

# **2021/22 Statement of Accounts**

**These accounts are subject to audit**



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# NARRATIVE REPORT

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This Narrative Report provides information about the key issues affecting the Council and its accounts. It also provides an explanation of the Financial Statements and a summary of financial performance in 2021/22.

## ***Introduction to the London Borough of Bromley***

Bromley is the largest of the London Boroughs, occupying 58 square miles (15,014 hectares). The borough shares its borders with the London Boroughs of Bexley, Croydon and Lewisham and the Royal Borough of Greenwich.

Our population (ONS estimate – mid 2021) is 332,752 and there are 246,906 people on the electoral roll. In 2021/22 the total number of ‘Band D equivalent’ properties was estimated at 132,026 and the number of business properties at 7,527.

The Council has an agreed framework to improve the life of all those that live, visit, study or work in the borough. This vision is called ‘Making Bromley Even Better 2021-2031’ and has five key ambitions:

1. For children and young people to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
2. For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
3. For people to make their homes in Bromley and for business, enterprise and the third sector to prosper.
4. For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.
5. To manage our resources well, providing value for money, and efficient and effective services for Bromley’s residents.

Our officer and political structures are all aligned to deliver this vision through our portfolio plans. Looking ahead, we will continue to build on this framework and our future plans will be supported by our Transformational Review.

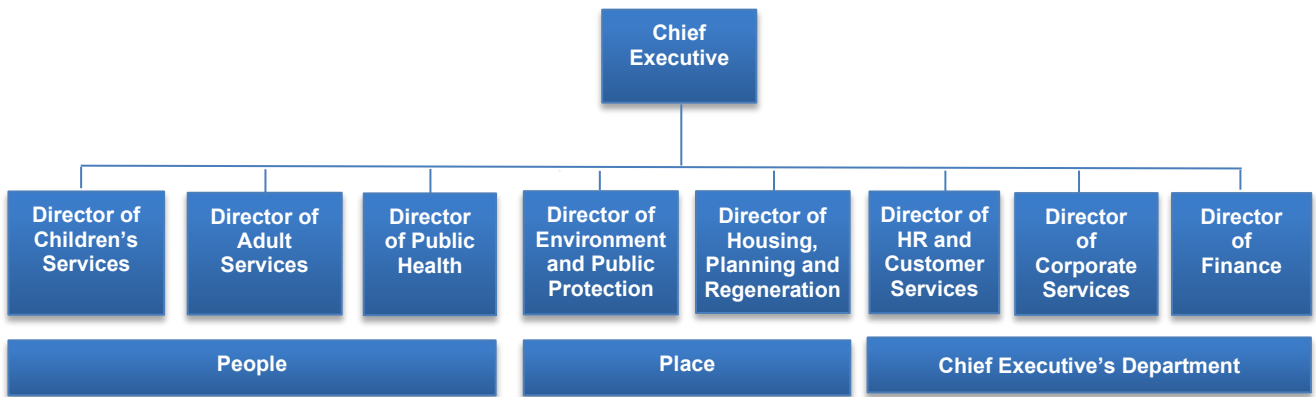
## **Council Structure**

The Council has adopted a Leader and Cabinet model and has 60 Councillors representing 22 wards. There are currently 50 Conservative, 8 Labour and 2 Independent Councillors.

## **Management Structure**

Supporting the work of Councillors is the organisational structure of the Council led by the Chief Executive. Chief Officers have a strategic role, advising Councillors on their areas of particular expertise and contributing to the overall leadership of the Council. They also have a managerial role, ensuring that the services they are responsible for focus on delivering excellent customer service and making the most effective use of departmental resources to achieve that goal.

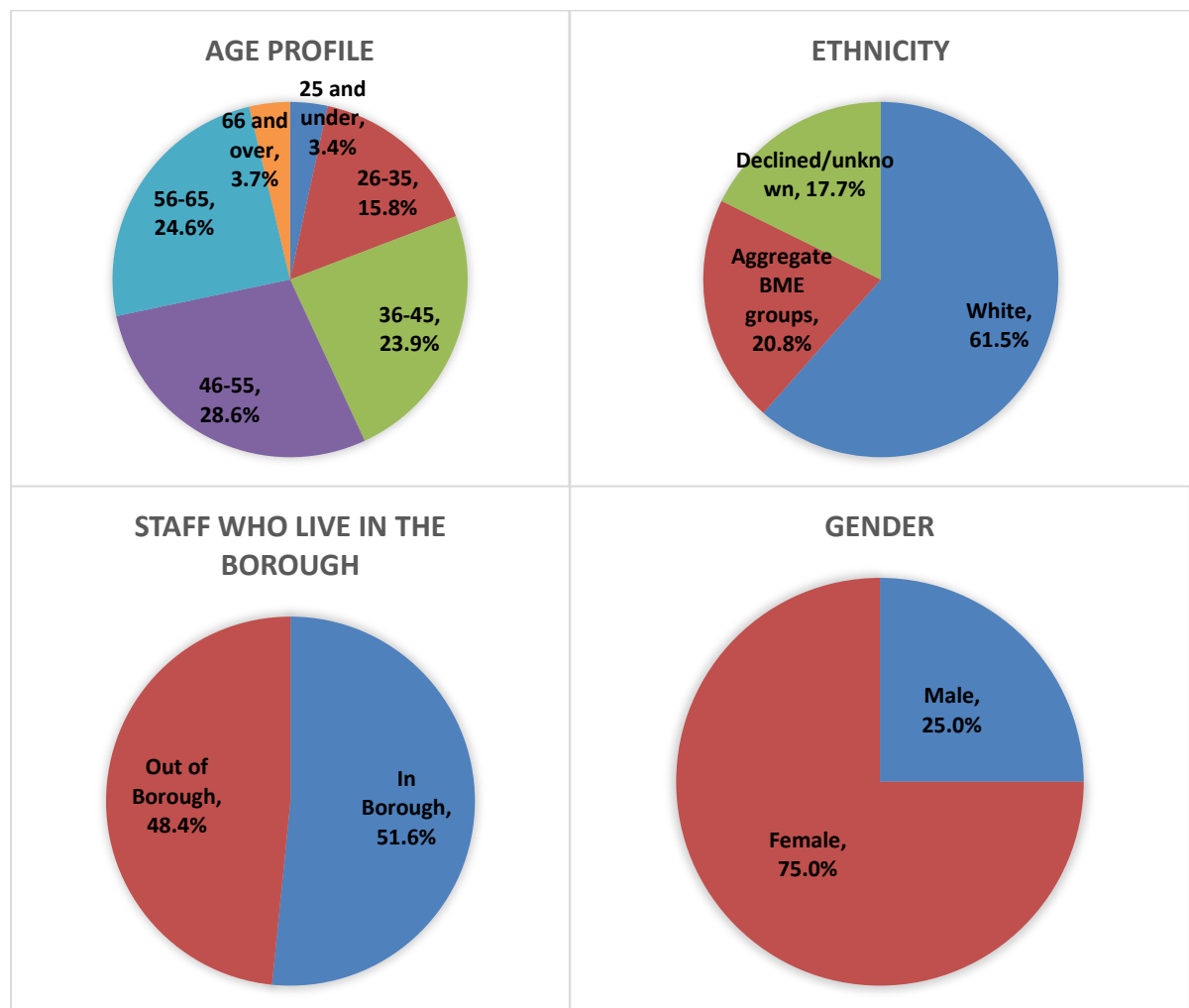
During 2019 a review of the corporate leadership structure was undertaken to better enable and support the successful delivery of the Transforming Bromley Programme. This resulted in a reconfigured management structure which is shown on the following page

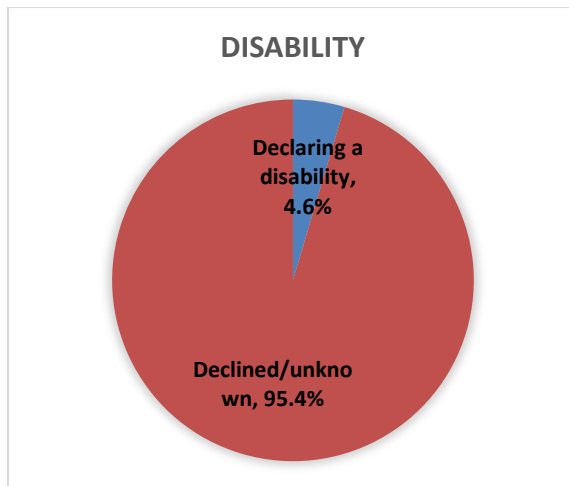


### Bromley Workforce

As at 1 October 2021, the Council employed 1,622 people on full and part-time contracts equating to a full-time equivalent of 1,421.

The make-up of the workforce is as follows:





### **Key Services**

The Council is responsible for providing a range of key services including:

- Adult Social Care
- Education
- Children’s Social Care
- Waste and Recycling
- Street Cleansing
- Highways and Transport
- Public Protection
- Parks and Green Spaces
- Libraries
- Town Centre Management and Regeneration
- Planning Services
- Housing, including Homelessness and Housing Needs
- Public Health.

### ***Explanation of the Financial Statements***

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. This sets out the Council’s income and expenditure for the year and its financial position at 31<sup>st</sup> March. The format and content is prescribed in the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and comprises core and supplementary statements together with supporting disclosure notes.

These statements are supported by the Council’s Statement of Accounting Policies and a Glossary of key terms is also provided.

The Statement of Accounts is accompanied by an Annual Governance Statement which sets out the Council’s governance framework and the key elements of the systems and processes that comprise the Council’s governance arrangements.

### **Core Financial Statements:**

Comprehensive Income and Expenditure Statement – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the

amount to be funded from taxation. Taxation is raised to cover expenditure in accordance with statutory requirements and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement – this statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable’ reserves. The statement shows how the movements in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

Balance Sheet – this statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves is usable reserves (i.e. those that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use). The second category of reserves is those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Cash Flow Statement – this statement shows the changes in cash and cash equivalents during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Authority.

### **Supplementary Statements:**

The Collection Fund – this statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Authority (as billing authority) in relation to the collection from taxpayers and distribution to the Greater London Authority (GLA) and Central Government of Council Tax and non-domestic rates.

Former LRB Fund - summarises movement on the Fund during the year and the financial position at the year end. The Fund relates to property and other residual functions transferred from the London Residuary Body which wound up the affairs of the Greater London Council (GLC) and Inner London Education Authority (ILEA).

Pension Fund – shows the contributions made to the Fund and the benefits paid to pensioners in 2021/22. The Net Asset Statement sets out the position of the Fund as at 31<sup>st</sup> March 2022. The Council’s Pension Fund is part of the Local Government Pension Scheme (LGPS).

### ***Financial Performance in 2021/22***

#### **Revenue Expenditure**

The 2021/22 outturn position is summarised in the table below:

	Budget £m	Actual £m	Variation £m
Net expenditure	222.387	221.281	(1.106)
Funded by:			
- Grants, Council Tax and Business Rates	(221.571)	(221.571)	-
- Carry forwards from 2020/21	(0.816)	-	0.816
Variation in General Reserves	-	0.290	0.290

The 2022/23 Council Tax report identified the latest financial projections and future year budget gap due to the impact of inflation, service cost pressures and ongoing significant reductions in government funding. Further details were reported in the '2022/23 Council Tax' report to the Executive in February 2022.

The 2021/22 outturn identifies variations in departmental expenditure and the Council's central contingency sum. In addition, there are higher returns from changes to the Council's investment strategy. Underspends from the Central Contingency Sum mainly relate to ongoing action to contain growth pressures, stringent cost controls, effective management of risk, effective use of government funding and meeting income targets. This financial position enables the Council to be 'better placed' to meet the future years budget gap but also provides opportunities to achieve savings from transformation, economic development and investment income which will provide a more sustainable financial outcome for the future.

The Council's general reserves remain at £20m, whilst a future years 'budget gap' continues. However there is flexibility in the Council's overall resources (including earmarked reserves) to allow this position to be revised in the future.

Further details of the variations in 2021/22 were reported on the 30<sup>th</sup> June 2022 and are available through: [Executive 29th June 2022](#)

### **Capital Expenditure**

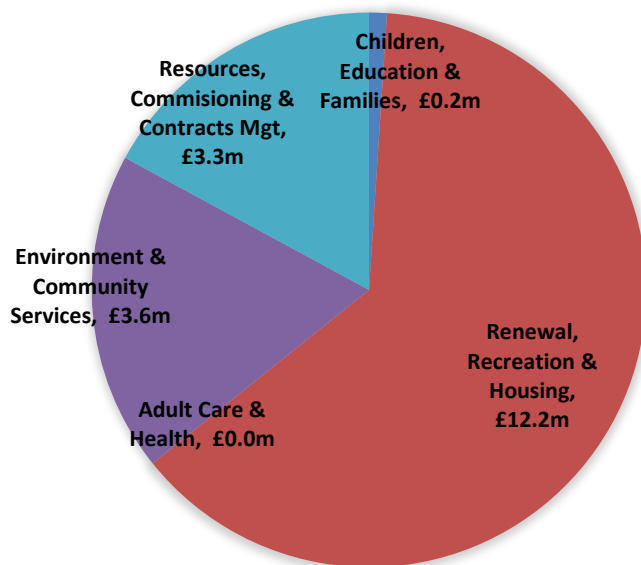
Capital expenditure totalled £19.3m compared with the final approved estimate of £33.7m (net of assumed slippage). Capital expenditure was fully financed from Government grants, other external contributions, revenue contributions and capital receipts without recourse to general reserves.

The Council generated new capital receipts of £10.0m in 2021/22 and, during the year, £6.6m of receipts were applied to finance capital expenditure.

Further information can be found in charts below and also in the Capital Programme Outturn reported on the 29<sup>th</sup> June 2022 and are available through: [Executive 29th June 2022](#)

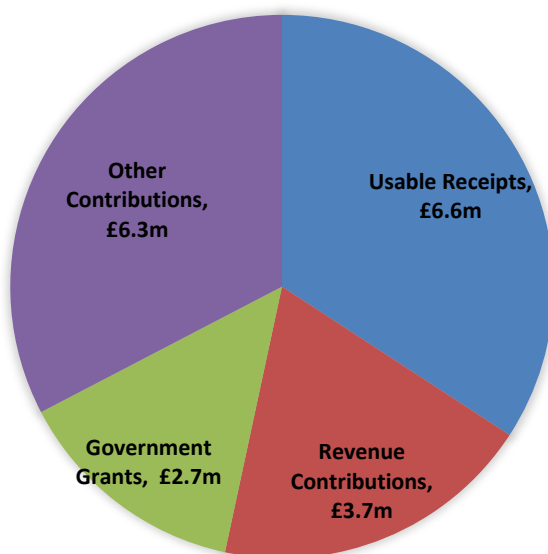
### CAPITAL EXPENDITURE BY PORTFOLIO 2021/22

£19.3M



### CAPITAL FINANCING 2021/22

£19.3M



### Investments

At the year end, the Council held significant investments totalling £377.7m (principal sum). These investments generated net income of £4.2m in 2021/22 to support the revenue budget. The investments represent the Council's general and earmarked reserves, provisions and net working capital.

### Pension Fund

During 2021/22 the net assets of the Pension Fund increased by £2.7m (0.2%), mainly due to investment income received, partly offset by net losses on disposals of investments and reductions in the value of investments. The underlying assets and liabilities of the Fund for retirement benefits earned by Bromley employees past and present are required to be recognised on the Council's Balance



Sheet; and as at 31<sup>st</sup> March 2022, this was a Net Pension Asset of £10.7m (£30.8m as at 31<sup>st</sup> March 2021).

### ***Strategic Risks and Governance***

The overriding aim of the Risk Management Strategy is to embed a high quality risk management culture across the Council which will support better decision making. This will take account of the Council's strategic aims and support the achievement of our Corporate Policies and Objectives.

The Corporate Risk Management Group supports the Council in the effective development, implementation and review of the Strategy and assists with strategic risk assessment and development of the Risk Register.

The Council maintains a detailed departmental and corporate risk register. The key strategic risks for the coming year include:

- Failure to deliver a sustainable Financial Strategy which meets with Making Bromley Even Better priorities and failure of individual departments to meet budget
- Failure to deliver partial implementation of Health and Social Care Integration
- Failure to manage change and maintain an efficient workforce to ensure that MBEB priorities are met
- Ineffective governance and management of contracts
- Failure to maintain and develop ICT information systems to reliably support departmental service delivery
- Cyber attack and failure to comply with GDPR
- Failure to maintain robust Business Continuity and Emergency Planning arrangements
- Failure to deliver effective Children's services
- Inability to effectively manage the volume of people presenting themselves as homeless and the additional pressures placed on the homeless budgets
- Failure to deliver the Transforming Bromley Programme
- Failure to adequately adapt to the impacts of Climate Change
- Non-compliance with Health & Safety (Fire & First Aid) legislation

Further detail, including the cause, impact and controls in place to mitigate the risk are set out in the individual risk registers. The Corporate Risk Management Group also assists in the co-ordination of the review and development of the Annual Governance Statement (AGS). As a result of our annual review, three areas have been identified where further work is required to monitor how the key risks facing the Council are being managed:

- Finance: A balanced budget for 2022/23 has been achieved through the Transformation Savings Programme, an improved financial settlement from Government and continuing with prudent financial management. This has been achieved despite higher levels of inflation, the medium term impact of the pandemic, ongoing growth/demographic cost pressures and the national insurance employer's increase. There remains a "budget gap" of £4.3m in 2023/24 rising to £19.5m per annum in 2025/26. This excludes the impact of the Adult Social Care Reforms which could increase net costs further by between £10m and £15m per annum during the financial forecast period. The projections assume mitigation and transformation savings of £17.7m in 2022/23 rising to £30m by 2025/26. The projections from 2023/24 have to be treated with some caution, particularly as the Government's next Spending Review, outcome of the Fair Funding Review and Business Rate Devolution is now expected to be implemented in 2024/25 – the outcome, including the impact on individual councils, is still awaited. The Government had provided funding support to address the impact of the Covid 19 pandemic during 2020/21 and 2021/22 with no further funding provided from 2022/23.

- Valuation of Fixed Assets: Issues have been identified relating to the methodologies used for accounting and the valuation of fixed assets for reporting in the Council's 2019/20 Statement of Accounts.
- Ongoing impact of Covid-19 pandemic on service delivery: Despite the many challenges presented by the COVID-19 pandemic, the Council has delivered some key achievements through our COVID-19 response programmes and our business as-usual work, which includes a potential balanced budget for 2022/23. The pandemic has highlighted a number of long-term challenges that the Council will need to continue to address. In particular, we will need to manage significant cost/ growth pressures impacting on e.g., education, high needs transport, housing, adults, and children's social care as well as explore opportunities for the mitigation of costs. There also remains uncertainty about the ongoing impact arising from the 'new normal', with no increase in core funding identified beyond 2022/23. As we move towards 'Living with Covid-19', we will continue to explore opportunities to work closely with our partner agencies as part of our organisational and borough-wide recovery.

These areas will require attention over the next year to ensure they are operating effectively and risks are mitigated. The Annual Governance Statement is published with the Statement of Accounts.

### ***Medium Term Financial Strategy (MTFS)***

The draft 2021/22 budget and MTFS to 2024/25 was approved by Executive on 13<sup>th</sup> January 2021 and set the framework for the Council to address the significant financial challenges not only for 2021/22 but going forward into future years. It was envisioned that there would be a spending review in 2021, resulting in a new multi-year settlement, however the Provisional Local Government Finance Settlement 2021/22, published on 17<sup>th</sup> December 2020, represents a one year settlement only and the longer-term Spending Review was also postponed. The outcome of the Fair Funding Review and Devolution of Business Rates, which could have a significant impact on future funding, have been delayed by one year until at least 2022/23.

The Council's budget strategy has to be set within the context of a reducing resource base or at the very least cost and demographic pressures not being matched by Government or other external funding with potential ongoing Government funding reductions in real terms, although at a lower level compared with previous years. There remains an on-going need to reduce the size and shape of the organisation to secure priority outcomes within the resources available. There is also a need to build in flexibility in identifying options to bridge the budget gap which could increase further.

In considering options required to address the medium term budget gap, the Council has taken action to reduce the cost base while protecting priority front-line services and providing sustainable longer term solutions. Although it has been possible to achieve a broadly balanced budget for 2022/23 through identifying savings and continuing with prudent financial management, there remains a significant budget gap by 2024/25. There will be considerable challenges as the Council is a low cost authority and the position will need to be regularly reviewed.

One of the key issues in future year budgets will be the balance between spending, council tax levels, charges and service reductions in an organisation starting from a low spending base. It is important to recognise that a lower cost base reduces the scope to identify efficiency savings compared with a higher cost organisation.

The Council has had to take significant action to reduce the cost base while protecting priority front line services and providing sustainable longer term solutions. Council tax has been kept low compared with other Councils. A combination of front loading of savings in previous years, pro-actively generating investment income and prudent financial management have enabled the Council to provide a balanced budget for 2022/23. There will be significant challenges as the Council is a low cost

authority and the position will need to be regularly reviewed particularly as there are risks relating to inflation and further cost pressures/new burdens.

There is uncertainty on the impact of the full devolution of business rates and the outcome of the Government's 'Fair Funding' review which may result in new responsibilities for the Council and associated risks. The changes are not expected to be implemented until at least 2022/23 whilst funding reductions, in real terms, for local government are expected to continue beyond that period and a possible future recession provides significant financial risks. The continuation of long term financial planning as part of the MTFs remains essential to ensure that any future service changes are managed effectively.

### **Options Being Undertaken with a “One Council” Approach**

The Council continues to face ongoing funding reductions and there remains uncertainty around future funding from 2022/23 following the awaited outcome of the Government's 'Fair Funding' review. The Government assumption remains that cuts in funding will be partly offset by an increase in taxation receipts generated by council tax (including social care precept) and business rates. There are also clear benefits to explore opportunities to increase the Council's business rate base through economic development, identify invest to save opportunities as well as realise investment income as shown below:

- Community Infrastructure Levy (CIL) – came into effect in June 2021 with potential income of around £0.4m in the first year, rising to around £3m per annum by 2025/26.
- Asset Review – seeking to grow the Council's net investment income by re-phasing the investment portfolio to improve returns and income growth prospects and adopting a more commercial approach to managing rents and service charge recoveries.
- Growth Fund - ring-fenced funding to support growth initiatives and economic development.
- Investment Fund - used primarily for property investments to enable the achievement of sustainable investment income. Further utilisation will be prioritised for housing investment and regeneration investment.
- Investment Income - a diverse range of investments generates a higher level of income whilst managing the Council's exposure to risk.
- Regeneration Investment – promoting economic growth following the adoption of the Regeneration Strategy in 2020.
- Housing - the development and/or acquisition and refurbishment of affordable accommodation in order to mitigate the increased cost pressures on temporary accommodation budgets.
- Review of Fees and Charges - ongoing review to determine whether charging levels remain appropriate.
- Invest to Save - to fund initiatives that deliver ongoing revenue savings.
- Procurement - identifying opportunities for contract savings.
- Commissioning Authority - identifying options for the most effective service delivery models, identifying future changes and mitigation options for addressing cost pressures and demographic pressures.
- Managing Rising Demand - ensuring there is a focus on outcomes rather than service delivery, including more collaborative working with other public agencies.
- Health and Social Care - integration will help protect social care and provide more effective services to people in the community. Opportunities will be explored including the pooling of resources if it enables better opportunities for value for money, economies of scale and streamlining processes.
- Identifying Further Savings - including baseline reviews, identification of statutory and non-statutory functions and opportunities for further savings and income opportunities.
- Core Statutory Minimum Requirements – to determine what the Council can afford within its overall budget envelope. There may also be opportunities to reduce costs through ensuring value for money is realised and the best method of service delivery and outcomes are achieved.

- Transformational Review – including opportunities for partnership working, collaboration, reviewing the approach to managing risks, use of technology and community based place shaping.

### ***Further Information***

Further Information about the accounts is available from:

Head of Corporate Finance and Accounting  
London Borough of Bromley  
Civic Centre  
Stockwell Close  
Bromley, BR1 3UH

Members of the public also have a statutory right to inspect the accounts each year. The date and times of these inspections are advertised on the Council's website.

# Auditor's Report

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# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## *The Authority's Responsibilities*

The Authority is required:

- \* to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance.
- \* to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- \* to approve the Statement of Accounts.

## *The Director of Finance Responsibilities*

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts and its Pension Fund accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of *Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this Statement of Accounts, the Director of Finance has:

- \* selected suitable accounting policies and then applied them consistently;
- \* made judgments and estimates that were reasonable and prudent; and
- \* complied with the local authority Code.

The Director of Finance has also:

- \* kept proper accounting records which were up to date;
- \* taken reasonable steps for the prevention and detection of fraud and other irregularities.

## *Director of Finance*

I certify that the accounts set out on pages 19 to 131 give a true and fair view of the financial position of the Authority as at 31st March 2022 and of its income and expenditure for the year ended 31st March 2022.



Peter Turner  
Director of Finance  
21st March 2024

## EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Portfolios and Services. Income and expenditure accounted for under generally accepted accounting is shown in the Comprehensive Income and Expenditure Statement.

2020/21			2021/22		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
77,119	(10,426)	66,693	81,742	(1,062)	80,680
58,648	2,232	60,880	66,606	2,338	68,944
40,203	(530)	39,673	37,881	6,315	44,196
3,845	(13)	3,832	3,999	(56)	3,943
21,598	2,440	24,038	23,138	(1,822)	21,316
22,676	120	22,796	21,774	(16)	21,758
<b>224,089</b>	<b>(6,177)</b>	<b>217,912</b>	<b>235,140</b>	<b>5,697</b>	<b>240,837</b>
(327,293)	55,950	(271,343)	(213,637)	(23,973)	(237,610)
<b>(103,204)</b>	<b>49,773</b>	<b>(53,431)</b>	<b>21,503</b>	<b>(18,276)</b>	<b>3,227</b>
(187,525)		Opening General Fund Balance	(290,729)		
(103,204)		Less Deficit / (Surplus) on General Fund	21,503		
<b>(290,729)</b>		<b>Closing General Fund Balance at 31 March 2022</b>	<b>(269,226)</b>		

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements and this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2020/21				2021/22		
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
150,310	(83,617)	66,693	Adult Care and Health	163,885	(83,205)	80,680
173,460	(112,580)	60,880	Education, Children & Families	186,722	(117,778)	68,944
63,924	(24,251)	39,673	Environment and Community	65,522	(21,326)	44,196
6,135	(2,303)	3,832	Public Protection & Enforcement	5,028	(1,085)	3,943
146,726	(122,689)	24,037	Renewal, Recreation and Housing	145,711	(124,395)	21,316
25,034	(2,237)	22,797	Resources, Commissioning and Contracts Management	23,907	(2,149)	21,758
<b>565,589</b>	<b>(347,677)</b>	<b>217,912</b>	<b>Cost of Services</b>	<b>590,775</b>	<b>(349,938)</b>	<b>240,837</b>
1,256	132	1,388	Other Operating Expenditure	1,275	(10,537)	(9,262)
19,633	(18,513)	1,120	Financing and Investment Income and Expenditure	823	(19,702)	(18,879)
	(273,851)	(273,851)	Taxation and Non-Specific Grant Income		(209,469)	(209,469)
			<b>(Surplus) / Deficit on Provision of Services</b>			
<b>586,478</b>	<b>(639,909)</b>	<b>(53,431)</b>		<b>592,873</b>	<b>(589,646)</b>	<b>3,227</b>
		(6,465)	(Surplus)/Deficit on Revaluation of Property, Plant & Equipment Assets			(10,006)
		13,551	Impairment Losses on Non-Current Assets			
		(132,680)	Remeasurements of the Net Defined Benefit Liability			9,402
		<b>(125,594)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(604)</b>
		<b>(179,025)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>2,623</b>

## MOVEMENT IN RESERVES STATEMENT

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. The Statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
Current Year	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2021 carried forward	(290,729)	(25,309)	(26,289)	(342,327)	(506,216)	(848,543)	
Movement in Reserves during 2021/22							
Total Comprehensive Income and Expenditure	3,227			3,227	(604)	2,623	
Adjustments between accounting basis & funding basis under regulations (Note 8)	18,276	(4,998)	(3,408)	9,870	(9,870)	-	
(Increase)/Decrease in 2021/22	21,503	(4,998)	(3,408)	13,097	(10,474)	2,623	
Balance at 31 March 2022 carried forward	(269,226)	(30,307)	(29,697)	(329,230)	(516,690)	(845,920)	

### General Fund Analysed over:

	£000
Amounts earmarked (Note 9)	(249,703)
Amounts uncommitted	(19,523)
<b>Total General Fund Balance at 31st March 2022</b>	<b>(269,226)</b>

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
Comparative Year	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2020 carried forward	(187,525)	(24,439)	(29,158)	(241,122)	(428,396)	(669,518)	
Movement in Reserves during 2020/21							
Total Comprehensive Income and Expenditure	(53,431)			(53,431)	(125,594)	(179,025)	
Adjustments between accounting basis & funding basis under regulations (Note 8)	(49,773)	(870)	2,869	(47,774)	47,774	0	
(Increase)/Decrease in 2020/21	(103,204)	(870)	2,869	(101,205)	(77,820)	2,045	
Balance at 31 March 2021 carried forward	(290,729)	(25,309)	(26,289)	(342,327)	(506,216)	(848,543)	

### General Fund Analysed over:

	£000
Amounts earmarked (Note 9)	(270,729)
Amounts uncommitted	(20,000)
<b>Total General Fund Balance at 31st March 2021</b>	<b>(290,729)</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets were to be sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<b>31st March 2021 £000</b>		<b>Notes</b>	<b>31st March 2022 £000</b>
405,902	Property, Plant and Equipment	<b>14</b>	432,710
1,017	Heritage Assets	<b>15</b>	1,017
103,643	Investment Property	<b>16</b>	103,556
185,464	Long Term Investments	<b>44</b>	191,404
1,763	Long Term Debtors	<b>17</b>	6,083
30,760	Pension Asset		10,665
<b>728,549</b>	<b>Long Term Assets</b>		<b>745,435</b>
172,356	Short Term Investments	<b>17</b>	163,372
4,057	Assets Held for Sale (<1yr)	<b>21</b>	0
150	Inventories	<b>18</b>	176
87,426	Short Term Debtors	<b>19</b>	59,994
23,035	Cash and Cash Equivalents	<b>20</b>	32,438
0	Short Term Borrowing / Temporary Loans	<b>22</b>	0
<b>287,024</b>	<b>Current Assets</b>		<b>255,980</b>
(242)	Cash and Cash Equivalents	<b>20</b>	-
(7,943)	Short Term Borrowing / Temporary Loans	<b>22</b>	(14,662)
(16,158)	Provisions	<b>25</b>	(16,339)
(94,355)	Short Term Creditors	<b>23</b>	(80,328)
(16,079)	Grants Receipts in Advance - Revenue	<b>37</b>	(5,662)
(7,392)	Grants Receipts in Advance - Capital	<b>37</b>	(7,956)
<b>(142,169)</b>	<b>Current Liabilities</b>		<b>(124,947)</b>
(24,861)	Other Long Term Liabilities	<b>24</b>	(30,548)
<b>(24,861)</b>	<b>Long Term Liabilities</b>		<b>(30,548)</b>
<b>848,543</b>	<b>Net Assets</b>		<b>845,920</b>
(342,327)	Usable Reserves	<b>26</b>	(329,230)
(506,216)	Unusable Reserves	<b>27</b>	(516,690)
<b>(848,543)</b>	<b>Total Reserves</b>		<b>(845,920)</b>



## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

<b>2020/21</b>		<b>Notes</b>	<b>2021/22</b>
<b>£000</b>			<b>£000</b>
(53,431)	Net (Surplus) or Deficit on the Provision of Services		3,227
(17,800)	Adjustments to Net Deficit on the Provision of Services for Non-Cash Movements	<b>28</b>	(1,465)
6,498	Adjustments for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	<b>28</b>	22,610
(64,733)	Net Cash Flows from Operating Activities		1,762
79,096	Investing Activities	<b>29</b>	(4,688)
(2,596)	Financing Activities	<b>30</b>	(6,719)
11,767	Net (Increase) or Decrease in Cash and Cash Equivalents		(9,645)
34,560	Cash and Cash Equivalents at the Beginning of the Reporting Period		22,793
<u>22,793</u>	Cash and Cash Equivalents at the End of the Reporting Period	<b>20</b>	<u>32,438</u>

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies**

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and is based on International Financial Reporting Standards. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the common needs of most users.
- The objective of showing the results of the stewardship and accountability of elected members and management for the resources entrusted to them.

### **2 Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (see Note 19).
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### **3 Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. As at 31st March 2022 there was a total of £32.4m of cash investments on the Balance Sheet in instant access AAA-rated Money Market Funds and other short-term accessible accounts, (£23.0m as at 31st March 2021).

In the Cash Flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **4 Presentation of Items in Other Comprehensive Income & Expenditure**

The requirements of IAS 1 require Authorities to separately group items that will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met and those items that will not be reclassified.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies continued**

### **5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **6 Charges to Revenue for Non Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue (the Minimum Revenue Provision) to reduce its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account and the Movement in Reserves Statement for the difference between the two.

### **7 Employee Benefits**

#### *Benefits Payable During Employment*

Short-term benefits are those due to be wholly settled within twelve months of the year-end. They include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### *Termination Benefits*

Termination Benefits, payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or of an officer's decision to accept voluntary redundancy, are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

# Notes to the Core Financial Statements

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## 1 *Statement of Accounting Policies continued*

### 7 *Employee Benefits continued*

#### *Post Employment Benefits*

Employees of the Council are members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by the Teachers Pensions Agency on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by the Council itself under national regulations.
- The NHS Pension Scheme, administered by the Department for Health.

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot be identified specifically to the Council. The schemes are accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. Employer contributions payable to Teachers' Pensions and NHS Pensions in the year are charged to the relevant Service lines in the Comprehensive Income and Expenditure Statement.

Disclosures in relation to retirement benefits can be found in Note 44.

#### *The Local Government Pension Scheme*

The Local Government Scheme is accounted for as a defined benefits scheme. Employees who participate in the scheme earn benefits that will not actually be payable until retirement. However, the Council has a commitment to make these payments and the accounts have been prepared to reflect the cost of providing retirement benefits in the accounting period(s) in which they are earned. Related finance costs and any other changes in the values of assets and liabilities are recognised in the accounting periods in which they arise.

The accounts have been prepared on the basis of International Accounting Standard 19 (IAS 19) and on the advice of the Council's actuary, Mercer Limited, in accordance with Technical Accounting Standard R: Reporting Actuarial Information and Technical Accounting Standard D: Data, issued by the Institute and Faculty of Actuaries.

The liabilities of the Bromley pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields (in Bromley's case, the discount rate was based on the yields of AA rated corporate bonds of currency and term appropriate to the currency and term of the Fund's liabilities). In 2021/22, this discount rate was 2.8% compared to 2.1% in 2020/21. The higher the discount rate, the lower the value placed on liabilities, although this will have had only a minor impact on the total movement in the overall Pension Reserve during 2021/22 (moving from a deficit of £30.8m to a surplus of £10.7m). Movements in the Pensions Reserve balance are explained in more detail in Note 44.

The assets of the Bromley Pension Fund attributable to the Council (all quoted or unitised securities) are included in the Balance Sheet at their fair value, which is the current bid price.

The change in the net pensions liability is analysed into the following components:

#### a) Service Cost comprising:

- current service cost (the increase in liabilities as a result of years of service earned in the current year) - allocated in the Comprehensive Income and Expenditure Statement to the services for which employees worked.
- past service cost (the increase in liabilities arising from a scheme amendment or curtailment whose effect relates to years of service earned in earlier years) - debited or credited as part of Non-Distributed Costs to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- gains/losses on settlement (the result of actions to relieve the Council of liabilities for all or part of the employee benefits provided under the plan) - debited or credited as part of Non-Distributed Costs to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies continued**

### **7 Employee Benefits continued**

#### b) Net interest cost:

- the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure (Financing and Investment Income and Expenditure) in the Comprehensive Income and Expenditure Statement.

#### c) Remeasurements comprising:

- return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pension Fund Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains/losses (changes in the net pensions liability that arise because events have not followed assumptions in the last actuarial valuation or because the actuary has changed his assumptions) - debited or credited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

#### d) Contributions paid to the Pension Fund (cash paid as employer contributions to the fund in settlement of liabilities not accounted for as an expense).

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated by the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows and not as benefits are earned by employees.

#### *Discretionary Benefits*

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **8 Events After the Balance Sheet Date**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **9 Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## Notes to the Core Financial Statements

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### **1 Statement of Accounting Policies continued**

#### **9 Fair Value Measurement cont.**

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

#### **10 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. In addition, the Council has identified a number of contractual arrangements that contain finance leases in respect of vehicles and plant. Details of these are provided in Note 40.

#### **11 Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Full details are given in Note 17 to the Core Financial Statements.

##### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies continued**

### **11 Financial Assets cont.**

#### ***Expected Credit Loss Model***

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis 12 month expected losses.

#### ***Financial Assets Measured at Fair Value through Profit of Loss***

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques: , ,

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### ***Financial Assets measured at fair value through other comprehensive income (FVOCI)***

Where the Council holds investments with the objective of collecting contractual cash flows and selling assets in order to meet long term investment requirements while ensuring the Council is not subject to a high degree of credit risk. These assets are measured at FVOCI. The Council currently does not have any assets at FVOCI.

### **12 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors or receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line or to Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and capital grants) in the Comprehensive Income and Expenditure Statement.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies continued**

### **12 Government Grants and Contributions cont.**

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **13 Heritage Assets**

Where an asset is primarily held for its contribution to knowledge and culture, rather than for any operational or service-related purpose, it is designated as a heritage asset.

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Council has identified assets and valuations where possible, but, in some cases, it has not been possible to carry out or obtain valuations for a number of heritage assets. The Code permits non-disclosure of heritage assets in the financial statements where it would not be practicable to obtain a valuation for the assets at a cost that would be commensurate with the benefits to users of the financial statements. The Council has taken the view that it would not be practicable to obtain valuations of its war memorials and a number of other assets and they are not, therefore, recognised on the Balance Sheet. Further details are included in Note 48.

The Council's heritage assets included on the Balance Sheet mainly comprise civic regalia and Bromley Museum art collections and are shown in more detail in Note 48. The items have indeterminate lives and are not, therefore, depreciated. They are also valued infrequently, due to their relatively low value in relation to the Council's overall asset base and the high cost of valuing a diverse set of assets without comparative values.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment and any impairment is recognised and measured in accordance with the Council's general policy on impairment (see accounting policy 18). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment and disposal proceeds are disclosed separately in the notes to the financial statements (see accounting policy 18).

### **14 Inventories**

The Code states that Inventories should be included in the Balance Sheet at the lower of cost and net realisable value. The Council values Inventories at latest cost, but this has no material effect on the accounts.

### **15 Investment properties**

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount for which the asset could be exchanged between knowledgeable parties at arms-length. Investment properties are not depreciated but properties of material value are revalued annually. Net gains and losses on revaluation and on disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and they are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to Financing and Investment Income and result in gains for the General Fund Balance.



# Notes to the Core Financial Statements

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## 1 Statement of Accounting Policies continued

### 16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially from the lessor to the lessee all the risks and rewards incidental to ownership of the property, plant or equipment. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

##### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Council as Lessor

##### *Finance Leases*

As at 31st March 2022, the Council holds no finance leases as lessor.

##### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies continued**

### **17 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2021/22 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

### **18 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

#### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement when it is incurred.

#### *Measurement*

The freehold and leasehold properties that comprise the Council's property portfolio are revalued on the basis required by the Code (i.e. at least every five years) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Further revaluations are also carried out where there are known to have been material changes. The most recent set of re-valuations were carried out as at 31st March 2022 under the responsibility of Michael Watkins BSc MRICS, Assistant Director, Strategic Property.

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be at fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction - depreciated historical cost
- council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).
- school buildings - current value, but because of their specialist nature, are measured at depreciated replacement cost (DRC) which is used as an estimate of current value
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

# Notes to the Core Financial Statements

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## *1 Statement of Accounting Policies continued*

### *18 Property, Plant and Equipment continued*

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

#### *Impairment*

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### *Depreciation*

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- depreciation is charged on all Property, Plant and Equipment on a straight-line basis over the remaining useful life of the assets as estimated by the valuer;
- depreciation is not charged on freehold land and investment properties;
- newly acquired assets are depreciated from the mid-point of the year, although assets under construction are not depreciated until they are brought into use.

## Notes to the Core Financial Statements

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### *1 Statement of Accounting Policies continued*

#### *18 Property, Plant and Equipment continued*

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on the historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### *Disposals*

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use and when that sale is likely to be completed within one year of the Balance Sheet date, it is reclassified as an Asset held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Surplus or Deficit on Provision of Services up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets (Property, Plant & Equipment) and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any valuation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals in excess of £10,000 are categorised as capital receipts. A proportion of housing capital receipts (75% of the proportion of Council House sales received every three years from Clarion Housing Group (formerly Broomleigh Housing Association)) is payable to the Government.

A capital receipt received on the sale of an asset is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Property, Plant and Equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Assets held for sale that are expected to be sold within 1 year are shown on the Balance Sheet as Current Assets. Assets expected to be sold more than 1 year after the Balance Sheet date are shown as Surplus Assets under Property, Plant and Equipment.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies continued**

### **19 Private Finance Initiative and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide services passes to the PFI contractor. As the Council is deemed to control the services that are provided under such schemes and as the ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The Council has not entered into any PFI schemes but it has entered into service concession arrangements, which grants to another company or organisation the right to provide services on behalf of the Council, using infrastructure assets owned by the Council or the contractor. Further details of this are provided in Note 41.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

### **20 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Details of all provisions are set out in Note 25.

### **21 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **22 Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts (Note 46) where it is probable that there will be an inflow of economic benefits or service potential.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies continued**

### **23 Reserves**

The Council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

Details of Bromley's revenue reserves are set out in the Movement in Reserves Statement and in Note 9.

Reserves are reported in two categories - Usable and Unusable.

#### *Usable Reserves*

Those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

#### *Unusable Reserves*

Those reserves that the Council is not able to use to provide services. This category of reserves includes those that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and the reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

### **24 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing (the former in Bromley's case), a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **25 Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **26 Council Tax and Non-Domestic Rates**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, other authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

## Notes to the Core Financial Statements

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### **1 *Statement of Accounting Policies continued***

#### **27 *Accounting for Council Tax and NDR***

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

#### **28 *Local Authority Schools***

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore the transactions, cash flows and balances of 7 local authority controlled schools are recognised in each of the financial statements of the authority as if they were transactions, cash flows and balances of the authority.

#### **29 *Interest in Companies and Other Entities***

The Council has an interest in a jointly controlled entity. An assessment of the nature and financial modelling of this arrangement is undertaken annually. The financial relationship does not result in material adjustment between single entity and group accounts. The Council has concluded that the transactions are not material and that the preparation of group accounts is therefore not required.

#### **30 *Revenue from Contracts with Customers***

The adopted standard is IFRS 15 (Revenue from Contracts with Customers). This standard requires authorities to recognise only the revenue it expects to receive and only when all outstanding performance obligations associated with the income has been satisfied. In reality it is not expected that this will change when and how income is recognised; however, it does come with increased disclosures in the Financial Statements. The Council has determined that IFRS 15 does not have any material impact on the accounts.

## *1 Statement of Accounting Policies continued*

### *31 Going Concern Basis*

The Statement of Accounts has been prepared on a 'Going Concern' basis. This assumption implicitly underpins local authority accounts which are drawn up in accordance with the Code of Practice on Local Authority Accounting, published by CIPFA. This reflects the economic and statutory environment in which local authorities operate.

The Covid-19 global pandemic, which led to a UK wide lockdown starting on 23 March 2020, has placed local government at the forefront of the national response, creating significant issues for many residents and businesses.

In light of the financial challenges presented by Covid-19, the Council considers that by maintaining a sustainable and prudent approach to financial management it is well-placed to offset and mitigate both current and emerging risks. In support of this, it is noted that:

- The Council is debt free and its balances remain healthy. A prudent and sustainable approach to financial management has meant that the General Fund (monies set aside to enhance financial resilience, offset the effect of adverse events and address the structural budget deficit) has been maintained at a minimum level of £20m (set by the Council's Director of Finance) since 31st March 2013. Earmarked Reserves, which currently exceed £200m, serve a similar purpose, mainly being amounts set aside to meet known or predicted liabilities.
- The Council's balance sheet as at 31st March 2022 shows a net worth of £846m, a small decrease from £849m as at 31st March 2021.
- The Council's medium term financial strategy (MTFS) will be revisited in light of the continuing Covid-19 pandemic. An update on the Council's finances, along with an analysis of the financial impact on the Council of Covid-19 will be provided to Members during the year. A new medium term financial strategy will then be submitted to Executive for approval in January 2023, alongside the budget for 2023/24.
- The Council is subject to a statutory framework governing its service provision, its duties & responsibilities, and its financial framework. This includes the statutory posts of the Head of Paid Service (Chief Executive), Section 151 Officer (Director of Finance) and Monitoring Officer (Director of Corporate Services). Despite the Council's funding gap and structural budget deficit, it has continued to meet the legal requirement of setting a balanced budget combined with the additional requirement of having regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves.
- The Council has a well-established and robust corporate governance framework to ensure compliance with laws and regulations. This coupled with political stability has provided a strong control environment at the operational and strategic level in the Council, enabling sound and balanced decision-making recognising the importance of financial prudence and sustainability.



## Notes to the Core Financial Statements

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### 2 Accounting Standards that have been Issued but have not yet been Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented. At the balance sheet date, the following new standards and amendments to existing standards have been published, but not yet adopted by the Code.

i) **IFRS 1 (First-time adoption)**

Amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS

ii) **IAS 41 (Agriculture)**

one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

iii) **IFRS 3 Business Combinations - Previously Held Interest**

**in a Joint Operation** - IFRS 3 outlines the accounting when an acquirer takes control of a business, for example, an acquisition or merger.

The updated changes in Reference to Conceptual Framework (Amendments to IFRS 3) are as follows:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

This change is unlikely to have any future impact on the Council.

iv) **IFRS 9 / IAS 39 / IFRS 7 Interest Rate Benchmark Reform - Phase 1 & Phase 2**

Benchmark interest rates are a core component of global financial markets. Retail and commercial loans, corporate debt, derivatives markets and many other financial markets and bilateral contracts all rely on these benchmark interest rates for pricing contracts and for hedging interest rate and other risks.

The London Interbank Offered Rate ('LIBOR') is one of the most common series of benchmark interest rates referenced by contracts measured in trillions of dollars across global currencies. Following the financial crisis, calls grew to reform the process used to generate LIBOR, other IBORs such as Euribor and other benchmark interest rates.

The resulting reforms aim to achieve a shift away from individual trader quotes to observed transaction rates and to increase the population on which those rates are based.

None of the above amendments are expected to have a material impact on the information in the Financial Statements 2021/22.

v) **IFRS 16 Leases**

This has now been postponed until 2024/25 and will require Councils that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities.

## Notes to the Core Financial Statements

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### 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- a) There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities or reduce levels of service provision.
- b) A review in 2010/11 of significant contractual arrangements identified finance leases embedded within some of those contracts. This resulted in some Vehicles and Plant being brought on Balance Sheet from 1st April 2009 (restated in the 2010/11 financial statements). The most significant of these was on the contract for Refuse Collection, which was identified as a Service Concession. The vehicles used by the contractor were included on the Balance Sheet under Property, Plant and Equipment.  
In addition a finance lease has been recognised in relation to a number of residential properties leased from Beehive. These are assumed to have a useful life of 50 years.  
The value of these finance leases at 31st March 2020 was £25,719k.
- c) In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander, went into administration. The authority had £5m deposited with Heritable at the time, which had been placed for two years on 28th June 2007 at a rate of 6.42%. Heritable Bank was a UK registered bank under English law and was placed in administration on 7th October 2008. As at 31st March 2021, a total of £5,044k had been received from the administrator (99% of the Council's total claim of £5,087k). In accordance with CIPFA advice, impairment losses have previously been made in the accounts and, as estimates of recovery have improved, part-reversals of those impairment losses have been made, including £58k in 2020/21. This reduced the balance of the provision for potential loss to £43k (1% of the Council's total claim).
- d) Group boundaries have been estimated using the criteria set out in the CIPFA Code of Practice. The Council has identified one jointly controlled entity and consideration has been given as to whether the arrangement falls within the group boundary. The Council has determined that the level of retained profit is not quantitatively material for group accounts to be required. The Council's jointly controlled entities are reviewed on an annual basis including other arrangements which may, when combined, become material in aggregate.

## Notes to the Core Financial Statements

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### **4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31st March 2021 for which there is a risk of adjustment in the forthcoming financial year are as follows:

#### **Property, Plant and Equipment**

##### ***Uncertainties***

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the asset. In any event, useful lives are reviewed regularly.

The ongoing Novel Coronavirus (COVID-19), has continued to affect global financial markets. Travel restrictions continue to and from many countries and market activity is being impacted in many sectors.

Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, asset valuations are not reported as being subject to 'material valuation uncertainty'

##### ***Effect if Actual Results Differ***

If the useful life of the assets is reduced, depreciation increases and the carrying amount of the asset falls.

A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. An increase in the estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.

#### **Business Rates**

Following the introduction on 1st April 2013 of the Business Rates Retention scheme, Local Authorities are liable for their proportionate share of successful appeals against business rates charged to businesses in 2012/13 and earlier financial years. A provision based on the best available information including Valuation Office (VOA) ratings list of appeals has been recognised for this liability.

#### **Pensions Liability/Asset**

##### ***Uncertainties***

Estimation of the net asset/liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

##### ***Effect if Actual Results Differ***

In 2021/22 the Scheme's net asset position was valued at £10.7m, mainly due to the fair value of plan assets increasing less than the defined benefit obligation in 2022.

The impact in future years will be assessed by the Council's actuary in subsequent IAS 19 reports.

## Notes to the Core Financial Statements

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### **4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (cont)**

#### **Arrears**

##### ***Uncertainties***

At 31st March 2022, the Authority had a balance of sundry debtors of £21,012k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 18% (£3,782k) was appropriate. The continuing impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.

##### ***Effect if Actual Results Differ***

If collection rates were to deteriorate, the impairment of doubtful debts would need to increase resulting in an additional sum being set aside as an allowance.

#### **Fair Value Measurements**

##### ***Uncertainties***

When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.

Where Level 1 inputs are not available, the Authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value.

##### ***Effect if Actual Results Differ***

The Authority uses the discounted cash flow (DCF) model to measure the fair value of some of its investment properties and financial assets. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, vacancy levels (for investment properties) and discount rates – adjusted for regional factors (investment properties). Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and other financial assets.

##### ***Britain Leaving the European Union***

There is still uncertainty about the implications of Britain's departure from the European Union. The transition period ended on 31st December 2020 at which stage the UK formally left the EU.

The implications of this remain unclear and are not considered material for reporting purposes.

The assumption has been made that this will not significantly impair the value of the council's assets. However, this assumption will be revisited and reviewed regularly.

### **5 Exceptional Items**

There are no exceptional items to be reported for the 2021/22 financial year.

### **6 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Director of Finance on 21 March 2024.

The existence of events after the Balance Sheet date has been considered up to this date and there are none to disclose. Events taking place after this date are not reflected in the financial statements or notes.

## Notes to the Core Financial Statements

### 7A Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

#### Adjustments between Funding and Accounting Basis

	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other Non Statutory Adjustments	Total Adjustments
	Note 1	Note 2	Note 3			
	£000	£000	£000	£000	£000	£000
Adult Care and Health	3,519	2,321	(21)	5,819	(6,881)	(1,062)
Education, Children & Families	1,501	4,651	(6,115)	37	2,301	2,338
Environment and Community	6,453	1,113	(10)	7,556	(1,241)	6,315
Public Protection & Enforcement	0	614	(4)	610	(666)	(56)
Renewal, Recreation and Housing	807	1,745	(11)	2,541	(4,363)	(1,822)
Resources, Commissioning and	1,064	994	(23)	2,035	(2,051)	(16)
<b>Net Cost of Services</b>	<b>13,344</b>	<b>11,438</b>	<b>(6,184)</b>	<b>18,598</b>	<b>(12,901)</b>	<b>5,697</b>
Other operating expenditure (i)	9,486	0	7,051	16,537	(46,424)	(29,887)
Financing and investment income and expenditure	4,294	745	0	5,039	(518)	4,521
Taxation and non-specific grant income and expenditure (iii)	12,995	0	8,846	21,841	(20,448)	1,393
	<b>26,775</b>	<b>745</b>	<b>15,897</b>	<b>43,417</b>	<b>(67,390)</b>	<b>(23,973)</b>
<b>General Fund (Surplus)/Deficit</b>	<b>40,119</b>	<b>12,183</b>	<b>9,713</b>	<b>62,015</b>	<b>(80,291)</b>	<b>(18,276)</b>

#### Adjustments between Funding and Accounting Basis

	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Total Statutory Adjustments	Other Non Statutory Adjustments	Total Adjustments
	Note 1	Note 2	Note 3			
	£000	£000	£000	£000	£000	£000
Adult Care and Health	(62)	1,464	(32)	1,370	(11,796)	(10,426)
Education, Children & Families	7,277	3,112	(72)	10,317	(8,085)	2,232
Environment and Community	5,709	722	(5)	6,426	(6,956)	(530)
Public Protection & Enforcement	-	349	(3)	346	(359)	(13)
Renewal, Recreation and Housing	6,525	914	(2)	7,437	(4,997)	2,440
Resources, Commissioning and	(1,301)	510	136	(655)	775	120
Contracts Management						
<b>Net Cost of Services</b>	<b>18,148</b>	<b>7,071</b>	<b>22</b>	<b>25,241</b>	<b>(31,418)</b>	<b>(6,177)</b>
Other operating expenditure (i)	1,362	-	(1,215)	147	30,293	30,440
Financing and investment income and expenditure	15,148	2,114	(3,547)	13,715	2,265	15,980
Taxation and non-specific grant income and expenditure (iii)	(10,717)	-	20,247	9,530	-	9,530
	<b>5,793</b>	<b>2,114</b>	<b>15,485</b>	<b>23,392</b>	<b>32,558</b>	<b>55,950</b>
<b>General Fund (Surplus)/Deficit</b>	<b>23,941</b>	<b>9,185</b>	<b>15,507</b>	<b>48,633</b>	<b>1,140</b>	<b>49,773</b>

## Notes to the Core Financial Statements

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### 7A Note to the Expenditure and Funding Analysis continued

#### Adjustments for Capital Purposes

- (i) Adjustments for capital purposes - this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - i) **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - ii) **Financing and investment income and expenditure** - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - iii) **Taxation and Non Specific Grant Income and Expenditure** – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### Net change for the Pensions Adjustments

- (ii) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pensions related expenditure and income:
  - i) **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
  - ii) **For Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

#### Other Statutory Adjustments

- (iii) Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:
  - i) **For Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
  - ii) The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

#### Other Non-Statutory Adjustments

- (iv) Other Non-Statutory Adjustments represent amounts debited/credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement.
  - i) **For Financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
  - ii) For **Taxation and non-specific grant income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

## Notes to the Core Financial Statements

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### 7B Segmental Income

Income received on a segmental basis is analysed below:

Services	2020/21	2021/22
	Income from Services	Income from Services
	£000	£000
Adult Care and Health	(48,080)	(16,251)
Education, Children & Families	(10,078)	(1,901)
Environment and Community	(15,249)	(20,173)
Public Protection & Enforcement	(809)	(498)
Renewal, Recreation and Housing	(14,941)	(17,180)
Resources, Commissioning and Contracts Management	(1,902)	(18,449)
<b>Total income analysed on a segmental basis</b>	<b>(91,059)</b>	<b>(74,452)</b>

### 8 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

#### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

#### Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## Notes to the Core Financial Statements

### 8 Adjustments between Accounting Basis and Funding Basis under Regulations continued

<u>2021/22</u>	Usable Reserves			Movement
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	in Unusable Reserves £000
<b>Adjustments to Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
<i>Pensions Costs transferred to/(from) the Pensions Reserve</i>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 44)	10,075			(10,075)
Employer's pension contributions and direct payments to pensioners payable in the year	(20,768)			20,768
<b>C Tax and NDR transfers to/(from) the Collection Fund</b>	8,846			(8,846)
<b>Contribution to/from DSG Adjustment account</b>	(6,003)			6,003
<b>Holiday Pay transferred to/(from) the Accumulated Absence Reserve</b>	(181)			181
<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure</b>				
Depreciation and impairment of non-current assets	(10,552)			10,552
Movements in the fair value of investment properties	(80)			80
Movements in the fair value of pooled investment funds	4,294			(4,294)
Capital grants & contributions	12,995		(12,995)	0
Revenue expenditure funded from capital under statute	(2,669)			2,669
Non-current assets written off on disposal or sale	(43)			43
<b>Total Adjustments to Revenue Resources</b>	<b>(4,086)</b>	<b>0</b>	<b>(12,995)</b>	<b>17,081</b>
<b>Adjustments between Revenue and Capital Resources</b>				
<i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	9,486	(9,486)		0
Transfer of deferred sale proceeds	5,961			(5,961)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts)	129	(129)		0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	993			(993)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,793			(5,793)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>22,362</b>	<b>(9,615)</b>	<b>0</b>	<b>(12,747)</b>
<b>Adjustment to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		4,617		(4,617)
Application of capital grants to finance capital expenditure			9,587	(9,587)
Cash payments in relation to Deferred Capital Receipts	-			0
<b>Total Adjustment to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,204)</b>
<b>Total Adjustments</b>	<b>18,276</b>	<b>(4,998)</b>	<b>(3,408)</b>	<b>(9,870)</b>



## Notes to the Core Financial Statements

### 8 Adjustments between Accounting Basis and Funding Basis under Regulations continued

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>2020/21</b>				
<b>Adjustments to Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
<i>Pensions Costs transferred to/(from) the Pensions Reserve</i>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 44)	(18,559)			18,559
Employer's pension contributions and direct payments to pensioners payable in the year	9,374			(9,374)
<b>C Tax and NDR transfers to/(from) the Collection Fund</b>	(20,247)			20,247
<b>Contribution to/from DSG Adjustment account</b>	(1,140)			1,140
<b>Holiday Pay transferred to/(from) the Accumulated Absence Reserve</b>	(22)			22
<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure</b>				
Depreciation and impairment of non-current assets	(17,111)			17,111
Movements in the fair value of investment properties/ PPE	(15,148)			15,148
Movements in the fair value of pooled investment funds	3,547			(3,547)
Capital grants & contributions	10,717			(10,717)
Revenue expenditure funded from capital under statute	(6,838)			6,838
Non-current assets written off on disposal or sale	0			0
<b>Total Adjustments to Revenue Resources</b>	<b>(55,427)</b>	<b>0</b>	<b>0</b>	<b>55,427</b>
<b>Adjustments between Revenue and Capital Resources</b>				
<i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	308	(308)		-
Transfer of deferred sale proceeds	907			(907)
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,362)	1,362		-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	745			(745)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	5,056			(5,056)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>5,654</b>	<b>1,054</b>	<b>0</b>	<b>(6,708)</b>
<b>Adjustment to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		1,067		(1,067)
Application of capital grants to finance capital expenditure			2,869	(2,869)
Cash payments in relation to Deferred Capital Receipts		(2,991)		2,991
<b>Total Adjustment to Capital Resources</b>	<b>-</b>	<b>(1,924)</b>	<b>-</b>	<b>(945)</b>
<b>Total Adjustments</b>	<b>(49,773)</b>	<b>(870)</b>	<b>2,869</b>	<b>47,774</b>

## Notes to the Core Financial Statements

### 9 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21 and 2021/22.

	Balance at 31st March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31st March 2022 £000
2021/22				
LPSA Reward Grant	76			76
Technology Fund	1,298	100	-	1,198
LAA Pump Priming Grant	155		-	155
Town Centre Improvement Fund (LABGI)	55		-	55
Investment to Community	296	37	-	259
R & R Redundancy Reserve	116		-	116
Works to Property	100		-	100
Planning Services Charging Account	93	70	23	46
Government Grants	9,981	9,981	8,092	8,092
Invest to Save	18,227		285	18,512
One off Member Initiatives	823	142	-	681
Infrastructure Investment Fund	559	147	-	412
Commissioning Authority Programme	365		-	365
Health & Social Care 'Promise Programme'	3,953		-	3,953
Housing Strategy Account	25		-	25
Community Right to Bid & Challenge	46		-	46
Winter Pressures	2,010		-	2,010
Refurbishment of War Memorials	13		-	13
Key Health & Social Care Initiatives	1,700		-	1,700
Integration of Health & Social Care Initiatives	1,614		-	1,614
Collection Fund Surplus Set Aside	31,791		7,064	38,855
Healthy Bromley Fund	3,815	233	-	3,582
Glaxo Wellcome Endowment	86	21	-	65
Cheyne Woods and Cyphers Gate	138		-	138
Public Halls Fund	5		-	5
Future Repairs of 145, High Street	79		12	91
Parallel Fund	2,903		117	3,020
Health & Social Care Integrated Commissioning Fund	3,030		-	3,030
Financial Planning & Risk Reserve	10,000		-	10,000
Bromley Welfare Fund	492	160	600	932
Payment in Lieu Reserve for Temporary Accommodation	264		107	371
Business Rates Risk Reserve	4,200		-	4,200
Crystal Palace Park Improvements	26		-	26
Various Joint Schemes and Pump Priming Investments	3,710		1,303	5,013
Transition Fund	2,559		-	2,559
Environmental Initiatives	453	25	-	428
Planning/Planning Enforcement	15	15	-	
Apprenticeship Scheme	152	73	-	79
Civic Centre Development Strategy	257		-	257
Professional Advice for Future Schemes	139	17	-	122
Utilisation of New Homes Bonus	3,868		708	4,576
Future Pensions Risk on Outsourcing	1,244		247	1,491
West Wickham Leisure Centre & Library Redevelopment	623		-	623
Income Equalisation Reserve	5,310		1,676	6,986
Transformation Fund	1,245	21	-	1,224
Investment Fund	6,142	2,066	-	4,076
Growth Fund	21,376	137	-	21,239
Capital Funding for Property Disposal/Feasibility Work	78		-	78
<b>Sub Total 2021/22</b>	<b>145,505</b>	<b>13,245</b>	<b>20,234</b>	<b>152,494</b>

## Notes to the Core Financial Statements

### 9 Transfers to/from Earmarked Reserves continued

	Balance at 31st March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31st March 2022
<b>2021/22</b>				
<b>Balance brought forward from previous page</b>	<b>145,505</b>	<b>13,245</b>	<b>20,234</b>	<b>152,494</b>
Biggin Hill Airport Project	76	61	-	15
Transformation Programme	343	92	-	251
Housing Investment Fund	32,409	9,224	1,242	24,427
High Street & Parks Improvement Fund	71	-	-	71
Contribution to YES Funding for 2019/20	45	-	-	45
Day Centre Rent Relief	6	-	-	6
Housing Invest to Save	3,409	-	-	3,409
Health Facilities Fund	993	-	-	993
Health & Social Care Transformation Fund	1,500	-	-	1,500
Housing feasibility and viability	128	20	-	108
Website Update	150	77	-	73
Carbon Neutral Initiatives Fund	875	-	-	875
Walnuts Development	70	39	-	31
Hospital Discharge Funding	1,677	-	1,677	3,354
IT Services Procurement	197	197	-	-
COVID recovery Fund	10,273	-	2,770	13,043
Schools	2,550	-	257	2,807
Insurance Fund	4,383	381	-	4,002
Platinum Jubilee Fund	-	-	1,000	1,000
Capital Fund	-	-	2,900	2,900
CCG Contribution to Children Education and Families	-	-	814	814
<b>Sub total</b>	<b>204,660</b>	<b>23,336</b>	<b>30,894</b>	<b>212,218</b>
<b>Provision for Impact of Recession</b>				
Business Rates Adjustment Account (new in 2020/21)	63,407	63,407	-	-
Collection Fund Deferred Costs Reserve (new in 2020/21)*	2,662	-	2,283	4,945
Business Rates Adjustment Account (new in 2021/22)	-	-	32,540	32,540
<b>Total Earmarked Reserves 2021/22</b>	<b>270,729</b>	<b>86,743</b>	<b>65,717</b>	<b>249,703</b>

Note: Members should note that the balance at 31/3/2022 represents the "cash" balance and in some cases the monies shown will already be committed for future years on various schemes.

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance at 31st March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31st March 2021
<b>2020/21</b>				
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balances Held by Schools	1,739	53	864	2,550
Insurance Fund	4,396	12	-	4,384
LPSA Reward Grant Investment Fund	76	-	-	76
LAA Reward Grant Investment Fund	155	-	-	155
Technology Fund	5,117	3,885	66	1,298
Reserve for Potential Redundancy Costs	116	-	-	116
Public Halls Fund	5	-	-	5
Town Centre Improvement Fund	55	-	-	55
Ex Glaxo Land Maintenance	113	28	1	86
Planning Services Charging Account	25	234	302	93
Grant Related Expenditure	5,267	5,267	9,981	9,981
Investment to Community Fund	325	29	-	296
Works to Property	100	-	-	100
<b>Sub Total 2020/21</b>	<b>17,489</b>	<b>9,508</b>	<b>11,214</b>	<b>19,195</b>

## Notes to the Core Financial Statements

### 9 Transfers to/from Earmarked Reserves continued

	Balance at 31st March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31st March 2021
<b>2020/21</b>				
<b>Balance brought forward from previous page</b>	<b>17,489</b>	<b>9,508</b>	<b>11,214</b>	<b>19,195</b>
Investment Fund	6,148	5		6,143
Invest to Save	18,195	500	532	18,227
One-off Member Initiatives	858	35		823
Infrastructure Investment Fund	1,426	867		559
Commissioning Authority Programme	365			365
Health & Social Care - Promise Programme	3,953			3,953
Housing Strategy Trading Account	25			25
Community Right to Bid & Challenge	46			46
Winter Pressures	2,010			2,010
Refurbishment of War Memorials	13			13
Key Health & Social Care Initiatives	1,700			1,700
Integration of Health & Social Care Initiatives	1,614			1,614
Cheyne Woods & Cyphers Gate	141	3		138
Healthy Bromley Fund	3,815			3,815
Transformation Fund	1,424	179		1,245
Future Repairs of High Street Properties	67		12	79
Collection Fund Surplus Set Aside	25,919		5,872	31,791
Parallel Fund	2,903			2,903
Growth Fund	21,420	44		21,376
Health & Social Care Integrated Commissioning	3,550	520		3,030
Financial Planning & Risk Reserve	10,000			10,000
Bromley Welfare Fund	639	147		492
PIL Reserve for Temporary Accommodation	149		115	264
Business Rate Risk Reserve	4,200			4,200
Crystal Palace Park Improvements	26			26
Various Joint Schemes and Pump Priming Investments	2,291	506	1,925	3,710
Transition Fund	2,560			2,560
Environmental Initiatives	500	47		453
Planning/Planning Enforcement	119	104		15
Apprenticeship Scheme	171	19		152
Civic Centre Development Strategy	271	14		257
Future Professional Advice for Commissioning	147	8		139
Utilisation of New Homes Bonus	2,256		1,612	3,868
Future Pensions Risk in Outsourcing	897		347	1,244
West Wickham Leisure Centre & Library Redevelopment	624	1		623
Income Equalisation Reserve	3,790		1,520	5,310
Capital Funding for Property/Disposal Feasibility	78			78
Biggin Hill Airport Project	124	48		76
Transformation Programme	488	145		343
Housing Investment Fund	18,840	213	13,779	32,406
High Street & Parks Improvement Fund	71			71
Contribution to YES Funding for 2019/20	45			45
Day Centre Rent Relief	6			6
Housing Invest to Save	3,409			3,409
Health Facilities Fund	993			993
Health & Social Care Transformation Fund	1,500			1,500
Housing Feasibility and Viability	250	122		128
<b>Sub Total 2020/21</b>	<b>167,525</b>	<b>13,035</b>	<b>36,928</b>	<b>191,418</b>

## Notes to the Core Financial Statements

### 9 Transfers to/from Earmarked Reserves continued

2020/21	Balance at 31st March 2020 £000	Transfers Out 2020/21 £000	Transfers In 2020/21 £000	Balance at 31st March 2021 £000
<b>Balance brought forward from previous page</b>	<b>167,525</b>	<b>13,035</b>	<b>36,928</b>	<b>191,418</b>
<b>New Reserves Set Up in 2020/21</b>				
Website Update	-		150	150
Carbon Neutral Initiatives Fund	-		875	875
COVID related service pressures	-		10,273	10,273
IT Services Procurement	-		197	197
Collection Fund Deferred Costs	-		2,662	2,662
Walnuts Development	-	10	80	70
Hospital Discharge Funding	-		1,677	1,677
<b>Sub total</b>	<b>167,525</b>	<b>13,045</b>	<b>52,842</b>	<b>207,322</b>
Business Rates Adjustment Account (new in 2020/21)	-		63,407	63,407
<b>Total Earmarked Reserves 2020/21</b>	<b>167,525</b>	<b>13,045</b>	<b>116,249</b>	<b>270,729</b>

## Notes to the Core Financial Statements

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### 9 Transfers to/from Earmarked Reserves continued

- Balances Held by Schools (under a Scheme of Delegation) - school balances represent sums delegated to schools in accordance with the Education Reform Act 1988 which had not been spent at 31st March. Any underspending on the budget of the school remains at the disposal of the school to spend in future financial years.
- Insurance Fund - provides for the self-insurance of all losses up to a maximum in any year of £750k for material damage claims and £1,750k for Employers and Public Liability claims. External insurers are used to provide for losses in excess of these sums.
- Local Public Service Agreement (LPSA) Reward Grant - relates to Reward Grant received in 2005/06 and 2006/07 as a result of achievement of performance targets in LPSA1.
- LAA Reward Grant - relates to reward grant received from the Government as a result of the achievement of performance targets in our Local Area Agreement.
- Technology Fund - exists to provide resources to allow investment in ICT within the Borough to help improve the efficiency of departments and provide more comprehensive information and communication systems for Members, officers and the public.
- Reserve for Potential Redundancy Costs - provision set aside to meet potential redundancy implications in future years.
- Public Halls Fund - used for property/access works to facilitate greater participation at charity and community halls.
- Town Centre Improvement Fund - the Council has received funding through the Local Authority Business Growth Incentive Scheme which has been set aside to provide a contribution to the Town Centre Development Fund. A sum of £1,022k was ring fenced to contribute towards the costs associated with the relocation of Orpington Library. The balance is available for expenditure related to the development and sustainability of town centres.
- Ex Glaxo Land Maintenance - an endowment has been received for future maintenance of land conveyed to the London Borough of Bromley.
- Planning Services Charging Account - to account for surpluses and funding of deficits to be offset against future charges in accordance with Bromley's Building Regulations Charging Scheme.
- Grant Related Expenditure - established to account for the carry forward of underspends of grant related expenditure where there are no conditions attached to the associated grant income.
- Investment to Community Fund - set up in 2009/10 to provide investment to the community and voluntary sector as determined by Members.
- Works to Property - a fund set aside to meet potential unrecoverable costs associated with works to a property.
- Investment Fund - a fund established to maximise economic growth which will include investment opportunities and undertaking key infrastructure improvements. A key strand of the Council's financial strategy relates to economic development and generating income. The fund will provide key regeneration opportunities whilst also being utilised to provide a long term alternative income stream. In 2014/15, £10m was transferred to the Growth Fund.
- Invest to Save - a fund established in 2011/12 to support invest to save initiatives with any savings taking into account an element for repaying the fund whilst generating further savings that can be factored into future years' budgets.
- Bromley Welcare - set aside to commission a time limited, step up/step down service as part of a managed funding strategy.
- One-off Member Initiatives - a fund set aside to be earmarked against Member priority initiatives to be delivered by the Executive or Portfolio Holders as appropriate.

## Notes to the Core Financial Statements

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### 9 Transfers to/from Earmarked Reserves continued

- Infrastructure Investment Fund - funding set aside to partly reduce the risk of reducing levels of property and equipment maintenance which could result in more costly longer term costs being incurred.
- Commissioning Authority Programme - monies set aside to finance work associated with transforming LBB into a commissioning-based organisation.
- Health & Social Care 'Promise Programme' - monies set aside of funding from the PCT (now CCG) for investment in further integration of health and social care initiatives and the 'Promise Programme'.
- Housing Strategy Trading Account - to account for surpluses and funding of deficits to be offset against future affordable housing charges.
- Community Right to Bid and Challenge - funding set aside to specifically meet the costs arising from administering the scheme and to nominate officers to assess the asset of the community value nominations and any compensation claims from owners.
- Winter Pressures (Social Care & Health) - monies set aside of funding from the PCT (now CCG) to invest in social care services to benefit health and improve overall health gain.
- Refurbishment of War Memorials - monies set aside for the refurbishment of war memorials.
- Key Health and Social Care Initiatives - funding set aside as part of the wider integration of health and social care to support future integration and investment initiatives.
- Integration of Health and Social Care Initiatives - funding set aside as part of the wider integration of health and social care to support future integration and investment initiatives.
- Cheyne Woods & Cypher's Gate - funding received to enable future land maintenance costs of these sites.
- Healthy Bromley Fund - monies set aside as a cross-Council fund to support key initiatives that will help improve the wellbeing of Bromley residents.
- Transformation Fund - funding set aside to meet potential severance costs arising from a need for significant budget savings to be achieved over the next few years, and additional costs arising from a need to support staff in a changing organisation.
- Future Repairs of High Street Properties - funding set aside from annual rental income to deal with required repairs and structural work on High Street properties, acquired as part of the Council's investment property portfolio.
- Collection Fund Surplus Set Aside - monies set aside towards meeting the 'budget gap' in future years.
- Parallel Fund - a reserve set up in 2014/15 with the aim of providing for the potential future impact of actuarial reviews of the Council's Pension Fund.
- Growth Fund - an allocation of £10m from the Investment Fund was set aside in 2014/15 as a reserve for investments that support growth initiatives in Biggin Hill, the Cray Valley and Bromley Town Centre.
- Health and Social Care Integrated Commissioning - a reserve set up from one off funding from the Bromley Clinical Commissioning Group, to deliver the investment required by Health working with the Council to deliver integrated 'out of hospital' services across the whole health and care system.
- Financial Planning & Risk Reserve - funding set aside in 2014/15 to deal with the impact of the ongoing budget gap and possible utilisation of the reserve to support future years budgets.
- Bromley Welfare Fund - a fund for a 'White Goods and Furniture Scheme' to help with the impact of Welfare reforms on the discretionary housing payments budget.

## Notes to the Core Financial Statements

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### 9 Transfers to/from Earmarked Reserves continued

- Payments in Lieu (PIL) Reserve for Temporary Accommodation - a reserve set up for surplus rental income from properties purchased with Payment in Lieu Funds for Temporary Accommodation. The reserve will be used for repairs and maintenance costs of the properties, and for the provision of further affordable housing.
- Business Rates Risk Reserve - a fund established to manage the impact of any unexpected reductions in retained business rate income during 2015/16 and future years.
- ' - One Off Expenditure in 2016/17 (inc TFM Contract) - one off funding of £461k was set aside in an earmarked reserve to support the following initiatives in 2016/17:
  - Youth Offending Services - £97k for continued additional staffing resources required for the YOS in preparation for a re-inspection of the service in 2016/17.
  - Bromley Safeguarding Children's Board (BSCB) - £55k to support the continuation of the boards safeguarding activities in 2016/17.
  - Total Facilities Management Contract (TFM) - an amount of £309k was set aside in an earmarked reserve to carry out the 'due diligence' work for the TFM contract prior to any final contract agreement.
- Crystal Palace Park Improvements - £240k was set aside in an earmarked reserve as a Community Project Fund. It will be used to award grants for the completion of small capital and revenue projects submitted by community groups over a period of three years.
- Various Joint Schemes and Pump Priming Investments in Health & Social Care - funding set aside to allow for the continuation of agreed joint schemes and pump priming investment for more cost effective models of delivery across Health & Social Care in Bromley.
- Transition Fund - a reserve set up to provide funding for pump-priming and other transitional arrangements in key service provision.
- Children Social Care Transition Fund - funding set aside to cover the cost of 15 additional social workers and reduce the average caseload of a social worker.
- Environmental Initiatives - £500k was set aside in an earmarked reserve to enhance the wide range of Environmental services in the street environment, parks countryside and trees.
- Planning/Planning Enforcement - funding set aside to provide a dedicated senior planning resource to assist in the development of sites that the Council intends to sell, provide advice on major development sites in the borough and additional resources to undertake planning enforcement action.
- Apprenticeship Scheme - funding set aside to support the implementation of a two year Apprenticeship Programme in light of the Apprenticeship Levy.
- Civic Centre Development Strategy - funding set aside for additional consultancy services for the development of the Civic Centre site.
- CSC Recruitment and Retention - a fund established to support recruitment and retention initiatives in Childrens Social care.
- Future Professional Advice for Commissioning - funding set aside to meet external professional advice in support of future schemes as required.
- Utilisation of New Homes Bonus - established to set aside income received to support the revenue budget.
- Future Pensions Risk in Outsourcing - monies set aside to meet potential future pension liabilities for staff transferred to outsourced services.
- West Wickham Leisure Centre & Library Redevelopment - monies set aside to undertake initial consultancy and survey works for the redevelopment of West Wickham Leisure centre and Libraries.



## Notes to the Core Financial Statements

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### 9 Transfers to/from Earmarked Reserves continued

- Income Equalisation reserve - to mitigate any potential loss in the capital value of pooled funds within treasury management investments, the Council has set aside interest/dividend earnings on these funds above 2.5%.
- Capital Funding for Property Disposals/Feasibility Works - £250k was set aside to allow for feasibility works to be commissioned against specific sites.
- Biggin Hill Airport Project funding has been set aside for any potential future monitoring cost in relation to the revised operating hours of Biggin Hill Airport.
- Transformation Programme, resources set aside to meet any additional resource requirements and the use of specialised advice, in relation to the transformation reviews that will be undertaken across the Council.
- Housing Investment Fund established to fund investment choices identified through the Council's Transformation programme to reduce homelessness costs in the local area. Executive recommended a contribution to the reserve of £9.895m at its meeting on 24th March 2021.
- High Street & Parks Improvement Fund, external funding received for High Street and Town Centre cleansing works, and improvement works in Parks and Greenspaces.
- Contribution to YES Funding for 2019/20 set aside to provide funding to the Bromley Education Business Partnership (BEBP) to continue the successful delivery of the Youth Employment Scheme (YES) that helps support the generation of employment opportunities and tackle local youth unemployment.
- Day Centre Rent Relief monies set aside for short term assistance to Day Centres.
- Housing Invest to Save established to fund investment choices identified through the Council's Transformation programme to reduce homelessness costs in the local area.
- Health Facilities Fund - funding of £993k from Bromley Clinical Commissioning Group has been set aside for investment in health facilities
- Health & Social Care Transformation Fund - a reserve set up using one off funding from Bromley Clinical Commissioning Group to develop new transformation opportunities which provide a benefit to health care with a positive impact on social care.
- Housing Feasibility and Viability - £250k has been set aside in a Housing Feasibility and Viability earmarked reserve. This will enable the Council to effectively and efficiently assess the viability of potential capital schemes, ensuring that opportunities are rigorously tested to inform wider decision making.
- Website Update - £150,000 was set aside in 2020/21 to allow works to be undertaken to update the Council's website and associated facilities.
- Carbon Neutral Initiatives Fund - Executive recommended at its meeting on 10th February 2021 that £875,000 be set aside in a Carbon Neutral Initiatives Fund to support the aim of being carbon neutral
- COVID Related Service Pressures - at its meeting on 24th March 2021, Executive recommended that the sum of £3.767m be set aside in an earmarked reserve as a contribution to the provision for COVID related service pressures in future years. A further £6.506m was recommended on 30th June 2021
- IT Services Procurement - funding was set aside to cover IT costs in future years.
- Collection Fund Deferred Costs - Although the Council is required to account for these balances as a Reserve in 2020/21, it is important to note that equivalent spend will be incurred during 2021/22 and 2022/23.
- Walnuts Development Feasibility - £80k was approved to be set aside on 1st July 2020 as a reserve to review the development opportunities at the Walnuts shopping centre and surrounding area.

## Notes to the Core Financial Statements

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### 10 Other Operating Expenditure

2020/21	2021/22
£000	£000
1,256 Levies	1,275
1,360 Payments to Government Housing Capital Receipts Pool	(1,090)
(974) Other Income	6
(15) Distribution of former LRB Balances	
(239) Losses/Gains on the Disposal of Non-Current Assets *	(9,453)
<b>1,388 Total</b>	<b>(9,262)</b>

### 11 Financing and Investment Income and Expenditure

2020/21	2021/22
£000	£000
787 Interest Payable and Similar Charges	(216)
2,114 Net Interest on the Net Defined Benefit Liability	(745)
(7,281) Interest Receivable and Similar Income	(10,457)
5,317 (Income)/Expenditure in Relation to Investment Properties and changes in their fair value	(7,461)
183 Other Investment Income & Expenditure	
<b>1,120 Total</b>	<b>(18,879)</b>

### 12 Taxation and Non Specific Grant Income

2020/21	2021/22
£000	£000
(169,383) Council Tax Income	(181,150)
(87,057) Business Rates Income	(19,763)
(10,781) Non-Ring fenced Government grants	(3,260)
(6,630) Capital Grants and Contributions	(5,297)
<b>(273,851) Total</b>	<b>(209,470)</b>

## Notes to the Core Financial Statements

### 13 Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

<b>Expenditure/Income</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
<b>Expenditure</b>		
Employee Expenses	108,819	109,846
Other Service Expenses	437,663	462,431
Support Service Recharges	(3,789)	(1,907)
Depreciation and Impairment	24,057	9,410
Precepts and Levies	1,256	1,275
Gain or Loss on Disposal of Non Current Assets	-308	-9,453
Interest and Investment Payments	16,666	1,568
Net Interest on the Net Defined Liability	2,114	-745
S31 Business Rates Grant Repayment	0	20,448
<b>Total Expenditure</b>	<b><u>586,478</u></b>	<b><u>592,873</u></b>
<b>Income</b>		
Fees, Charges & Other Service Income	(91,059)	(11,120)
Other Income	0,132	(1,084)
Interest and Investment Income	(18,513)	(19,702)
Income from Council Tax	(169,383)	(181,150)
Income from Non Domestic Rates	(10,997)	(19,763)
Government Grants and Contributions	(350,089)	(356,827)
<b>Total Income</b>	<b><u>(639,909)</u></b>	<b><u>(589,646)</u></b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b><u>(53,431)</u></b>	<b><u>3,227</u></b>

# Notes to the Core Financial Statements

## 14 Property, Plant and Equipment

### Movements on Balances

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b><u>Movements in 2021/22</u></b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2021	555,807	20,794	173,885	2,494	26,383	2,935	782,299
Additions	6,162	4,656	2,994	0	0	9,689	23,501
Revaluation increases in Revaluation Reserve	15,597				3,490		19,087
Derecognition - disposals		(458)					(458)
Assets reclassified to/from Investment Properties					(3)		(3)
Other Assets reclassified	(673)				673		-
Assets reclassified to/from Assets Held for Sale							0
<b>As at 31st March 2022</b>	<b>576,893</b>	<b>24,992</b>	<b>176,879</b>	<b>2,494</b>	<b>30,543</b>	<b>12,624</b>	<b>824,426</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2021	(290,122)	(5,608)	(59,750)	(1,707)	(19,210)		(376,397)
Depreciation charge	(6,086)	(1,383)	(4,372)	(83)			(11,923)
Impairment losses recognised in Revaluation Reserve	(5,024)						(5,024)
Impairment (losses)/reversals recognised in Deficit on of Services	1,372						1,372
Derecognition - disposals		257					257
<b>As at 31st March 2022</b>	<b>(299,860)</b>	<b>(6,734)</b>	<b>(64,122)</b>	<b>(1,790)</b>	<b>(19,210)</b>	<b>-</b>	<b>(391,715)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2022</b>	<b>277,033</b>	<b>18,258</b>	<b>112,757</b>	<b>704</b>	<b>11,333</b>	<b>12,624</b>	<b>432,711</b>
<b>As at 31st March 2021</b>	<b>265,685</b>	<b>15,186</b>	<b>114,135</b>	<b>787</b>	<b>7,173</b>	<b>2,935</b>	<b>405,902</b>

# Notes to the Core Financial Statements

## 14 Property, Plant and Equipment

### Movements on Balances

	Land & Buildings Vehicles, Plant, Furniture & Equipment £000	£000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Comparative Movements in 2020/21</b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2020	532,327	17,736	166,304	2,494	26,096	643	745,600
Additions	17,486	3,058	7,581	0	0	2,293	30,419
Revaluation increases in Revaluation Reserve	5,945	0	0	0	520	0	6,465
Derecognition - disposals							0
Assets reclassified to/from Investment Properties							0
Other Assets reclassified	48	0	0	0	(233)	0	(185)
Assets reclassified to/from Assets Held for Sale		0	0	0	0	0	0
<b>As at 31st March 2021</b>	<b>555,806</b>	<b>20,794</b>	<b>173,885</b>	<b>2,494</b>	<b>26,383</b>	<b>2,936</b>	<b>782,299</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2020	(264,544)	(3,898)	(55,405)	(1,624)	(18,750)	-	(344,221)
Depreciation charge	(5,317)	(1,049)	(4,345)	(83)	-	-	(10,794)
Impairment losses recognised in Revaluation Reserve	(13,091)	-	-	-	(460)	-	(13,551)
Impairment (losses)/reversals recognised in Deficit on of Services	(5,071)					-	(5,071)
Derecognition - disposals	(2,099)	(661)	-	-	-	-	(2,760)
<b>As at 31st March 2021</b>	<b>(290,122)</b>	<b>(5,608)</b>	<b>(59,750)</b>	<b>(1,707)</b>	<b>(19,210)</b>	<b>-</b>	<b>(376,397)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2021</b>	<b>265,684</b>	<b>15,186</b>	<b>114,135</b>	<b>787</b>	<b>7,173</b>	<b>2,936</b>	<b>405,902</b>
<b>As at 31st March 2020</b>	<b>267,783</b>	<b>13,838</b>	<b>110,899</b>	<b>870</b>	<b>7,346</b>	<b>643</b>	<b>401,379</b>

## Notes to the Core Financial Statements

### 14 Property, Plant and Equipment continued

#### (i) Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Land is not depreciated.

Buildings – straight-line depreciation on remaining useful lives ranging from 5 to 55 years.

Community Assets – straight-line depreciation over 30 years.

Surplus Assets are not depreciated.

Vehicles, Plant, Furniture & Equipment – straight-line depreciation over 1 to 15 years down to residual value.

Infrastructure – straight-line depreciation over 15 to 40 years.

#### (ii) Capital Commitments

At 31st March 2021, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £5.6m. This mainly comprised commitments relating to IT Transformation (£1.0m), the Highways Investment Scheme (£1.0m), LIP Formula Funding (£1.2m), and Depot Improvement works (£0.4m).

Commitments at 31st March 2020 totalled £19.8m.

#### (iii) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years. In 2021/22, all valuations were carried out by Montagu Evans, except for the Glades which was valued by Knight Frank. Up to and including 2011/12, all valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The methodology for estimating the fair values of Property, Plant and Equipment is set out in the Statement of Accounting Policies (policy 18).

	Land & Buildings £000	vehicles, Plant, Furniture & Equipment £000	Infra- structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant, & Equipment £000
<i>Carried at Historical Cost as at:</i>							
<b>31st March 2022</b>	-	18,258	112,755	704	-	12,625	144,342
<i>Valued at Current Value as at:</i>							
31st March 2022	(87,757)				9,104		(78,653)
31st March 2021	207,683				13,316		220,999
31st March 2020	(15,426)				(6,027)		(21,453)
31st March 2019	221,356				(360)		220,996
31st March 2018	(48,824)				(4,700)		(53,524)
<b>Total Assets at Current Value</b>	<b>277,032</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,333</b>	<b>0</b>	<b>288,365</b>
<b>Total Property, Plant &amp; Equipment</b>							
<b>31st March 2021</b>	<b>277,032</b>	<b>18,258</b>	<b>112,755</b>	<b>704</b>	<b>11,333</b>	<b>12,625</b>	<b>432,707</b>

## Notes to the Core Financial Statements

### 15 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority.

	<b>Mayoral Regalia £000</b>	<b>Art Works £000</b>	<b>Total Assets £000</b>
<b>Cost or Valuation</b>			
1st April 2020	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2021</b>	<u>673</u>	<u>344</u>	<u>1,017</u>
<b>Cost or Valuation</b>			
1st April 2021	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2022</b>	<u>673</u>	<u>344</u>	<u>1,017</u>

Further details of Heritage Assets are provided in Note 48 and details of the accounting arrangements are provided in the Statement of Accounting Policies (policy 13).

### 16 Investment Property

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

<b>2020/21 £000</b>	<b>2021/22 £000</b>
(11,416) Rental Income from Investment Property	(9,029)
1,589 Direct Operating Expenses arising from Investment Property	1,478
<u>(9,827) Net gain</u>	<u>(7,551)</u>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. The Authority does, however, have a contractual obligation to contribute 15% to the cost of any major refurbishment of The Glades Shopping Centre. As is usual commercial practice, repairing and maintenance obligations are defined in the individual leases.

The following table summarises the movement in fair value of investment properties over the year:

<b>2020/21 £000</b>	<b>2021/22 £000</b>
117,753 Balance at Start of Year	103,643
0 Purchases	0
Disposals	(10)
Reclassified to Property, Plant and Equipment	3
185 Reclassified from Surplus Properties	
(14,295) Net Gains/(Losses) from Fair Value Adjustments	(80)
<u>103,643 Balance at End of Year</u>	<u>103,556</u>

Gains or losses arising from changes in the fair value of the investment property are recognised in Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Lessee disclosures for investment properties held under operating leases are included in Note 40.

## Notes to the Core Financial Statements

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### 16 Investment Property continued

Details of the authority's investment properties as at 31st March 2021 and 2022 are as follows:

<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
13,830 Office units	14,050
6,370 Airport	6,615
17,345 Industrial	17,255
63,005 Commercial units	62,895
3,093 Other	2,741
<b>103,643 Balance at End of Year</b>	<b>103,556</b>

The fair value for all classes of investment properties has been based on the income approach using rental value, lease term, and an estimated yield appropriate to the class of property and other relevant information as inputs for fair value measurement.

There has been no change in the valuation techniques used during the year for investment properties, and all measurements have been categorised at Level 2 in the fair value hierarchy. There were no transfers between levels during 2021/22.

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.



## Notes to the Core Financial Statements

### 17 Financial Instruments

#### (a) Categories of Financial Instruments

The following categories of financial instruments are carried in the balance sheet:

	Non-Current		Current	
	31 March 2022 £000	31 March 2021 £000	31 March 2022 £000	31 March 2021 £000
<b>Financial Assets</b>				
<b>Amortised Cost</b>				
Investments	98,752	77,106	163,372	191,674
Debtors *	6,083	1,763	55,769	17,752
Cash and Cash Equivalents		-	32,438	23,035
	<u>104,835</u>	<u>78,869</u>	<u>251,579</u>	<u>232,461</u>
<b>Fair Value through Profit or Loss</b>				
Investments	92,652	88,358	-	682
<b>Total Financial Assets</b>	<u><b>197,487</b></u>	<u><b>167,227</b></u>	<u><b>251,579</b></u>	<u><b>233,143</b></u>
<b>Financial Liabilities</b>				
<b>Amortised Cost</b>				
Creditors *	-	-	64,498	80,658
<b>Total Financial Liabilities</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>64,498</b></u>	<u><b>80,658</b></u>

\* The value of debtors and creditors reported in the table above are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet also include balances which do not meet the definition of a financial instrument such as tax-based debtors and creditors.

In accordance with the requirements of the Code, accruals for investment interest income due during the year but not received as at 31st March are included in short term investments in the Balance Sheet. The balances as at 31st March 2022 include a total principal of £378,463k and total accrued interest of £2,356k (£330,919k and total accrued interest of £2,168k as at 31st March 2021).

## Notes to the Core Financial Statements

### 17 Financial Instruments continued

(b) <i>Income, Expense, Gains and Losses</i>	<b>Other Comprehensive Income and Expenditure</b>		<b>Surplus or Deficit on the Provision of Services</b>	
	2020/21		2020/21	
	£'000		£'000	
Net (Gains)/Losses on:				
Available for Sale Financial Assets	-	-	-	-
Financial Assets Measured at Fair Value through Profit or Loss	-	3,547	4,294	-
<b>Total Net (Gains)/Losses</b>	<b>-</b>	<b>3,547</b>	<b>4,294</b>	<b>-</b>
Interest Income		(7,281)	(6,163)	
Interest Expense		13	-	
<b>Net Interest</b>		<b>(7,268)</b>	<b>(6,163)</b>	

The net gain on Financial Assets Measured at Fair Value through Profit or Loss relates to the upward revaluation of three investments (£40m in a Property Fund and £50m in a Multi Asset Income Fund).

#### (c) Fair Value of Financial Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Except for the financial assets and financial liabilities carried in the Balance Sheet at fair value, all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. Fair value can be assessed by calculating the net present value of cash flows that are expected to take place over the remaining life of the instruments.

Valuation of fixed term deposits is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit. This will be the rate applicable in the market on the date of valuation for an instrument with the same duration (i.e. from valuation date to maturity). The structure and terms of the comparable instrument should also be the same. The rates used in the valuation were obtained from the market on 31st March 2022, using bid prices where applicable.

Where an investment has a maturity of less than 12 months, the fair value is taken to be the total of principal outstanding and accrued interest.

The fair values calculated are as follows:

	<b>1st April 2021</b>		<b>31st March 2022</b>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets held at Amortised Cost	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investments	268,780	270,283	262,124	262,124
Long Term Debtors	1,763	1,763	6,083	6,083
Cash and Cash Equivalents	23,035	23,000	32,438	32,438
<b>Total Financial Assets</b>	<b>293,578</b>	<b>295,046</b>	<b>300,645</b>	<b>300,645</b>

For investments with less than 1 year to maturity, the carrying amount is the same as the fair value (i.e. principal plus interest). For investments with more than 1 year to maturity, the fair value is higher or lower than the carrying value depending on whether the relevant interest rate is higher or lower than rates available for similar loans at the Balance Sheet date.

All investments have been categorised as fair value hierarchy level 2, and there has been no change in valuation technique or hierarchy level during the year for the financial instruments.

Short term debtors and creditors are carried on the balance sheet at cost as this is a fair approximation of their value.

## Notes to the Core Financial Statements

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### 17 Financial Instruments continued

#### (d) Long Term Debtors (due after one year) at 31st March

Included as Financial Assets are Long-Term Debtors, which comprise amounts owed to the Authority by various bodies that are not expected to be repaid within one year of the Balance Sheet date and do not, therefore, meet the definition of current assets.

2021 £000		2022 £000
	Clarion Housing Group (formerly Broomleigh Housing Association)	
	Property Transfer	
1,259	- Sale of Council Houses *	-
6	- Deferred Interest Earnings *	-
465	Loans for Miscellaneous Advances	1,050
33	Loans to Private Street Work Frontagers	33
-	- Loans to Meadowship Homes	5,000
<u>1,763</u>		<u>6,083</u>

\* Under the Housing Stock Transfer agreement concluded with Clarion Housing Group (formerly Broomleigh Housing Association) in 1992, the Council receives a proportion of the income from the sale of Council Houses every three years. A debtor is included in the accounts until the money is actually received; a long-term debtor in the first two years and a short-term debtor in the final year.

There was one sale in 2019/20 and three sales in 2020/21 and a long-term debtor of £1,265k (including accrued interest) is carried on the Balance Sheet as at 31st March 2022. The next receipt is due in 2022/23.

## Notes to the Core Financial Statements

### 18 Inventories

	Road Salt		Other Consumables		Total	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
<b>Balance outstanding at start of year</b>	<b>144</b>	<b>153</b>	<b>6</b>	<b>6</b>	<b>150</b>	<b>159</b>
Purchases	20	93	7	9	27	102
Usage/Payment/Transfers during the year		(102)		(9)	-	(111)
<b>Balance outstanding at year-end</b>	<b>164</b>	<b>144</b>	<b>13</b>	<b>6</b>	<b>177</b>	<b>150</b>

### 19 Short - Term Debtors

31st March 2021 Net £000		31st March 2022 Net £000
	<i>Debtors</i>	
25,171	Central Government Bodies	28,192
33,532	Other Local Authorities	(2,051)
(662)	Council Tax	(262)
3,472	NNDR	1,394
1,754	NHS Bodies	1,743
18,087	Other Entities and Individuals	25,117
<u>81,354</u>		<u>54,133</u>
6,072	<i>Payments in Advance</i>	5,861
<u>87,426</u>		<u>59,994</u>

## Notes to the Core Financial Statements

### 20 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2020/21 £000		2021/22 £000
35	Cash held by the Authority	
(242)	Bank Current Accounts	9,438
23,000	Short-term Deposits with Money Market Funds*	23,000
<b>22,793</b>	<b>Total Cash and Cash Equivalents</b>	<b>32,438</b>

\* Short-term investments that meet the Code's definition of cash equivalents are also referred to in Note 17 (a).

### 21 Assets Held for sale

Assets Held for Sale are items of Property, Plant and Equipment whose carrying amount is to be recovered through a sale rather than its continued use by the Authority. They are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell. Assets Held for Sale that are expected to be sold within 1 year of the Balance Sheet date are shown on the Balance Sheet as Current Assets.

2020/21 £000		2021/22 £000
4,057	<b>Balance outstanding at start of year</b>	4,057
	Assets newly classified/(declassified) as held for sale:	
-	Property, Plant and Equipment	
-	Revaluation losses - recognised in Revaluation Reserve	
-	- recognised in deficit on Provision of Services	
-	Revaluation gains	
-	Assets sold	- 4,057
<b>4,057</b>	<b>Balance outstanding at year-end</b>	<b>0</b>

### 22 Financial Assets/Liabilities

#### Short Term Borrowing / Temporary Loans

	Balance as at 31st March 2021 £000	Loans Raised £000	Loans Repaid £000	Balance as at 31st March 2022 £000
Pension Fund	(7,057)	(6,096)		(13,153)
Former LRB Fund	(886)	(1,509)	886	(1,509)
	<b>(7,943)</b>	<b>(7,605)</b>	<b>886</b>	<b>(14,662)</b>

## Notes to the Core Financial Statements

### 23 Short - Term Creditors

31st March 2021 £000		31st March 2022 £000
	<b>Creditors</b>	
(23,610)	Central Government Bodies	(3,838)
(1,181)	Other Local Authorities	(578)
(4,875)	NHS Bodies	(4,389)
(14)	Public Corporations	-
(2,524)	Council Tax	(2,759)
(2,801)	Council Tax Precepts (GLA)	(685)
(3,507)	NNDR Central Government	(4,386)
(3,787)	NNDR GLA	(4,772)
(633)		(893)
-	NNDR LBB	(198)
(41,443)	Other Entities and Individuals	(40,380)
(84,374)		(62,879)
	<b>Receipts in Advance</b>	
(321)	Central Government Bodies	(109)
(24)	Other Local Authorities	(29)
(5,882)	NHS Bodies	(10,905)
(361)	Council Tax	(317)
-	NNDR Central Gov	-
(111)	NNDR LBB	(2,017)
(3,283)	Other Entities and Individuals	(4,071)
(9,980)		(17,449)
(94,354)		(80,327)

### 24 Other Long Term Liabilities

31st March 2021 £000		31st March 2022 £000
(24,861)	Liability relating to Finance Leases *	(30,548)

# Full details relating to the Defined Benefit Pension Scheme are included in Note 44

- Pension Asset at 31st March 2022 is shown in Long Term Assets on the Balance Sheet

\* Full details of the Authority's finance leases are included in Note 40

## Notes to the Core Financial Statements

### 25 Provisions

	Outstanding Legal Cases (a) £000	Injury & Damage Compensation Claims (b) £000	Other Provisions (c) £000	Total £000
Balance at 1 April 2021	-	(2,188)	(13,970)	(16,158)
Additional Provisions made in year		(624)	125	(500)
Amounts used in year			183	183
Unused amounts reversed in year			135	135
Balance at 31st March 2022	<b>0</b>	<b>(2,813)</b>	<b>(13,527)</b>	<b>(16,339)</b>

(a) Outstanding Legal Cases: the Council has not made provision for any financial implications arising from any legal cases in 2021/22.

(b) Injury and Damage Compensation Claims: this provision represents the estimated potential cost of insurance claims received but not settled by the Council as at 31st March 2021 (293 claims with a total estimate of £2,188k).

(c) Other Provisions include the following:

Provision for irrecoverable Council Tax and Non-Domestic Rates debts of £4,036k has been carried forward to 2021/22.

Provision of £6,099k has been made to reflect potential losses in business rates income as a result of changes to the rating list arising from successful appeals.

All other provisions are individually insignificant.

### 26 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in Note 9.

## Notes to the Core Financial Statements

### 27 Unusable Reserves

<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
74,780 Revaluation Reserve	84,786
(1,642) Pooled Investment Funds Adjustment Account	2,652
414,120 Capital Adjustment Account	421,766
30,760 Pensions Reserve	10,665
1,281 Deferred Capital Receipts Reserve	7,242
(10,053) Collection Fund Adjustment Account	(1,206)
(1,889) Accumulated Absences Account	(2,070)
(1,140) Dedicated Schools Grant adjustment account	(7,143)
<b><u>506,217</u> Total Unusable Reserves</b>	<b><u>516,692</u></b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or;
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>2020/21 £000</b>	<b>2021/22 £000</b>
1 82,719 <b>Balance as at 1st April</b>	74,780
6,465 Upward revaluation of assets	19,087
(14,404) Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(5,024)
<u>(7,939) Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services</u>	<u>14,063</u>
0 Accumulated losses on assets sold or scrapped	(4,057)
0 Amount written off to Capital Adjustment Account	(4,057)
<b><u>74,780</u> Balance as at 31st March</b>	<b><u>84,786</u></b>

#### Available for Sale Financial Instruments Reserve (AFS Reserve)

The Available for Sale Financial Instruments Reserve contains the gains and losses made by the Authority arising from movements in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance of (£397k) as at 31st March 2018 was transferred to the Pooled Investment Funds Adjustment Account on 1st April 2018 following the adoption of IFRS 9 Financial Instruments.

#### Pooled Investment Funds Adjustment Account (PIFAA)

The Pooled Investment Funds Adjustment Account contains the gains and losses made by the Authority arising from increases and decreases in the value of its investments that are measured at fair value through profit or loss. The balance is written out to the Comprehensive Income and Expenditure Statement when investments are disposed of and the gain or loss is realised.



## 27 Unusable Reserves continued

PIFAA 2020/21 £000		PIFAA 2021/22 £000
(5,189)	<b>Balance as at 1st April</b>	(1,642)
	Upward revaluation of investments	4,294
3,547	Downward revaluation of investments and impairment losses	-
3,547		4,294
	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement	
<b>(1,642)</b>	<b>Balance as at 31st March</b>	<b>2,652</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different accounting arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date on which the Revaluation Reserve was created to hold such gains.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020/21 £000		2021/22 £000
<b>431,910</b>	<b>Balance as at 1st April</b>	<b>414,120</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>	
(15,153)	Charges for depreciation and impairment of non-current assets	(10,632)
(6,838)	Revenue expenditure funded from capital under statute	(2,669)
	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(43)
(21,991)	Net written out amount of the cost of non-current assets consumed in the year	(13,344)
	<i>Capital financing applied in the year:</i>	
1,103	Use of Capital Receipts Reserve to finance new capital expenditure	4,617
13,585	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	9,587
	Application of grants to capital financing from the Capital Grants Unapplied Account	
	Other Movements	
745	Statutory provision for capital financing charged against the General Fund	993
5,056	Capital expenditure charged against the General Fund balance	5,793
20,489		20,990
(16,288)	Movements in market value of Investment Properties debited or credited to CI&E Statement	
<b>414,120</b>	<b>Balance as at 31st March</b>	<b>421,766</b>

## Notes to the Core Financial Statements

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### 27 Unusable Reserves continued

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different accounting arrangements for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-retirement benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer contributions to the Pension Fund or eventually pays any pensions for which it is directly responsible. A debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and present employees and the resources the Authority has set aside to meet them. The Reserve balance moved to surplus during 2020/21, mainly due to remeasurement of assets and liabilities. The statutory arrangements ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
(92,735)	<b>Balance as at 1st April</b>	30,760
132,680	Actuarial gains or (losses) on pensions assets and liabilities	(9,402)
(18,559)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&E Statement	(20,023)
9,374	Employer's pension contributions and direct payments to pensioners payable in the year	9,330
<b>30,760</b>	<b>Balance as at 31st March</b>	<b>10,665</b>

#### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
3,365	<b>Balance as at 1st April</b>	1,281
907	New advances	5,961
(2,991)	Transfer to the Capital Receipts Reserve upon receipt of cash	
<b>1,281</b>	<b>Balance as at 31st March</b>	<b>7,242</b>

## Notes to the Core Financial Statements

### 27 Unusable Reserves continued

#### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
10,194 <b>Balance as at 1st April</b>	(10,053)
(20,247) Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	8,847
<b>(10,053) Balance as at 31st March</b>	<b>(1,206)</b>

#### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31st March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
(1,867) <b>Balance as at 1st April</b>	(1,889)
1,867 Settlement or cancellation of accrual made at the end of the preceding year	1,889
(1,889) Amounts accrued at the end of the current year	(2,070)
(22) Amount by which officer remuneration charged to the CI&E Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	(181)
<b>(1,889) Balance as at 31st March</b>	<b>(2,070)</b>

#### Dedicated Schools Grant adjustment account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020, 1 April 2021 or 1 April 2022, the Local Authorities (Capital Finance and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

<b>2020/21</b>	<b>2021/22</b>
<b>£000</b>	<b>£000</b>
0 <b>Balance as at 1st April</b>	(1,140)
(1,140) School budget deficit transferred from General Fund in accordance with statutory requirements	(6,003)
<b>(1,140) Balance as at 31st March</b>	<b>(7,143)</b>

## Notes to the Core Financial Statements

### 28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2020/21 £000	2021/22 £000
(7,394) Interest Received	(10,457)
<u>(7,394)</u> Net Interest Received	<u>(10,457)</u>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2020/21 £000	2021/22 £000
(12,040) Depreciation	(11,923)
(20,219) Impairment/Reversals and Downward Valuations	1,292
(20,795) Increase/Decrease in Creditors	49,616
54,934 Increase/Decrease in Debtors (net of bad debts)	(23,112)
(9) Increase/Decrease in Inventories	
(26,627) Movement in Pension Liability	(10,693)
3,547 Movement in Fair Value of Pooled Investment Funds	4,294
Carrying Amount of Non-Current Assets and Non-Current Assets Held-for-Sale, Sold or De-Recognised	(44)
3,409 Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(2,159)
	<u>(8,736)</u>
<u>(17,800)</u>	<u>(1,465)</u>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2020/21 £000	2021/22 £000
6,498 Proceeds from the Sale of Property, Plant and Equipment and Investment Property	9,615
Other Items for which the Cash Effects are Investing or Financing Cash Flows	12,995
<u>6,498</u>	<u>22,610</u>

### 29 Cash Flow Statement - Investing Activities

2020/21 £000	2021/22 £000
30,138 Purchase of Property, Plant and Equipment and Investment Property	
258,218 Purchase of Short-term and Long-term Investments	330,647
- Proceeds from the Sale of Property, Plant and Equipment and Investment Property	22,610
(202,420) Proceeds from Short-term and Long-term Investments	(333,100)
(6,840) Other Receipts from Investing Activities	(24,845)
<u>79,096</u> Net Cash Flows from Investing Activities	<u>(4,688)</u>

### 30 Cash Flow Statement - Financing Activities

2020/21 £000	2021/22 £000
(3,454) Cash Receipts from Short-term Borrowing	(7,605)
Other Receipts from Financing Activities	
Cash Payments for the Reduction of Outstanding Liabilities	
Repayments of Short-term Borrowing	886
858 Relating to Finance Leases	
<u>(2,596)</u> Net Cash Flows from Financing Activities	<u>(6,719)</u>

## Notes to the Core Financial Statements

### 31 Pooled Budgets

The Authority has entered into a pooled budget arrangement with Bromley CCG which operates under Section 75 of the NHS Act 2006 for the provision of integrated community equipment services. The transactions of the pooled budget are summarised below.

<b>2020/21 Integrated Community Equipment Services £000</b>		<b>2021/22 Integrated Community Equipment Services £000</b>
	<b>Income</b>	
(1,403)	Bromley CCG contribution	(1,127)
(1,241)	London Borough of Bromley contribution	(1,649)
<u>(2,644)</u>	<b>Gross Income</b>	<u>(2,776)</u>
	<b>Expenditure</b>	
2,644	Integrated Community Equipment Service	2,776
<u>2,644</u>	<b>Gross Expenditure</b>	<u>2,776</u>
<u>0</u>	<b>Deficit / (Surplus) for the Year</b>	<u>0</u>

There is also a pooled budget for the provision of Mental Health functions in the borough which is hosted by Oxleas NHS Foundation Trust. The transactions of this pooled budget are summarised below.

<b>2020/21 Mental Health Services £000</b>		<b>2021/22 Mental Health Services £000</b>
	<b>Income</b>	
(23,437)	Oxleas NHS Foundation Trust contribution	(24,641)
(1,540)	London Borough of Bromley contribution	(1,643)
<u>(24,977)</u>	<b>Gross Income</b>	<u>(26,284)</u>
	<b>Expenditure</b>	
26,242	Mental Health Functions	26,003
<u>26,242</u>	<b>Gross Expenditure</b>	<u>26,003</u>
<u>1,265</u>	<b>Deficit / (Surplus) for the Year</b>	<u>(281)</u>

The parties agreed that half the surplus on LBB funded expenditure (£14k) would be retained within pooled funds for future years. The deficit on Oxleas expenditure (£253k) remains within their accounts.

## Notes to the Core Financial Statements

### 31 Pooled Budgets continued

The Better Care Fund has been set up to enable local authorities and local health services to develop and implement new approaches to service delivery based on a more integrated approach. The Authority has entered in to a pooled budget arrangement with South East London CCG (and formerly Bromley CCG) under Section 75 of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) to work in partnership to deliver better integrated health and social care services in Bromley. The transactions of the pooled budget are summarised below:

<b>2020/21</b>		<b>2021/22</b>
<b>Better Care Fund</b>		<b>Better Care Fund</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(22,902)	Bromley CCG revenue funding	(24,171)
(2,153)	Disabled Facilities capital grant	(2,443)
(2,561)	Carry Forward from 2020/21 - Capital	(3,664)
(70)	Carry Forward from 2020/21 - Revenue	(113)
<b>(27,686)</b>	<b>Gross Income</b>	<b>(30,391)</b>
	<b>Expenditure</b>	
22,859	Revenue expenditure	24,201
1,050	Capital expenditure	2,312
<b>23,909</b>	<b>Gross Expenditure</b>	<b>26,513</b>
	<b>Deficit / (Surplus) for the Year</b>	
(113)	Revenue	(83)
(3,664)	Capital	(3,795)
<b>(3,777)</b>		<b>(3,878)</b>

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. In addition, since 2019/20 funding allocated to councils to spend on adult social care services to help councils alleviate winter pressures on the NHS has been pooled into the Better Care Fund via the Improved Better Care Fund.

<b>2020/21</b>		<b>2021/22</b>
<b>Improved Better Care Fund</b>		<b>Improved Better Care Fund</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(4,636)	Revenue grant funding - recurrent	(4,636)
(1,677)	Revenue grant funding - additional	(1,677)
(1,190)	*Winter Pressures Grant	(1,190)
(2,766)	Carry Forward from 2020/21	(2,547)
<b>(10,269)</b>	<b>Gross Income</b>	<b>(10,050)</b>
	<b>Expenditure</b>	
7,722	Revenue expenditure	7,453
<b>7,722</b>	<b>Gross Expenditure</b>	<b>7,453</b>
	<b>Deficit / (Surplus) for the Year</b>	
<b>(2,547)</b>		<b>(2,597)</b>

The surplus on both BCF and IBCF has been carried forward to meet agreed priorities in 2022/23.

## Notes to the Core Financial Statements

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### 32 Members Allowances

The authority paid the following amounts to Members of the Council during the year:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
1,057	Allowances	1,047
6	Expenses	6
<u>1,063</u>	Total	<u>1,053</u>

### 33 Non Distributed Costs

As required by the Service Reporting Code of Practice, these costs comprise pension costs, as defined by IAS 19, as follows:

- Past Service Costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs. In the IAS 19 valuation as at 31st March 2022, the actuary estimated the past service cost in 2021/22 to be £0, (£3,820k in 2020/21).
- Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of employee benefits. These are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs. Losses on curtailments (£nil in both 2020/21 and 2021/22) arise when the Authority allows employees to retire on unreduced benefits before they would normally have been able to do so. There was no gain or loss on settlements in 2021/22 (also £nil in 2020/21).

The following charges have been posted to Non Distributed Costs:

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
-	Past Service Costs	
288	Other Pension Costs	280
<u>288</u>		<u>280</u>

**34 Officers Remuneration**

The remuneration paid to the Council's senior employees is as follows:

<b>Disclosure of remuneration for senior employees 2021/22</b>	Salary (including Fees, Allowances Expenses)	Benefits in Kind (e.g. Car Allowance) *	Total Remuneration excluding Pension Contributions	Pension Contributions	Compensation for Loss of Office	Total Remuneration including Pension Contributions
Post holder information (Post title)	£	£	£	£	£	£
Chief Executive - A Adetosoye	219,219		219,219	37,891		257,110
Director of Corporate Services	62,999	2,564	65,563	10,932		76,495
Director of Finance - P Turner	172,816	3,106	175,922	30,644		206,566
Director of Human Resources and Customer Services - C Obazuaye	166,772		166,772	28,975		195,747
#Director of Public Health - N. Lemic-Stojcevic	180,188		180,188	24,007		204,195
Director of Environment & Public Protection	153,422	8,200	161,622	27,156		188,778
Director of Housing, Planning & Regeneration	157,000		157,000	27,290		184,290
Director of Education	108,870	2,804	111,674	19,222		130,896
	<b>1,221,286</b>	<b>16,674</b>	<b>1,237,960</b>	<b>206,117</b>	<b>0</b>	<b>1,444,077</b>

# Section 57 of Schedule 5 to the Health and Social Care Act 2012 defines the Director of Public Health as a statutory chief officer.

\*2020-21 figures have been assumed for Benefits in Kind allowances



## Notes to the Core Financial Statements

### 34 Officers Remuneration

The remuneration paid to the Council's senior employees is as follows:

<b>Disclosure of remuneration for senior employees 2020/21</b>	Salary (including Fees, Allowances Expenses)	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Pension Contributions	Compensation for Loss of Office	Total Remuneration including Pension Contributions
Post holder information (Post title)	£	£	£	£	£	£
Chief Executive - A Adetosoye	215,021		215,021	18,574		233,595
Director of Corporate Services	124,494	2,564	127,058	10,861		137,919
Director of Finance - P Turner	162,320	3,106	165,426	14,681		180,107
Director of Human Resources and Customer Services - C Obazuaye	156,970		156,970	13,877		170,847
#Director of Public Health - N. Lemic- Stojcevic	177,266		177,266	23,619		200,885
Director of Environment & Public Protection	139,684	8,200	147,884	12,362		160,246
Director of Housing, Planning & Regeneration	143,250		143,250	24,856		168,106
Director of Education	106,303	2,804	109,107	18,816		127,923
	<u>1,225,308</u>	<u>16,674</u>	<u>1,241,982</u>	<u>137,646</u>	<u>0</u>	<u>1,379,628</u>

# Section 57 of Schedule 5 to the Health and Social Care Act 2012 defines the Director of Public Health as a statutory chief officer.

## Notes to the Core Financial Statements

### 34 Officers Remuneration continued

The Council's employees, including senior employees, receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2020/21		Total Employees	Annual Remuneration	2021/22		Total Employees
Non-School Employees	School Employees			Non-School Employees	School Employees	
70	19	89	£50,000-£54,999	73	15	88
51	9	60	£55,000-£59,999	39	4	43
27	12	39	£60,000-£64,999	29	3	32
11	9	20	£65,000-£69,999	18	5	23
10	3	13	£70,000-£74,999	14	2	16
9	5	14	£75,000-£79,999	8		8
8	5	13	£80,000-£84,999	6	3	9
12	1	13	£85,000-£89,999	8		8
8	0	8	£90,000-£94,999	10		10
3	0	3	£95,000-£99,999	4		4
2	0	2	£100,000-£104,999			0
1	1	2	£105,000-£109,999	1		1
0	0	0	£110,000-£114,999	1		1
0	1	1	£120,000-£124,999			0
1	0	1	£125,000-£129,999		1	1
0	0	0	£130,000-£134,999		1	1
1	0	1	£145,000-£149,999			0
0	1	1	£150,000-£154,999			0
1	0	1	£165,000-£169,999			0

In order to comply with amendments to the Accounts and Audit Regulations 2015, remuneration bandings are required to be disclosed in brackets of £5,000.

The amended Regulations also require the Council to disclose individual remuneration details for senior employees. In addition, these are also included in the table above.

A senior employee is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year and who is the authority's Chief Executive (or equivalent), their direct reports (other than administration staff), statutory chief officers and potentially any employee that the authority considers having responsibilities and powers to direct or control the major activities of the Council.

## Notes to the Core Financial Statements

### 34 Officers Remuneration continued

The number of Exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21 £000s	2021/22 £000s
£0 - £20,000	3		9		12		75	
£20,001 - £40,000	1		5		6		151	
£40,001 - £60,000	-		-		-		-	
£60,001 - £80,000	0		-		0		0	
£80,001 - £100,000	-		0		0		0	
£100,001 - £150,000	0		-		0		0	
£150,001 - £200,000	-		-		-		-	
£200,001 - £250,000	-		-		-		-	
£250,001 - £300,000	-		-		-		-	
<b>Total</b>	<b>4</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>226</b>	<b>0</b>

In 2020/21 the total cost of £226k (£479k in 2019/20) in the table above consists of exit packages agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

## Notes to the Core Financial Statements

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### 35 External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2020/21 £000		2021/22 £000
	Fees payable to Ernst & Young LLP with regard to:	
92	- External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts)	108
16	- Pension Fund audit fee	4
18	Fees payable to KPMG LLP for the certification of grant claims returns for the year	19
5	Fees payable to Grant Thornton for Teachers Pension Review	6
	- Fees payable to Ernst & Young LLP with regards to fee variation on 2018/19 audit of accounts.	

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## Notes to the Core Financial Statements

### 36 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance and Early Years (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2021/22 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2021/22 before Academy and high needs recoupment			320,822
Academy and high needs figure recouped for 2021/22			(236,553)
Total DSG after Academy and high needs recoupment for 2021/22			84,269
Plus: Brought forward from 2020/21			0
Less: Carry forward to 2022/23 agreed in advance			0
Agreed initial budgeted distribution in 2021/22	50,528	33,741	84,269
In year adjustments	0	(576)	(576)
<b>Final budgeted distribution for 2021/22</b>	<b>50,528</b>	<b>33,165</b>	<b>83,693</b>
Less Actual central expenditure	54,723		54,723
Less Actual ISB deployed to schools		34,973	34,973
Plus Local Authority contribution for 2021/22			0
Carry forward to 2022/23	<b>(4,195)</b>	<b>(1,808)</b>	<b>(6,003)</b>
Plus/Minus: Carry-forward to 2022/23 agreed in advance			<b>0</b>
Carry-forward to 2022/23			<b>0</b>
DSG unusable reserve at the end of 2020/21			(1,140)
Addition to DSG unusable reserve at the end of 2021/22			(6,003)
Total of DSG unusable reserve at the end of 2021/22			(7,143)
Net DSG position at the end of 2021/22			(7,143)

- (a) Final DSG figure before any amount has been recouped from the Authority excluding the January 2021 early years block adjustment.
- (b) Figure recouped from the Authority in 2021/22 by the DfE for the conversion of maintained schools into Academies and for high needs payments made by ESFA. Also included is the recoupment adjustments that relate to 2019/20 and were recouped by DfE until 2021/22.
- (c) Total DSG figure after Academy and high needs recoupment for 2021/22.
- (d) Figure brought forward from 2019/20 as agreed with the Department.
- (e) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2021/22 rather than distribute in 2021/22.
- (f) Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.
- (g) Changes to the initial distribution.
- (h) Budgeted distribution of DSG as at the end of the financial year.
- (i) Actual amount of central expenditure items in 2021/22.
- (j) Amount of ISB actually distributed to schools.
- (k) Any contribution from the Local Authority in 2021/22 which will have the effect of substituting for DSG in funding the Schools Budget.
- (l) Carry forward to 2021/22.
- (m) Plus/minus any carry-forward to 2021/22 already agreed.
- (n) Total is carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry-forward to 2021/22 already agreed.

## Notes to the Core Financial Statements

### 37 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21 and 2021/22.

<i>Credited to Taxation and Non Specific Grant Income</i>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Business Rates Related Grant Income	76,060	12,136
General COVID-19 Grant	6,506	8,185
COVID-19 Hardship Fund	1,841	0
Revenue Support Grant		396
New Homes Bonus	1,613	708
Local Support Services Grant		2,283
Tax Income Guarantee	821	0
	<u>86,841</u>	<u>23,708</u>
<b>Total Government Grants</b>	<b><u>86,841</u></b>	<b><u>23,708</u></b>
<b>Other Capital Grants and Contributions:</b>	<b><u>6,630</u></b>	<b><u>5,296</u></b>
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b><u>93,471</u></b>	<b><u>29,004</u></b>

<i>Credited to Services</i>	<b>2020/21</b>
	<b>£000</b>
Revenue Grants:	
Housing Benefit & Council Tax	89,670
Dedicated Schools Grant	80,857
Public Health	14,971
COVID-19 Other Miscellaneous Grants	596
COVID-19 General Grant	13,615
COVID-19 Contain Outbreak Management Fund	7,695
Improved Better Care Fund	6,313
COVID-19 Income Compensation Grant	5,249
Education Funding Agency	4,062
Social Care Support	3,224
COVID-19 Additional Restrictions Grant	3,064
Adult Social Care Support	3,026
Flexible Homeless Support	2,762
COVID-19 Business Support Grant	2,315
COVID-19 Test Track & Contain Grant	1,370
Unaccompanied Asylum Seekers	1,348
Pupil Premium	1,214
Winter Pressures	1,190
Council Tax Support & Housing Benefits Administration	1,118
Discretionary Housing Payment	893
Troubled Families	858
<b>Sub Total</b>	<b><u>245,410</u></b>

## Notes to the Core Financial Statements

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### 37 Grant Income

<b>Balance carried over from previous page</b>	<b>245,410</b>
COVID-19 Infection Control Fund	799
COVID-19 National Leisure Recovery Fund	762
COVID-19 Winter Grant Scheme	667
Homelessness Reduction Grant	645
Independent Living Fund	605
COVID-19 Workforce Capacity Grant	586
Step up to Social Work	472
Re-Opeining of the High Street Grant	267
Universal Infant Free School meals	241
Youth Justice Board	225
COVID-19 Clinically Extremely Vulnerable Grant	179
COVID-19 Catch-up premium Grant	177
Local Reform & Community Voices	171
COVID-19 LA Emergency Assistance Grant	164
Staying Put Implementation	161
Youth on Remand	160
Adoption Support Fund	60
Skills Funding Agency - Adult Education	28
Preventing Homelessness	0
Brexit Support	0
SEND Implementation	0
Other Miscellaneous Grants	752
	<hr/>
	<b>252,531</b>
	<hr/>

## Notes to the Core Financial Statements

### 37 Grant Income (continued)

<i>Credited to Services</i>	<b>2021/22</b>
	<b>£000</b>
Revenue Grants:	
Dedicated Schools Grant	83,692
Housing Benefit & Council Tax	83,519
Public Health	15,185
Business Rate Top Up Grant	12,136
COVID-19 Other Miscellaneous Grants	10,688
Section 31 Grants	8,185
LRSB (Closed) Addend 1	5,725
Miscellaneous Grants under £1m	5,470
RG4 Hospitality & Leisure	5,364
RG5 Hospitality & Leisure	4,991
CBLP 1	4,807
Basic Need	4,688
Improved Better Care Fund	4,636
Homelessness Reduction Grant	4,450
LRSB (Closed) Addend 2	3,794
Adult Social Care Support	3,369
Social Care Support Grant	3,224
GLA - Building Council Homes	2,810
DFG	2,611
- 6th Form (inc 16-19 bursary)	2,455
Local Support Services Grant	2,283
RG6 Hospitality & Leisure	2,232
Additional Restrictions Grant - Business Hardship Fund	2,085
Household Support Fund	1,868
Omicron Hospitality and Leisure Grant BEIS	1,742
Improved Better Care Fund Additional	1,677
CBLP 2	1,610
LRG (Closed) 1	1,515
LRG (Closed) 2	1,510
Housing	1,440
Additional Restrictions Grant - Top Up Grant	1,372
Unaccompanied Asylum Seekers	1,229
Contain Outbreak Management Fund	1,206
Winter Pressures	1,190
Pupil Premium	1,116
CBLP 3	1,110
Vacant Unit	1,017
	<b>298,001</b>



## Notes to the Core Financial Statements

### 37 Grant Income continued

<i>Credited to Services continued</i>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Capital Grants:		
Basic Need	915	4,688
Disabled Facilities Grant	2,153	2,611
Maintenance in Schools	549	375
	<u>3,617</u>	<u>7,674</u>
<b>Total Government Grants</b>	<b><u>256,148</u></b>	<b><u>305,675</u></b>
Other Grants and Contributions:		
Other Grants and Contributions	436	3,811
Section 106 Developers Contributions	34	1,509
<b>Total Contributions</b>	<b><u>470</u></b>	<b><u>5,320</u></b>
<b>Total Credited to Services</b>	<b><u>256,618</u></b>	<b><u>310,995</u></b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require monies or property to be returned to the giver. The balances at the year end are as follows:

#### Current Liabilities

<i>Revenue Grants Creditors and Receipts in Advance</i>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
COVID-19	13,172	5,254
Education	0	44
Housing Benefit Grant	819	
New Homes Bonus	73	
LEP Project	0	
Other Miscellaneous Grants	201	364
<b>Total Government Grants</b>	<b><u>14,265</u></b>	<b><u>5,662</u></b>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	1,814	2,056
Section 106 Developers Contributions - Capital	7,392	5,900
<b>Total Contributions</b>	<b><u>9,206</u></b>	<b><u>7,956</u></b>
<b>Total Receipts in Advance</b>	<b><u>23,471</u></b>	<b><u>13,618</u></b>

### **38 Related Party Transactions**

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received and outstanding from UK government departments as at 31st March 2022 are shown in the grant income Note 37.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2021/22 is shown in Note 32. During 2021/22, there are no declarable related party transactions with the exception of the following:-

#### **Officers**

- i) During 2021/22 £7.4m was paid to Liberata in payment for services in relation to the Council's exchequer services contract. Liberata employs a family member of the Director of Finance, in a role that is not specifically related to the Bromley contract.

#### **Other Public Bodies**

The Authority has 2 pooled budget arrangements with Bromley Clinical Commissioning Group for the provision of Integrated Stores and the Better Care Fund. There is a further pooled budget arrangement with Oxleas NHS Foundation Trust for the provision of mental health functions. Transactions relating to these arrangements are detailed in Note 31.

#### **Pension Fund**

During the financial year, the average monthly cash balance of the Pension Fund was positive and as a result, interest of £67k was paid to the Fund (£14k was paid in 2019/20). In 2020/21, £??k was charged to the Fund for expenses incurred in administering the Fund (£672k in 2019/20).

#### **Entities Controlled or Significantly Influenced by the Authority**

The Council has entered into a joint venture (JV) agreement with Mears Group PLC for the acquisition of properties to meet demand for temporary accommodation. The JV, More Homes Bromley LLP, will raise its own funds to purchase the properties and the Council will have nomination rights and will also underwrite voids.

## Notes to the Core Financial Statements

### 39 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	9,576	25,494
<i>Capital investment</i>		
Property, Plant and Equipment	30,419	23,501
Investment Properties		0
Long Term Debtor		
Revenue Expenditure Funded from Capital under Statute	<u>6,838</u>	<u>2,669</u>
	37,257	26,170
<i>Sources of finance</i>		
Capital receipts	1,067	3,943
Government grants and other contributions	13,586	9,587
Sums set aside from revenue:		
Direct revenue contributions	5,056	5,793
Finance Leases Repaid/Terminated	<u>1,630</u>	<u>1,310</u>
	21,339	20,633
Movement in Capital Financing Requirement	15,918	5,537
<i>Closing Capital Financing Requirement</i>	25,494	31,031
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,630)	(1,310)
Assets acquired under finance leases	<u>17,548</u>	<u>6,847</u>
Increase/(decrease) in Capital Financing Requirement	<u><b>15,918</b></u>	<u><b>5,537</b></u>

## Notes to the Core Financial Statements

### 40 Leases

#### Finance Leases - Authority as Lessee

The Authority has entered into a number of contractual arrangements that include embedded leases that have been classified as finance leases. There are two significant categories.

The first is in respect of the refuse collection vehicles and plant included in the Refuse Collection contract.

The useful life of these vehicles has typically been assumed to be 7 years.

The arrangements for other vehicles, primarily in the gully and street cleansing contracts, have also been classified as finance leases and 7 years has also typically been assumed as the useful life for these items.

In addition a finance lease has been recognised in relation to a number of residential properties leased from Beehive. These are assumed to have a useful life of 50 years.

Items of equipment leased by schools, mainly photocopiers, have also been classified as finance leases.

A typical useful life of 5 years has been assumed for these.

The assets acquired under these leases are carried as Vehicles, Plant and Equipment and Land & Buildings in the Balance Sheet at the following net amounts:

	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Land and Buildings	16,697	24,608
Vehicles, Plant and Equipment	8,798	9,026
	<b><u>25,495</u></b>	<b><u>33,634</u></b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Authority and finance costs that will be payable by the Authority in future years whilst the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	858	997
- non current (later than 1 year)	24,861	30,408
Finance costs payable in future years	8,686	10,843
Minimum lease payments	<b><u>34,405</u></b>	<b><u>42,248</u></b>

The minimum lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	1,290	1,518	858	997
Later than one and less than five years	5,038	5,940	3,470	4,039
Later than five years	28,077	34,790	21,391	26,369
	<b><u>34,405</u></b>	<b><u>42,248</u></b>	<b><u>25,719</u></b>	<b><u>31,405</u></b>

None of the assets held under these finance leases have been sub-let.

## Notes to the Core Financial Statements

### 40 Leases continued

#### Operating Leases - Authority as Lessee

The Authority leases various premises, which are accounted for as operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	315	295
Later than one and less than five years	410	254
Later than five years	609	564
	<b>1,334</b>	<b>1,113</b>

The expenditure charged to service areas in the Comprehensive Income & Expenditure Statement during the year in relation to these leases was:

	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<i>Minimum lease payments</i>		
Resources, Commissioning & Contracts Management Portfolio	1	1
Environment & Community Portfolio	108	152
Renewal, Recreation and Housing	61	58
Education, Children & Families	45	45
Adult Care and Health Services	123	39
	<b>338</b>	<b>295</b>

#### Operating Leases - Schools as Lessee

Schools have entered into operating leases in the main, to acquire photocopiers and telephone systems.

Typically operating leases are in place for 3 to 5 years, depending on the asset.

The minimum lease payments will be payable over the following periods.

	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	21	92
Later than one and less than five years	10	244
	<b>31</b>	<b>336</b>

The expenditure charged to service areas in the Comprehensive Income & Expenditure Statement during the year in relation to these leases was:

	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<i>Minimum lease payments</i>		
Education	24	95
	<b>24</b>	<b>95</b>

## Notes to the Core Financial Statements

### 40 Leases continued

#### Finance Leases - Authority as Lessor

As at 31st March 2022, the Authority holds no finance leases.

#### Operating Leases - Authority as Lessor

The Authority has granted a number of lease agreements with regard to its portfolio of investment and other Council properties which are accounted for as operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31st March 2021 £000	31st March 2022 £000
Not later than one year	9,264	8,716
Later than one and less than five years	28,224	25,985
Later than five years	215,590	210,890
	<u>253,078</u>	<u>245,591</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Net Book Value of these assets was £??m as at 31st March 2022 (£XXXm as at 31st March 2021). Depreciation, impairment charges and impairment reversals of £??m, £??m and £??m respectively were made in 2020/21.

The rental income received in the Comprehensive Income & Expenditure Statement during the year in relation to these leases was:

	31st March 2021 £000	31st March 2022 £000
<i>Minimum lease payments</i>		
Resources, Commissioning & Contracts Management Portfolio	281	316
Environment & Community Portfolio	437	348
Renewal, Recreation and Housing	101	312
Education, Children & Families	70	67
Adult Care and Health Services	53	54
Financing & Investing Income & Expenditure	8,640	8,748
<i>Contingent rents</i>		
Financing & Investing Income & Expenditure	400	251
	<u>9,982</u>	<u>10,096</u>

### 41 Service Concessions

A service concession arrangement generally involves a local authority conveying to an operator for a defined period the right to provide services that give the public access to major economic and social facilities. The Authority controls the price charged for the service. It also controls, either by ownership or otherwise, any significant residual interest in the property at the end of the term of the arrangement. Three such arrangements have been identified within Bromley.

#### The Refuse Collection contract with Veolia ES (UK) Limited

The Authority transferred the contract for Waste Collection to Onyx U.K. Limited, now known as Veolia, from 4th November 2001 and the Waste Management contract from 24th February 2002, for 17 years. These contracts were re-awarded to Veolia from 1st April 2019 for a period of 8 years with the option to extend for a further 8 years.

The assets used to provide services to the residents of the borough are recognised on the Authority's Balance Sheet. Movements in the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

The total cost of this contract to 31st March 2022 was £106.6m (£98.6m to 31st March 2021).

Further details of the leasing arrangements are provided in Note 40.

## Notes to the Core Financial Statements

### 41 Service Concessions continued

#### Bromley Mytime

The Authority transferred the responsibility for delivering its community leisure activity and services to Bromley Mytime effective from 1st February 2004 continuing 31st March 2019. The assets used to provide services to the residents of the borough are recognised on the Authority's Balance Sheet. Movements in the year are detailed in Note 14. From 1st April 2019, the contract has ended and a new leasing arrangement has been entered which is no longer considered to be a Service Concession. In return for service delivery, maintenance and enhancement of the Leisure Centres which remain in the authority's ownership, the Authority has paid a total of £18.3m to 31st March 2019. No further payments have been made since that date. There are two Council appointed representatives on the Board of Trustees.

#### Greenwich Leisure Ltd

The Authority transferred the responsibility for delivering its Library services to Greenwich Leisure Ltd effective from 1st November 2017 continuing until 31st October 2027.

The assets used to provide services to the residents of the borough are recognised on the Authority's Balance Sheet. Movements in the year are detailed in Note 14.

In return for service delivery, maintenance and enhancement of the Libraries which remain in the authority's ownership, the Authority has paid a total of £19.8m to 31st March 2022, (£15.8m to 31st March 2021).

### 42 Impairment Losses/(Reversals)

During 2021/22 the Authority has charged/reversed the following impairments in respect of its non-current assets to the surplus or deficit on the Provision of Services.

2020/21 £000	2021/22 £000
(5,071) Property, Plant and Equipment	1,372
<u>(5,071)</u>	<u>1,372</u>

These losses/(reversals) have been charged in the Comprehensive Income & Expenditure Statement as follows:

2020/21 £000	2021/22 £000
369 Adult Care and Health Services	(469)
(620) Education, Children & Families	36
(1,761) Environment & Community Portfolio	(613)
(2,456) Renewal, Recreation and Housing	2,384
(603) Resources, Commissioning & Contracts Management Portfolio	34
<u>(5,071)</u>	<u>1,372</u>

### 43 Termination Benefits

The Authority terminated the contracts of a number of employees in 2021/22 incurring liabilities of £163k (£226k in 2020/21) - see Note 34 for the number of exit packages and total cost per band. The total expenditure in 2020/21 related to 15 employees across all departments of the Authority (18 employees in 2020/21).

## Notes to the Core Financial Statements

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### 44 Disclosure of Information about Retirement Benefits

#### (a) Participation in Pension Schemes

As part of the terms and conditions of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until

<u>Comprehensive Income &amp; Expenditure Statement</u>	<b>£000</b>	<b>£000</b>
Current service cost	16,088	20,413
Past Service Costs	-	-
Settlements	-	-
Administration Costs	357	355
Total included in Cost of Services	<u>16,445</u>	<u>20,768</u>
<u>Financing &amp; Investment Income &amp; Expenditure</u>		
Net Pensions interest cost	<u>2,114</u>	<u>(745)</u>
Total included in Surplus or Deficit on the Provision of Services	<u>18,559</u>	<u>20,023</u>
<u>Other Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</u>		
Remeasurement of Net Defined Benefit Obligation	<u>(132,680)</u>	<u>9,402</u>
<u>Total Post-employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</u>	<u>(114,121)</u>	<u>29,425</u>
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	(18,559)	(20,023)
Employers' contributions and benefits payable direct to pensioners	9,374	9,330
	<u>(9,185)</u>	<u>(10,693)</u>
Actual return on scheme assets	<u>(257,488)</u>	<u>9,402</u>



## Notes to the Core Financial Statements

### 44 Disclosure of Information about Retirement Benefits continued

#### (c) Assets and Liabilities in relation to Post-employment Benefits

#### Pensions Assets and Liabilities recognised in the Balance Sheet

	LGPS		Unfunded Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Present value of defined benefit obligation	(969,610)	(982,423)	(3,542)	(3,238)
Fair value of plan assets	1,003,912	996,326	-	-
Net liability from defined benefit obligation	34,302	13,903	(3,542)	(3,238)

#### Reconciliation of Present Value of Scheme liabilities (Defined Benefit Obligation):

	LGPS		Unfunded Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening Liability	853,487	969,610	3,548	3,542
Current service cost	16,088	20,413	-	-
Interest cost	20,165	20,118	82	71
Contributions by scheme members	3,583	3,649	-	-
Remeasurement (gains)/losses:				
Experience	(19,425)	2,721	(81)	9
Financial assumptions	125,831	-	351	-
Demographic assumptions	-	(7,360)	-	(24)
Past service costs	-	-	-	-
Curtailments	-	-	-	-
Settlements	-	-	-	-
Benefits paid	(30,119)	(26,728)	(358)	(360)
Closing Liability (Defined Benefit)	969,610	982,423	3,542	3,238

#### Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	LGPS		Unfunded Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening fair value of scheme assets	764,300	1,003,912	-	-
Interest on plan assets	18,133	20,934	-	-
Remeasurements (assets)	239,356	(14,056)	-	-
Administration Expenses	(357)	(355)	-	-
Contributions by employer	9,016	8,970	358	360
Contributions by scheme members	3,583	3,649	-	-
Settlements	-	-	-	-
Benefits paid	(30,119)	(26,728)	(358)	(360)
Closing fair value of scheme assets	1,003,912	996,326	-	-

In 2021/22, the net liability changed from a surplus of £30.8m to a surplus of £10.7m.

This was mainly due to the fair value of plan assets increasing more than the defined benefit obligation.

The actual return on plan assets in the year was a gain of £6.9m (gain of £257.5m in 2020/21).

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £985.7m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a positive overall balance (surplus) of £10.7m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. Employer contribution rates are set by the actuary with reference to the triennial valuations of the fund, last carried out at 31st March 2019.

## Notes to the Core Financial Statements

### 44 Disclosure of Information about Retirement Benefits continued

#### (d) Fair Value of LGPS assets

	Fair value of scheme assets	
	As at 31st March 2021 £000	As at 31st March 2022 £000
Equities	660,172	633,664
Government bonds	31,222	29,092
Other bonds	82,020	76,916
Property Funds	34,836	60,776
Other	182,310	174,457
Cash / liquidity	13,352	21,421
	<u>1,003,912</u>	<u>996,326</u>

#### (e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Mercer, an independent firm of actuaries, estimates for the Fund being based on the most recent full valuation as at 31st March 2019 and latest estimates for for the Fund as at 31st March 2022.

The main financial assumptions used by the actuary for the purposes of the IAS 19 calculations were:

	As at 31st March 2021	As at 31st March 2022
Longevity at 65 for pensioners retiring today (years):		
Men	22.9	22.8
Women	25.3	25.3
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	24.8	24.6
Women	27.3	27.2
Rate of inflation - CPI	2.7%	3.4%
Rate of increase in salaries	4.2%	4.9%
Rate of increase in pensions	2.8%	3.5%
Rate for discounting scheme liabilities	2.1%	2.8%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes in assumptions occurring at the end of the reporting period and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes to some of the assumptions may be inter-related. The estimations in the sensitivity analysis have followed the accounting policies for the scheme (i.e. on an actuarial basis using the projected unit credit method). The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

#### McCloud Judgement

The Actuary has estimated there is no effect of the McCloud judgement in 2021/22. In 2019/20 the Government Actuary's Department (GAD) estimated that the impact of the McCloud judgement for the LGPS as a whole could be to increase active member liabilities by around 3.2% and a potential increase in service cost of around 3% of pensionable pay based on a given set of actuarial assumptions. These additional costs are very sensitive to the assumptions made.

### 44 Disclosure of Information about Post-employment Benefits continued

#### (e) Basis for Estimating Assets and Liabilities continued

##### Sensitivity analysis of the impact of changes in assumptions on the Defined Benefit Obligation

	Change of +/- 1% £000
IAS 19 Liability figure	
+ 0.1% on rate for discounting scheme liabilities	
+ 0.1% on inflation rate	
+ 0.1% on pay growth	
+1 year on life expectancy	

#### (f) Impact on the Authority's Cash Flows

One of the objectives of the scheme is to keep employers' contributions at as constant a rate as possible. In the triennial fund valuation as at 31st March 2019, the Authority agreed a strategy with the scheme's actuary to recover deficits among scheme employers over the next 12 years. Funding levels are monitored and the next triennial valuation is due to be completed as at 31st March 2022. The actuary has estimated a total authority contribution of £9.330m in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 15 years as at 31st March 2022 (15 years as at 31st March 2021).

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

#### (g) Bromley Employees

In 2021/22, Bromley paid into the Pension Fund a total contribution of £9.0m (17.7% of total pensionable pay), including a past deficit contribution of £0m. This compares to £9.0m (17.7%) and £0m in 2020/21. The underlying contribution rate and the past deficit contribution are both determined by the Fund's Actuary based on triennial actuarial valuations. The contributions in 2021/22 incorporated the results of the full valuation as at 31st March 2019, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over 12 years. However, as the overall liability moved to an asset in 2021/22, no deficit contribution was required.

#### (h) Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Authority contributes towards the costs based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme, but it is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. In this Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme.

In 2021/22, Bromley paid £0.8m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 23.7% of teachers' pensionable pay. The figures for 2020/21 were £0.8m and 23.7%. In addition, Bromley is responsible for all pension payments relating to added years it has awarded. There were no payments relating to added years in both 2021/22 and 2020/21.

#### (i) NHS Staff

Former NHS public health staff who transferred to Bromley in April 2013 are members of the NHS Pension Scheme, administered by the Department for Health. This scheme is a defined benefit scheme, but, under NHS accounting arrangements, is accounted for as a defined contribution scheme.

In 2021/22, the Authority made no payment to the NHS scheme in respect of these staff (£0.1m and 14.6% in 2019/20).

## Notes to the Core Financial Statements

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### **45 Contingent Liability - not provided for in the accounts**

Contingent liabilities are dependent upon the outcome of uncertain events and, consequently, cannot be quantified at the balance sheet date. For 2020/21 there are three contingent liabilities to disclose:

- 1) There have been a number of Council Tax banding appeals which, if successful, could result in refunds dating back to 1993. The claims are currently being considered by the District Valuer and could also have an impact on future Council Tax income levels. It is not possible to quantify the financial impact at this stage and the final outcome will depend on the number of appeals and the outcome of the findings from the District valuer.
- 2) The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.
- 3) The Council has entered into a joint venture (JV) agreement, More Homes Bromley LLP. Under the terms of a deed of covenant and guarantee, the Council has agreed to underwrite any shortfall in rental income and interest. Whilst the guarantee does not limit these payments to specific circumstances, or circumstances expected to be wholly under the control of the Council, the provision may appear to be genuine. Due to the long term nature of the arrangement and the nature of the financial liability, there is no directly observable evidence of the fair value. It is not possible, at this stage, to calculate the likely exposure to the Council as it is dependent on a number of factors and a realistic estimate cannot be quantified. A detailed analysis of the risks borne by the Council has been undertaken and it has been determined that the likelihood of any material settlement of the obligation is unlikely. The arrangement will be reviewed annually.

### **46 Contingent Asset - not provided for in the accounts**

- 1) Contingent assets are possible assets that will only be confirmed by the occurrence of uncertain future events not wholly within the Authority's control. For 2021/22 there are two contingent assets to be disclosed:

The Council has been successful in recovering from HM Revenue and Customs separate historic VAT claims for different periods from April 1973 to December 1996. These claims related to disputed VAT liabilities on sporting services, sporting tuition, excess parking charges, special domestic waste collections, cultural services and libraries/audio visual charges. There is a further claim being pursued for VAT recovery on postal services but it is not possible to accurately predict the financial outcome of the claim at the present time nor is it certain, at this stage, whether the claim will be successful.

- 2) The Council is party to a joint venture (JV) arrangement, More Homes Bromley LLP, in partnership with Mears Group PLC. The JV will raise its own funds to acquire homes to meet demand for temporary accommodation. The properties will be refurbished to Decent Homes standard and the stock managed through the Mears registered housing association arm for 40 years after which time the properties will revert to the Council after the repayment of outstanding debt. Due to the long term nature of this arrangement, it is not possible to accurately predict the financial position at its conclusion as the extent and nature of that stock will be determined by the JV in running its business and paying off its debts.

## Notes to the Core Financial Statements

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### 47 Nature and Extent of Risk Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Refinancing and Maturity risk - the possibility that the Council might need to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, including credit risk, liquidity risk and market risk, and the investment of surplus cash.

#### ***Credit Risk***

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are only made with financial institutions that meet identified minimum credit rating criteria.

The Strategy for 2021/22 was approved by Full Council in February 2021 and is available on the Council's website. It imposes a maximum amount to be invested with a financial institution at any time and sets a maximum time period for investment.

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach using credit ratings from all three ratings agencies forming the core element. It supplements this with credit watches and credit outlooks from the agencies, Credit Default Swap spreads to give early warnings of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.

The Authority's maximum exposure to credit risk in relation to its investments in other institutions and funds (£380.8m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2022 that this was likely to materialise.

No breaches of the Council's counterparty criteria occurred during 2021/22 and the authority does not expect any losses from non-performance by any of its counterparties in relation to treasury deposits.

## Notes to the Core Financial Statements

### 47 Nature and Extent of Risk Arising from Financial Instruments continued

#### Credit Risk (cont)

#### Amounts Arising from Expected Credit Losses

The changes in the loss allowance for financial assets during the year are as follows:

Debtors held at Amortised Cost	Lifetime Expected Credit Loss - Simplified Approach	
	2020/21 £000	2021/22 £000
Opening Balance as at 1st April	24,750	23,878
Amounts Written Off	(1,756)	365
Changes in Models / Risk Parameters	884	(581)
<b>Balance as at 31st March</b>	<b>23,878</b>	<b>23,662</b>

#### Credit Risk Exposure

A summary of the credit risk ratings (Fitch) of the Council's investments as at 31/03/22 are shown below. At the time that the investments were agreed they were in line with the credit ratings in the Treasury Management Strategy

	Credit Risk Rating	Gross Carrying Amount £000
Investments Measured at Amortised Cost	AAA	4,000
	A+	160,309
	A-	65,381
	BBB	10,011
	N/A	29,367
		<b>269,068</b>
Investments Measured at Fair Value through Profit or Loss	N/A	<b>103,344</b>
<b>Total Investments</b>		<b>372,412</b>

The credit quality of debtors is reflected in the level of expected credit loss allowance shown above. The Council does not generally allow credit for customers, requiring immediate payment of invoices raised. Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council. Outstanding debt at year end is analysed by age below.

	As at 31st March 2020/21 £000	As at 31st March 2021/22 £000
Less than three months	9,201	11,256
Three to six months	1,954	941
Six months to one year	1,727	2,811
More than one year	9,077	9,747
	<b>21,959</b>	<b>24,755</b>

## Notes to the Core Financial Statements

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### 47 Nature and Extent of Risk Arising from Financial Instruments continued

#### *Liquidity Risk*

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to meet its commitments under financial instruments.

Currently the Council does not borrow externally. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

The maturity analysis of financial assets (investments), excluding sums due from customers, is as follows:

<b>Principal Sum Invested as at 31st March 2021 £000</b>		<b>Principal Sum Invested as at 31st March 2022 £000</b>
213,000	Less than one year	234,000
77,106	Between one and two years	33,753
88,357	More than two years	102,652
<b><u>378,463</u></b>		<b><u>370,405</u></b>

#### *Refinancing and Maturity Risk*

The Council maintains a significant investment portfolio, but has no long term borrowing. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved treasury indicator limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

## Notes to the Core Financial Statements

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### 47 Nature and Extent of Risk Arising from Financial Instruments continued

#### **Market Risk**

##### Interest rate risk

The Authority is exposed to risk in terms of interest rate movements on its investments. Movements in interest rates have a complex impact on the Authority depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates - the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team monitors the market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, subject to counterparties meeting the approved eligibility criteria.

All of the Council's term deposits placed during 2020/21 were fixed interest investments with banks, building societies, local authorities or housing associations. In addition to fixed interest deposits, the Council also has investments with a Property Fund (£40m) and a Multi-Asset Income Fund (£40m). These were placed after consultation with Link Asset Services and neither are subject to interest rate movements.

##### Price Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Council is exposed to market risk from its investment activities, particularly through equity and property holdings within pooled fund investments. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. In general, excessive volatility in market risk is managed through the diversification of the funds in terms of geographical and industry sector and individual securities.

##### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

##### Financial Liabilities

As part of a joint venture agreement, the Council has entered into a contract to underwrite income shortfalls under the terms of a deed of covenant and guarantee. The Council has reviewed the arrangement in detail and, based on current information, has determined that the guarantee will not be called. A contingent liability is disclosed in note 45.

##### Icelandic Bank Defaults

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander, went into administration. The authority had £5m deposited with Heritable at the time, which had been placed for two years on 28th June 2007 at a rate of 6.42%. Heritable Bank is a UK registered bank under English law and was placed in administration on 7th October 2008. As at 31st March 2022, a total of £5,044k had been received from the administrator (99% of the Council's total claim of £5,087k). In accordance with CIPFA advice, impairment losses have previously been made in the accounts and, as estimates of recovery have improved, part-reversals of those impairment losses have been made, including £58k in 2021/22. This reduced the balance of the provision for potential loss to £43k (1% of the Council's total claim).



### 48 *Heritage Assets: Further Information*

#### **Heritage Assets**

The 2011/12 Code of Practice introduced a change to the accounting treatment for heritage assets and, from 2011/12, the Authority is required to show them on the face of the Balance Sheet at valuation or cost. The Authority's accounting policies for the recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see accounting policy 13).

#### **General**

Heritage Assets are defined by the Code as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

#### **Five Year Summary of Transactions**

The Code requires a 5 year summary of transactions to be provided, but states that the information need not be given for any period before 1st April 2010 where it is not practicable to do so. The Council's Heritage Assets were valued during 2011 and no values were held or known before then, so it is not practicable to show transactions over the last five years. Accordingly, the accounts only record information back to 1st April 2010 (estimated values restated as at 1st April 2010 and 31st March 2011). The carrying values are shown in Note 15.

#### **Heritage Assets disclosed in the accounts include the following:**

##### *Mayoral Regalia and Insignia*

The Council owns a number of items of official insignia (Mayoral and other), comprising various badges and chains of office and a few items of civic silverware, including spoons, cups and maces. The whole collection has been valued by an independent jewellery appraiser and evaluation specialist at a total of £673k and are deemed to have indeterminate lives and are, therefore, treated as non-depreciable.

##### *Art Works*

The Bromley Museum Group has a number of works of art, including:

Fine Art and Ethnographic Collection comprising fine art and valuables, antique ceramic and glass, paintings, prints and drawings, sculpture and works of art. The collection has been independently valued at £162k;

Contemporary Art Work Collection (valued at £172k);

Mural at Orpington Hospital (valued at £10k).

The total value of these works of art is estimated at £344k and all are deemed to have indeterminate lives and are, therefore, treated as non-depreciable.

#### **Heritage Assets not disclosed in the accounts include the following:**

##### *War Memorials and Memorial Plaques*

There are 19 war memorials, most of which include commemorative plaques, located in the borough and these are a key focal point for local communities and are maintained and enhanced as necessary for the benefit of residents of the borough.

##### *Metrology Equipment*

The Council owns various items of measuring equipment, such as scales and balances, that are estimated to have a total value of between £5k and £7k. They are considered de minimis and are not included on the Balance Sheet.

##### *Other Items*

The Council owns a number of other heritage assets, including coal tax posts, listed milestones, listed water troughs and drinking fountains, other fountains, stone figures and archaeological artefacts.

The Council does not consider that reliable cost or valuation information can be obtained for these items because of their unique nature and lack of comparable market values. In the Council's opinion, it would not be practicable to obtain a valuation for these assets at a cost that would be commensurate with the benefits to users of the financial statements and they are not, therefore, recognised on the Balance Sheet.

## THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for the London Borough of Bromley as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the London Borough of Bromley in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. The Collection Fund is consolidated with other accounts of the Authority.

	Notes	2020/21 £000	2021/22 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	217,245	232,981
Income collectable from Business Rate payers	(2)	34,790	66,120
Income Collectable from Business Rate Supplement	(3)	843	1,906
		<u>252,878</u>	<u>301,007</u>
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		166,983	175,312
- Greater London Authority		43,842	48,013
Business Rates	(2)		
- Payments to National Pool			
- Payment to Central Government (MHCLG)		30,958	12,993
- Payment to Greater London Authority (GLA)		34,543	14,577
- Payment to London Borough of Bromley		27,772	11,603
- Cost of Collection		323	324
Business Rate Supplement	(3)		
- Contribution to GLA		837	1,900
- Cost of Collection/Administrative Costs		6	6
Bad and Doubtful Debts / Appeals			
- Write offs		321	612
- Provision for Appeals		(2,190)	(83)
- Increase / (decrease) in bad debt provision		3,042	2,169
		<u>306,437</u>	<u>267,426</u>
<b>Surplus for the Year</b>		<u>53,559</u>	<u>(33,581)</u>
Distribution of Previous Year's Collection Fund Surplus			
- London Borough of Bromley		5,872	5,153
- Greater London Authority		1,547	778
		<u>7,419</u>	<u>5,931</u>
<b>Net Movement on Fund Balance</b>		<u>60,978</u>	<u>(27,650)</u>
		<b>£000</b>	<b>£000</b>
<b>Fund Balance</b>			
Balance at 1st April		(12,351)	48,627
Net movement for year		53,559	(33,581)
Distribution of 2017/18 and 2018/19 Surplus		7,419	5,931
Balance at 31st March - Deficit / (Surplus)		<u>48,627</u>	<u>20,977</u>

## THE COLLECTION FUND

In accordance with the statutory provisions for Collection Fund accounting, any surplus or deficit on the Fund can be transferred only in the financial year for which the budgetary provision was made. Any balance must remain on the Collection Fund and be repaid in the following year.

### *Council Tax Balance split into its attributable parts:*

	Surplus as at 31st March 2021 £000	Distribution of Surplus in 2021/22 £000	Surplus for 2021/22 £000	Surplus as at 31st March 2022 £000
London Borough of Bromley	(7,554)	5,153	(5,387)	(7,788)
Greater London Authority	(2,011)	778	(1,488)	(2,721)
	<u>(9,564)</u>	<u>5,931</u>	<u>(6,875)</u>	<u>(10,509)</u>

The balance of the surplus held at 31st March 2021 will be distributed in 2022/23 and the 2021/22 surplus will be distributed in 2023/24.

### *Business Rates Balance split into its attributable parts:*

	Deficit for 31st March 2021 £000	Distribution of estimated Deficit in 2021/22 £000	Deficit for 2021/22 £000	Deficit as at 31st March 2022 £000
London Borough of Bromley	17,605	17,431	9,270	9,444
Greater London Authority	21,449	21,231	11,433	11,651
Central Government	19,137	18,943	10,197	10,391
	<u>58,191</u>	<u>57,605</u>	<u>30,900</u>	<u>31,486</u>

The deficit held at 31st March 2022 of £20,977k will be distributed in 2022/23 and 2023/24.

**Council Tax and Business Rates Net Deficit / (Surplus)**

20,977

# THE COLLECTION FUND

## Notes to the Accounts

### 1 Council Tax Base

The Council's taxbase i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted into equivalent number of band D dwellings, was calculated as follows:

Band	Number of Properties	Multiplier	Band D Equivalent Dwellings
A	1,191	6/9	794
B	6,672	7/9	5,189
C	22,465	8/9	19,969
D	30,390	9/9	30,390
E	26,503	11/9	32,393
F	16,861	13/9	24,355
G	12,907	15/9	21,512
H	1,541	18/9	3,082
			<hr/>
			137,683
			<hr/>
			135,203
			<hr/>
			97.65%
			<hr/>
			132,026
			<hr/>

Allowance for MOD properties, changes in exemptions, discounts and number of properties (2,480)

Estimated Collection Rate 97.65%

Council Tax Base 2021/22 132,026

### 2 Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate (set by Government). The Council is responsible for collecting rates due from ratepayers in its area but until 31st March 2013 it paid the proceeds into an NNDR pool administered by the Government. The Government redistributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population. On 1 April 2014 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows councils to retain a set proportion of business rates collected subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government (CLG) and the Greater London Authority (GLA).

The total non-domestic rateable value at 31st March 2022 was assessed by the Government's District Valuer as £239,880,420. The national non-domestic multiplier for the year was 51.2p. The income collectable for the year of £66.1m (£34.8m 2020/21) is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory reliefs as well as the part year effect of properties falling out / brought into rating during the year. Collectable income was significantly reduced in 2021/22 as a result of COVID, and the Government's Retail Relief Scheme.

### 3 Business Rate Supplements

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities "to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development". The BRS only applies to businesses with a rateable value of more than £70,000. The BRS multiplier for the year was 2 pence in the pound. The income collectable for the year was £1.906m (843k in 2020/21) net of reliefs on the same basis and same percentage rate as for NNDR. Collectable income was significantly reduced in 2021/22 as a result of the Corona Virus pandemic.

## FORMER LRB FUND

Since 30th March 1990 Bromley has taken responsibility for the management and disposal of a number of ex-GLC properties previously administered by the London Residuary Body. Bromley is also responsible for any residual functions following the winding up of the LRB. Monies were transferred to Bromley in order to meet management, administration and disposal costs. Surpluses arising from property transactions are apportioned between the London Boroughs and distributed on 31st March each year.

### *Movement for year ending 31st March 2022*

	<b>Fund 1</b>	<b>Fund 2</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April 2021	( 263)	( 623)	( 886)
Movement in year on ex LRB functions:			
Income (note 1)		( 579)	( 579)
Interest earnings on Fund balance (note 2)			
Contribution to Fund (note 3)		( 500)	( 500)
Expenditure	6	31	37
Distribution (note 1)		869	869
Balance as at 31st March 2022	<u>( 257)</u>	<u>( 802)</u>	<u>( 1,059)</u>

### *Balance Sheet as at 31st March 2022*

<b>2021</b>		<b>2022</b>
<b>£000</b>		<b>£000</b>
290	<i>Assets</i>	
<u>290</u>	Debtors	<u>129</u>
886		129
<u>1,176</u>	Cash	<u>1,509</u>
		1,638
	<i>Liabilities</i>	
263	Fund 1	257
623	Fund 2	802
290	Creditors	579
<u>1,176</u>		<u>1,638</u>

### *Notes to accounts*

#### 1) *Income & Distribution*

The income of £579,000 for 2021/22 is also shown in the distribution line but has yet to be distributed to all Borough's, this will be done in 2022/23 and accounts for the high creditors. The remaining distribution balance of £290,000 was in relation to late income from 2020/21 that was distributed in 2021/22

#### 2) *Interest*

Interest for 2021/22 has yet to be added to the Funds, this has been calculated at £18,170 and will be applied in 2022/23.

#### 3) *Contribution to Fund*

Although there was a request in 2021/22 for a contribution of £500,00 towards the Funds £129,000 of our invoices remain unpaid by several Borough's and accounts for the high debtors.

**\*\* Fund 1**

Initial Fund set up in 1990 with a contribution of £2m from the LRB for properties transferred from LRB. Any surpluses arising from the disposal is distributed each year to all London Boroughs on the basis of population.

**Fund 2**

Set up in 1992 with a further contribution of £1m from the LRB for the administration of any remaining properties following the final winding up of the LRB. Any surplus arising from disposal of these properties is distributed to the London Boroughs on the basis of population.

Winding up Order 1996 incorporated the South Bank properties. Any surplus arising from disposal of these properties is distributed to the London Boroughs on the basis of council tax base.

## PENSION FUND

### PENSION FUND ACCOUNT

2020/21		Note	2021/22	
£000	£000		£000	£000
<b>Dealings with members and employers</b>				
<b>Contributions and similar payments</b>				
7,666		5	8,103	
23,917		5	25,008	
2,408			4,567	
	33,991			37,678
<b>Benefits</b>				
(29,891)			(30,053)	
(4,538)		6	(4,079)	
(638)		6	(345)	
	(35,067)			(34,477)
<b>Payments to and on account of leavers</b>				
(96)			(271)	
(1,638)			0	
(3,267)			(2,541)	
	(5,001)			(2,812)
	(6,077)			389
	(5,980)	7		(6,792)
	(12,057)			(6,403)
<b>Returns on investments</b>				
22,279		9	25,658	
320,612		10	(16,528)	
	342,891			9,130
	330,834			2,727
	1,009,302			1,340,136
	<b>1,340,136</b>			<b>1,342,864</b>

## PENSION FUND

### NET ASSETS STATEMENT

31st March 2021			31st March 2022	
£000	£000		£000	£000
	150	London Collective Investment Vehicle (CIV)		150
		<b>Investment assets</b>		
				<b>10</b>
57,944		Equities - UK (quoted)	43,337	
819,007		- overseas (quoted)	807,063	
		Pooled investments		
		- UK unitised insurance policies	0	
0		- UK open ended investment companies	376,025	
392,851				
		Pooled property investments		
		- UK open ended investment companies	81,776	
46,311				
13,419		Cash deposits held by investment managers	21,372	
2,106		Investment income due	2,550	
		Other investment balances - sales	-	
-		- purchases	-	
	1,331,637	Total investment assets		1,332,122
	1,331,787	Total net investments		1,332,272
				<b>10</b>
1,520		Long-term debtors	1,321	
		<b>Current assets and liabilities</b>		
		Short term lending	6,096	
7,056		Current assets - debtors	4,156	
3,491	12,067			11,572
		Short term borrowing	-	
-		Current liabilities - creditors	(981)	
(3,718)	(3,718)			(981)
	<b>1,340,136</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>1,342,864</b>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Actuarial present value of promised retirement benefits is disclosed in Note 16.



# PENSION FUND

## Notes to the Accounts

### 1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Bromley Pension Fund Annual Report 2021/22 and the underlying statutory powers underpinning the scheme, which are listed below.

#### (a) General

The London Borough of Bromley Pension Fund is part of the LGPS and is administered by the London Borough of Bromley. It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and of other organisations with scheduled or admitted body status within the Fund. Teachers are not included as they are members of the Teachers' Pension Scheme, administered by the Department for Education. Former NHS public health health staff who transferred to Bromley in April 2013 are also not included as they remain members of the NHS Pension Fund, administered by the Department for Health.

The Fund is governed by the Public Services Pensions Act 2013 and is administered in accordance with the following legislation:

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2016.
- The LGPS Regulations 2013 (as amended).

The Fund is overseen by the London Borough of Bromley Pensions Committee.

#### (b) Membership

Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal pension arrangements outside the scheme.

Organisations participating in the Fund include:

- Administering Authority: The London Borough of Bromley
- Scheduled Bodies: Academies, Colleges and Foundation Schools whose staff are automatically entitled to be members of the Fund
- Admitted Bodies: Other organisations that participate in the Fund under admission agreements with the Fund. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

The following table shows the total membership of the Fund as at 31st March 2022 and 2021.

	2022	2021
Number of employers	139	130
<b>Number of employees in scheme</b>		
London Borough of Bromley	1,954	1,895
Other employers	4,431	4,516
	<u>6,385</u>	<u>6,411</u>
<b>Number of pensioners</b>		
London Borough of Bromley	4,917	4,543
Other employers	873	1,126
	<u>5,790</u>	<u>5,669</u>
<b>Deferred pensioners</b>		
London Borough of Bromley	3,992	3,642
Other employers	2,283	2,478
	<u>6,275</u>	<u>6,120</u>
<b>Total number of members in pension scheme</b>	<u><b>18,450</b></u>	<u><b>18,200</b></u>

# PENSION FUND

## Notes to the Accounts

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### 1 Description of Fund continued

#### (c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active scheme members in accordance with the LGPS Regulations 2013 and, in 2021/22, ranged from 2.75% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations.

A secondary contribution rate (previously known as deficit amount or past service adjustment) may also be charged. This rate is either paid as a monetary value or as an additional percentage of pensionable pay. In 2021/22, total employer rates ranged from 12.5% to 35.8% of pensionable pay.

#### (d) Benefits

Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are calculated as follows:

Service pre 1st April 2008:

- Pension: each year worked is worth  $1/80$  x final pensionable salary.
- Lump sum : automatic lump sum of  $3/80$  for each year worked x final pensionable salary. A proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

Service post 31st March 2008:

- Pension: each year worked is worth  $1/60$  x final pensionable salary.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career average scheme and pension benefits accrued after 31st March 2014 are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to  $1/49$  of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the scheme normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later. There is a range of additional benefits for members of the scheme including, but not limited to, early retirement, ill health retirement and death benefits.

# PENSION FUND

## *Notes to the Accounts*

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### **2 Basis of Preparation**

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position as at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector, as well as guidance on Investment Valuations issued by the Pensions Research Accountants Group (PRAG).

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 16.

The accounts have been prepared on a going concern basis. The London Borough of Bromley Pension Fund is an open scheme with a strong covenant from the participating employers and is therefore able to take a long-term outlook when considering the general funding implications of external events. The Fund was 110% funded at the 31 March 2019 valuation and funding had improved to 115% funded at the 31 March 2022 valuation.

Cash flow in the Fund is generally provided by the ongoing excess of contributions over payments. Additionally, a portion of investment income generated by the Fund is also retained as cash to provide additional liquidity. The Fund held cash of £21.3 million at the Balance Sheet date, equivalent to 1.6% of the Fund Assets. In addition, the Fund held £1.3 billion in Level 1 and Level 2 investment assets which could be realised in 3 months if required.

The overall cash flow position is subject to periodic monitoring and review to ensure that there is sufficient liquidity in Fund assets to meet any commitments. The Fund can disinvest to ensure that it is able to remain liquid for a period of at least 12 months from the date the financial statements are authorised for issue. As such, the accounts have been prepared on a going concern basis.

# PENSION FUND

## Notes to the Accounts

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### 3 Summary of Significant Accounting Policies

#### (a) Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid is classified as a current financial asset. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of an agreement, on a receipts basis.

#### (b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

#### (c) Investment Income

##### (i) Interest income

Interest income is recognised in the Fund account as it accrues. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

##### (ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period are disclosed in the net assets statement as "current assets".

##### (iii) Distributions from pooled funds

Distributions from distributing share class pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. For accumulating share classes, the change in market value also includes income, net of withholding tax, which is re-invested in the fund.

##### (iv) Movement in the net market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

#### (d) Benefits payable

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund, as appropriate.

#### (e) Taxation

The Fund is a registered public service scheme under the Finance Act 2004 and, as such, is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

#### (f) Management expenses

The fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)", as shown below. All items of expenditure are charged to the fund on an accruals basis as follows:

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

## PENSION FUND

### Notes to the Accounts

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#### 3 *Summary of Significant Accounting Policies continued*

Investment management expenses are charged directly to the fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 8 and grossed up to increase the change in value of investments. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

##### *(g) Investment management expenses*

All investment management expenses are accounted for on an accruals basis and investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on a percentage of the total market value of investments under management and therefore increase or decrease as the total value of investments changes.

##### *(h) Financial assets*

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS9 (see Note 11).

##### *(i) Foreign currency transactions*

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

##### *(j) Cash and cash equivalents*

Cash comprises cash investments placed by the Fund managers and cash held internally by the Fund. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

##### *(k) Financial liabilities*

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to it. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

##### *(l) Actuarial present value of promised retirement benefits*

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As is permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see Note 16). A summary of the results of the last full actuarial valuation is shown in Note 15.

##### *(m) Additional voluntary contributions (AVCs)*

The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 17.

##### *(n) Contingent Assets and Liabilities*

A contingent asset or liability arises where an event has taken place giving rise to a possible asset or liability whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes.

# PENSION FUND

Notes to the Accounts

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## 3 *Summary of Significant Accounting Policies continued*

### *(o) Events After the Reporting Period End*

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Pension Fund accounts and authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the accounts are not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made of the nature of the events and their estimated financial effect.

### *(p) Basis for Valuation*

Investments are shown in the accounts at market value, which has been determined as follows:

#### **Level 1** - Baillie Gifford and MFS equities

The majority of listed investments are stated at closing bid price or where not available, the last traded price as at 31 March 2022.

#### **Level 2** - Fidelity and Schrodgers fixed income, pooled property and multi asset funds (when not subject to a material uncertainty clause)

Closing bid price where bid and offer prices are published or closing single price where single price is published

#### **Level 3** - None

Market value as published in the audited chart of accounts.

## 4 *Critical Judgements in Applying Accounting Policies, Assumptions on the Future and Other Major Sources of Estimation Uncertainty*

The Pension Fund liability is calculated every three years by the scheme actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 15. The assumptions were determined after taking into account historical experience, current trends and other factors. This estimate is subject to significant variations based on changes to the underlying assumptions. Consequently, actual results may be materially different from estimates.

The actuarial present value of promised retirement benefits is included in Note 16. Estimation of the net liability to pay pensions and the judgements used are carried out by the scheme actuary. The significant judgements relate to the discount rate used, salary increase projections, inflation and demographic assumptions. As for the 31 March 2019 figures, the figure includes the potential impact of the McCloud judgement.

## PENSION FUND

Notes to the Accounts

### 5 Contributions receivable

	2020/21 £000	2021/22 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley - normal	9,632	9,730
- augmentations	22	38
- deficit funding	72	75
Scheduled bodies - Foundation Schools	142	151
	<u>9,868</u>	<u>9,994</u>
Other		
Scheduled bodies - normal - academies	11,998	13,015
- normal - colleges	717	775
Admitted bodies - normal	839	745
- deficit funding	494	478
	<u>23,916</u>	<u>25,007</u>
Member Contributions		
L.B. Bromley part of Fund		
L.B. Bromley	3,626	3,726
Scheduled bodies - Foundation Schools	53	57
	<u>3,679</u>	<u>3,783</u>
Other		
Scheduled bodies - academies	3,332	3,665
- colleges	381	410
Admitted bodies	325	312
	<u>7,717</u>	<u>8,170</u>

Details of the scheduled and admission bodies are included in Note 1 (b).

### 6 Benefits Payable

	2020/21 £000	2021/22 £000
Pensions	<u>29,891</u>	<u>30,053</u>
Lump Sum Benefits - retirement		
L.B. Bromley part of Fund	3,677	2,641
Scheduled bodies - Foundation Schools	532	1,004
Admitted bodies	329	434
	<u>4,538</u>	<u>4,079</u>
Lump Sum Benefits - death		
L.B. Bromley part of Fund	400	325
Scheduled bodies - Foundation Schools	169	20
Admitted bodies	69	-
	<u>638</u>	<u>345</u>

## PENSION FUND

Notes to the Accounts

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### 7 Management Expenses

	2020/21	2021/22
	£000	£000
Administrative costs	888	1028
London CIV implementation & service chg	110	110
External audit costs	21	21
Investment management expenses	4,800	5,443
Oversight and governance costs	160	190
	<u>5,979</u>	<u>6,792</u>

### 8 Investment Management Expenses

	2020/21	2021/22
	£000	£000
Management fees	4,409	5,186
Custody fees	158	149
Transaction costs	233	108
	<u>4,800</u>	<u>5,443</u>

### 9 Investment Income

	2020/21	2021/22
	£000	£000
Income from equities	10,274	11,499
Pooled property investments	1,909	2,670
Pooled investments	10,041	11,503
Interest on cash deposits	55	-14
Interest on long term debtor	-	-
	<u>22,279</u>	<u>25,658</u>



## PENSION FUND

### Notes to the Accounts

#### 10 Investments

Following a review of the Fund's investment strategy in 2017, to help manage the projected cashflow negative position of the Fund, contracts were awarded for two income distributing Multi-Asset Income Funds (20% of the Fund) and a Property Fund (5% of the Fund) in December 2017, funded by the disinvestment of the two Diversified Growth Funds, and a reduction in the allocations to Global Equities and Fixed Income. The managers as at 31st March 2022 were as follows:

Global equities: Baillie Gifford and MFS.  
Fixed income: Baillie Gifford and Fidelity.  
Multi-Asset Income: Fidelity and Schrodgers.  
Pooled Property: Fidelity and Morgan Stanley

In addition, the Fund has £150k of unlisted shares in the London LGPS CIV Ltd (London CIV), which was set up to manage/pool the investments of LGPS funds across London.

The bid value of the Fund as at 31st March 2021 and 2022 was divided between the Fund managers as follows:

	31st March 2021		31st March 2022	
	£000	%	£000	%
Baillie Gifford - global equities	599,370	45.00%	527,722	39.61%
- fixed income	0	0.00%	0	0.00%
Fidelity - fixed income	150,533	11.30%	142,345	10.68%
- multi-asset income	131,361	9.86%	125,544	9.42%
- pooled property	46,311	3.48%	77,968	5.85%
- USD Liquidity Fund	0	0.00%	14,814	1.11%
MFS - global equities	293,092	22.01%	331,773	24.90%
Morgan Stanley - US property	0	0.00%	3,807	0.29%
Schrodgers - multi-asset income	110,970	8.33%	108,149	8.12%
London CIV	150	0.01%	150	0.01%
	<u>1,331,787</u>	<u>100.00%</u>	<u>1,332,122</u>	<u>100.00%</u>

The carrying amounts of financial assets held by Fund managers are held as fair value through profit and loss, with the exception of the London CIV investment which is held at cost.

There is no impact from the adoption of IFRS 9 Financial Instruments.

Pooled investments shown in the Net Assets Statement include the following:

	31st March	31st March
	2021	2022
	£000	£000
Multi-Asset Income Fund (2)	242,330	129,351
Property Fund (1)	46,311	77,968
Global Equity Fund (1)	0	0
Sterling Bond Funds (2)	150,525	142,337
	<u>439,167</u>	<u>349,656</u>

## PENSION FUND

### Notes to the Accounts

#### 10 Investments continued

The table below analyses movements in market values between the start and end of the year.

	Value at 31st March 2020 £000	Purchases £000	Sales £000	Change in value £000	Value at 31st March 2021 £000
Equities	622,126	181,749	(217,712)	290,788	876,951
Pooled investments	368,723	108,320	(65,414)	27,538	439,167
	<u>990,849</u>	<u>290,069</u>	<u>(283,126)</u>	<u>318,326</u>	<u>1,316,118</u>
Cash deposits	9,205			(4,714)	13,419
Amounts receivable for sales	-			-	-
Investment income due	2,241				2,106
Amounts payable for purchases	-				-
Net investment assets	<u>1,002,295</u>			<u>313,612</u>	<u>1,331,642</u>

	Value at 31st March 2021 £000	Purchases £000	Sales £000	Change in value £000	Value at 31st March 2022 £000
Equities	876,951	156,963	(173,522)	(9,992)	850,400
Pooled investments	439,167	93,703	-	(75,064)	457,806
	<u>1,316,118</u>	<u>250,666</u>	<u>(173,522)</u>	<u>(85,056)</u>	<u>1,308,205</u>
Cash deposits	13,419			68,529	21,367
Amounts receivable for sales	-			-	-
Investment income due	2,106				2,550
Amounts payable for purchases	-				-
Net investment assets	<u>1,331,642</u>			<u>(16,528)</u>	<u>1,332,122</u>

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including gains and losses realised on sales of investments and unrealised changes in market value. All gains and losses recognised arose from financial instruments valued at fair value through profit and loss.

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp duty and other fees, are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year totalled £93k (£229k in 2020/21). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

The Code requires the Council to disclose any single investments exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. Details are shown below.

	31st March 2021		31st March 2022	
	£000	% of total	£000	% of total
Fidelity				
- Institutional Aggregate Bond Fund	150,525	11.23	142,337	10.60
- Diversified Income Fund	131,361	9.80	125,544	9.35
- UK Real Estate Fund	46,311	3.46	77,968	5.81
Schroders - Global Multi Asset Income	110,970	8.28	108,149	8.05

# PENSION FUND

## Notes to the Accounts

### 11 Fair Value Hierarchy

The valuation of investment assets has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** - where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities and unit trusts).

Listed investments are shown at bid prices. The bid price is based on the market quotation of the relevant stock exchange. Valuation of the Fund's equities falls into this category.

**Level 2** - where market prices are not available, for example where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

The valuation of the Fund's pooled investments fall into this category.

**Level 3** - where at least one input that could have significant effect on the instrument's valuation is not based on observable market data. These types of valuation are common to the valuation of alternative investments. The London CIV falls into this category.

The following table provides an analysis of the investment assets of the Fund grouped into the level at which fair value is observable.

#### **Determination of the fair value of assets**

All investment assets are held at fair value. The determination of the fair value can be complex depending on the investment and the complexity of measurement can be represented by the fair value hierarchy. The fair value hierarchy ranks fair values at levels between 1 and 3.

	As at 31st March 2022			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Baillie Gifford</b>				
- Global Equities	523,154			
- Fixed Income	-			
<b>Fidelity</b>				
-fixed income		142,337		
-multi-asset income		125,544		
-pooled property		77,968		
- USD liquidity	14,814			
<b>Schroders</b>				
- Multi Asset Income		108,144		
<b>MFS</b>				
- Global equities	327,246			
<b>Morgan Stanley</b>				
- Property fund		3,807		
London CIV			150	
Cash deposits held by	6,558			
Investment income due	2,550			
	<u>874,322</u>	<u>457,800</u>	<u>150</u>	<u>1,332,272</u>

# PENSION FUND

Notes to the Accounts

## 11 Fair Value Hierarchy continued

	As at 31st March 2021			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Baillie Gifford				
- Global Equities	587,658			
- Fixed Income		-		
Fidelity				
-fixed income		150,525		
-multi-asset income		131,361		
-pooled property			46,311	
- USD liquidity	-			
Schroders				
- Multi Asset Income		110,965		
MFS				
- Global equities	289,292			
Morgan Stanley				
- Property fund		-		
London CIV			150	
Cash deposits held by Investn	13,419			
Investment income due	2,106			
	892,475	392,850	46,461	1,331,787

### Transfers between Level 2 and Level 3

The Pension Fund transfers the fair value hierarchy of pooled property fund that were previously held under Level 3 to back to Level 2. The decision was made as all of the property funds that had a material uncertainty clause included in their valuations last year were removed. The clause was included as a result of the significantly reduced property market activity stemming from the COVID-19 pandemic

The valuation basis for each category of investment asset (Level 1, Level 2 & Level 3) is set out below:

Category of Investment Asset	Basis of Valuation	Observable & Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
<b>Level 1</b>			
Global equities	The published bid market price on the final day of the accounting period	Not required	Not required
Cash deposits held by Investment Managers	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Investment income due	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Investment debtors and creditors	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
<b>Level 2</b>			
Pooled property funds and hedge funds where regular trading takes place	Closing bid price where bid and offer prices are published. Closing single prices where single price is published.	Not required	Not required

## PENSION FUND

Notes to the Accounts

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### 11 Fair Value Hierarchy continued

#### Level 3

London CIV	Regulatory capital payment for pooling membership	Valued at book (Not required)
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#### Sensitivity of Assets Valued at Level 3

*The Fund has determined that the valuation methods described for Level 3 investments, are likely to be accurate within certain ranges. The Pension Funds' only Level 3 investment is London CIV regulatory capital for pooling. Please see **Note 19 - Other Price Risk Sensitivity Analysis**, which describes the value of each asset class at 31 March 2022, potential market movements (%), value on increase and decrease respectively.*

## PENSION FUND

Notes to the Accounts

### 12 Classification of Financial Instruments

2020/21			2021/22		
<i>Fair value through profit and loss</i>	<i>Financial assets at amortised cost</i>	<i>Financial liabilities at amortised cost</i>	<i>Fair value through profit and loss</i>	<i>Financial assets at amortised cost</i>	<i>Financial liabilities at amortised cost</i>
£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>					
392,851			376,025		
876,951			850,400		
-			-		
46,311			81,776		
13,419			21,372		
2,106			2,550		
150			150		
-			0		
	1,549				2,214
	7,056				6,096
	227				506
<b>1,331,787</b>	<b>8,832</b>	<b>Total Financial Assets</b>	<b>1,332,272</b>	<b>8,816</b>	
<b>Financial Liabilities</b>					
		(3,718)			(981)
		<b>(3,718)</b>			<b>(981)</b>
<b>1,331,787</b>	<b>8,832</b>	<b>(3,718)</b>	<b>1,332,272</b>	<b>8,816</b>	<b>(981)</b>

### 13 Current assets and liabilities

Current assets and liabilities are held respectively on the Balance Sheet as loans and receivables and financial liabilities at amortised cost.

	2020/21	2021/22
<u>Short term debtors</u>	£000	£000
Contributions due from employers and employees	1,941	1,941
Dividend income due	1,547	2,213
Other	3	2
	<u>3,491</u>	<u>4,156</u>
<u>Current liabilities</u>		
Fund management fees	934	953
Transfers out (group)	2,667	0
Other	117	27
	<u>3,718</u>	<u>980</u>

## PENSION FUND

### Notes to the Accounts

#### 14 Long term debtors

	2020/21	2021/22
<u>Long term debtors</u>	£000	£000
Repayment of Exit Agreement	1293	815
Reimbursement of lifetime tax allowances	227	506
	<u>1,520</u>	<u>1,321</u>

#### 15 Funding Arrangements

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2013.

The valuation of the Fund (as at 31st March 2016) calculated a solvency funding level of 91% and set a common employer contribution rate of 20.3% and total annual lump sum past-deficit contributions of £2.6m from 1st April 2017 until 31st March 2020 with the aim of recovering that deficit over 12 years.

The most recent full valuation of the Fund (as at 31st March 2019) was carried out by the actuary during 2019/20. This calculated a new solvency funding level of 110%. For those employers where a shortfall exists, additional contributions will be required to correct this shortfall over an average recovery period of 12 years.

From 1st April 2020 until March 2023 the actuary has certified a Primary Contribution rate (i.e. the average contribution towards future service benefits across all employers) of 17.6% of pay. Secondary rate contributions of £0.1m plus 2.4% of pay per annum (totalling approximately £2.9m per annum on average across all employers) will also be payable to recover any shortfalls identified. The Secondary Rate payable also includes contributions towards the potential impact of the McCloud judgement as agreed with employers. For any schools adopting academy status from 1 April 2020, a contribution rate calculation will be carried out individually by the actuary.

The following assumptions were employed in the 2016 and 2019 valuations.

	2016	2019
<u>Economic assumptions</u>	<u>% p.a.</u>	<u>% p.a.</u>
Increases in earnings - long term	3.7	3.9
- short term (3 years)	n/a	n/a
General Inflation	2.2	2.4
Increases in pensions	2.2	2.4
Investment return - Overall discount rate	4.2	3.65
<u>Mortality assumptions</u>	<u>Years</u>	<u>Years</u>
Life expectancy - male aged 65 now	23.2	22.7
- at 65 for male aged 45 now	25.8	24.6
- female aged 65 now	25.9	25.1
- at 65 for female aged 45 now	28.2	27.1

Commutation assumption - It has been assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement. This is broadly equivalent to the assumption at the 2016 actuarial valuation.

## PENSION FUND

Notes to the Accounts

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### 16 Actuarial Present Value of Promised Retirement Benefits

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 44 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund.

The Fund is also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £1,451m as at 31st March 2022 (£1,401m as at 31st March 2021).

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

The key feature of the proposed remedy is to extend the final salary "underpin" to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014. In preparing the 2019 actuarial valuation of the London Borough of Bromley Pension Fund, the Fund's actuary assessed, at the overall Fund level that the potential cost of the judgment could be an increase in past service liabilities of broadly £7 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum for the period to 31 March 2022. As part of the valuation, employers in the Fund were given the option to pay additional contributions to meet these potential costs.

A similar allowance of the potential costs of the Judgment has been incorporated into the IAS26 figures above based on the calculations undertaken by the Actuary as part of the 2019 valuation i.e. namely an increase of c£8m in liabilities as at 31 March 2019 (assessed on the IAS26 assumptions).

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The demographic assumptions used in the IAS 26 report were the same as those used for the 2019 full valuation (see Note 15) and the following financial assumptions were used:

	2021	2022
	% p.a.	% p.a.
Increases in earnings	4.2	4.9
Increases in pensions	2.8	3.5
Inflation	2.7	3.4
Investment return - Overall discount rate	2.1	2.8



## PENSION FUND

### Notes to the Accounts

#### 17 Additional Voluntary Contributions

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2020/21 and 2021/22 and the total value of AVC Funds as at 31st March 2021 and 2022 is shown below.

	2020/21	2021/22
	£000	£000
AVC contributions		
- to Aviva	12	12
<b>Total contributions</b>	<b>12</b>	<b>12</b>

	2020/21	2021/22
	£000	£000
Market Value		
- Aviva	605	605
- Utmost Life & Pensions	59	61
<b>Total Market Value</b>	<b>664</b>	<b>665</b>

#### 18 Related Parties

One member of the Pensions Investment Committee during the year was in receipt of a pension, and one is a deferred pensioner.

A special responsibility allowance of £2,064 was paid to the Chairman of the Committee in 2021/22 (also £2,064 in 2020/21). No other payments were made for meeting attendance.

The Council incurred costs of £1.246m (£1.047m in 2020/21) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund. Their remuneration is set out below.

	2020/21	2021/22
	£000	£000
Short-term benefits	14	15
Post-employment benefits	2	3
	<b>16</b>	<b>18</b>

#### 19 Nature and extent of risks arising from financial instruments

The Code of Practice on Local Authority Accounting in the United Kingdom 21/22 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in this note on the next two pages.

##### Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, price risk, currency risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet its forecast cash-flows. The Authority manages these investment risks as part of its overall Pension Fund risk management programme.

# PENSION FUND

## Notes to the Accounts

### 19 Nature and extent of risks arising from financial instruments continued

#### Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

#### Other price risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

In consultation with its investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates remain the same.

#### Other price risk - Sensitivity Analysis

Asset type	Value as at	Potential	Value on	Value on
	31.03.2022	market	increase	decrease
	£000	(+/-)	£000	£000
UK bonds	142,524	-5.24%	135,056	149,992
Overseas bonds	(186,983)	-5.24%	(177,185)	(196,781)
UK quoted equities	43,341	12.66%	48,828	37,854
UK unquoted equities	150	0	150	150
Overseas equities	807,094	12.66%	909,272	704,916
Pooled investments - OIECs	233,688	4.50%	244,204	223,172
Pooled property investments - OIECs	77,968	23.14%	96,010	59,926
Overseas pooled property investments			0	0
<b>Total</b>	<b>1,117,783</b>	<b>-</b>	<b>1,256,335</b>	<b>979,230</b>

## PENSION FUND

Notes to the Accounts

### 19 Nature and extent of risks arising from financial instruments continued

Asset type	Value as at 31.03.2021 £000	Potential market	Value on increase £000	Value on decrease £000
UK bonds	150,834	0.46%	151,528	150,140
Overseas bonds	(309)	0.46%	(310)	(308)
UK quoted equities	57,949	39.26%	80,700	35,198
UK unquoted equities	150	0	150	150
Overseas equities	819,002	39.26%	1,140,542	497,462
Pooled investments - OIECs	241,883	4.50%	252,768	230,999
Pooled property investments - OIECs	46,311	2.44%	47,441	45,181
Overseas pooled property investments	-	-	-	-
<b>Total</b>	<b>1,315,821</b>	<b>-</b>	<b>1,672,819</b>	<b>958,823</b>

#### Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the Fund, i.e. £Sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term, currency rates reflect value in a particular territory and, to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold.

The Fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and the Pensions Investment Committee every quarter.

The Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10% a 10% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

#### Currency Risk - Sensitivity Analysis

Assets exposed to currency risk	Asset value as at 31.03.2022 £000	Potential market movement	Value on increase £000	Value on decrease £000
Overseas bonds	(186,983)	(18,698)	(205,681)	(168,285)
Overseas equities	807,094	80,709	887,803	726,385
Cash and cash equivalents	2,316	232	2,547	2,084
Overseas pooled property	-	0	0	0
<b>Total change in assets available to pay benefits</b>	<b>622,427</b>	<b>62,243</b>	<b>684,670</b>	<b>560,183</b>

Assets exposed to currency risk	Asset value as at 31.03.2021 £000	Potential market movement	Value on increase £000	Value on decrease £000
Overseas bonds	(309)	(19)	(327)	(291)
Overseas equities	819,002	49,140	868,142	769,862
Cash and cash equivalents	3,184	191	3,375	2,993
Overseas pooled property	-	-	-	-
<b>Total change in assets available to pay benefits</b>	<b>821,877</b>	<b>49,312</b>	<b>871,190</b>	<b>772,564</b>

# PENSION FUND

## Notes to the Accounts

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### 19 Nature and extent of risks arising from financial instruments continued

#### Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

#### Credit Risk continued

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one bank or building society. In addition, the Council may invest in AAA-rated money market funds to provide diversification.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund held £6.1m of Pension Fund cash under its treasury management arrangements at 31st March 2022 (£2.8m of temporary lending to the Council at 31st March 2021, £4.2m of temporary lending to the Council at 31st March 2020, £2.7m of temporary borrowing at 31st March 2019). In practice, the Pension Fund Revenue Account was broadly cash neutral for most of the year, and as a result, it was not considered viable to separate out Pension Fund cash from Council cash.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance.

#### Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that around 95% of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

The Fund has illiquid assets through the Fidelity Property Fund, which had a value of £77.9m as at 31st March 2022, representing 5.8% of investment assets (£46.3m (3.5%) as at 31st March 2021).

#### Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Fund reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points (1%) from one year to the next and experience suggests that such movements are likely.

## PENSION FUND

### Notes to the Accounts

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#### 19 Nature and extent of risks arising from financial instruments continued

##### Interest rate - risk sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and visa versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets exposed to interest rate risk:

Exposure to	Asset values as £000	Impact of £000	Impact of £000
Cash and cash	21,372	21,158	21,585
Fixed interest	- 44,458	-44,014	-44,903
<b>Total</b>	<b>- 23,087</b>	<b>- 22,856</b>	<b>- 23,318</b>

Exposure to	Asset values as £000	Impact of £000	Impact of £000
Cash and cash	13,419	13,285	13,553
Fixed interest	150,525	149,020	152,030
<b>Total</b>	<b>163,944</b>	<b>162,305</b>	<b>165,583</b>

#### 20 Contingent Assets

The Council is party to a joint venture (JV) arrangement, More Homes Bromley LLP. As part of the overall arrangement the Council has resolved that, on receipt of the property stock at the conclusion of the agreement, the properties will subsequently be 'gifted' to the Pension Fund with a view to reducing current pension contributions. The assets to be 'gifted' at the end of the arrangement will not exceed the value of the Council's Pension Fund deficit at that time. The eventual consideration may differ from the actuarial assumptions used due to the long term nature of the arrangement and the application of different professional standards. Whilst there is a constructive obligation to transfer the whole or part of the property stock this is subject to a number of caveats and there is not sufficient certainty for it to be recognised by the Pension Fund as an asset at this stage.

#### 21 Events After the Reporting Period

Due to the global economic impact of the measures put in place by the UK Government in March 2022 in response to the conflict in Ukraine, there has been increased volatility in equity and credit markets. The Fund has limited investments in Russia of less than £880k as at March 2022. This is less than 0.1% of the total fund value. There remains considerable uncertainty on the financial impact in future years. On this basis, and due to the low value of investments in Russia, this matter has been treated as a non-adjusting event.



# Annual Governance Statement 2021/22

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## 1. Executive Summary

The Leader of the Council and Chief Executive recognise the importance of having appropriate processes and controls in place to run the Council and ensure its services are delivered effectively.

The Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. The Council's Audit and Risk Management Committee reviews the production of the AGS and considers and scrutinises the content.

Bromley is a Member led, commissioning authority, delivering services through whoever is best placed to provide quality and value for money to its residents, who are supported to manage their lives with the minimum of intervention from the Council. 'Making Bromley Even Better', the Council's Corporate Strategy, contains the guiding principles for Bromley Council, our vision and links with key partner organisations to help deliver important outcomes for residents, businesses and visitors to Bromley

### [Making Bromley Even Better \(Corporate Strategy\)](#)

Bromley's governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled, and the activities through which it accounts to, engages with and leads its community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31<sup>st</sup> March 2022 and up to the date of approval of the Leader's Foreword and Statement of Accounts.

The Council conducts an annual review of its governance arrangements, including the system of internal control. The purpose of the review is to provide assurance from a number of sources including Members, Chief Officers, internal and external audit, other review agencies and inspectorates that corporate governance arrangements are adequate and operating effectively; or where gaps are revealed, action is planned that will ensure effective governance in future.

With substantial additional savings to be made over the next four years, the financial situation continues to drive the future direction and work of the Council.

## 2. Significant Governance Issues

Overall, we can confirm that the Council has appropriate systems and processes in place to ensure that good governance is maintained in line with the 'Delivering Good Governance in Local Government Framework, 2016 Edition'. Whilst we are satisfied that these generally work and can be regarded as fit for purpose, we have identified a number of areas for improvement.

Progress made in dealing with the governance issues identified in the 2020/21 Annual Governance Statement is detailed on pages 22 to 26.

Four areas, detailed overleaf, have been identified as requiring further work during 2022/23:



Governance Issue	Action	Lead Officer
<p><b>Finance</b></p> <p>A balanced budget for 2022/23 has been achieved through the Transformation Savings Programme, an improved financial settlement from Government and continuing with prudent financial management. This has been achieved despite the significant cost pressures remaining, increasing inflation, impact of national insurance increase and the impact of the 'new normal' following the pandemic. There remains a "budget gap" of £4.3m in 2023/24 rising to £19.5m per annum in 2025/26. This excludes the impact of the Adult Social Care Reforms which could increase net costs further by between £10m and £15m per annum during the financial forecast period. The projections assume mitigation and transformation savings of £17.7m in 2022/23 rising to £30m by 2025/26. The projections from 2023/24 have to be treated with some caution, particularly as the Government's next Spending Review, outcome of the Fair Funding Review and Business Rate Devolution is now expected to be implemented in 2024/25 – the outcome, including the impact on individual councils, is still awaited. The Government had provided funding support to address the impact of the Covid 19 pandemic during 2020/21 and 2021/22 with no further funding provided from 2022/23.</p>	<p>In considering action required to address the medium term "budget gap", the Council has taken significant action to reduce the cost base while protecting priority front line services and providing sustainable longer term solutions. Significant savings of over £110m were realised since 2011/12. Our council has to balance between the needs of service users and the burden of council tax on council tax payers. With the Government not providing funding to keep pace with growth/cost pressures, the burden of financing increasing service demand falls primarily upon the level of council tax and business rate income. Further information can be found in:</p> <p><a href="#">Draft 2022/23 Budget and Update on Council's Financial Strategy 2023/24 to 2025/26</a></p>	<p><b>Director of Finance</b></p>
<p><b>Valuation of Fixed Assets</b></p> <p>Issues have been identified relating to the methodologies used for accounting and the valuation of fixed assets for reporting in the Council's 2019/20 Statement of Accounts.</p>	<p>Work is at an advanced stage to ensure that Fixed Assets are accounted for in full compliance with the CIPFA Code of Practice in Local Authority Accounting, specifically:</p> <ul style="list-style-type: none"> <li>• Asset Valuations are fully supported and are undertaken in line with the requirements of the CIPFA Code</li> </ul>	<p><b>Assistant Director, Strategic Property</b></p>

	<ul style="list-style-type: none"> <li>• Depreciation and Impairment are properly calculated and appropriately applied to relevant asset categories</li> <li>• Furniture and Equipment Assets are properly identified and valued on an ongoing basis</li> </ul> <p><i>This may be updated once the External Auditors have concluded on the revised audit submissions.</i></p>	
<p><b>Ongoing impact of COVID-19 pandemic on service delivery</b></p> <p>Despite the many challenges presented by the COVID-19 pandemic, the Council has delivered some key achievements through our COVID-19 response programmes and our business-as-usual work, which includes a potential balanced budget for 2022/23.</p> <p>The pandemic has highlighted a number of long-term challenges that the Council will need to continue to address. In particular, we will need to manage significant cost/ growth pressures impacting on e.g., education, high needs transport, housing, adults, and children’s social care as well as explore opportunities for the mitigation of costs. There also remains uncertainty about the ongoing impact arising from the ‘new normal’, with no increase in core funding identified beyond 2022/23.</p> <p>As we move towards ‘Living with Covid-19’, we will continue to explore opportunities to work closely with our partner agencies as part of our organisational and borough-wide recovery.</p>	<p>Our COVID-19 response:</p> <ul style="list-style-type: none"> <li>• On 21 February 2022, the Government published its ‘COVID-19 Response: Living with COVID-19’. As part of the plan, routine contact tracing for the wider population ceases on 31 March 2022. A document will be prepared for Central Government to inform how the Council will reinstate this work within a two-week period if required.</li> <li>• The plan also notes that the Targeted Community Testing Programme and Lateral Flow Testing Sites close on 31 March 2022. Lateral Testing Sites, with decommissioning expected in the months following.</li> <li>• Work will continue to review data on our vulnerable groups, including care settings.</li> <li>• The Council will report on its management of the pandemic later in the year.</li> <li>• Weekly COVID COE briefings will end with a standing item on COVID going forward at fortnightly COE meetings.</li> <li>• Work continues to determine the longer-term approach to working with the voluntary and community sector, including the retention and engagement of the 4500 volunteers who registered with the Council to support the COVID-19 response</li> <li>• Through our Economic Strategy we will support the longer-term economic recovery of the borough.</li> <li>• Continue our partnership working through the Borough Partnership Forum to ensure a co-ordinated and mutually supportive local area response across all agencies.</li> </ul> <p>Some of our key organisational priorities for 2022/23 include:</p> <ul style="list-style-type: none"> <li>• Delivering Transforming Bromley Programme proposals for 2022/23 budget setting.</li> </ul>	<p><b>Chief Executive and Corporate Leadership Team</b></p>

	<ul style="list-style-type: none"> <li>• Managing growth and delivering budget mitigations as part of our long-term financial management strategy.</li> <li>• Building an equality profile to strengthen service delivery.</li> <li>• Progressing development of Integrated Care System in South East London.</li> <li>• Increasing housing supply and affordable housing and concluding options appraisals to bring forward further sites for housing and strategic regeneration projects.</li> <li>• Reporting on outcomes of Operational Property Review.</li> <li>• Delivery of the Digital Strategy and Digital Roadmap.</li> <li>• Supporting hybrid meetings.</li> <li>• Successful rollout of the 2022 Local Elections.</li> <li>• Responding to legislative changes and macro issues from Central Government.</li> </ul>	
<p><b>Condition of the operational property estate</b> to ensure that premises are compliant with Health &amp; Safety legislation and can be operated to facilitate the delivery of the Council's various services.</p>	<p>A programme has been established to identify the Council's optimal operational estate taking into account maintenance liabilities, condition, business needs and funding.</p> <p>The output of this programme will be an accommodation strategy, business case and delivery plan – subject to Member approval.</p> <p>The Programme will report its findings to Members in Summer 2022.</p> <p>A new supply chain has been established to ensure Health and Safety compliance together with a new Computer Aided Facilities Management Sysystem to house said compliance data.</p>	<p><b>Assistant Director, Property and Assistant Director, Special Projects</b></p>

### 3. What is Corporate Governance?

#### 3.1 Definition

The CIPFA International Framework 'Good Governance in the Public Sector' defines governance as:-

*'The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'*

It also states that:-

*‘To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times’*

*‘Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders’*

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, provide leadership to their communities.

Effective corporate governance and the capacity to lead and manage change are essential to meet the ever increasing challenges for the public sector. Good governance is important to all involved in local government and a key responsibility of the Chief Executive, the Leader of the Council and other statutory governance Chief Officers.

Our governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management practice.

**Bromley Council recognises that:**

- ▶ Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for residents and service users
- ▶ Good governance enables an authority to pursue its vision effectively, as well as underpinning that vision with appropriate mechanisms for control and management of risk.
- ▶ All authorities should aim to meet the standards of the best and governance arrangements should not only be sound, but also be seen to be sound.
- ▶ Governance processes should be both efficient and effective.

## 3.2 The Principles

### Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

#### How we do this

- Having regard for the principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership
- Being accountable for decisions to the public and co-operating fully with whatever scrutiny is appropriate to one's office
- Commitment to promoting an anti-fraud and corruption culture evidenced through a detailed anti-fraud and corruption policy and ensuring fraud and corruption are dealt with effectively
- Adherence to ethical values and respect for the rule of law
- Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities

### Principle B – Ensuring openness and comprehensive stakeholder engagement

#### How we do this

- Ensuring transparency of decisions supported by an effective scrutiny and challenge process
- Demonstrating engagement with all groups of stakeholders to determine the most appropriate course of action/effective intervention
- Ensuring a clear, evidence based, decision making path

### Principle C – Defining outcomes in terms of sustainable, economic, social and environmental benefits

#### How we do this

- Having a clear vision and strategy, with key partner organisations through 'Making Bromley Even Better'
- Delivering defined, sustainable outcomes within the limits of resources and authority
- Balancing competing demands with finite resources when determining priorities; managing service users' expectations effectively with regard to determining priorities and making the best use of the available resources

- Taking a longer term view with regard to decision making, taking account of potential conflicts between the organisation's vision and short term factors such as financial constraints

### **Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes**

#### **How we do this**

- Having a clear vision and strategy setting out our intended outcomes for citizens and service users
- Ensuring decision makers receive a robust best value option analysis detailing associated risks and outcomes to be achieved
- Considering stakeholder feedback and future impact when making decisions about service delivery, prioritising competing demands

### **Principle E – Developing capacity including the capability of leadership and individuals**

#### **How we do this**

- Ensuring that the decision making process is clearly defined and supported by protocols to ensure a shared understanding of roles and objectives is maintained
- Ensuring that individuals have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities, reflecting the structure and diversity of the community
- Evaluating, and supporting, staff performance through regular reviews which take into account training and development needs
- Supporting the workforce to maintain their health and wellbeing

### **Principle F – Managing risks and performance through robust internal control and strong public financial management**

#### **How we do this**

- Regular review of Corporate and Departmental Risks and Risk Registers
- Integration of effective risk management arrangements into the decision making process
- Ensuring an effective scrutiny function which provides a constructive challenge and allows for debate at all stages of the decision making process

- Ensuring effective counter fraud and anti-corruption policies are in place and there is good staff awareness
- Having an effective Audit Sub-Committee whose remit incorporates financial delegation, fraud prevention, and internal and external audit

### Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

#### How we do this

- Publishing information on our activities and decisions
- Maintaining a rigorous, effective and transparent decision making and scrutiny process
- Ensuring that public reports are easily accessible and use a style appropriate to the intended audience
- Embracing peer challenge, reviews and inspections from regulatory bodies, implementing recommendations for corrective action as required
- Maintaining an effective internal and external audit service, with direct access to Members

## 4. The Council: How it Works

This Annual Governance Statement covers the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022, but it should remain up to date until the accounts are approved and audited.

In 2021/22, the Council was made up of 60 Councillors (reduced to 58 in May 2022) with the decision making structure divided between Executive and non-Executive matters. Executive duties are carried out by an Executive body of Councillors, which, in 2021/22 included the Leader and six Councillors (seven in May 2022) with specific Portfolio responsibilities. Non-Executive duties are performed mainly by the Development Control Committee, the General Purposes and Licensing Committee, the Pensions Committee and the Standards Committee.

The established decision making structure is depicted overleaf:

Figure 1 – Council Decision making structure 2021/22





## 5. COVID-19: Amendments to the Governance Process

### 5.1 Democratic Principles

In response to the Covid 19 pandemic, the Council considered as a matter of urgency a number of amendments to its governance processes in order to ensure that effective decision making could continue whilst democratic accountability was preserved during the coronavirus pandemic.

The measures were designed to help the Council redeploy its resources to deal with the pandemic and ensure essential business continued whilst upholding democratic principles and protecting the health and safety of Members, officers and the public, in line with official public health guidance.

In April 2021, committee meetings were still being held online and being live-streamed so that members of the public could hear and see Councillors making decisions. In May 2021 the temporary provision for local authorities to hold virtual meetings online was removed, and all Council, Executive, Committee and Sub-Committee meetings returned to being held in-person in the Council Chamber, with social distancing measures in place and limits on the numbers of members of the public attending.

### 5.2 Procurement Process

In 2020/2021, arrangements were put in place to respond to the extraordinary circumstances of the Covid-19 pandemic. These arrangements were aligned to Cabinet Office Procurement Policy Notes (PPN 01/20 and 02/20) on suitable and compliant procurement actions that could be taken in response to the pandemic. Throughout 2020/2021, additional delegated authorities to take appropriate procurement action were in place.

In 2021/2022, procurement action and governance reverted to standard procedures and normal custom and practice as governed through the Council's Contract Procedure Rules and the Public Contracts Regulations 2015.

The key governance arrangements in place continue to include:

- Member decision on proceeding to procurement and contract award for all procurements with a whole life value of £500k or higher;
- Member decision on formal extension options, extensions beyond term, variation (modifications) and exemptions at £100k or higher, including reporting to Audit Sub-Committee for anything £50k or higher;
- All procurement decisions at both Member and Officer authority to be supported by a formal Gateway paper;
- Annual monitoring reports to Members for all contracts with a whole life value of £500k or higher;
- Quarterly Contract Register report to ER&C PDS on all contracts over £200k and to each PDS for contracts over £50k; including commentary on the status of the contract from the Contract Owner and additional commentary and RAG rating from the Corporate Procurement Team;
- Regular reports to Chief Officers Executive and Corporate Leadership Team on the status of all contracts due to end within the next twelve months with commentary from Corporate Procurement;
- Procurement Board led by Corporate Procurement to review and advise on key contracts in advance of seeking decisions on procurement actions;
- Regular training on Commissioning and Procurement available to all Officers;
- Quarterly meetings for all Contract Owners to provide news, guidance, advice and support.

In December 2020, the Government issued a Green Paper on Transforming Public Procurement. The latest advice from Cabinet Office is that proposals under the Green Paper will not come into force until 2023 at the earliest. During the transition period between confirmation of legislation and implementation date, the Corporate Procurement team will review and update the Contract Procedure

Rules and other relevant processes and procedures to ensure compliance with the new legislation. Changes are expected to be primarily technical in nature. Communication and training will be implemented to support any changes.

## 6. Outcomes and Value for Money

### 6.1 Making Bromley Even Better

Bromley Council's partner agencies formally signed up to work together with the Council to deliver a new Corporate Strategy – 'Making Bromley Even Better' in October 2021. Hundreds of organisations, councillors and residents have contributed to the new strategy which outlines five main ambitions for Bromley over the next ten years with the shared vision of making the Borough: 'A fantastic place to live and work, where everyone can lead healthy, safe and independent lives'. The Medium Term Financial Strategy will enable the delivery of the Corporate Strategy as a 'golden thread' that runs through all plans such as those that support Portfolios with teams and individuals reflecting the ambitions throughout their work.

'Making Bromley Even Better' has five overarching ambitions:

1. For children and young people to grow up, thrive and have the best life chances in families who flourish and are happy to call Bromley home.
2. For adults and older people to enjoy fulfilled and successful lives in Bromley, ageing well, retaining independence and making choices.
3. For people to make their homes in Bromley and for business, enterprise and the third sector to prosper.
4. For residents to live responsibly and prosper in a safe, clean and green environment great for today and a sustainable future.
5. To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.

We have already achieved much through our longstanding 'Building a Better Bromley' principles, harnessing resources and strengthening our partnerships for the good of our Borough, our communities, businesses and our residents.

Now we will move forward with renewed enthusiasm to deliver our refreshed and updated ambitions for 'Making Bromley Even Better'. Agencies in our partnerships commission and provide many of the services which matter to residents and businesses in Bromley.

Working individually and in partnership we share responsibility for improving outcomes in the Borough. We are convinced that by aligning ambitions and by strengthening our collaboration, we will succeed in making Bromley an even better Borough. It is crucial to have a sense of shared direction and a course to navigate for the future, no ten-year plan can ever be set in stone. Therefore we will monitor progress regularly and develop our plan as circumstances, demand and legislative changes require.

Underpinned by our shared organisational culture and values of Respect, Empowerment, Ambition, Leadership (REAL), the Council works to meet the needs and expectations of residents through enabling self-sufficiency, sustainable core services and improving outcomes for residents at the earliest point of need within a responsible financial envelope.

During the last twelve months, we have continued with our transformation development and delivery agenda despite the challenging context of a pandemic. The Council has demonstrated its agile change management capacity to respond swiftly to residents' needs, delivering additional public health programmes and accelerating the rapid implementation of some key elements of our transformation agenda, including some digitalisation. Across the Council significant and immediate changes were implemented to deliver alternative 'business as usual' and Covid safe services. Our response has shown some of the ways forward: better use of technology, shared use of data and intelligence; better strategic decision-making and better operational collaboration which ensures value for money.

As a learning organisation we have also been reflecting on “best practice” models of change and transformation implemented by other local authorities. We are committed to adopting favourable solutions that are tried and tested.

We know that there are further improvements to be made to respond to the needs of an aging population and ongoing demand for critical services in housing and social care. As well as responding to new pressures brought on by the pandemic, responding to additional public health pressures, economic recovery for our town centres, and ensuring that our young people are supported into good employment and training.

National policy agendas around health and social care integration promise better outcomes for patients and residents but will require significant work with key partners to achieve. Our residents rightly have growing expectations about how we respond to global issues including our contribution to Net Zero, public mental health, matters of equality and community cohesion. We recognise that we will only be successful in responding to these challenges through successful collaboration between all public organisations, the voluntary, community and faith sector, businesses, and, critically, service users and residents themselves.

Despite the unprecedented financial challenge, Bromley will serve and advocate on behalf of its residents and aim to deliver cost-effective services. Working with strategic partners, it will also continue to ensure that it receives the fairest deal from the Government on issues that are important to Bromley residents.

Bromley’s achievements over the past year and plans for the future are reported in the Leader’s Foreword and Statement of Accounts.

## 6.2 Portfolio Plans

Portfolio Plans set out each Portfolio Holder’s aims in the current year and the supporting performance targets, using a range of national and local indicators. Overseeing the successful delivery of each plan is the joint responsibility of the Portfolio Holder and the Members of the appropriate Policy Development and Scrutiny Committee (PDS). The Portfolios are aligned to the priorities identified in Making Bromley Even Better. In addition, the Health and Wellbeing Board is a collaboration between Bromley Council and various partner agencies whose role is to understand their local community’s needs, agree priorities and encourage commissioners to work in a more joined up way.

[Adult Care and Health Portfolio Plan 2021-2022 Refresh](#)

[Children Education and Families Portfolio Plan 2021-2022 Refresh](#)

[Housing Planning and Regeneration Portfolio Plan 2021-2022 Refresh](#)

[Environment and Community Services Portfolio Plan 2021-2022](#)

[Public Protection and Enforcement Portfolio Plan 2021-2022](#)

Updates on progress are reported to Members through the Policy, Development and Scrutiny process. Examples of this include:

[Adult Care and Health Portfolio Plan 2021/22 - Quarter Four Update Covering Report \(June 2022\)](#)

[Adult Care and Health Portfolio Plan 2021/22 - Quarter Four Update \(June 2022\)](#)

[Children, Education and Families Portfolio Plan 2021/22 - Quarter Four Update Covering Report \(June 2022\)](#)

[Children, Education and Families Portfolio Plan 2021/22 - Quarter Four Update \(June 2022\)](#)

[Housing, Planning and Regeneration Portfolio Plan 2021/22 - Quarter Four Update Covering Report \(June 2022\)](#)

[Housing Planning and Regeneration Portfolio Plan 2021/22 - Quarter Four Update \(June 2022\)](#)

[Environment and Community Services Performance Overview \(June 2022\)](#)

[Public Protection and Enforcement Performance Overview \(June 2022\)](#)

### 6.3 Managing our Resources (Value for Money)

#### Statement of Accounts

The Accounts and Audit Regulations (2015) require the Statement of Accounts to be considered and approved by resolution of a Committee or Full Council. Following approval, the Statement of Accounts must be signed and dated by the person presiding at the meeting at which that approval was given. Before the Committee is able to approve, the Director of Finance must re-confirm on behalf of the authority that he is satisfied that the Statement of Accounts presents a true and fair view of the financial position of the authority at the end of the financial year and of the authority's income and expenditure for that year.

The Accounts and Audit Regulations were amended during 2020 in light of the Coronavirus pandemic, extending the deadline for publication of the draft accounts from 31<sup>st</sup> May to 31<sup>st</sup> August. The Regulations also extended the deadline for publication of the final audited accounts from 31<sup>st</sup> July to 30<sup>th</sup> November.

The Regulations were further amended during 2021 with the deadlines for draft and final audited accounts set at 31<sup>st</sup> July and 30<sup>th</sup> September. These updated Regulations will apply for 2020/21 and 2021/22 and then be subject to a further review.

In relation to the Council's Statement of Accounts for 2019/20, draft accounts were published on 30<sup>th</sup> June, with the external audit starting during August. Whilst good progress was made in most areas, there were delays in the provision of information to EY and in responding to auditor queries. Some delays occurred due to the Coronavirus pandemic, with officers working off site and documentation not being readily accessible in an electronic format (in some cases paper documents and records required bulk scanning). Most significantly, the audit revealed a number of errors in relation to the Council's accounting treatment of fixed assets. These have required significant work by property officers to rectify core valuation information and owing to this and other outstanding matters completion of the audit has been delayed to 2022. The external auditor produced an updated Audit Results report which was considered by the General Purposes and Licencing Committee on 8<sup>th</sup> February 2022. This report stated that the audit was 'substantially completed', though some matters remain outstanding. The auditor also stated that it will need to consider the impact of uncorrected mis-statements and other areas of uncertainty on the final audit opinion for 2019/20.

The statement of accounts for 2020/21 remains incomplete mainly due to the valuation issues identified above, but it is anticipated that draft accounts will be published and the audit will commence during 2022 once the 2019/20 audit has been completed. Consequently, it is also likely that completion of the 2021/22 draft accounts and audit will also be delayed.

#### CIPFA Financial Management Code

The Council's financial management arrangements conform with good governance. An assessment was undertaken in the year against compliance with the CIPFA Financial Management Code. The

Council is complying with all of the requirements however an action plan is being developed to improve the level of assurance with each standard contained within the code.

### Value For Money (VFM) Conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

The Council's external auditor has not yet been able to issue a VFM conclusion for 2018/19 owing to outstanding objections. As a result of the objections the audit cannot be formally concluded and an audit certificate issued. The detailed approach of the Council towards budgeting over the medium to longer term was reported to Executive on 12<sup>th</sup> January 2022 with the approach on using reserves and other key financial matters reported to Executive on 9<sup>th</sup> February 2022. Forward financial planning and financial management is a key strength at Bromley. These reports continue to forecast the financial prospects for the next 4 years and include the outcome of the Provisional Local Government Finance Settlement 2022/23. It is important to note that some caution is required in considering any projections for 2023/24 to 2025/26 as this depends on the outcome of the Government's next awaited Spending Review period as well as the awaited impact of the Fair Funding Review and Devolution of Business Rates. The report on 12<sup>th</sup> January 2022 provided an update on the funding and costs of the Covid 19 pandemic and the estimated financial impact for 2022/23. The Covid 19 pandemic has created a higher level of uncertainty for the financial forecasting in future years, particularly with uncertain outcome of the 'new normal'.

## [Draft 2022/23 Budget and Update on Council's Financial Strategy 2023/24 to 2025/26](#)

### [2022/23 Council Tax](#)

## 7. How do we know our arrangements are working?

### 7.1 The Role of Management

The senior officer forum is the Chief Officers Executive (COE). Membership includes the Chief Executive and his senior leadership team:

- Chief Executive
- Director of Children Education and Families
- Director of Environment and Public Protection
- Director of Housing, Planning and Regeneration
- Director of Corporate Services and Governance
- Director of Adult Services
- Director of Public Health
- Director of Finance
- Director of Human Resources, Customer Services and Public Affairs

The purpose of the Chief Officers Executive (COE) is:

- ▶ High-level officer decision making: COE is the highest officer forum for high-level decision making to facilitate the effective working of the organisation

- ▶ Discussion of governance issues / review of the Council's Forward Plan: COE is the officer forum for the discussion of any key governance issues and reviews the Council's Forward Plan on a regular basis to ensure smooth and timely decision making
- ▶ Information sharing: an opportunity for Directors to provide high-level updates of activity in their respective service areas in an informal environment
- ▶ Review progress of COE sponsored working groups reporting to Corporate Leadership Team (CLT): CLT working groups will report into COE for advice and guidance prior to reporting back to CLT
- ▶ Overview of the delivery of the Transforming Bromley agenda: COE Transformation Board is an extension of COE and meets fortnightly to oversee the successful delivery of the Transformation Programme and the key principles of the Transforming Bromley Roadmap.

The Corporate Leadership Team is responsible for the Strategic Leadership of the organisation, with managers having day to day responsibility for the management and control of service delivery. Our managers set the 'tone from the top' and develop and implement policies, procedures, processes and controls. They ensure compliance.

The Corporate Risk Management Group (CRMG), chaired by the Director of Finance and including the Head of Audit & Assurance in its membership, oversees the Council's governance arrangements and delivery of the Annual Governance Statement.

Each Director retains responsibility for the Risks and Controls within their division, with Internal Audit coordinating the Risk Management process via the Corporate Risk Management Group and Audit Sub Committee.

During 2021/22, the Corporate Risk Management Group met three times (April 2021, September 2021 and February 2022), undertaking its usual programme of scrutiny. The membership of the Group has recently been refreshed to ensure representation from all Departments at an appropriate level of seniority.

Risk Registers remained live documents throughout the year, with the Risk Reporting cycle to the Corporate Leadership Team and Committee completed in full. Audit Sub Committee received the refreshed Corporate Risk Register and all Departmental Risk Registers at their meetings of June and October 2021. Executive, Resources and Contracts PDS received five Risk Information Briefings and each relevant PDS Committee had the opportunity to scrutinise the Departmental Risk Register falling within its remit.

The Standards Committee of 8<sup>th</sup> March 2022 considered the Monitoring Officer's General Report. This updated the Committee on a number of Standards issues including the Local Government Association's Guide for Councillors on Handling Intimidation (including online intimidation), draft Social Media Guidance for Councillors, Complaints, Dispensations granted by the Monitoring Officer and Members' Gifts and Hospitality Register entries.

[Monitoring Officer's General Report 8th March 2022](#)

[Appendix 4 - Social Media Guidance for Councillors](#)

The Council's Constitution requires that a report is made each year to full Council which summarises work carried out by Policy Development and Scrutiny (PDS) Committees. This report was considered by the Executive, Resources and Contracts PDS Committee on 24<sup>th</sup> March 2022 and Full Council on 11<sup>th</sup> April 2022.

[Policy, Development and Scrutiny Annual Report 2021/22](#)

The outcome of this is that we have adequate governance arrangements in place and relevant to the environment we work in.

## 7.2 The Role of the Audit Committee

For 2021/22, the Council has appointed an Audit Sub-Committee which considers financial delegations, fraud prevention, internal and external audit. It is a sub-committee of the General Purposes and Licensing Committee and meets three times a year. For 2022/23, the Audit Sub-Committee will be replaced by the Audit and Risk Management Committee which reports directly to Full Council.

### [Audit Sub Committee Meetings \(Agendas, Papers, Minutes\)](#)

The Audit Sub-Committee plays an important role in ensuring that the Council learns from Internal Audit findings and rectifies identified weaknesses in control. All Priority One recommendations from Internal Audit are tracked by the Committee until implemented.

### 7.3 Our Governance Framework

Key Policies/Processes/Posts/Functions in our Governance Framework include:

	Policy/Process
<b>A</b>	Annual Audit Letter
	Annual Governance Statement
	Anti-Bribery Policy and Procedures
	Anti-Fraud and Corruption Strategy
	Anti-Money Laundering Policy
	Audit Sub Committee (Audit and Risk Management Committee 2022/23)
<b>C</b>	Capital Strategy
	Code of Conduct for Members
	Complaints System
	Constitution
	Contract Procedure Rules/Standing Orders
	Corporate Induction Process
	Corporate Leadership Team
	Corporate Operating Principles
	Customer Access Channel Strategy
	Customer Services Charter
<b>D</b>	DISCUSS Appraisal Scheme
<b>E</b>	Executive and Resources PDS Committee Annual Report
<b>F</b>	Financial Regulations
	Financial Strategy
	Forward Plan of Key Decisions
<b>G</b>	'Getting it Right' – Complaints, Compliments and Suggestions
	Gifts and Hospitality Code of Conduct
<b>H</b>	Head of Audit
	Head of Paid Service
<b>I</b>	Internal and External Audit Reports
	Internal Audit Opinion and Annual Report
	Internal Controls
	IT Governance
<b>L</b>	Leader's Foreword and Statement of Accounts
	Learning and Development
	Local Development Framework
<b>M</b>	Making Bromley Even Better
	Member/Officer Protocol
	Monitoring Officer (Director of Corporate Services)
<b>P</b>	Portfolio Plans
	Public Consultations/Meetings
<b>R</b>	'Raising Concerns' whistle blowing
	Register of Interests
	Risk Management Strategy
<b>S</b>	Scheme of Delegation
	Section 151 Officer (Director of Finance)
	Statement of Accounts
<b>T</b>	Treasury Management Strategy



## 7.4 Annual Governance Assurance Statement

Each member of the COE is required to confirm that:

**‘In meeting my responsibilities above, I have:**

- ▶ Contributed to the review of Risk Registers and the outcomes
- ▶ Ensured that there are controls in place to mitigate the risks highlighted in the above exercise
- ▶ Considered relevant assessments of key service areas within the Department  
e.g. benchmarking, peer review
- ▶ Taken into account internal and external audit and inspection reports and results of follow ups regarding implementation of recommendations

**I am satisfied that to the best of my knowledge, the following procedures are in place:**

- ▶ The service is planned and managed in accordance with the Council’s Corporate Operating Principles
- ▶ Business risks are identified, assessed and reported on a regular basis
- ▶ Key controls over systems and processes are in place to ensure the Council’s assets are safeguarded
- ▶ Business Continuity Plans are maintained and reviewed as circumstances change
- ▶ The monthly Cumulative Spend Report has been reviewed and agreed as part of the Full Budget Monitoring System
- ▶ Key contract information is kept up to date in the Contracts Database to allow Contract Registers and other management information to be reported

Where unable to confirm all, or some of these, the areas for improvement and planned actions must be detailed’.

## 7.5 External Inspections/Peer Reviews

The Council received the annual Local Government & Social Care Ombudsman letter for the year ending 31st March 2021, which summarised Ombudsman complaints/enquiries received, and the decisions made about, the London Borough of Bromley. With a commitment to an ethos of continuous improvement and using feedback from a variety of sources to learn, understand and take action to improve services; we continue to place our focus on the outcomes of complaints and what can be learned from them.

[Local Government and Social Care Ombudsman Annual Review Letter 2021 \(21st July 2021\)](#)

On 14<sup>th</sup> and 15<sup>th</sup> September, Ofsted carried out a focused visit of Children’s Services, considering the arrangements for children in care, including disabled children in care.

[Ofsted - Focused visit to London Borough of Bromley’s Children’s Services \(19th October 2021\)](#)

## 7.6 The Role of Internal Audit

Internal Audit is a key component of Corporate Governance within the Council. As required by the Accounts and Audit Regulations 2015, the Council must ensure an effective system of internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

An independent and objective Internal Audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Sub-Committee (Audit and Risk Management Committee from 2022/23) and senior management on the higher risk and more complex areas of the Council's business, allowing management to focus on providing coverage of routine operations.

Internal Audit's objectives include supporting a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which is periodically reviewed and presented to senior management and the Audit Sub-Committee for approval. The latest updates to the Charter were approved by the Audit Sub Committee on the 2<sup>nd</sup> March 2022.

## 7.7 The Role of the Head of Audit and Opinion on Governance Risk and Control

The Council is responsible for ensuring that it has a sound system of governance (incorporating the system of internal control).

The Head of Audit & Assurance is required to provide an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. Their Annual Report and Opinion has been considered and any significant issues incorporated as a result.

The Annual assessment is based on the following:

- The Audit work undertaken including the assurance opinion ratings
- The follow up of Priority 1 recommendations determining how the authority responds to key identified weaknesses
- Counter fraud work and other investigations throughout the year
- Ad-hoc advisory work
- Work to support various Covid grant schemes including risks and controls advice and pre payment assurance checks
- Informal observations of the organisation, for example through attendance at Corporate Leadership Team, Corporate Risk Management Group and other forums.

The results of the above provide reasonable assurance that there is an adequate and effective framework of governance, risk management and control within the Council, designed to meet the organisation's objectives. Where significant weaknesses are identified, Priority 1 recommendations are made and are tracked by the Corporate Leadership Team and the Audit Sub Committee (Audit and Risk Management Committee from April 2022 onwards) until implemented or discharged. The Head of Internal Audit's Annual report (Audit and Risk Management Committee June 2022) provides details of exceptions and provides further context. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

## 8. Our Strategic Risks

Risk management is an important element of the system of internal control at Bromley Council. It is based on a process designed to identify, prioritise and control the risks to achieving Bromley's policies, aims and objectives.

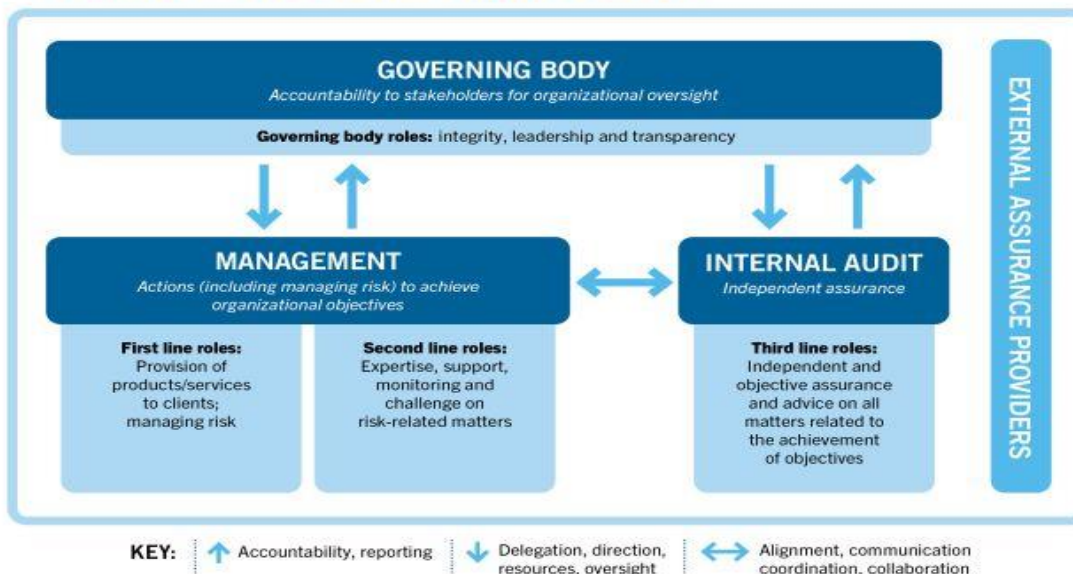
The Corporate Risk Register is a key document in the Council's approach to risk management; it captures the key strategic risks to the delivery of the corporate objectives as set out in the 'Making Bromley Even Better' vision. It also provides a context through which high level risks are identified and is used to inform decision making about business planning and service delivery. Chief Officers assume the lead role for Strategic Risks affecting their own service areas with the Corporate Risk Register reviewed at least annually. The Corporate Risk Management Group takes the lead in championing and co-ordinating the Council's approach to risk management, and ensures that effective risk management processes are fully embedded.

The 'three lines' of assurance model, as detailed below, provides a simple framework for understanding the roles and responsibilities in the overall risk management and internal control processes of an organisation. The Council's third line of defence includes Internal Audit, who provide independent assurance to senior management and the Audit Sub-Committee (Audit and Risk Management Committee from 2022/23) on how effectively the first and second lines of defence have been operating.

- ▶ First line – operational management controls
- ▶ Second line – monitoring controls, e.g. the policy or system owner / sponsor
- ▶ Third line – independent assurance

Figure 2 – 3 Lines Model

### The IIA's Three Lines Model (2020)



The published Corporate Risk Register can be viewed via following the link

[Corporate Risk Register](#)

## 9. Looking Back on 2020/21

Governance Issue	Action	Progress
<p><b>Finance</b></p> <p>A potential balanced budget for the next two years has been achieved through the Transformation Savings Programme, an improved financial settlement from Government and continuing with prudent financial management, but there remains a “budget gap” of £2.5m in 2023/24 rising to £14.1m per annum in 2024/25. The projections assume mitigation and transformation savings of £16.3m in 2021/22 rising to £40.3m by 2024/25. The projections from 2022/23 have to be treated with some caution, particularly as the Government’s next Spending Review, outcome of the Fair Funding Review and Business Rate Devolution is now expected to be implemented from 2022/23 – the outcome, including the impact on individual councils, is still awaited. The Government has provided funding support to address the impact of the Covid 19 pandemic, but uncertainty remains on the medium and longer term impact from the ‘new normal’.</p>	<p>In considering action required to address the medium term “budget gap”, the Council has taken significant action to reduce the cost base while protecting priority front line services and providing sustainable longer term solutions. Significant savings of around £100m were realised since 2011/12. Our council has to balance between the needs of service users and the burden of council tax on council tax payers. With the Government not providing funding to keep pace with growth/cost pressures, the burden of financing increasing service demand falls primarily upon the level of council tax and business rate income. Further information can be found in:</p> <p><a href="#">Draft 2021/22 Budget and Update on Council's Financial Strategy 2022/23 to 2024/25</a></p>	<p>A balanced budget was delivered for 2020/21 and 2021/22 partly due to the significant savings from the Transformation Savings Programme, effective use of Covid resources provided by Government and ongoing prudent financial management approach. This was delivered despite the significant ongoing cost pressures across key service areas remaining.</p>
<p><b>Valuation of Fixed Assets</b></p> <p>Issues have been identified relating to the methodologies used for accounting and the valuation of fixed assets for reporting in the Council’s 2019/20 Statement of Accounts.</p>	<p>Work will be required to ensure that Fixed Assets are accounted for in full compliance with the CIPFA Code of Practice in Local Authority Accounting, specifically:</p> <ul style="list-style-type: none"> <li>• Asset Valuations are fully supported and are undertaken in line with the requirements of the CIPFA Code</li> <li>• Depreciation and Impairment are properly calculated and appropriately applied to relevant asset categories</li> </ul>	<p>The Council has appointed new Professional Advisors whose methodology for valuations has been shared with the Council’s external auditors.</p> <p>The 2020/21 Asset Valuations have been progressed with a joint working approach between the Council’s external auditor and appointed advisors – so that a mutually agreed approach has been adopted.</p>

	<ul style="list-style-type: none"> <li>Furniture and Equipment Assets are properly identified and valued on an ongoing basis</li> </ul>	<p><i>This may be updated once the External Auditors have concluded on the revised audit submissions.</i></p>
<p><b>Ongoing impact of COVID-19 pandemic on service delivery</b></p> <p>Despite the many challenges presented by the COVID-19 pandemic, the Council has delivered some key achievements through our COVID-19 response programmes and our business-as-usual work, including a balanced budget for 2021/22.</p> <p>The pandemic has highlighted a number of long-term challenges that we will need to continue to address. In particular, we will continue to face ongoing cost pressures on the organisation which will need to be locally managed, particularly with regard to social care provision and our ongoing local contact tracing response.</p> <p>However, there are also a number of potential opportunities for greater partnership working, particularly with the voluntary and community sector, that will form part of our recovery planning approach.</p> <p>Our work this year will be critical not only for our ongoing response to the pandemic supporting Bromley's residents, but also our commitment to the delivery of the Transformation Programme, as well as managing growth and delivering budget mitigations as part of our long-term financial management strategy.</p>	<p>The Council will continue its ongoing work to support the COVID-19 response:</p> <ul style="list-style-type: none"> <li>Continued lateral flow testing offer in line with local requirements</li> <li>Bromley's mass vaccination centre at the Civic Centre site will run until at least September 2021, with a maximum potential vaccination rate of 1300 residents per day</li> <li>Ongoing local contact tracing in close partnership with the national scheme</li> <li>Preparing agile and ready-to-implement testing plans if surge testing is required in the borough</li> <li>Close monitoring of hospital discharges and any longer term potential pressure on adult social care capacity due to Covid-19 pressures</li> <li>Prudent financial management of COVID-19 grants distributed by the local authority</li> <li>Appropriate enforcement measures through the Public Protection service to ensure compliance with COVID-19 legislation</li> <li>Determining the longer-term approach to working with the voluntary and community sector, including the retention and engagement of the 4500 volunteers who registered with the Council to support the COVID-19 response</li> <li>Supporting the longer-term economic recovery of the borough</li> <li>Ongoing partnership working through the Borough Partnership Forum to ensure a co-ordinated and mutually supportive local area response across all agencies</li> </ul> <p>Some of our key organisational priorities for 2021/22 include:</p>	<p>The Council has continued its ongoing work to support the COVID-19 response:</p> <ul style="list-style-type: none"> <li>The Council's Lateral Flow Testing (LFT) rapid testing programme has supported staff working in the community and the Council's frontline services.</li> <li>The Council's local contact tracing programme continued to support COVID positive patients the national Test and Trace Team failed to reach. Our current local call success rate averaged at 52.9% with approximately 88.4% of Bromley COVID-19 patients reached either through our local call scheme or the national Team.</li> <li>Bromley's mass vaccination centre at the Civic Centre has remained open seven days a week to deliver first and second vaccinations, and the booster programme. Over 500,000 vaccinations have been delivered in the borough.</li> <li>The Inequalities in Vaccination Taskforce have delivered on a programme of work to address vaccine hesitancy, which has included a helpline for health and social care staff, communications and targeted pop-up clinics across the borough.</li> <li>Continued important work to enable people to be discharged from hospital in a timely way and awarded the MJ Achievement Award for Integration of Social Care and Health. Joint working initiatives</li> </ul>

- Delivering the new Council's intranet site for our staff and launching Bromley's Digital Roadmap
- Relaunching the new 'Building a Better Bromley' Corporate Plan later this year, which will articulate key priorities for the Council over the next five years.
- Delivering the £10 million investment in new housing to boost our housing supply and tackle homelessness
- Our ongoing operational property review to determine the future of the Civic Centre site and satellite offices
- Successful rollout of the 2021 GLA elections
- Continuing our ongoing staff wellbeing engagement work, including addressing the findings of the second Staff Wellbeing Survey
- Reviewing the progress of the Transforming Bromley programme at the mid-way point and identifying future transformation priorities to be delivered by 2023.

To achieve the identified transformation and mitigation savings set out the 2021/22 budget, the Chief Executive's leadership team have agreed the following monitoring activity:

- Regular 'Are We On Track' monthly assessments through departmental meetings to determine whether we are on course to deliver the projections
- Monthly overview discussion of transformation/mitigation savings and financial impact of COVID-19 at Transformation Board
- Bi-monthly 'hot spot' monitoring will continue
- Full quarterly financial monitoring reports will be undertaken quarterly as at present.

- have supported the improved way residents leave hospital and receive the help they need to recover. This collaborative working also supported the Department over the winter period and made planning much easier.
- The Council has used allocated COVID-19 funding (£86 million in 2021/22) to support residents, businesses, and service delivery. Any unused unringfenced COVID grant is set aside to support the 'new normal' going forward.
- Following the end of Lockdown restrictions in July 2021, the Council evaluated its response across all COVID-19 programmes and identified where business-as-usual services could pick up any ongoing requirements to reduce any ongoing financial exposure to COVID-19 associated costs.
- An overarching recovery plan for the Council has been drafted and is supported by local departmental recovery plans owned by each member of the Chief Officers' Executive Group.

Progress against our organisational priorities includes:

- Published our Economic Development Strategy which includes plans to help support business growth following the effects of the pandemic and the Council's plans to support economic growth across the borough up to 2031. Economic Recovery – Refer to Strategy
- Published our Corporate Strategy 'Making Bromley Even Better' 2021-2031, which sets out our ambitions that will be jointly delivered with the Council's partner agencies over the next ten years.

- There are currently five housing schemes in delivery and/ or approved as part of the capital programme to increase the housing supply across the borough. These five schemes are Burnt Ash, Bushell Way, Anerley, York Rise and West Wickham Library Car Park. The Council's Burnt Ash Lane development won 'best affordable housing development with a value of under £5 million' at the Inside Housing Development Awards 2021.
- Work continues to progress in relation to the Operational Property Review, and full findings will be presented to Members by June/ July 2022.
- Continued to support the wellbeing of staff, regularly promoting and communicating the Council's wellbeing offer that has included our Employee Assistance Programme (EAP) and Mental Health First Aiders.
- The Council is now in the third year of the four-year Transformation Programme. The Transformation Board continues to meet on a fortnightly basis to scrutinise the development and delivery of transformation proposals across its six workstreams to help reduce the Council's emerging budget gap over the next four years.

In terms of monitoring identified transformation and mitigation savings set out the 2021/22 budget, the Chief Executive's leadership team have:

- Continued monthly 'Are We On Track' assessments through departmental meetings.

		<ul style="list-style-type: none"> <li>• Reviewed on a monthly basis transformation/mitigation savings and the financial impact of COVID-19 at Transformation Board.</li> <li>• Held bi-monthly 'hot spot' monitoring.</li> <li>• Delivered full quarterly financial monitoring reports.</li> </ul>
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To the best of our knowledge, the governance arrangements as defined above, have been operating effectively during the year and remain fit for purpose.

We propose to take steps over the coming year to address the Significant Governance Issues defined on pages 3 - 5 to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

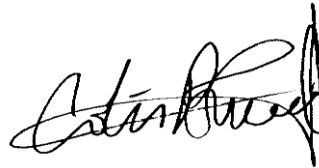
Signed



Chief Executive

Date 19/10/22

Signed



Date 19/10/22



## Appendix 1 – Links to Documents

<b>Page 2</b>	<b>Making Bromley Even Better</b>
<a href="https://www.bromley.gov.uk/info/10020/policies_and_plans/993/making_bromley_even_better_corporate_strategy_london_borough_of_bromley">https://www.bromley.gov.uk/info/10020/policies_and_plans/993/making_bromley_even_better_corporate_strategy_london_borough_of_bromley</a>	
<b>Page 3</b>	<b>Draft 2022/23 Budget and Update on Council's Financial Strategy 2023/24 to 2025/26</b>
<a href="https://cds.bromley.gov.uk/documents/s50094496/Executive%20120122%20Budget%20Report.pdf">https://cds.bromley.gov.uk/documents/s50094496/Executive%20120122%20Budget%20Report.pdf</a>	
<b>Page 13</b>	<b>Adult Care and Health Portfolio Plan 2021/22</b>
<a href="https://cds.bromley.gov.uk/documents/s50089739/ACH21-035%20APPENDIX%202%20Adult%20Care%20and%20Health%20Portfolio%20Plan%202021-22%20ACH%20PDS%2029.06.21.pdf">https://cds.bromley.gov.uk/documents/s50089739/ACH21-035%20APPENDIX%202%20Adult%20Care%20and%20Health%20Portfolio%20Plan%202021-22%20ACH%20PDS%2029.06.21.pdf</a>	
<b>Page 13</b>	<b>Children, Education and Families Portfolio Plan 2021/22</b>
<a href="https://cds.bromley.gov.uk/documents/s50089418/Appendix%201%20-%20Children%20Education%20and%20Families%20Portfolio%20Plan%202021-2022%20Refresh.pdf">https://cds.bromley.gov.uk/documents/s50089418/Appendix%201%20-%20Children%20Education%20and%20Families%20Portfolio%20Plan%202021-2022%20Refresh.pdf</a>	
<b>Page 13</b>	<b>Housing, Regeneration and Planning Portfolio Plan 2021/22</b>
<a href="https://cds.bromley.gov.uk/documents/s50089473/Housing%20Planning%20and%20Regeneration%20Portfolio%20Plan%202021-22.pdf">https://cds.bromley.gov.uk/documents/s50089473/Housing%20Planning%20and%20Regeneration%20Portfolio%20Plan%202021-22.pdf</a>	
<b>Page 13</b>	<b>Environment and Community Services Portfolio Plan 2021/22</b>
<a href="https://www.bromley.gov.uk/downloads/file/547/environment_and_community_services_portfolio_plan">https://www.bromley.gov.uk/downloads/file/547/environment_and_community_services_portfolio_plan</a>	
<b>Page 13</b>	<b>Public Protection and Enforcement Portfolio Plan 2021/22</b>
<a href="https://www.bromley.gov.uk/downloads/file/548/public_protection_and_enforcement_portfolio_plan">https://www.bromley.gov.uk/downloads/file/548/public_protection_and_enforcement_portfolio_plan</a>	
<b>Page 13</b>	<b>Adult, Care and Health Portfolio Plan 2021/22 - Quarter Four Update Covering Report (June 2022)</b>
<a href="https://cds.bromley.gov.uk/documents/s50098950/ACH22-022_Adult_Care_and_Health_Portfolio_Plan_2021-22_Quarter_4_Update_and_2022-23_Refresh_ACH_PDS_.pdf">https://cds.bromley.gov.uk/documents/s50098950/ACH22-022_Adult_Care_and_Health_Portfolio_Plan_2021-22_Quarter_4_Update_and_2022-23_Refresh_ACH_PDS_.pdf</a>	

<b>Page 13</b>	<b>Adult Care and Health Portfolio Plan 2021/22 - Quarter Four Update (June 2022)</b>
<a href="https://cds.bromley.gov.uk/documents/s50098352/ACH22-022%20Appendix%201%202021-22%20ACH%20Portfolio%20Plan%20Q4%20Update%20ACH%20PDS%2028.06.22.pdf">ACH22-022 Appendix 1 2021-22 ACH Portfolio Plan Q4 Update ACH PDS 28.06.22.pdf (bromley.gov.uk)</a>	
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## GLOSSARY OF TERMS

### **Accounting Policies**

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Actuary**

An independent consultant who advises on the financial position of the Pension Fund.

### **Actuarial Gains and Losses**

Changes in actuarial deficits or surpluses that arise because either actual experience or events have differed from the assumptions adopted at the previous valuation (experience gains or losses) or the actuarial assumptions have been changed.

**Agent** is where the Council is acting as an intermediary.

### **Balance Sheet**

A statement showing the position of the Council's assets and liabilities as at 31<sup>st</sup> March in each year.

### **Billing Authority**

A local authority empowered to set and collect council taxes, and manage the Collection Fund, on behalf of itself and local authorities in its areas. Bromley is a billing authority.

### **Budget**

A forecast of the Council's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.

### **Capital Adjustment Account**

This reserve includes amounts set aside from either revenue resources or capital receipts to fund the acquisition of fixed assets.

### **Capital Charges**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge includes depreciation (intended to represent the cost of using the asset) and any impairment that may have occurred in the year of account.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **Capital Receipt**

The proceeds from the sale of a fixed asset.

### **Carrying amount**

Is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

### **Change in Accounting Estimate**

Is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.

**Collection Fund**

Statutory account showing transactions in relation to collection of Council Tax, administration of National Non-Domestic Rates and contributions made to the General Fund of Bromley Council and the GLA.

**Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**Contingent**

A condition which exists at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the authority's control.

**Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**Council Tax**

A local charge (or charges set by the council and the GLA) in order to collect sufficient revenue to meet their demand on the collection fund. It replaced the community charge (poll tax) on 1 April 1993 and is based on the value of the property and the number of residents. The Valuation Office Agency assesses the properties in each district area and assigns each property to one of eight valuation bands; A to H. The tax is set on the basis of the number of Band D equivalent properties. Tax levels for dwellings in other bands are set relative to the Band D baseline.

**Council Tax Support**

The Council operates a national council tax benefit scheme which supports pensioners and working age people on low incomes to pay their council tax.

**Creditors**

Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.

**Current Asset**

An asset that will be consumed or cease to have value within one year of the reporting date. Examples are inventories and debtors.

**Current Expenditure**

A general term for the direct running costs of local authority services, including employee costs and running expenses.

**Current Liability**

An amount which will become payable or could be called in within the next accounting period, examples are creditors and cash overdrawn.

**Current Service Cost**

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

**Curtailments**

Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, redundancy or where the Employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

**Debtors**

Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.

**Deferred Capital Receipts**

These result mainly from loans to Housing Associations plus outstanding loans in respect of past sales of Council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long-term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

**Demand on the Collection Fund**

Represents the amount calculated by the council or the GLA to be transferable from the council's collection fund to its general fund.

**Depreciation**

The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.

**Earmarked Reserves**

Reserves set aside for a specific purpose or a particular service or type of expenditure.

**Employee benefits**

Are all forms of consideration given by an entity in exchange for service rendered by employees.

**Events after the reporting period**

Are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

**Fair Value**

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In accounting terms, fair values are approximated by the present value of the cash flows that will take place over the remaining life of the financial instrument.

**Fixed Assets**

Tangible assets that yield benefit to the local authority and its services for a period of more than one year.

**Formula Grant**

The main channel of government funding which includes re-distributed Business Rates and Revenue Support Grant. There are no restrictions on what local authorities can spend it on.

**Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**Greater London Authority**

A strategic authority for London created on 3rd July 2000.

**Historical Cost**

Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

### **Housing Benefit**

Financial help given to local authority or private tenants whose income falls below prescribed amounts.

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

### **Infrastructure Assets**

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths, bridges and sewers.

### **Intangible Assets**

An intangible asset is an *identifiable* non-monetary asset without physical substance. It must be *controlled* by the authority as a result of past events, and *future economic or service benefits* must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.

### **Inventories**

Are assets:

- a) in the form of materials or supplies to be consumed in the production process
- b) in the form of materials or supplies to be consumed or distributed in the rendering of services
- c) held for sale or distribution in the ordinary course of operations, or
- d) in the process of production for sale or distribution.

### **Investment Property**

Is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.

### **Levies**

A payment that a local authority is required to make to a particular body (a levying body) to meet London wide services. Levying bodies include the London Pensions Fund Authority, London Boroughs Grants Committee, Environment Agency and Lee Valley Regional Park.

### **Material**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

### **NNDR - National Non Domestic Rates**

Non-Domestic Rates, or Business Rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced on 1 April 2013, the Council keeps a proportion of the business rates paid locally.

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non-Distributable Costs**

These include overheads for which no user benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

**Non-Operational Assets**

Fixed assets held but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

**Past Service Cost**

The increase in the present value of Pension Fund liabilities arising in the current year from previous years' service. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

**Pensions Interest Cost**

The expected increase during a period in the present value of Pension Fund liabilities which arises because the benefits are due one year closer to settlement.

**Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Post-Employment Benefits**

Are employee benefits (other than termination benefits) which are payable after the completion of employment.

**Present Value of a Defined Benefit Obligation**

Is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

**Provision**

An amount set aside in the accounts for liabilities or losses which are certain or very likely to occur but uncertain as to the amounts involved or the dates on which they will arise.

**Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

**Recharges**

The collective term for accounting entries representing transfers of (or to cover) costs initially debited elsewhere. They therefore comprise apportionments and charges.

**Recoverable Amount**

Of an asset is the higher of fair value less costs to sell (i.e. net selling price) and its value in use.

**Related Parties**



Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

### **Related Party Transaction**

Is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

### **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

### **Reserves**

Sums set aside to finance future spending for purposes falling outside the definition of a provision. Reserves set aside for stated purposes are known as earmarked reserves. The remainder are unallocated reserves, often described as balances.

### **Residual Value**

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### **Revaluation Reserve**

This reserve records accumulated gains on fixed assets arising from periodic asset revaluations.

### **Revenue Expenditure**

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

### **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred that may be capitalised under statutory provisions but that does not add value to the Council's fixed assets.

### **Revenue Support Grant - RSG**

A general grant which replaced rate support grant in 1990-91. Now distributed as part of the Formula Grant.

### **Ring-Fenced Grants**

These grants fund particular services or initiatives considered a national priority, and must be spent on a particular service.

### **Sales, Fees and Charges**

Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities, library fines and planning application fees.

### **Short-Term Employee Benefits**

Are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

**Soft Loans**

Loans made at less than the prevailing rate of interest and which consequently involve subsidisation of the borrower.

**Specific Grants**

These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

**Statutory Revenue Provision**

A prudent amount charged to the revenue account to provide for the repayment of debt.

**Tangible Fixed Assets**

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

**Tax Base**

The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its council tax, and when central government calculates entitlement to Formula Grant.

**Usable Capital Receipts Reserve**

This reserve records receipts from fixed asset disposals that are available to finance capital expenditure.

**Useful Life**

The period over which benefits will be derived from the use of a fixed asset.

**VAT**

Is an indirect tax levied on most business transactions and on many goods and some services.

- Input Tax is VAT charged on purchases.
- Output Tax is VAT charged in sales.