is in Section 03. The 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 2023/24.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2022/23 Interim Value for Money Report and have been updated in respect of 2023/24.

In accordance with the NAO's 2024 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 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	One significant risk identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness 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	One significant risk identified	Significant weakness identified



Executive Summary (continued)

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 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2024

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 2024:

[EY UK 2024 Transparency Report | EY - UK](#)



02 Audit of the financial statements

Audit of the financial statements – London Borough of Havering

Key findings

The Council's financial statements are 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 2025, we issued a disclaimed audit opinion on the financial statements as detailed on page 6 of this report.

We reported our audit scope, risks identified and detailed findings to the Audit Committee meeting on the 24 February 2025 in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The findings for each of the account's areas are set out in the Audit Results Report in Appendix A.

Significant risk	Conclusion
Management Override: Misstatements due to fraud or error	<p>We completed our work in this area and did not identify any audit differences, except for our detailed testing in respect of additions to Property, Plant and Equipment and Investment Property, where we have been unable to complete our procedures.</p> <p>In the areas we could complete, we did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.</p> <p>We had no other matters to report</p>
Risk of incorrect capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute)	We were unable to complete our procedures over the incorrect capitalisation of revenue expenditure (including Revenue Expenditure Funded from Capital Under Statute) due to delays in the provision of sufficient supporting evidences for our selected sample items.
Accounting adjustments made in the 'Movement in Reserves Statement'	We completed our work in this area and did not identify any audit differences.
Valuation of Investment Property	We completed our work in this area and did not identify any audit differences.
Going Concern	We completed our work in this area. The Council updated their disclosure in respect of Going Concern. We referred to this disclosure within our Audit Report.

Audit of the financial statements – London Borough of Havering Pension Fund

Key findings

The financial statements are an important tool for the Pension Fund to show the value of its underlying assets and how it can demonstrate its financial management and financial health.

On 26 February 2025, we issued an unqualified audit opinion on the financial statements as detailed on page 6 of this report.

We reported our audit scope, risks identified and detailed findings to the 24 February 2025 Audit Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit in relation to the significant risk areas. The findings for each of the account's areas are set out in the Audit Results Report in Appendix A.

Significant risk	Conclusion
Management Override: Misstatements due to fraud or error	We completed our work in this area and did not identify any audit differences.
Incorrect posting of investment income journals	We completed our work in this area and did not identify any audit differences.
Valuation of Complex Investments (Unquoted investments)	We identified a difference of £1.414 million in the value of Level 3 Investments, which would increase total net assets from £969.498 million to £970.912 million. This difference occurred as a result of timing differences, where final year-end figures for the 31 March 2024 became available during the audit process. Management have elected not to adjust the Pension Fund financial statements for this difference on the basis of materiality.



03 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 of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. We identified a risk around the Council's budget setting and budget monitoring process as of a result of overspends in 2023/24.

The Council has a robust process to set the budget and Medium-Term Financial Strategy. The process is detailed and developing the budget considers factors such as the ongoing impact of the 2023/24 overspend, inflation rates, demographic assumptions, current year pressures, implications of future capital programme and the need to establish prudent levels of balances and reserves. Putting all this together gives a balanced budget for 2023/24 but a medium-term financial gap to 2027 of £31.1 million.

The final outturn in 2023/24 shows an overspend of £18.1 million because of additional demand in Social Care and Homelessness services. Action plans were formed and actioned to help contain these overspends and any ongoing implications are being fully built into the 2024-2028 Medium Term Financial Strategy.

In February 2024, an updated 2024-2028 Medium Term Financial Strategy was approved by the Cabinet. The Council is facing a budget gap of £32.5 million based on a worst-case scenario which rises to £89.1 million over the next four financial years. The Council met with Departmental officials and ministers (Department of Levelling Up and Communities initially, which then became the Ministry for Housing, Communities and Local Government (MHCLG)) on number of occasions to discussion their position and seek exceptional financial support.

In March 2024, the Government confirmed that it would approve a Capitalisation Direction for almost £54 million that the Council required. This would cover the £18.1 million overspend in 2023/24 and the projected £32.5 million budget overspend in 2024/25.

The Council report regularly on the delivery against budget and the Period 6 Revenue Monitoring Report sets out the projected second quarter revenue position for 2024/25. The Council has projected a £33.2 million overspend which is in excess of the Capitalisation Direction requested for 2024/25 (as above). The Council is expecting this overspend to be £2.0 million by the of the financial year. This overspend will be funded from a reduction in the planned contribution to Reserves (budgeted as a £5.0 million contribution). This means contribution to Reserves will be lower than planned, though will still be an £3 million increase to Reserve balances the 31 March 2025.

(continued to next page)

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

For 2025/26, the Council is forecasting a budget gap of £89.0 million based on worst case scenario. The Council has sought further Exceptional Financial Support from MHCLG in order to balance the budget, which has recently been approved.

Based on the latest budget monitoring information available to us, the latest outturn projections are materially in line with the set budget, which was developed on a prudent, 'worst case scenario', basis. The Council have also received confirmation on 20 February 2025 that they will be able to access further exception financial support (agreed in principle) funding for 2025/26.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 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 year ended 31 March 2024. Our risk assessment did not identify any risk of significant weakness in governance arrangements.

The Council has an established risk management process including a Risk Management Strategy that is reviewed bi-annually at Governance and Assurance Board and presented to Audit Committee. A Governance and Assurance Board is chaired by the S151 Officer and oversees the Risk Management process, reporting to the Executive Leadership Group (ELG) who have wider oversight. The Council maintains a Strategic Risk Register that is reported regularly to Audit Committee, who hold deep dive sessions into higher risk areas to understand the issues and the actions planned to mitigate the risk. Also, a new risk management system, JCAD, has been implemented in 2023/24 to ensure that risk management activity can be monitored more efficiently.

The Council has an Internal Audit team who develops an Internal Audit Plan with inputs from Governance and Assurance Board. Audit work considers the risk of fraud during each review and reports quarterly on its findings, recommendation status and progress of the audit plan delivery are reported to Audit Committee. An overall opinion is provided to the Audit Committee on the control environment within the Council, based on the work undertaken during the financial year.

The annual budget setting process in effect runs throughout the year culminating in Council Tax setting in either February or March depending on the date of the Full Council meeting. The budget report to Full Council contains a 'Medium-Term Financial Plan' which sets out the pressures expected for the following year. In the spring, these assumptions are refreshed, and Councillors are presented with an updated position and expected gap for the following year. The Council then reviews its services using the Council's main four themes to identify efficiencies and savings. The Council has a regular revenue monitoring report which sets out Council performance against budget. This includes the HRA Capital as well as revenue. This is reported to Cabinet quarterly although members also receive monthly updates.

The Council produces an Annual Governance Statements (AGS) each year and this includes an annual review of the effectiveness of the system of internal controls included in the Council's published Financial Statements. The preparation and publication of the AGS is in accordance with CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) thereby fulfilling the statutory requirement for the annual review of the effectiveness of internal control and meets the requirement for preparation in accordance with proper practice.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 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

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 year ended 31 March 2024. In 2023/24, we identified a risk of significant weakness around the delivery of key services, as a result of an OFSTED inspection, where the overall effectiveness in respect of the local authority children's services has been rated as inadequate.

The Leadership Team reviews monthly the financial and performance information of the Council. Included periodically is benchmarking reports completed internally and externally which we use as a line of enquiry to identify where improvements can be made to operational performance or financial performance. 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. Through this work performance indicators for subsequent years are developed and enhanced to continually improve.

Where the Council delivers services via partnerships it would ensure it is represented on the relevant partnership board. Reports would be presented to the boards which would review the costs and benefits and measure performance against KPIs. The Council has two fully-owned subsidiaries. Mercury Land Holdings facilitates construction and investment in private rental properties within the borough whilst Bridge Close Regeneration LLP together with other two joint ventures, Havering and Wates Regeneration LLP and Rainham and Beam Park Regeneration LLP are responsible for development and selling of properties within the Borough. The Council have worked closely with London Borough of Newham & London Borough of Bexley under the 'oneSource' arrangement, however the need for bespoke and unique services for each Council has meant that the scope of this arrangement has reduced with the Council taking certain shared services back in-house. Each borough's Cabinets agreed that HR, Pensions & Treasury, Procurement and Asset Management were to return to their sovereign Council's over the course of 2023/24 with ICT due to return by the end of 2025.

The Council was subject to an OFSTED inspection during December 2023, which resulted in an overall grade of 'Inadequate'. As a result of this review, we concluded that arrangements to manage and deliver services were inadequate and we reported this as an 'Other Matter' within our audit report. In response, the Council developed and submitted an Improvement Plan detailing the steps they will undertake to improve services and outcomes for children to OFSTED and the Department for Education. The Council received a letter from OFSTED acknowledging the Council's Action Plan and noting that the plan appropriately targets the findings and areas for improvement.

Conclusion: Based on the work performed, we have concluded that there is a significant weakness in respect of improving economy, efficiency and effectiveness criteria as a result of the Ofsted Inspection Report findings..



04 Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2024/25.

Reporting criteria considerations	Arrangements in place
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	<p>One of the main objectives of a robust plan is to minimise unexpected demand and significant changes in assumptions. The Council has and continues to develop models to predict changes in demand particularly in social care which is the area of greatest pressure. This client and unit cost data is regularly updated and is used to allow the Council to monitor and project future demand. The Council now has over two years of post pandemic data and is able once again to use the robust data available to project future demand and allow medium term planning. There is a balance to be struck between creating an artificial gap through cautious projections and being too optimistic resulting in a last-minute requirement for lasted savings.</p> <p>The Council has baselined all its budget so each budget is measurable in terms of the projected numbers of users, volumes of income and unit costs. This will enable monitoring against that position and clear understanding of changing demographics to enable future planning and forecasting.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>It is not unusual for a Council to have a funding gap for future years when the budget is set. The medium-term planning process is a cyclical process that is ongoing and the Council will continually identify efficiency opportunities and savings measures. These proposals are formulated generally over the summer and presented to the members in the autumn in order to close the budget gap. Any savings proposal which results in a change in service to the public is also subject to a full consultation process. The 2024/25 process was no different in this respect and proposals were developed to close the budget gap. In-year action was also taken to reduce the 2023/24 emerging overspend including spending controls and recruitment freezes. The savings planned for 2024/25 have all been through a rigorous process to ensure that they are deliverable. It is recognised however, that demographic demand may mean some proposals are either delayed or not achievable so the Council has prudently included a provision to offset this risk in the budget.</p> <p>It is well documented the Council has struggled to balance the 2024/25 budget. The Council has over £15 million of robust savings proposals in the budget but has still been forced to request and receive a capitalisation direction to balance the budget. The Council continues to seek efficiencies and to contain demand to mitigate the position. The Council also continues to lobby the Government for a fairer funding outcome as whilst the Social Care pressures are a national issue experienced by many upper tier authorities, Havering is experiencing a number of critical factors which impact its funding formula allocation.</p>

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2024/25.

Reporting criteria considerations	Arrangements in place
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council has a strategic plan setting out its vision, aims and ambitions moving forward. The Council's MTFS process takes account of these aims and objectives and where possible looks to include finance to support these aims. The Council has key aims and values which underpin every report and decision taken and these values are at the heart of decision making and prioritisation of spend in the budget. Much of the Council's costs relate to statutory requirements particularly in relation to social care and the Council is fully committed to both this area and to delivering new Housing alternatives to mitigate the current homelessness pressure.
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 Council's financial plan links with all the other Council strategies and the financial implications of those strategies are fully built into the MTFS. Any decision on workforce such as pay, minimum wages or projects such as spans and layers are evaluated from a financial perspective and the implications are built into the MTFS. The financial implications of the capital programme and strategy are fully built into the MTFS and there is a reciprocal piece of work whereby the MTFS helps dictate the affordability of the capital programme and investment strategy. The financial plan connects with other public bodies such as the NHS ensuring that the cost implications of clients from discharges are built into the Council's financial strategy and indeed that costs that should be met by the NHS are fully charged. The Financial Plan is also shared with other councils particularly in London to allow collective lobbying on similar issues such as adult social care. There are regular financial co-ordination meetings with ICB colleagues across the partnership, and for commissioning. This collaborative work also allows comparative work to help identify best practice and efficiency opportunities.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2024/25.

Reporting criteria considerations	Arrangements in place
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>One of the main objectives of a robust plan is to minimise unexpected demand and significant changes in assumptions. The Council has and continues to develop models to predict changes in demand particularly in social care which is the area of greatest pressure. This client and unit cost data is regularly updated and is used to allow the Council to monitor and project future demands. The Council now has over 2 years of post pandemic data and is able once again to use the robust data available to project future demand and allow medium term planning. There is a balance to be struck between creating an artificial gap through cautious projections and being too optimistic resulting in a last-minute requirement for lasted savings. The Council has baselined all its budgets so each budget is measurable in terms of the projected numbers of users, volumes of income and unit costs. This will enable monitoring against that position and clear understanding of changing demographics to enable future planning and forecasting</p> <p>The Council has always and will continue to be fairly prudent in its planning which, in the event of better news on the government financial settlement for example, allows councillors some flexibility in decision making. The level of general balances underpins the Councils approach to financial resilience and with the planned contributions in 2024/25 the council still is aiming to reach its target level of £20m general balances in the next few years.</p> <p>The Council will continue to set a balanced budget without any reserves requirement every year although in 24/25 this has been with the capitalisation direction to underpin the budget. There are in-year overspends as a result of additional demand in social care and homelessness. Action plans were formed and actioned to help contain these overspends in year and any ongoing implications are being fully built into the medium-term financial strategy.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
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	<p>The Council has an established risk management process including a Risk Management Strategy that is reviewed bi-annually at Governance and Assurance Board and also presented to Audit Committee. Governance and Assurance Board is chaired by the S151 Officer and oversees the Risk Management process, reporting to ELG who have wider oversight. The Strategic Risk Register is reviewed quarterly or more frequently as required e.g. Covid response. Risk specialists in the Internal Audit team offer training and support at Directorate level with risk workshops and challenge sessions where needed. The Strategic Risk Register is reported regularly to Audit Committee with deep dive risk sessions also held. The Strategic Risk Register will next be presented to the Audit Committee on the 25 July 2024, with the revised strategy.</p> <p>A new risk management system, JCAD has been implemented during 2023/24 to ensure that risk management activity can be monitored more efficiently. The Directorate and Strategic risk registers have also been aligned with the Council's Target Operating Model.</p> <p>The Internal Audit plan is developed with input from Governance and Assurance Board, Directors, arising risks noted by the Internal Audit team during the year and key information from Horizon Scanning reports. Audit work considers the risk of fraud during each review and quarterly reports on findings, recommendation status and progress towards the audit plan are reported to Audit Committee. An overall opinion is provided to the Audit Committee on the control environment within the Council, based on the work undertaken during the financial year.</p> <p>There is an established Counter Fraud team that works proactively and reactively to identify and investigate fraud.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations

Arrangements in place

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

The annual budget setting process in effect runs throughout the year culminating in tax setting in either February or March depending on the council date. The budget report to full Council contains a medium-term financial plan which sets out the pressures expected for the following year. In the spring, these assumptions are refreshed and Councillors are presented with an updated position and expected gap for the following year. The Council then reviews its services using the Council's main four themes to identify efficiencies and savings. These proposals are considered by Councillors and if accepted then full business cases are developed to support the ideas. In the autumn, these proposals are included in a Cabinet report which will also set out the latest expected pressures and inflationary and demographic demand. The budget is then subject to a public consultation period to allow all stakeholders to add their views. The budget is then updated for the local government finance settlement and other corporate matters such as the taxbase, levy determination, collection fund and the cost of the freedom passes for the next year.

The outcomes of the budget consultation are taken to overview and scrutiny committee to allow councillors to make any changes following that process. Finally, Councillors will decide at Cabinet the level of council tax for the following year in order to balance the budget and cabinet in February will make a recommendation on the budget and tax level to full council.

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

The Council has a regular revenue monitoring report which sets out Council performance against budget. This includes the HRA Capital as well as revenue. This is reported to Cabinet quarterly although members also receive monthly updates. The report includes a full commentary on any pressures and reserves. The Council continues to develop metrics to accompany this report which will set out the performance data behind the figures. These reports are presented in a timely fashion to members to enable financial decisions to be taken. Where appropriate corrective management action is taken to contain any overspends.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
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	<p>Havering has a Leader/Cabinet model of governance. A Scheme of Delegation for executive decision making was subsequently adopted. All Executive Decisions taken by Members and Key Decisions taken by officers, are subject to the call-in procedure. This means if councillors believe a decision made by the Executive or officers is contrary to the policy of the Council, they can 'call in' that decision. The decision is then effectively 'frozen' until the Overview and Scrutiny Committee, or Full Council has considered it further.</p> <p>Generally, day to day operational decisions are not executive decision, although certain decisions made under the Council's Contracts Procedure Rules must be treated as being Executive Decisions.</p> <p>The decision-making process may be reviewed in audits where relevant by the Head of Internal Audit. Quarterly progress reports on delivery of the audit plan, findings and recommendation status are reported to Audit Committee.</p> <p>The Audit Committee meets four times per year. Membership of the Audit Committee is in line with the political proportionality of the Council as a whole. Agendas and minutes of all meetings are available on the Council's website, other than any information classified as exempt from publication under Schedule 12A of the Local Government Act 1972. Training is arranged for Members on a regular basis. Meetings of the Audit Committee are also currently webcast and recordings are available for viewing on the Council's website.</p>
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)	<p>The Internal Audit plan considers risk regarding legislative requirements, and this is included where it forms a key part of reviews; such as procurement and housing. Periodic reviews of gifts and hospitality/declarations of interest are factored into our risk-based audit planning. There is also a Whistleblowing policy in place which is communicated to officers so concerns can be raised.</p> <p>Member Services ensure both the Member and Officer codes of conduct are published in the Council's Constitution and can be viewed on the Council's website. All disclosures of interests are recorded in the minutes of the meeting and can also be accessed on the Council's website. The register of gifts and hospitality is held by the Monitoring Officer and can also be searched on the Council's website. Any specific queries on this area should be referred to monitoringofficer@havering.gov.uk.</p>

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 year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Leadership Team reviews monthly the financial and performance information of the Council. Included periodically is benchmarking reports completed internally and externally which we use as a line of enquiry to identify where improvements can be made to operational performance or financial performance, ideally a financial saving but sometimes this identifies growth assumptions.</p> <p>Through this work performance indicators for subsequent years are developed and enhanced to continually improve.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>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.</p> <p>Some key performance areas, such as schools or social care are also reviewed by external agencies such as OFSTED or the Care Quality Commission 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.</p>

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 year 2023/24.

Reporting criteria considerations	Arrangements in place
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	<p>Where the Council delivers services via partnerships it would ensure it is represented on the relevant partnership board. Reports would be presented to the boards which would review the costs and benefits and measure performance against KPIs. Risk, Assumptions, Issues and Dependencies (RAID) logs are held and are checked and maintained. Partnership or collaboration agreements outline key aspects including the governance arrangements, responsibilities of each party, decision making, data sharing arrangements, dispute resolution and termination agreements. Commissioning and project managers hold meetings with providers to review performance against the contract specifications. Stakeholder engagement happens at various levels.</p> <p>The Council's fully owned subsidiary, Mercury Land Holdings, facilitates construction and investment in private rental properties within the Borough. The Council also owns three Joint Ventures (JVs), Havering and Wates Regeneration LLP, Bridge Close Regeneration LLP and Rainham & Beam Park LLP for the development and selling of properties. The governance of these entities includes JV boards (50% council representatives and 50% private sector partner), client board (officer group consisting of S151 Officer, Monitoring Officer, Director of Neighbourhoods, Director of Asset Management and Communications Officer), regeneration board (has strategic oversight and reporting and to ensure a level of scrutiny before Cabinet) and the Cabinet (holds decision-making powers). Meetings are held regularly where information is presented including risks and challenges of the project to enable informed decisions. The Client Board and the Regeneration Board were created to monitor performance and to ensure the right level of scrutiny of JV matters. The performance reviews are in the form of regular dashboard presentations and detailed update reports.</p> <p>The Council is also operating with OneSource. This is a shared back-office support arrangement which is supported by Members through a Joint Committee. The Joint Committee receive key reports and make strategic decisions about OneSource's operations.</p>

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 year 2023/24.

Reporting criteria considerations	Arrangements in place
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	<p>The Council has established the Gateway Review Group to manage and govern the procurement programmes. The Havering sovereign procurement service is now in place and a new Head of Service has been recruited.</p> <p>The Gateway reviews check that procurements are run in accordance with CPRs and PCRs. The meetings can be observed by officers as a learning and development opportunity.</p> <p>The Council's constitution has been reviewed and changes accepted in March 2024, the implementation of these changes is a pre-cursor to updating the Contract Procedure Rules (CPRs).</p> <p>During the Governance Committee's meeting on 5 June 2024, the Constitution was reviewed, and minor changes were tidied up. In the current year, the contract procurement and planning procedure rules would be reviewed.</p>

Appendix B - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ended 31 March 2024.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statement opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Authority; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Authority in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

	Actual Fee	Planned Fee	Prior Year
	£'s	£'s	£'s
Total Fee - Scale Fee for Code Work	421,745	421,745	157,827
Scale Fee Variation	Note 2	-	Note 1
Total fees	TBC	421,745	0

All fees exclude VAT

Notes:

- (1) PSAA Ltd is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.
- (2) Once we conclude the 2023/24 audit, we will review whether a Scale Fee Variations is required. If one is, we will inform Management and make the necessary submission and follow the PSAA Ltd process. Any Scale Fee variation is determined by PSAA Ltd.

Appendix A

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