

2018/19
Statement
of
Accounts

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FOREWORD FROM THE LEADER OF THE COUNCIL

Bromley Council has continued to manage its budget well, working to ensure, as far as is humanly possible, the long term stability of the Council's finances, a challenge largely dependent on the Government's continued level of funding to local councils.

As this funding has contracted we have continued to look for further ways to work together with partner organisations and residents to find the best ways to maintain services and manage growing demand with even less money.

Ongoing close scrutiny of all Council services ensures they are delivered by those best placed to provide both quality and good value for money, for service users and local tax payers alike. Our attention to the detail of our contracts is driving best practice in the way our contractors deliver services on our behalf.

An efficient approach to the Council's finances means we have a balanced budget once again with low risk investments providing income to help address growing demands for services, especially for our most vulnerable residents.

The Council will continue with its approach to budgeting in a sustainable way by:

- Maximising income through sound investments
- Seeking efficiencies in the way we procure and supply services
- Looking for innovative ways to provide services, generate income and mitigate rising demand for services, as well as
- Continuing to lobby Government for a better deal for Bromley.

We have continued our commitment to enhancing our Borough as a great place to live, work and spend leisure time, as well as a place where people choose to raise their families and to set up and run businesses.

I am pleased to present our Annual Statement of Accounts for 2018/19. Some of our achievements include:

- Ensuring the best returns are sought on investments to support services.
- Continuing to scrutinise all spending and managing contracts well.
- Working to further improve recycling rates.
- Expanding the green garden waste service.
- Engaging with Bromley's ever-popular Friends Initiative for parks, streets and snow.
- Successful completion of the Local Plan to shape the Borough's future.
- Delivering improvements in Crystal Palace Park.
- Progressing plans to improve the libraries.
- Delivering improvements to Bromley, Beckenham and Penge town centres.
- Improving the Market in Bromley High Street.
- Delivering ongoing improvements, business and housing opportunities across the Borough's town centres.
- Supporting the Safer Bromley Partnership to keep Bromley a safe place to live.
- Protecting vulnerable residents from rogue traders and scams.
- Building on our good services for children and families to continue our journey towards achieving excellence.
- Working with Bromley Safeguarding Children Board to keep children safe.
- Training and retaining a skilled workforce to deliver effective and efficient services.
- Working with schools to fulfil our statutory duty to meet the demand for school places.
- Working with Bromley Clinical Commissioning Group and other health organisations to integrate health and care through the new One Bromley joined up partnership to improve outcomes, independence and quality of life for residents.

- Ensuring that there is a choice of high quality advice about care and support available for residents.
- Ensuring that adults with care and support needs and those whose circumstances make them vulnerable can live their lives to the full and are protected from avoidable harm.
- Offering tailored advice and guidance to help prevent homelessness.
- Developing innovative solutions to provide more good quality accommodation for Bromley residents.
- Working with housing associations and landlords to provide housing solutions.
- Ensuring that housing developments include the requisite number of affordable homes.
- Advising and supporting parents and others around children's health issues.
- Publishing a second Health and Wellbeing Strategy and working to develop action plans to deliver it.
- Maximising the efficiency of NHS checks.

We continue to enhance what is already a great Borough for those who live, work and enjoy leisure time here. Building on the firm foundations we have laid down through our Building a Better Bromley priorities, we will draw up a new strategic plan with our partners from Health and the Emergency Services so we can define a dynamic future vision for the Borough of Bromley, backed up and delivered through our newly launched Transforming Bromley agenda within the organisation. We will emerge with a workforce even better trained and dedicated to provide excellent services for the residents of our Borough.

Housing and the further integration of health and social care remain the largest challenges to be faced and we are resolved to tackle both challenges head on. Our Housing Team is using its transformation plans to ensure the provision of appropriate Bromley housing for Bromley residents with innovative solutions both under way and in our sights for the future.

Bromley Council's funding settlement from Central Government remains amongst the very lowest per capita across London. This is clearly both grossly unfair and totally unacceptable. As such, our lobbying campaign for 'fairer funding' will continue to build, increasingly supported as our call now is, by a growing number of other councils from across the political divide covering the length and breadth of the country.

There are clearly major challenges ahead, but nothing is insurmountable. Our successes demonstrate what can be achieved when we work together and with partners with a passion for the people of our Borough. The unprecedented turnaround achieved in record timing in children's services is firm testament to the courage, hard work and commitment of our strong management team and our dedicated staff.

On a brighter note to finish, we will never forget the close relationship we have with Bromley's superb voluntary sector, our Friends Groups and the Residents' Associations borough wide, which so admirably support the selfless work done by so many in our Borough.

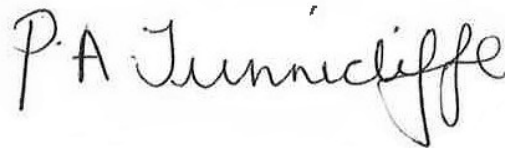
The value of so many willing extra pairs of hands, eyes and ears remains fundamental to helping make and keep our Borough what it is, and we will never take for granted the countless hours so many volunteers provide so freely for the betterment of others. We will continue to nurture such groups across our Borough as a firm Administration priority.

Council Officers and Councillors alike are committed and focussed on the part we can all play in making the best decisions possible for the people of Bromley.

Colin Smith
Leader
Bromley Council

APPROVAL OF THE STATEMENT OF ACCOUNTS

I hereby confirm that the Statement of Accounts for the year ending 31st March 2019, as signed by the Director of Finance on the 13th August 2020, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley.



Councillor Pauline Tunnicliffe
Chairman of the General Purposes and Licensing Committee
13th August 2020

NARRATIVE REPORT

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 2018/19.

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 (Registrar General's estimate – mid 2017) is 329,400 and there are 244,030 people on the electoral roll. In 2018/19 the total number of 'Band D equivalent' properties was estimated at 130,004 and the number of business properties at 7,233.

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 'Building a Better Bromley' and has seven key priority areas:

- A Quality Environment
- Regeneration
- Vibrant Thriving Town Centres
- Supporting our Children and Young People
- Supporting Independence
- Safe Bromley
- Healthy Bromley

Our officer and political structures are all aligned to deliver this vision through our portfolio plans.

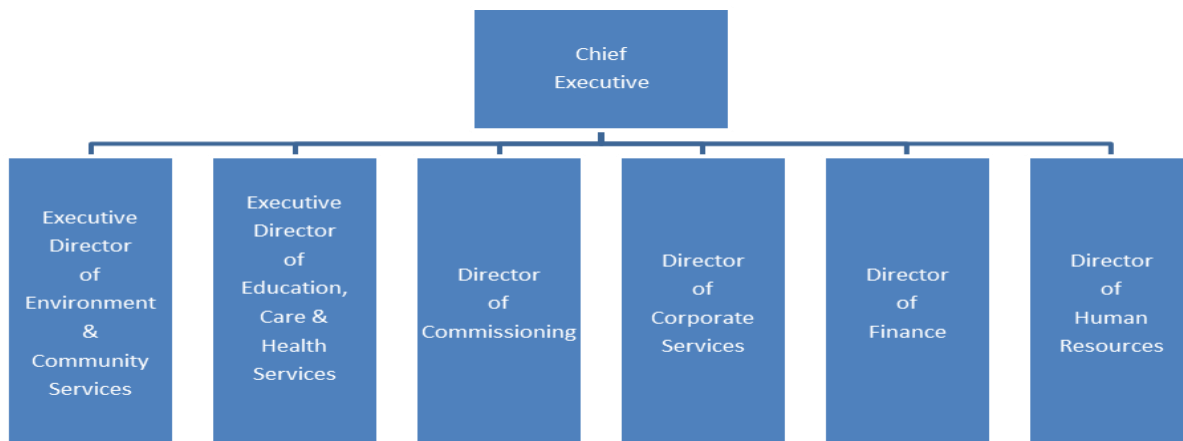
Looking ahead, we will continue to build on this framework and our future plans will be supported by our Transformational Review.

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. The current management structure is shown in the chart below but it should be noted that the organisational structure of the Council is currently being reviewed.



NARRATIVE REPORT

Bromley Workforce

The Council employs 1,485 people on full and part-time contracts equating to a full-time equivalent of 1,265. 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 & Recycling
- Street Cleansing
- Highways & Transport
- Public Protection
- Parks and Green Spaces
- Libraries
- Town Centre Management and Regeneration
- Planning Services
- Housing, including Homelessness and Housing Needs
- Public Health

NARRATIVE REPORT

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 31st March. The format and content is prescribed in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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:

Expenditure and Funding Analysis – although not strictly a core financial statement 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 practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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 are usable reserves (ie. 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.

NARRATIVE REPORT

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 2018/19. The Net Asset Statement sets out the position of the Fund as at 31st March 2019. The Council's Pension Fund is part of the Local Government Pension Scheme (LGPS).

Financial Performance in 2018/19

Revenue Expenditure

The 2018/19 outturn position is summarised in the table below:

| | Budget £m | Actual £m | Variation £m |
|--|--------------|--------------|-----------------|
| Net expenditure | 208.52 | 212.87 | 4.35 |
| Funded by: | | | |
| Grants, Council Tax and Business Rates | (207.06) | (212.87) | (5.81) |
| Carry Forwards from 2017/18 | (1.46) | - | 1.46 |
| Variation in General Reserves | - | - | - |

The 2019/20 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 '2019/20 Council Tax' report to the Executive in February.

The 2018/19 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 2018/19 were reported to the Council's Executive on the 21st May 2019 and are available through: [Executive 21st May 2019](#).

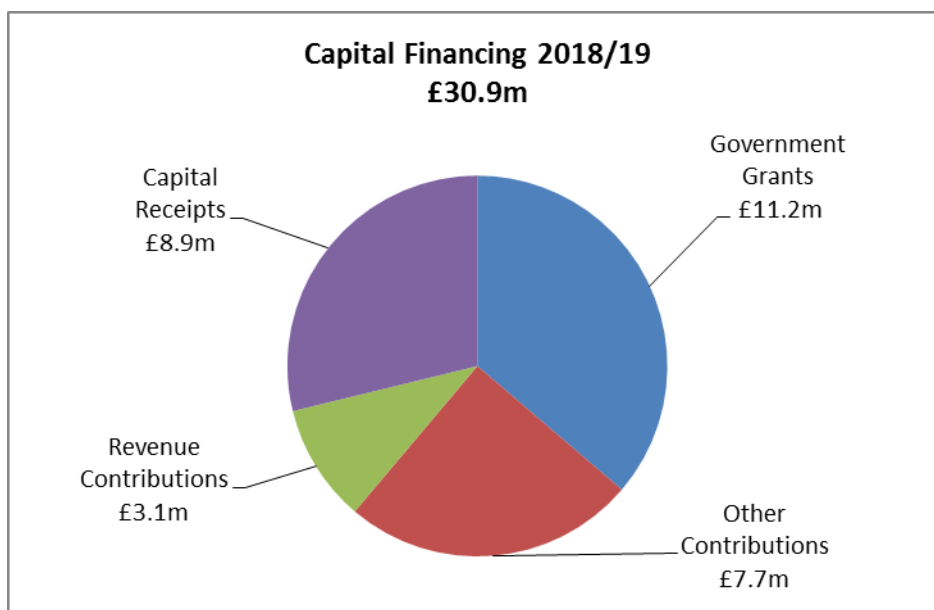
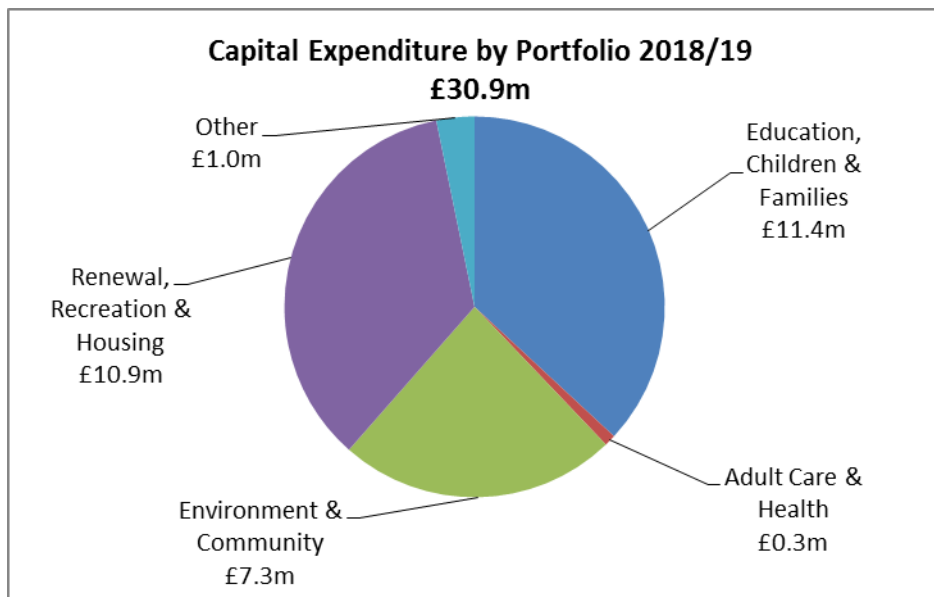
NARRATIVE REPORT

Capital Expenditure

Capital expenditure totalled £30.9m compared with the final approved estimate of £37.8m. 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 £12.5m in 2018/19 and, during the year, £8.9m of receipts were applied to finance capital expenditure.

Further information can be found in charts below and also in the Capital Programme Outturn report to the Executive on 21st May 2019 which is available through: [Executive 21st May 2019](#).



NARRATIVE REPORT

Investments

At the year end, the Council held significant investments totalling £311.8m (principal sum). These investments generated net income of £4.95m in 2018/19 to support the revenue budget. The investments represent the Council's general and earmarked reserves, provisions and net working capital.

Pension Fund

During 2018/19 the net assets of the Pension Fund increased by £72m (7.5%). 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 as a net liability. This liability has a significant negative effect on the net worth of the Council. However, the Council plans that the deficit on the scheme will be made good by increased employer contributions over a 12 year period from 1st April 2017.

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 the Council's priorities;
- Maintenance of business continuity and emergency planning arrangements;
- Failure to deliver effective Children's services to fulfil statutory obligations;
- Inability to effectively manage homelessness pressures;
- Failure to deliver the Council's Target Operating Model as a Commissioning Organisation;
- Delay in partial implementation of Health and Social Care Integration;
- Contractor failure / performance;
- Data protection breach;
- Change management and maintenance of an efficient workforce;
- Ineffective governance and management of contracts;
- Failure to maintain and develop ICT systems to reliably support departmental service delivery.

Further detail, including the cause, impact and controls in place to mitigate the risk are set out in the individual risk registers which are available through: [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: the capacity to make further budget savings and maintain frontline services;
- Health and Safety / Fire Safety Compliance: strengthen the health and safety management systems and processes ensuring compliance with good practice;
- Contract Management and Monitoring: strengthen control arrangements and effectiveness of contract management.

These areas will require attention over the next year to ensure they are operating effectively and risks are mitigated. Further detail was reported to Audit Sub-Committee on 4th June 2019 and is available through [AGS Report](#). The Annual Governance Statement is published with the Statement of Accounts.

NARRATIVE REPORT

Medium Term Financial Strategy (MTFS)

The draft 2018/19 budget and MTFS to 2021/22 was approved by Executive on 10th January 2018 and set the framework for the Council to address the significant financial challenges not only for 2018/19 but going forward into future years. This is the third year of the four year local government financial settlement (2016/17 to 2019/20).

The MTFS has been updated to reflect the Chancellor's Autumn Budget 2018 and the Local Government Financial Settlement 2019/20 and to take account of the latest forecasts on inflation, interest rates, pension costs, service demands and other cost pressures.

The Council's budget strategy has to be set within the context of a reducing resource base with Government funding reductions continuing beyond 2020. 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. The overall updated MTFS has to be set in the context of the national state of public finances, with austerity continuing given the level of public sector debt, and the high expectation from Government that services should be reformed and redesigned with devolution contributing to the transformation of local government.

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 2019/20 through identifying savings and continuing with prudent financial management, there remains a significant budget gap by 2022/23. There will be considerable challenges as the Council is a low cost authority and the position will need to be regularly reviewed.

The Government remains committed with the aims of devolution including transforming local government and enabling it to be more self-sufficient. The Government views new flexibilities, such as future growth forecasts from business rates to be mainly devolved to local government combined with scope for the ongoing ability to increase council tax, as methods which can reduce the impact of grant reductions. However, it is not the full solution for local government given its cost pressures and service demands. The Government's next spending review is expected to be implemented from 2020/21 which will include revised levels of funding for individual local authorities following the 'Fair Funding' review.

Although the devolution changes will provide significant opportunities in the future, the key question is whether such a financial model is sustainable for local government. The continuation of long-term financial planning as part of the MTFS remains essential. Some of the measures identified will enable flexibility to provide a more sustainable financial position for future years when the Council is facing an increasing budget gap as well as provide greater stability in the longer term by adopting a medium term budget planning approach.

Covid-19 Pandemic

In response to the threat posed by the global Covid-19 pandemic, the UK Government announced on 23rd March 2020, that a number of measures would be put in place to limit the spread of the virus, including asking people to stay at home and where possible work from home and to make only essential journeys. All non-essential shops were closed with immediate effect and consequently large parts of the UK economy were shutdown, with many employees furloughed with 80% of their existing salary paid by Government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. This matter has had no effect on the 2018/19 financial statements. Additionally, it has not had a significant impact on the Council's financial outturn for 2019/20, though a substantial effect is expected to materialise during 2020/21.

NARRATIVE REPORT

Options Being Undertaken with a “One Council” Approach

The Council continues to face ongoing funding reductions and there remains uncertainty around future funding from 2020/21 following the outcome of the Government’s ‘Fair Funding’ review. The Government assumption remains that reductions 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 clear benefits to explore opportunities to increase the Council’s business rate base through economic development as well as increase investment income as shown below:

- Community Infrastructure Levy (CIL) - potential income of up to £3m per annum could be raised but implementation is not likely to be until 2020/21 after the adoption of the Local Plan.
- Localisation of Business Rates – changes in 2018/19 to reflect 100% devolution to London as part of the London Business Rate Pilot Pool. Further changes in 2019/20 to reflect 75% devolution. The 2019/20 draft budget assumes additional income of £2.2m. Recent developments in the borough will help contribute towards the Council’s business rate share income.
- 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 at this stage.
- Investment Income - a diverse range of investments generates a higher level of income whilst managing the Council’s exposure to risk.
- 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:

Chief Accountant
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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BROMLEY

Opinion

We have audited the financial statements of the London Borough of Bromley for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 48, and the Expenditure and Funding Analysis on page 15.
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Bromley as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Disclosures in relation to the effects of COVID-19

We draw attention to Note 1.32 – Going Concern Basis and note 6A Events after the Balance Sheet Date of the financial statements, which describes the economic consequences the Council is facing as a result of COVID-19 which is impacting its operational and financial position and performance during 2019/20, 2020/21 and beyond. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

AUDITOR'S REPORT

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the 2018/19 Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Finance

AUDITOR'S REPORT

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 14, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Pension Fund financial statements

On 29 November 2019 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2019 included within the Statement of Accounts.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate as we have not yet completed the work necessary to conclude the objection to the Council's 2018/19 Statement of Accounts. It is our view that even if the objection were resolved in the objector's favour, this would not materially affect the Statement of Accounts. We are unable to form a conclusion on whether we are satisfied that, in all significant respects, the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019 until we complete the work necessary to conclude the objection.

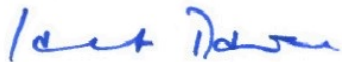

AUDITOR'S REPORT

The predecessor auditor, KPMG have not completed their work on objections relating to the 2016/17 accounts and 2017/18 accounts and have therefore not yet issued their completion certificates relating to those years of audit.

Until we have completed these procedures and KPMG have issued their completion certificates, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of the London Borough of Bromley, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Janet Dawson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
13 August 2020

The maintenance and integrity of the London Borough of Bromley web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 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 15 to 119 give a true and fair view of the financial position of the Authority as at 31st March 2019 and of its income and expenditure for the year ended 31st March 2019.



Peter Turner
Director of Finance
13th August 2020

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.

| 2017/18 | | | 2018/19 | | | |
|--------------------|-------------------|-------------------|---------|-------------------|------------------|---|
| Gross Expenditure | Gross Income | Net Expenditure | Notes | Gross Expenditure | Gross Income | Net Expenditure |
| *^Restated £000 | *Restated £000 | *Restated £000 | | £000 | £000 | £000 |
| 124,323 | (59,516) | 64,807 | | 132,166 | (64,340) | 67,826 |
| 158,644 | (107,335) | 51,309 | | 159,727 | (100,214) | 59,513 |
| 56,978 | (23,036) | 33,942 | | 56,148 | (21,794) | 34,354 |
| 3,429 | (856) | 2,573 | | 3,775 | (765) | 3,010 |
| 155,626 | (138,600) | 17,026 | | 159,503 | (132,758) | 26,745 |
| 22,299 | (2,715) | 19,584 | | 32,875 | (2,441) | 30,434 |
| | | | | | | Adult Care and Health |
| | | | | | | Education, Children & Families |
| | | | | | | Environment and Community |
| | | | | | | Public Protection & Enforcement |
| | | | | | | Renewal, Recreation and Housing |
| | | | | | | Resources, Commissioning and Contracts Management |
| 521,299 | (332,058) | 189,241 | | 544,194 | (322,312) | 221,882 |
| 43,411 | (2,579) | 40,832 | 10 | 1,931 | (7,127) | (5,196) |
| 2,513 | (15,299) | (12,786) | 11 | 9,223 | (13,908) | (4,685) |
| - | (210,424) | (210,424) | 12 | 20,754 | (237,036) | (216,282) |
| | | | | | | (Surplus) / Deficit on Provision of Services |
| 567,223 | (560,360) | 6,863 | | 576,102 | (580,383) | (4,281) |
| | | (14,932) | 27 | | | (Surplus) / Deficit on Revaluation of Property, Plant & Equipment Assets |
| | | 3,486 | 27 | | | Impairment Losses on Non-Current |
| | | 599 | | | | (Surplus) / Deficit on Revaluation of Available for Sale Financial Assets |
| | | (80,662) | 44 | | | Remeasurements of the Net Defined Benefit Liability |
| | | (91,509) | | | | Other Comprehensive Income and Expenditure |
| | | (84,646) | | | | Total Comprehensive Income and Expenditure |
| | | | | | | (3,558) |

^ The 2017/18 figures for 'Adult Care and Health' (AC&H) and 'Renewal, Recreation and Housing' (RR&H) Portfolios have been restated due to the movement of Housing from AC&H to RR&H.

* See Note 6B

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' (ie 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 |
|---|----------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|-------|
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Current Year | | | | | | | |
| Balance at 31 March 2018 (Restated*) | (145,997) | (25,696) | (33,135) | (204,828) | (491,411) | (696,239) | |
| Movement in Reserves during 2018/19 | | | | | | | |
| Total Comprehensive Income and Expenditure | (4,281) | - | - | (4,281) | 723 | (3,558) | |
| Adjustments between accounting basis & funding basis under regulations (Note 8) | (19,328) | (3,618) | 2,333 | (20,613) | 20,613 | - | 8 |
| (Increase)/Decrease in 2018/19 | (23,609) | (3,618) | 2,333 | (24,894) | 21,336 | (3,558) | |
| Balance at 31 March 2019 | (169,606) | (29,314) | (30,802) | (229,722) | (470,075) | (699,797) | |
| General Fund Analysed over: | | | | | | | |
| | £000 | | | | | | |
| Amounts earmarked (Note 9) | (149,606) | | | | | | |
| Amounts uncommitted | (20,000) | | | | | | |
| Total General Fund Balance at 31st March 2019 | (169,606) | | | | | | |
| | | | | | | | |
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserve | Unusable Reserves | Total Authority Reserves | Notes |
| | £000 | £000 | £000 | £000 | £000 | £000 | |
| Comparative Year | | | | | | | |
| Balance at 1st April 2017 (Restated*) | (122,496) | (24,109) | (36,944) | (183,549) | (428,044) | (611,593) | |
| Movement in Reserves during 2017/18 | | | | | | | |
| Total Comprehensive Income and Expenditure | 6,863 | - | - | 6,863 | (91,509) | (84,646) | |
| Adjustments between accounting basis & funding basis under regulations (Note 8) | (30,364) | (1,587) | 3,809 | (28,142) | 28,142 | - | 8 |
| (Increase)/Decrease in 2017/18 | (23,501) | (1,587) | 3,809 | (21,279) | (63,367) | (84,646) | |
| Balance at 31 March 2018 | (145,997) | (25,696) | (33,135) | (204,828) | (491,411) | (696,239) | |
| General Fund Analysed over: | | | | | | | |
| | £000 | | | | | | |
| Amounts earmarked (Note 9) | (125,997) | | | | | | |
| Amounts uncommitted | (20,000) | | | | | | |
| Total General Fund Balance at 31st March 2018 | (145,997) | | | | | | |

* See Note 6B

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'.

| *Restated 1st April 2017 | *Restated 31st March 2018 £000 | | Notes | 31st March 2019 £000 |
|--------------------------------|---|--|-------|----------------------------|
| 426,240 | 404,275 | Property, Plant and Equipment | 14 | 405,292 |
| 1,017 | 1,017 | Heritage Assets | 15 | 1,017 |
| 132,416 | 136,008 | Investment Property | 16 | 130,598 |
| 130,202 | 156,911 | Long Term Investments | 17 | 112,528 |
| 2,165 | 2,915 | Long Term Debtors | 17 | 236 |
| 692,040 | 701,126 | Long Term Assets | | 649,671 |
| 135,098 | 106,707 | Short Term Investments | 17 | 187,551 |
| 305 | 5,856 | Assets Held for Sale (<1yr) | 21 | 4,057 |
| 196 | 139 | Inventories | 18 | 175 |
| 21,039 | 23,320 | Short Term Debtors | 19 | 27,407 |
| 4,632 | 24,092 | Cash and Cash Equivalents | 20 | 16,541 |
| - | 3,875 | Short Term Borrowing / Temporary Loans | 22 | 2,288 |
| 161,270 | 163,989 | Current Assets | | 238,019 |
| 626 | - | Short Term Borrowing / Temporary Loans | 22 | - |
| 12,657 | 13,304 | Provisions | 25 | 16,973 |
| 71,062 | 74,814 | Short Term Creditors | 23 | 70,698 |
| 4,219 | 4,602 | Grants Receipts in Advance - Revenue | 37 | 8,241 |
| 7,980 | 6,583 | Grants Receipts in Advance - Capital | 37 | 8,350 |
| 96,544 | 99,303 | Current Liabilities | | 104,262 |
| 145,173 | 69,573 | Other Long Term Liabilities | 24 | 83,631 |
| 145,173 | 69,573 | Long Term Liabilities | | 83,631 |
| 611,593 | 696,239 | Net Assets | | 699,797 |
| 183,549 | 204,828 | Usable Reserves | 26 | 229,722 |
| 428,044 | 491,411 | Unusable Reserves | 27 | 470,075 |
| 611,593 | 696,239 | Total Reserves | | 699,797 |

It has been necessary to restate the previous year's figures as there have been correcting adjustments made to the valuation of non-current assets. Corresponding adjustments have also been made to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Expenditure and Funding Analysis, Cash Flow Statement and all supporting notes.

* See Note 6B

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.

| 2017/18 | | Notes | 2018/19 |
|------------------|--|--------------|-----------------|
| *Restated | | | £000 |
| £000 | | | |
| 6,863 | Net (Surplus) or Deficit on the Provision of Services | | (4,281) |
| (52,714) | Adjustments to Net Deficit on the Provision of Services for Non-Cash Movements | 28 | (43,789) |
| 29,481 | Adjustments for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing Activities | 28 | 28,573 |
| <u>(16,370)</u> | Net Cash Flows from Operating Activities | | <u>(19,497)</u> |
| 612 | Investing Activities | 29 | 23,995 |
| <u>(3,702)</u> | Financing Activities | 30 | <u>3,053</u> |
| (19,460) | Net (Increase) or Decrease in Cash and Cash Equivalents | | 7,551 |
| (4,632) | Cash and Cash Equivalents at the Beginning of the Reporting Period | | (24,092) |
| <u>(24,092)</u> | Cash and Cash Equivalents at the End of the Reporting Period | 20 | <u>(16,541)</u> |

* See Note 6B

Notes to the Core Financial Statements

1 Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19 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 2019 there was a total of £14.5m of cash investments on the Balance Sheet in instant access AAA-rated Money Market Funds and other short-term accessible accounts, (£22.5m as at 31st March 2018).

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.

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

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.

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

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 2018/19, this discount rate was 2.4% compared to 2.7% in 2017/18. 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 deficit during 2018/19 (an increase of £15m). 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

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

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 (ie 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

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 of 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

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

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 2019, 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

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 2018/19 (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 2019 under the responsibility of Michael Watkins BSc MRICS, Head of Asset and Investment Management.

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
- 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

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

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 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

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 a service concession arrangement, 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

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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

26 Carbon Reduction Commitment Allowances

Accounting for the costs of the Carbon Reduction Commitment Scheme.

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends in March 2019. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced as energy is used). As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

27 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 (ie 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.

28 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.

29 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 8 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.

30 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.

31 Adoption by the Code of IFRS 15 Revenue from Contracts with Customers

The first newly 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.

Notes to the Core Financial Statements

1 *Statement of Accounting Policies continued*

32 *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. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and a substantial financial impact is expected to materialise during 2020/21. Although it is not possible to accurately predict the financial impact, an initial estimate of the total net cost including income losses is expected to significantly exceed the current level of Government funding provided of £16.6m (as at May 2020). The main element of financial loss relates to income reductions ranging from car parking to collection of council tax and business rates. Without any further funding there would be significant costs that would need to be met by the Council and alternative funding would need to be identified.

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 £100m, serve a similar purpose, mainly being amounts set aside to meet known or predicted liabilities.
- The Council's balance sheet as at 31st March 2020 shows a net worth of £691m and this is significantly reduced by the inclusion of a pension liability of £92m. There are statutory arrangements for funding the pension deficit through increasing contributions over the remaining working life of the employees, as assessed by an independent actuary; based on the most recent triennial valuation the fund was in surplus by £94m (110% funded).
- The Council's medium term financial strategy (MTFS) will be revisited in light of the 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 2021, alongside the budget for 2021/22.
- 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 Paid of 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.
- As part of the necessary review of the Council's forecasts and projections, particularly in light of the Covid-19 pandemic, and in order to confirm the appropriateness of continuing to adopt the going concern basis in preparing its consolidated financial statements, Officers have assessed the strength of the Council's asset position and liquidity and this has been shared with Members to ensure that they are kept informed and can perform their oversight role. Members have reviewed the analysis and estimates (of additional expenditure and lost income) in light of COVID-19; this is considered alongside the balances that the Council holds, the MTFS and COVID-19 related grant funding.

Notes to the Core Financial Statements

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) Amendments to IAS 40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which property can be reclassified as investment property.
- ii) IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for Local Government to 1st April 2020.
- iii) IFRIC 22 Foreign Currency Transactions and Advance Consideration** clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.
- iv) IFRIC 23 Uncertainty over Income Tax Treatments** provides additional guidance on income tax treatment where there is uncertainty.
- v) Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.
- vi) Annual Improvements to IFRS Standards 2014-2016 Cycle** contains amendments to the following three Standards.

IFRS 1 First Time Adoption of International Financial Reporting Standards - deletion of short term exemptions for first-time adopters.

Standards IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements.

Standards IAS 28 Investment in Associates and Joint Ventures - Measuring investees at fair value through profit or loss on investment by investment basis.

None of the above amendments are expected to have a material impact on the information in the Financial Statements 2018/19.

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 are now included on the Balance Sheet under Property, Plant and Equipment. The value of these finance leases at 31st March 2018 was £2,254k.

3 Critical Judgements in Applying Accounting Policies continued

- 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 is a UK registered bank under English law and was placed in administration on 7th October 2008. As at 31st March 2018, a total of £4,985k had been received from the administrator (98% 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 £199k in 2015/16. This reduced the balance of the provision for potential loss to £102k (2% 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.

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 2019 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.

Effect if Actual Results Differ

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

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

Uncertainties

Estimation of the net 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

The effects on the net pensions liability of changes in individual assumptions can be significant. For instance, In 2013/14, the net liability fell by some £120m (from £260m to £140m). This was mainly due to positive experience since the 2010 valuation. Other positive factors included favourable investment returns during the year and improved market conditions, which reduced the value placed on the liabilities. In 2014/15, the net liability rose slightly from £140m to £148m, mainly due to interest on liabilities being higher than interest on assets, and in 2015/16 and 2016/17, the net liability reduced slightly to £145m and £143m respectively, mainly due to remeasurement gains on liabilities being higher than the losses on assets.

Notes to the Core Financial Statements

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

In 2017/18, the net liability reduced by £75m, to £68m, mainly due to the net investment return of 9.6% being significantly higher than the actuary's assumption of 2.7%.

In 2018/19, the net liability increased by £15m, to £83m, mainly due to the impact of the McCloud judgement on past service costs and interest on liabilities being higher than interest on assets.

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

Arrears

Uncertainties

At 31st March 2019, the Authority had a balance of sundry debtors of £7,728k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 19% (£1,502k) was appropriate.

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.

5 Exceptional Items

There are no exceptional items to be reported for the 2018/19 financial year.

6A Events after the Balance Sheet Date

There has been one adjusting event that provides additional information about conditions that existed at the end of the reporting period. This relates to recent Court of Appeal judgements in relation to the McCloud and Sargeant cases regarding age discrimination within the Judicial and Fire Pension schemes respectively. In June 2019 the Supreme Court denied the Government's request for an appeal and the Government has since confirmed that it expects the difference in treatment will need to be remedied across all public service pension schemes, including the LGPS.

The Council's actuary has estimated the impact on total liabilities at 31st March 2019 as a past service cost. This adjustment is an estimate of the potential impact on pension liabilities based on their interpretation of the analysis carried out by the Government Actuary's Department (GAD).

Covid-19 Pandemic

In response to the threat posed by the global Covid-19 pandemic, the UK Government announced on 23rd March 2020, that a number of measures would be put in place to limit the spread of the virus, including asking people to stay at home and where possible work from home and to make only essential journeys. All non-essential shops were closed with immediate effect and consequently large parts of the UK economy were shutdown, with many employees furloughed with 80% of their existing salary paid by Government. The financial and social outcomes of this are not yet fully understood, however, it is anticipated that the condition will exist for the short to medium future and that it will have a significant impact upon the UK and global economy. As the condition did not exist at the 31 March 2019, this has been treated as a non-adjusting event for which it is not possible to make a reasonable estimate of the overall financial impact on the Council for 2019/20 and future years.

The Statement of Accounts was authorised for issue by the Director of Finance on 13th August 2020. Events taking place after this date are not reflected in the financial statements or notes.

Notes to the Core Financial Statements

6B Prior Period Adjustment

(i) Background

The Code of Practice on Local Authority Accounting requires that the Authority must restate material prior period errors. The value of the Authority's fixed assets represents a significant value in the balance sheet. The Code's adoption of IAS16 requires that the carrying amount of non-current assets in Local Authority balance sheets are materially accurate at 31st March. Under the requirements of the Code, items of property, plant and equipment (PPE) are normally revalued once every five years (as a minimum) barring any unusual movement in the value of a particular asset class which may require more frequent or one-off valuations. This is done using a rolling programme and provides sufficient regularity to ensure that the carrying amount does not differ materially from the current value at the end of the reporting period. Investment Properties are required to be revalued annually to ensure that the carrying value reflects market conditions at the end of the reporting period.

The Council's valuations are carried out by Cushman and Wakefield (C&W). During the course of the audit of the 2018/19 accounts, assets were found to have been valued incorrectly. The Authority has undertaken work to correct these valuations and this work has had a material effect on the fixed asset valuations going back to financial year 2016/17.

The Code requires that when an Authority corrects for a prior period error, it should present an additional balance sheet at the beginning of the preceding period where those adjustments have a material effect. The Authority has therefore prepared restated balance sheets as at 1st April 2017 and also as at 31st March 2018. The information for 2017/18 in the other core statements (the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Cash Flow Statement) and relevant disclosure notes has also been restated.

The corrections in the value of fixed assets have led to a reduction in their carrying value of £17.8m as at 1st April 2017 and £10.2m as at 31st March 2018. These changes in the value of the Authority's assets have been matched by a corresponding reduction in unusable reserves.

The following tables provide a summary of the required adjustments.

Notes to the Core Financial Statements

6B Prior Period Adjustment continued

(ii) Summary of Changes

A summary of changes to the 2017/18 Comprehensive Income and Expenditure Statement is shown below:

| | CI&E Statement 2017/18 Net Published £000 | Adjustments £000 | CI&E Statement 2017/18 Net Restated £000 |
|--|--|---------------------|---|
| Adult Care and Health | 65,403 | (596) | 64,807 |
| Education, Children & Families | 51,145 | 164 | 51,309 |
| Environment and Community | 33,942 | - | 33,942 |
| Public Protection & Enforcement | 2,573 | - | 2,573 |
| Renewal, Recreation and Housing | 21,681 | (4,655) | 17,026 |
| Resources, Commissioning and Contracts Management | 19,989 | (405) | 19,584 |
| Cost of Services | 194,733 | (5,492) | 189,241 |
| Other Operating Expenditure | 40,585 | 247 | 40,832 |
| Financing and Investment Income and Expenditure | (13,177) | 391 | (12,786) |
| Taxation and Non-Specific Grant Income | (210,424) | - | (210,424) |
| (Surplus) / Deficit on Provision of Services | 11,717 | (4,854) | 6,863 |
| (Surplus) / Deficit on Revaluation of Property, Plant & Equipment Assets | (12,413) | (2,519) | (14,932) |
| Impairment Losses on Non-Current | 3,778 | (292) | 3,486 |
| (Surplus) / Deficit on Revaluation of Available for Sale Financial Assets | 599 | - | 599 |
| Remeasurements of the Net Defined Benefit Liability | (80,662) | - | (80,662) |
| Other Comprehensive Income and Expenditure | (88,698) | (2,811) | (91,509) |
| Total Comprehensive Income and Expenditure | (76,981) | (7,665) | (84,646) |

Notes to the Core Financial Statements

6B Prior Period Adjustment continued

(ii) Summary of Changes continued

A summary of changes to the 2017/18 Movement in Reserves Statement is shown below:

2017/18 Movement in Reserves Statement (Published)

| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserve £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------|-------------------------------------|-------------------------------------|------------------------------|---------------------------|-------------------------------------|
| Balance at 1st April 2017 | (122,496) | (24,109) | (36,944) | (183,549) | (445,872) | (629,421) |
| Movement in Reserves during 2017/18 | | | | | | |
| Total Comprehensive Income and Expenditure | 11,717 | - | - | 11,717 | (88,698) | (76,981) |
| Adjustments between accounting basis & funding basis under regulations | (35,218) | (1,587) | 3,809 | (32,996) | 32,996 | - |
| (Increase)/Decrease in 2017/18 | (23,501) | (1,587) | 3,809 | (21,279) | (55,702) | (76,981) |
| Balance at 31 March 2018 carried forward | (145,997) | (25,696) | (33,135) | (204,828) | (501,574) | (706,402) |

2017/18 Adjustments

| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserve £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------|-------------------------------------|-------------------------------------|------------------------------|---------------------------|-------------------------------------|
| Balance at 1st April 2017 | | | | | 17,828 | 17,828 |
| Movement in Reserves during 2017/18 | | | | | | |
| Total Comprehensive Income and Expenditure | (4,854) | | | (4,854) | (2,811) | (7,665) |
| Adjustments between accounting basis & funding basis under regulations | 4,854 | | | 4,854 | (4,854) | - |
| (Increase)/Decrease in 2017/18 | - | - | - | - | (7,665) | (7,665) |
| Balance at 31 March 2018 carried forward | - | - | - | - | 10,163 | 10,163 |

2017/18 Movement in Reserves Statement (Restated)

| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserve £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------|-------------------------------------|-------------------------------------|------------------------------|---------------------------|-------------------------------------|
| Balance at 1st April 2017 | (122,496) | (24,109) | (36,944) | (183,549) | (428,044) | (611,593) |
| Movement in Reserves during 2017/18 | | | | | | |
| Total Comprehensive Income and Expenditure | 6,863 | - | - | 6,863 | (91,509) | (84,646) |
| Adjustments between accounting basis & funding basis under regulations | (30,364) | (1,587) | 3,809 | (28,142) | 28,142 | - |
| (Increase)/Decrease in 2017/18 | (23,501) | (1,587) | 3,809 | (21,279) | (63,367) | (84,646) |
| Balance at 31 March 2018 carried forward | (145,997) | (25,696) | (33,135) | (204,828) | (491,411) | (696,239) |

Notes to the Core Financial Statements

6B Prior Period Adjustment continued

(ii) Summary of Changes continued

A summary of changes to the 2017/18 opening and closing Balance Sheet is shown below:

| | Balance Sheet 1st April 2017 Published £000 | Adjustments | Balance Sheet 1st April 2017 Restated £000 |
|--|--|--------------------|---|
| Property, Plant and Equipment | 424,416 | 1,824 | 426,240 |
| Heritage Assets | 1,017 | - | 1,017 |
| Investment Property | 145,786 | (13,370) | 132,416 |
| Long Term Investments | 130,202 | | 130,202 |
| Long Term Debtors | 2,165 | | 2,165 |
| Long Term Assets | 703,586 | (11,546) | 692,040 |
| Short Term Investments | 135,098 | | 135,098 |
| Assets Held for Sale (<1yr) | 6,587 | (6,282) | 305 |
| Inventories | 196 | | 196 |
| Short Term Debtors | 21,039 | | 21,039 |
| Cash and Cash Equivalents | 4,632 | | 4,632 |
| Short Term Borrowing / Temporary Loans | - | | - |
| Current Assets | 167,552 | (6,282) | 161,270 |
| Short Term Borrowing / Temporary Loans | 626 | | 626 |
| Provisions | 12,657 | | 12,657 |
| Short Term Creditors | 71,062 | | 71,062 |
| Grants Receipts in Advance - Revenue | 4,219 | | 4,219 |
| Grants Receipts in Advance - Capital | 7,980 | | 7,980 |
| Current Liabilities | 96,544 | - | 96,544 |
| Other Long Term Liabilities | 145,173 | | 145,173 |
| Long Term Liabilities | 145,173 | - | 145,173 |
| Net Assets | 629,421 | (17,828) | 611,593 |
| Usable Reserves | 183,549 | | 183,549 |
| Unusable Reserves | 445,872 | (17,828) | 428,044 |
| Total Reserves | 629,421 | (17,828) | 611,593 |

Notes to the Core Financial Statements

6B Prior Period Adjustment continued

(ii) Summary of Changes continued

| | Balance Sheet 31st March 2018 Published £000 | Adjustments | Balance Sheet 31st March 2018 Restated £000 |
|--|---|-----------------|--|
| Property, Plant and Equipment | 404,591 | (316) | 404,275 |
| Heritage Assets | 1,017 | - | 1,017 |
| Investment Property | 148,590 | (12,582) | 136,008 |
| Long Term Investments | 156,911 | | 156,911 |
| Long Term Debtors | 2,915 | | 2,915 |
| Long Term Assets | 714,024 | (12,898) | 701,126 |
| Short Term Investments | 106,707 | | 106,707 |
| Assets Held for Sale (<1yr) | 3,121 | 2,735 | 5,856 |
| Inventories | 139 | | 139 |
| Short Term Debtors | 23,320 | | 23,320 |
| Cash and Cash Equivalents | 24,092 | | 24,092 |
| Short Term Borrowing / Temporary Loans | 3,875 | | 3,875 |
| Current Assets | 161,254 | 2,735 | 163,989 |
| Short Term Borrowing / Temporary Loans | - | | - |
| Provisions | 13,304 | | 13,304 |
| Short Term Creditors | 74,814 | | 74,814 |
| Grants Receipts in Advance - Revenue | 4,602 | | 4,602 |
| Grants Receipts in Advance - Capital | 6,583 | | 6,583 |
| Current Liabilities | 99,303 | - | 99,303 |
| Other Long Term Liabilities | 69,573 | | 69,573 |
| Long Term Liabilities | 69,573 | - | 69,573 |
| Net Assets | 706,402 | (10,163) | 696,239 |
| Usable Reserves | 204,828 | | 204,828 |
| Unusable Reserves | 501,574 | (10,163) | 491,411 |
| Total Reserves | 706,402 | (10,163) | 696,239 |

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

| | 2018/19 | | | | | |
|--|----------------------------------|---|-----------------------------|-----------------------------|---------------------------------|-------------------|
| Adjustments to General Fund to add Expenditure or Income not Chargeable to Taxation and Remove Items which are only Chargeable under Statute | 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 | 495 | 1,219 | (10) | 1,704 | (4,836) | (3,132) |
| Education, Children & Families | 2,692 | 3,142 | (120) | 5,714 | (3,727) | 1,987 |
| Environment and Community | 4,181 | 568 | 3 | 4,752 | (5,886) | (1,134) |
| Public Protection & Enforcement | 8 | 270 | 4 | 282 | (282) | - |
| Renewal, Recreation and Housing | 2,762 | 775 | 12 | 3,549 | (1,418) | 2,131 |
| Resources, Commissioning and Contracts Management | (125) | 6,502 | - | 6,377 | (1,566) | 4,811 |
| Net Cost of Services | 10,013 | 12,476 | (111) | 22,378 | (17,715) | 4,663 |
| Other operating expenditure (i) | (6,383) | - | - | (6,383) | 14,295 | 7,912 |
| Financing and investment income and expenditure | 5,050 | 1,694 | - | 6,744 | 3,420 | 10,164 |
| Taxation and non-specific grant income and expenditure (iii) | (5,898) | - | 2,487 | (3,411) | - | (3,411) |
| | (7,231) | 1,694 | 2,487 | (3,050) | 17,715 | 14,665 |
| General Fund (Surplus)/Deficit | 2,782 | 14,170 | 2,376 | 19,328 | - | 19,328 |

Adjustments between Funding and Accounting Basis

| | 2017/18 | | | | | |
|--|----------------------------------|---|-----------------------------|-----------------------------|---------------------------------|-------------------|
| Adjustments to General Fund to add Expenditure or Income not Chargeable to Taxation and Remove Items which are only Chargeable under Statute | 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 | | | |
| | ^*Restated | *Restated | *Restated | *Restated | *Restated | *Restated |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Care and Health | (542) | 1,174 | (5) | 627 | (3,930) | (3,303) |
| Education, Children & Families | 8 | 3,118 | (418) | 2,708 | (127) | 2,581 |
| Environment and Community | 3,667 | 511 | (3) | 4,175 | (6,900) | (2,725) |
| Public Protection & Enforcement | (12) | 261 | (2) | 247 | (261) | (14) |
| Renewal, Recreation and Housing | (6,811) | 960 | (15) | (5,866) | 917 | (4,949) |
| Resources, Commissioning and Contracts Management | 85 | (3,623) | 8 | (3,530) | 1,519 | (2,011) |
| Net Cost of Services | (3,605) | 2,401 | (435) | (1,639) | (8,782) | (10,421) |
| Other operating expenditure (i) | 39,561 | - | - | 39,561 | 2,661 | 42,222 |
| Financing and investment income and expenditure | (8,067) | 3,406 | - | (4,661) | 6,121 | 1,460 |
| Taxation and non-specific grant income and expenditure (iii) | (3,165) | - | 268 | (2,897) | - | (2,897) |
| | 28,329 | 3,406 | 268 | 32,003 | 8,782 | 40,785 |
| General Fund (Surplus)/Deficit | 24,724 | 5,807 | (167) | 30,364 | - | 30,364 |

^ The 2017/18 figures for 'Adult Care and Health' (AC&H) and 'Renewal, Recreation and Housing' (RR&H) Portfolios have been restated due to the movement of Housing from AC&H to RR&H.

* See Note 6B

Notes to the Core Financial Statements

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, eg 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, eg for unringfences government grants.

Notes to the Core Financial Statements

7B Segmental Income

Income received on a segmental basis is analysed below:

| Services | 2017/18 | 2018/19 |
|---|---|------------------------------|
| | Income from Services *Restated £000 | Income from Services £000 |
| Adult Care and Health | (38,161) | (41,456) |
| Education, Children & Families | (11,692) | (8,520) |
| Environment and Community | (20,821) | (20,532) |
| Public Protection & Enforcement | (462) | (765) |
| Renewal, Recreation and Housing | (13,350) | (16,004) |
| Resources, Commissioning and Contracts Management | (2,003) | (1,762) |
| Total income analysed on a segmental basis | (86,489) | (89,039) |

* The 2017/18 figures for 'Adult Care and Health' (AC&H) and 'Renewal, Recreation and Housing' (RR&H) Portfolios have been restated due to the movement of Housing from AC&H to RR&H.

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.

* See Note 6B

Notes to the Core Financial Statements

8 Adjustments between Accounting Basis and Funding Basis under Regulations continued

| <u>2018/19</u> | Usable Reserves | | | Movement |
|---|------------------------------------|--|--|------------------------------------|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | in Unusable Reserves £000 |
| Adjustments to Revenue Resources | | | | |
| 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: | | | | |
| <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) | (24,744) | - | - | 24,744 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 10,574 | - | - | (10,574) |
| C Tax and NDR transfers to/(from) the Collection Fund | | | | |
| Holiday Pay transferred to/(from) the Accumulated Absence Reserve | 111 | - | - | (111) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure | | | | |
| Depreciation and impairment of non-current assets | (6,638) | - | - | 6,638 |
| Movements in the fair value of investment properties | (5,410) | - | - | 5,410 |
| Movements in the fair value of pooled investment funds | 618 | - | - | (618) |
| Capital grants & contributions | 16,374 | - | 2,333 | (18,707) |
| Revenue expenditure funded from capital under statute | (17,387) | - | - | 17,387 |
| Non-current assets written off on disposal or sale | (6,472) | - | - | 6,472 |
| Total Adjustments to Revenue Resources | (35,461) | - | 2,333 | 33,128 |
| Adjustments between Revenue and Capital Resources | | | | |
| <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 | 12,199 | (12,199) | - | - |
| Transfer of deferred sale proceeds | 724 | - | - | (724) |
| Payments to the government housing receipts pool | (2) | 2 | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 657 | - | - | (657) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 2,555 | - | - | (2,555) |
| Total Adjustments between Revenue and Capital Resources | 16,133 | (12,197) | - | (3,936) |
| Adjustment to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | 8,905 | - | (8,905) |
| Application of capital grants to finance capital expenditure | - | - | - | - |
| Cash payments in relation to Deferred Capital Receipts | - | (326) | - | 326 |
| Total Adjustment to Capital Resources | - | 8,579 | - | (8,579) |
| Total Adjustments | (19,328) | (3,618) | 2,333 | 20,613 |

Notes to the Core Financial Statements

8 Adjustments between Accounting Basis and Funding Basis under Regulations continued

| <u>2017/18 Comparative Figures</u> | Usable Reserves | | | Movement |
|---|----------------------|--------------------------|--------------------------|----------------------|
| | General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | in Unusable Reserves |
| | *Restated £000 | £000 | £000 | *Restated £000 |
| Adjustments to Revenue Resources | | | | |
| 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: | | | | |
| <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) | (15,816) | - | - | 15,816 |
| Employer's pension contributions and direct payments to pensioners payable in the year | 10,009 | - | - | (10,009) |
| C Tax and NDR transfers to/(from) the Collection Fund | | | | |
| Holiday Pay transferred to/(from) the Accumulated Absence Reserve | 435 | - | - | (435) |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure | | | | |
| Depreciation and impairment of non-current assets | 4,160 | - | - | (4,160) |
| Movements in the fair value of investment properties | 2,205 | - | - | (2,205) |
| Capital grants & contributions | 20,931 | - | 3,809 | (24,740) |
| Revenue expenditure funded from capital under statute | (21,602) | - | - | 21,602 |
| Non-current assets written off on disposal or sale | (49,281) | - | - | 49,281 |
| Total Adjustments to Revenue Resources | (49,227) | - | 3,809 | 45,418 |
| Adjustments between Revenue and Capital Resources | | | | |
| <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 | 8,550 | (8,550) | - | - |
| Transfer of deferred sale proceeds | 1,171 | - | - | (1,171) |
| Payments to the government housing receipts pool | (1) | 1 | - | - |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | 804 | - | - | (804) |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | 8,339 | - | - | (8,339) |
| Total Adjustments between Revenue and Capital Resources | 18,863 | (8,549) | - | (10,314) |
| Adjustment to Capital Resources | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | - | 7,216 | - | (7,216) |
| Application of capital grants to finance capital expenditure | - | - | - | - |
| Cash payments in relation to Deferred Capital Receipts | - | (254) | - | 254 |
| Total Adjustment to Capital Resources | - | 6,962 | - | (6,962) |
| Total Adjustments | (30,364) | (1,587) | 3,809 | 28,142 |

* See Note 6B

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 2017/18 and 2018/19.

| | Balance at 31st March 2018 £000 | Transfers Out 2018/19 £000 | Transfers In 2018/19 £000 | Balance at 31st March 2019 £000 |
|--|--|-------------------------------------|------------------------------------|--|
| Balances Held by Schools | 2,219 | 785 | 323 | 1,757 |
| Insurance Fund | 3,717 | 611 | 878 | 3,984 |
| LPSA Reward Grant Investment Fund | 76 | - | - | 76 |
| LAA Reward Grant Investment Fund | 155 | - | - | 155 |
| Technology Fund | 1,755 | - | 3,289 | 5,044 |
| Reserve for Potential Redundancy Costs | 116 | - | - | 116 |
| Public Halls Fund | 7 | - | - | 7 |
| Town Centre Improvement Fund | 55 | - | - | 55 |
| Ex Glaxo Land Maintenance | 143 | 13 | 2 | 132 |
| Planning Services Charging Account | 193 | 193 | 166 | 166 |
| Grant Related Expenditure | 5,137 | 5,137 | 6,845 | 6,845 |
| Investment to Community Fund | 468 | 96 | - | 372 |
| Works to Property Investment Fund | 100 6,197 | - 147 | - - | 100 6,050 |
| Invest to Save | 15,972 | - | 1,112 | 17,084 |
| Bromley Welcare | 29 | 29 | - | - |
| One-off Member Initiatives | 1,167 | 276 | - | 891 |
| Infrastructure Investment Fund | 1,868 | 178 | - | 1,690 |
| Commissioning Authority Programme | 555 | 190 | - | 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 | 864 | - | 750 | 1,614 |
| Cheyne Woods & Cyphers Gate | 153 | 10 | - | 143 |
| Healthy Bromley Fund | 3,815 | - | - | 3,815 |
| Transformation Fund | 2,624 | 845 | - | 1,779 |
| Future Repairs of High Street Properties | 43 | - | 12 | 55 |
| Collection Fund Surplus Set Aside | 11,313 | - | 7,853 | 19,166 |
| Parallel Fund | 2,700 | - | 203 | 2,903 |
| Growth Fund | 23,152 | 2,060 | - | 21,092 |
| Health & Social Care Integrated Commissioning | 4,550 | 250 | 1,250 | 5,550 |
| Financial Planning & Risk Reserve | 10,000 | - | - | 10,000 |
| Bromley Welfare Fund | 860 | 111 | - | 749 |
| PIL Reserve for Temporary Accommodation | 122 | - | 27 | 149 |
| Business Rate Risk Reserve | 4,200 | - | - | 4,200 |
| One Off Expenditure in 2016/17 (inc TFM Contract) | 97 | 97 | - | - |
| Crystal Palace Park Improvements | 82 | 56 | - | 26 |
| Various Joint Schemes and Pump Priming Investments | 4,145 | 1,820 | 1,050 | 3,375 |
| Transition Fund | 2,590 | 30 | - | 2,560 |
| Childrens Social Care Transition Fund | 750 | 750 | - | - |
| Environmental Initiatives | 500 | 33 | - | 467 |
| Planning/Planning Enforcement | 197 | - | - | 197 |
| Apprenticeship Scheme | 200 | - | - | 200 |
| Sub Total 2018/19 | 120,633 | 13,717 | 23,760 | 130,676 |

Notes to the Core Financial Statements

9 Transfers to/from Earmarked Reserves continued

| | Balance at 31st March 2018 | Transfers Out 2018/19 | Transfers In 2018/19 | Balance at 31st March 2019 |
|---|----------------------------------|-----------------------------|----------------------------|----------------------------------|
| 2018/19 | | | | |
| Balance brought forward from previous page | 120,633 | 13,717 | 23,760 | 130,676 |
| Civic Centre Development Strategy | 257 | - | 200 | 457 |
| CSC Recruitment & Retention | 422 | 422 | - | - |
| Future Professional Advice for Commissioning | 147 | - | - | 147 |
| Utilisation of New Homes Bonus | 2,256 | - | - | 2,256 |
| Future Pensions Risk in Outsourcing | 203 | - | 347 | 550 |
| West Wickham Leisure Centre & Library Redevelopm | 993 | - | - | 993 |
| Income Equalisation Reserve | 1,086 | - | 1,508 | 2,594 |
| Capital Funding for Property/Disposal Feasibility | - | 171 | 250 | 79 |
| Biggin Hill Airport Project | - | - | 124 | 124 |
| Transformation Programme | - | - | 500 | 500 |
| Housing Investment Fund | - | - | 7,500 | 7,500 |
| High Street & Parks Improvement Fund | - | - | 115 | 115 |
| Contribution to YES Funding for 2019/20 | - | - | 130 | 130 |
| Day Centre Rent Relief | - | - | 76 | 76 |
| Housing Invest to Save | - | - | 3,409 | 3,409 |
| Total Earmarked Reserves 2018/19 | 125,997 | 14,310 | 37,919 | 149,606 |

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 2016/17 and 2017/18

| | Balance at 31st March 2017 | Transfers Out 2017/18 | Transfers In 2017/18 | Balance at 31st March 2018 |
|--|----------------------------------|-----------------------------|----------------------------|----------------------------------|
| 2017/18 | | | | |
| | £000 | £000 | £000 | £000 |
| Balances Held by Schools | 2,621 | 1,042 | 640 | 2,219 |
| Insurance Fund | 3,373 | 531 | 875 | 3,717 |
| LPSA Reward Grant Investment Fund | 76 | - | - | 76 |
| LAA Reward Grant Investment Fund | 155 | - | - | 155 |
| Technology Fund | 1,731 | - | 24 | 1,755 |
| Reserve for Potential Redundancy Costs | 116 | - | - | 116 |
| Public Halls Fund | 7 | - | - | 7 |
| Town Centre Improvement Fund | 55 | - | - | 55 |
| Ex Glaxo Land Maintenance | 154 | 13 | 2 | 143 |
| Planning Services Charging Account | 182 | 182 | 193 | 193 |
| Grant Related Expenditure | 1,811 | 1,811 | 5,137 | 5,137 |
| Investment to Community Fund | 530 | 62 | - | 468 |
| Works to Property | 100 | - | - | 100 |
| Investment Fund | 4,621 | 4,533 | 6,109 | 6,197 |
| Invest to Save | 14,777 | - | 1,195 | 15,972 |
| Bromley Welcare | 29 | - | - | 29 |
| One-off Member Initiatives | 1,332 | 165 | - | 1,167 |
| Infrastructure Investment Fund | 2,000 | 132 | - | 1,868 |
| Commissioning Authority Programme | 55 | - | 500 | 555 |
| Health & Social Care - Promise Programme | 3,953 | - | - | 3,953 |
| Housing Strategy Trading Account | 25 | - | - | 25 |
| Community Right to Bid & Challenge | 46 | - | - | 46 |
| Sub Total 2017/18 | 37,749 | 8,471 | 14,675 | 43,953 |

Notes to the Core Financial Statements

9 Transfers to/from Earmarked Reserves continued

| | Balance at 31st March 2017 £000 | Transfers Out 2017/18 £000 | Transfers In 2017/18 £000 | Balance at 31st March 2018 £000 |
|---|--|----------------------------------|------------------------------------|--|
| 2017/18 | | | | |
| Balance brought forward from previous page | 37,749 | 8,471 | 14,675 | 43,953 |
| 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 | 750 | - | 864 |
| Cheyne Woods & Cyphers Gate | 163 | 10 | - | 153 |
| Healthy Bromley Fund | 3,815 | - | - | 3,815 |
| Transformation Fund | 979 | 355 | 2,000 | 2,624 |
| Future Repairs of High Street Properties | 31 | - | 12 | 43 |
| Collection Fund Surplus Set Aside | 4,912 | - | 6,401 | 11,313 |
| Parallel Fund | 2,700 | - | - | 2,700 |
| Growth Fund | 22,425 | 1,592 | 2,319 | 23,152 |
| Health & Social Care Integrated Commissioning | 4,550 | - | - | 4,550 |
| Financial Planning & Risk Reserve | 5,000 | - | 5,000 | 10,000 |
| Bromley Welfare Fund | 970 | 110 | - | 860 |
| PIL Reserve for Temporary Accommodation | 85 | - | 37 | 122 |
| Business Rate Risk Reserve | 4,200 | - | - | 4,200 |
| One Off Expenditure in 2016/17 (inc TFM Contr | 152 | 55 | - | 97 |
| Crystal Palace Park Improvements | 145 | 63 | - | 82 |
| Various Joint Schemes and Pump Priming Investr | 5,006 | 1,411 | 550 | 4,145 |
| Transition Fund | 568 | 30 | 2,052 | 2,590 |
| Childrens Social Care Transition Fund | 1,500 | 750 | - | 750 |
| Environmental Initiatives | 500 | - | - | 500 |
| Planning/Planning Enforcement | 250 | 53 | - | 197 |
| Apprenticeship Scheme | 200 | - | - | 200 |
| Civic Centre Development Strategy | 257 | - | - | 257 |
| CSC Recruitmernt & Retentiion | 855 | 433 | - | 422 |
| Future Professional Advice for Commissioning | 147 | - | - | 147 |
| Utilisation of New Homes Bonus | - | - | 2,256 | 2,256 |
| Future Pensions Risk in Outsourcing | - | - | 203 | 203 |
| West Wickham Leisure Centre & Library Redeve | - | - | 993 | 993 |
| Income Equalisation Reserve | - | - | 1,086 | 1,086 |
| Total Earmarked Reserves 2017/18 | 102,496 | 14,083 | 37,584 | 125,997 |

Notes to the Core Financial Statements

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 ringfenced 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.

Notes to the Core Financial Statements

9 Transfers to/from Earmarked Reserves continued

- 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.
- 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 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

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 ket service provision.
- Childrens 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 Ledisure centre and Libraries.

Notes to the Core Financial Statements

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.
- 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.

Notes to the Core Financial Statements

10 Other Operating Expenditure

| 2017/18 £000 | 2018/19 £000 |
|---|-----------------------|
| *Restated | |
| 1,321 Levies | 1,263 |
| 1 Payments to Government Housing Capital Receipts Pool | 2 |
| (1,171) Other Income | (724) |
| (50) Distribution of former LRB Balances | (10) |
| 40,731 Losses/Gains on the Disposal of Non-Current Assets * | (5,727) |
| <u>40,832</u> Total | <u>(5,196)</u> |

*The credit of £5.7m in 2018/19 relates to the net gain that arose on the disposal of a number of property, plant and equipment assets. The charge of £40.5m in 2017/18 relates to losses on property, plant and equipment assets as a result of a number of schools converting to academy or foundation status.”

11 Financing and Investment Income and Expenditure

| 2017/18 £000 | 2018/19 £000 |
|---|-----------------------|
| *Restated | |
| 521 Interest Payable and Similar Charges | 625 |
| 3,406 Net Interest on the Net Defined Benefit Liability | 1,694 |
| (5,489) Interest Receivable and Similar Income | (7,189) |
| (11,224) (Income)/Expenditure in Relation to Investment Properties and changes in their fair value | (2,988) |
| - Other Investment Income & Expenditure | 3,173 |
| <u>(12,786)</u> Total | <u>(4,685)</u> |

12 Taxation and Non Specific Grant Income

| 2017/18 £000 | 2018/19 £000 |
|---|-------------------------|
| (149,930) Council Tax Income | (156,480) |
| (26,756) Business Rates Income | (44,187) |
| (30,573) Non-Ringfenced Government grants | (9,718) |
| (3,165) Capital Grants and Contributions | (5,897) |
| <u>(210,424)</u> Total | <u>(216,282)</u> |

*See Note 6B

Notes to the Core Financial Statements

13 Expenditure and Income Analysed by Nature

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

| | 2017/18 | 2018/19 |
|---|-------------------------|-------------------------|
| | *Restated | |
| Expenditure/Income | £000 | £000 |
| Expenditure | | |
| Employee Expenses | 101,890 | 111,563 |
| Other Service Expenses | 404,836 | 410,490 |
| Support Service Recharges | (2,869) | (2,541) |
| Depreciation and Impairment | 17,833 | 30,350 |
| Precepts and Levies | 1,321 | 1,263 |
| Payments to Housing Capital Receipts Pool | 1 | 2 |
| Gain or Loss on Disposal of Non Current Assets | 42,089 | 666 |
| Interest and Investment Payments | (1,284) | 1,861 |
| Net Interest on the Net Defined Liability | 3,406 | 1,694 |
| Non Domestic Rates - Tariff | - | 18,176 |
| Contribution to London Business Rates Pool | - | 2,578 |
| Total Expenditure | <u>567,223</u> | <u>576,102</u> |
| Income | | |
| Fees, Charges & Other Service Income | (86,489) | (89,039) |
| Other Income | (2,579) | (7,127) |
| Interest and Investment Income | (15,299) | (13,908) |
| Income from Council Tax | (149,930) | (156,480) |
| Income from Non Domestic Rates | (26,756) | (64,941) |
| Government Grants and Contributions | (279,307) | (248,888) |
| Total Income | <u>(560,360)</u> | <u>(580,383)</u> |
| (Surplus) / Deficit on Provision of Services | <u>6,863</u> | <u>(4,281)</u> |

* See Note 6B

Notes to the Core Financial Statements

14 Property, Plant and Equipment

Movements on Balances

| | Land & Buildings Vehicles, Plant, Furniture & Equipment £000 | Infra-structure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 | |
|--|--|--------------------------------|--------------------------|------------------------|--------------------------------------|--|------------------|
| Movements in 2018/19 | | | | | | | |
| Cost or Valuation | | | | | | | |
| Balance at 1st April 2018 (*Restated) | 517,496 | 28,611 | 150,598 | 2,494 | 25,753 | 3,102 | 728,054 |
| Additions | 1,846 | 162 | 9,080 | - | - | 1,692 | 12,780 |
| Revaluation increases recognised in Revaluation Reserve | 4,546 | - | - | - | 153 | - | 4,699 |
| Derecognition - disposals | (284) | (396) | - | - | (318) | - | (998) |
| Assets reclassified to/from Investment Properties | - | - | - | - | - | - | - |
| Other Assets reclassified Assets reclassified to/from Assets Held for Sale | 4,483 | - | - | - | - | (4,483) | - |
| | (4,057) | - | - | - | - | - | (4,057) |
| As at 31st March 2019 | 524,030 | 28,377 | 159,678 | 2,494 | 25,588 | 311 | 740,478 |
| Accumulated Depreciation & Impairment | | | | | | | |
| As at 1st April 2018 (*Restated) | (239,488) | (16,046) | (47,346) | (1,458) | (19,441) | - | (323,779) |
| Depreciation charge | - | (792) | (3,935) | (83) | - | - | (4,810) |
| Impairment losses recognised in Revaluation Reserve | (4,745) | - | - | - | (25) | - | (4,770) |
| Impairment (losses)/reversals recognised in Deficit on Provision of Services | (1,859) | 32 | - | - | - | - | (1,827) |
| Derecognition - disposals | - | - | - | - | - | - | - |
| As at 31st March 2019 | (246,092) | (16,806) | (51,281) | (1,541) | (19,466) | - | (335,186) |
| Net Book Value | | | | | | | |
| As at 31st March 2019 | 277,938 | 11,571 | 108,397 | 953 | 6,122 | 311 | 405,292 |
| As at 31st March 2018 (Restated) | 278,008 | 12,565 | 103,252 | 1,036 | 6,312 | 3,102 | 404,275 |

* See Note 6B

Notes to the Core Financial Statements

14 Property, Plant and Equipment continued

Movements on Balances

| | Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infra-structure Assets | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant & Equipment |
|--|-------------------|--|------------------------|------------------|-------------------|------------------------------|--------------------------------------|
| | *Restated £000 | *Restated £000 | *Restated £000 | £000 | *Restated £000 | £000 | *Restated £000 |
| Comparative Movements in 2017/18 | | | | | | | |
| Cost or Valuation | | | | | | | |
| Balance at 1st April 2017 (*Restated) | 536,684 | 30,367 | 139,728 | 2,494 | 31,722 | 9,733 | 750,728 |
| Additions | 321 | 167 | 10,870 | - | - | 3,472 | 14,830 |
| Revaluation increases recognised in Revaluation Reserve | 14,419 | - | - | - | 513 | - | 14,932 |
| Derecognition - disposals | (38,298) | (1,923) | - | - | (931) | (5,733) | (46,885) |
| Assets reclassified to/from Investment Properties | - | - | - | - | - | - | - |
| Other Assets reclassified | 4,370 | - | - | - | - | (4,370) | - |
| Assets reclassified to/from Assets Held for Sale | - | - | - | - | (5,551) | - | (5,551) |
| As at 31st March 2018 | 517,496 | 28,611 | 150,598 | 2,494 | 25,753 | 3,102 | 728,054 |
| Accumulated Depreciation & Impairment | | | | | | | |
| As at 1st April 2017 (*Restated) | (243,923) | (15,833) | (43,627) | (1,375) | (19,730) | - | (324,488) |
| Depreciation charge | - | (1,003) | (3,719) | (83) | - | - | (4,805) |
| Impairment losses recognised in Revaluation Reserve | (3,486) | - | - | - | - | - | (3,486) |
| Impairment (losses)/reversals recognised in Deficit on Provision of Services | 7,886 | 790 | - | - | 289 | - | 8,965 |
| Derecognition - disposals | 35 | - | - | - | - | - | 35 |
| As at 31st March 2018 | (239,488) | (16,046) | (47,346) | (1,458) | (19,441) | - | (323,779) |
| Net Book Value | | | | | | | |
| As at 31st March 2018 | 278,008 | 12,565 | 103,252 | 1,036 | 6,312 | 3,102 | 404,275 |
| As at 1st April 2017 (*Restated) | 292,761 | 14,534 | 96,101 | 1,119 | 11,992 | 9,733 | 426,240 |

* See Note 6B

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 2019, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £19.3m. This mainly comprised commitments relating to works at schools funded by Basic Need grant (£11.7m), The Highways Investment Scheme (£3.2m), LIP Formular Funding (£1.2m), and West Wickham Leisure Centre (£0.7m). Commitments at 31st March 2018 totalled £18.8m.

(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 2018/19, all valuations were carried out by Cushman and Wakefield. 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 Total £000 | Property, Plant, & Equipment £000 |
|--|--------------------------|---|---------------------------------------|-----------------------------|------------------------|---|--|
| Carried at Historical Cost as at: | | | | | | | |
| 31st March 2019 | - | 33,475 | 108,397 | 953 | - | 311 | 143,136 |
| Valued at Current Value as at: | | | | | | | |
| 31st March 2019 | 221,355 | (6,826) | | | (360) | | 214,169 |
| 31st March 2018 | (48,824) | (4,949) | - | - | (4,700) | - | (58,473) |
| 31st March 2017 | (87,757) | (7,093) | - | - | 9,104 | - | (85,746) |
| 31st March 2016 | 208,590 | (1,030) | - | - | 7,932 | - | 215,492 |
| 31st March 2015 | (15,426) | (2,006) | - | - | (5,854) | - | (23,286) |
| Total Assets at Current Value | 277,938 | (21,904) | - | - | 6,122 | - | 262,156 |
| Total Property, Plant & Equipment | | | | | | | |
| 31st March 2019 | 277,938 | 11,571 | 108,397 | 953 | 6,122 | 311 | 405,292 |

Notes to the Core Financial Statements

15 Heritage Assets

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

| | Mayoral Regalia £000 | Art Works £000 | Total Assets £000 |
|---------------------------------------|-------------------------------------|---------------------------|----------------------------------|
| Cost or Valuation | | | |
| 1st April 2017 | 673 | 344 | 1,017 |
| Movement during year | - | - | - |
| Net Book Value 31st March 2018 | <u>673</u> | <u>344</u> | <u>1,017</u> |
| Cost or Valuation | | | |
| 1st April 2018 | 673 | 344 | 1,017 |
| Movement during year | - | - | - |
| Net Book Value 31st March 2019 | <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:

| 2017/18 £000 | 2018/19 £000 |
|--|-------------------------|
| (9,810) Rental Income from Investment Property | (9,892) |
| 791 Direct Operating Expenses arising from Investment Property | 1,494 |
| <u>(9,019) Net gain</u> | <u>(8,398)</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:

| 2017/18 *Restated £000 | 2018/19 £000 |
|--|-------------------------|
| 132,416 Balance at Start of Year | 136,008 |
| 3,971 Purchases | - |
| (2,584) Disposals | - |
| - Reclassified to Property, Plant and Equipment | - |
| - Reclassified from Surplus Properties | - |
| 2,205 Net Gains/(Losses) from Fair Value Adjustments | (5,410) |
| <u>136,008 Balance at End of Year</u> | <u>130,598</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.

* See Note 6B

Notes to the Core Financial Statements

16 Investment Property continued

Details of the authority's investment properties are as follows:

| 1st April 2017 *Restated £000 | 31st March 2018 *Restated £000 | | 31st March 2019 £000 |
|--|---|-------------------------------|-------------------------------------|
| 13,543 | 14,069 | Office units | 14,266 |
| 4,186 | 4,545 | Airport | 4,800 |
| 14,101 | 16,469 | Industrial | 17,844 |
| 99,087 | 99,332 | Commercial units | 92,057 |
| 1,499 | 1,593 | Other | 1,631 |
| <u>132,416</u> | <u>136,008</u> | Balance at End of Year | <u>130,598</u> |

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 2018/19.

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

* See Note 6B

Notes to the Core Financial Statements

17 Financial Instruments

(a) Reclassification and Remeasurement of Financial Assets at 1st April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the remeasurements of carrying amounts then required.

| | Carrying Amount at 1st April 2017 | Carrying Amount brought forward at 1st April 2018 | New Classifications at 1st April 2018 | |
|---|-----------------------------------|---|---------------------------------------|-----------------------------------|
| | | | Amortised Cost | Fair Value through Profit or Loss |
| Previous Classifications | £000 | £000 | £000 | £000 |
| Loans and Receivables | 184,455 | 183,578 | 183,578 | |
| Available for Sale | 80,845 | 80,040 | | 80,040 |
| Cash and Cash Equivalents | 6,991 | 22,542 | 22,542 | |
| Reclassified Amounts at 1st April 2018 | 272,291 | 286,160 | 206,120 | 80,040 |

(b) Categories of Financial Instruments

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

| | Non-Current | | Current | |
|--|----------------|----------------|----------------|----------------|
| | 31 March 2019 | 1st April 2018 | 31 March 2019 | 1st April 2018 |
| Financial Assets | £000 | £000 | £000 | £000 |
| Amortised Cost | | | | |
| Investments | 42,307 | 77,307 | 186,237 | 106,271 |
| Debtors * | 236 | 2,915 | 25,144 | 21,824 |
| Cash and Cash Equivalents | - | - | 14,514 | 22,542 |
| | 42,543 | 80,222 | 225,895 | 150,637 |
| Fair Value through Profit or Loss | | | | |
| Investments | 70,221 | 79,604 | 1,314 | 436 |
| Total Financial Assets | 112,764 | 159,826 | 227,209 | 151,073 |
| Financial Liabilities | | | | |
| Amortised Cost | | | | |
| Creditors * | - | - | 50,834 | 51,143 |
| Total Financial Liabilities | - | - | 50,834 | 51,143 |

* 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 2019 include a total principal of £311,828k and total accrued interest of £2,765k (£284,411k and total accrued interest of £1,749k as at 31st March 2018).

Notes to the Core Financial Statements

17 Financial Instruments continued

| (c) <i>Income, Expense, Gains and Losses</i> | Other Comprehensive Income and Expenditure | Surplus or Deficit on the Provision of Services | |
|---|---|--|--------------------------|
| | 2017/18 £'000 | 2017/18 £'000 | 2018/19 £'000 |
| Net (Gains)/Losses on: | | | |
| Available for Sale Financial Assets | 599 | - | - |
| Financial Assets Measured at Fair Value through Profit or Loss | - | - | (618) |
| Total Net (Gains)/Losses | 599 | - | (618) |
| Interest Income | | (5,489) | (7,189) |
| Interest Expense | | 9 | 4 |
| Net Interest | | (5,480) | (7,185) |

The net gain on Financial Assets Measured at Fair Value through Profit or Loss relates to the upward revaluation of two investments (£40m in a Property Fund and £30m in a Multi Asset Income Fund). This is offset by the write out of accumulated gains following the de-recognition of a £10m investment in two Diversified Growth Funds.

(d) 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 29th March 2019, 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:

| | 1st April 2018 | | 31st March 2019 | |
|---|----------------------------|-----------------------|----------------------------|-----------------------|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Financial Assets held at Amortised Cost | | | | |
| Investments | 183,578 | 184,322 | 228,544 | 229,124 |
| Long Term Debtors | 2,915 | 2,915 | 236 | 236 |
| Cash and Cash Equivalents | 22,542 | 22,542 | 14,514 | 14,514 |
| Total Financial Assets | 209,035 | 209,779 | 243,294 | 243,874 |

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

17 Financial Instruments continued

(e) 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.

| 2018 | | 2019 |
|---------------------|--|-------------------|
| £000 | | £000 |
| | Broomleigh Housing Association (Clarion Housing Group) | |
| | Property Transfer | |
| 2,473 | - Sale of Council Houses * | - |
| 16 | - Deferred Interest Earnings * | - |
| 282 | Loans for Miscellaneous Advances | 169 |
| 120 | Loans to Schools | 40 |
| 24 | Loans to Private Street Work Frontagers | 27 |
| <u>2,915</u> | | <u>236</u> |

* Under the Housing Stock Transfer agreement concluded with Broomleigh Housing Association (Clarion Housing Group) 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. The last receipt was in 2016. A long term debtor £2,489k (including accrued interest) was included in the 2017/18 accounts, which comprised 14 sales. In 2018/19 a further 2 properties were sold with a value of £496k (including accrued interest). As payment is due in 2019, the total amount of £2,985k is included in short-term debtors.

Notes to the Core Financial Statements

18 Inventories

| | Road Salt | | Other Consumables | | Total | |
|---|-----------------|-----------------|-------------------|-----------------|-----------------|-----------------|
| | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £000 | 2017/18 £000 |
| Balance outstanding at start of year | 133 | 191 | 6 | 5 | 139 | 196 |
| Purchases | 74 | 40 | 17 | 21 | 91 | 61 |
| Usage/Payment/Transfers during the year | (38) | (98) | (17) | (20) | (55) | (118) |
| Balance outstanding at year-end | 169 | 133 | 6 | 6 | 175 | 139 |

19 Short - Term Debtors

| 1st April 2017 Net £000 | 31st March 2018 Net £000 | | 31st March 2019 Net £000 |
|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|
| 3,400 | 4,454 | Debtors | |
| 774 | 386 | Central Government Bodies | 4,880 |
| 1,083 | 946 | Other Local Authorities | 1,367 |
| 456 | 550 | Council Tax | 926 |
| 830 | 2,909 | NNDR | 1,337 |
| 12,547 | 12,150 | NHS Bodies | 1,977 |
| 19,090 | 21,395 | Other Entities and Individuals | 14,762 |
| | | | 25,249 |
| 1,949 | 1,925 | Payments in Advance | 2,158 |
| 21,039 | 23,320 | | 27,407 |

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:

| 1st April 2017 | 2017/18 | | 2018/19 |
|---------------------------|----------------|--|----------------|
| £000 | £000 | | £000 |
| 26 | 16 | Cash held by the Authority | 14 |
| (2,385) | 1,534 | Bank Current Accounts | 2,013 |
| 6,991 | 22,542 | Short-term Deposits with Money Market Funds* | 14,514 |
| 4,632 | 24,092 | Total Cash and Cash Equivalents | 16,541 |

* 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.

| 2017/18 | | 2018/19 |
|------------------|--|----------------|
| *Restated | | £000 |
| £000 | | £000 |
| 305 | Balance outstanding at start of year | 5,856 |
| | Assets newly classified/(declassified) as held for sale: | |
| 5,551 | Property, Plant and Equipment | 4,057 |
| - | - Revaluation losses - recognised in Revaluation Reserve | - |
| - | - - recognised in deficit on Provision of Services | - |
| - | - Revaluation gains | - |
| - | - Assets sold | (5,856) |
| 5,856 | Balance outstanding at year-end | 4,057 |

22 Financial Assets/Liabilities

Short Term Borrowing / Temporary Loans

| | Balance as at 1st April 2017 | Balance as at 31st March 2018 | Loans Raised £000 | Loans Repaid £000 | Balance as at 31st March 2019 |
|-----------------|---|--|----------------------------------|----------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 |
| Pension Fund | (56) | 3,928 | - | (1,190) | 2,738 |
| Former LRB Fund | (570) | (53) | (397) | - | (450) |
| | (626) | 3,875 | (397) | (1,190) | 2,288 |

* See Note 6B

Notes to the Core Financial Statements

23 Short - Term Creditors

| 1st April 2017 £000 | 31st March 2018 £000 | | 31st March 2019 £000 |
|---------------------------|----------------------------|---|----------------------------|
| | | Creditors | |
| 2,251 | 2,209 | Central Government Bodies | 2,844 |
| 1,815 | 1,406 | Other Local Authorities | 829 |
| 2,065 | 7,435 | NHS Bodies | 8,266 |
| 6 | 15 | Public Corporations | 3 |
| 2,128 | 2,303 | Council Tax | 2,439 |
| 4,596 | 4,901 | Council Tax Precepts (GLA) | 4,853 |
| 5,938 | 5,798 | NNDR Central Government | - |
| 2,502 | 5,839 | NNDR GLA | 4,756 |
| 616 | 1,350 | NNDR LBB | 1,532 |
| 42,539 | 36,097 | Other Entities and Individuals | 35,185 |
| <u>64,456</u> | <u>67,353</u> | | <u>60,707</u> |
| | | Receipts in Advance | |
| 76 | 79 | Central Government Bodies & Other Local Authorities | 43 |
| 278 | 204 | NHS Bodies | 227 |
| 1,808 | 2,401 | Council Tax | 3,527 |
| 662 | 1,079 | NNDR LBB | 2,084 |
| 3,782 | 3,698 | Other Entities and Individuals | 4,110 |
| <u>6,606</u> | <u>7,461</u> | | <u>9,991</u> |
| <u>71,062</u> | <u>74,814</u> | | <u>70,698</u> |

24 Other Long Term Liabilities

| 1st April 2017 £000 | 31st March 2018 £000 | | 31st March 2019 £000 |
|---------------------------|----------------------------|--|----------------------------|
| 142,880 | 68,025 | Liability relating to Defined Benefit Pension Scheme # | 82,847 |
| 2,293 | 1,548 | Liability relating to Finance Leases * | 784 |
| <u>145,173</u> | <u>69,573</u> | | <u>83,631</u> |

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

* 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 2017 | 251 | 1,675 | 10731 | 12,657 |
| Balance at 1 April 2018 | 198 | 1,334 | 11,772 | 13,304 |
| Additional Provisions made in year | 77 | 878 | 6,718 | 7,673 |
| Amounts used in year | 108 | 553 | 2,706 | 3,367 |
| Unused amounts reversed in year | - | 268 | 369 | 637 |
| Balance at 31st March 2019 | 167 | 1,391 | 15,415 | 16,973 |

(a) Outstanding Legal Cases: the Council made provision for the financial implications arising from a number of legal cases totalling £167k.

(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 2019 (358 claims with a total estimate of £1,391k).

(c) Other Provisions include the following:

Provision has been made which represents the potential need to reimburse clients falling under Section 117 of the Mental Health Act who had previously been charged for residential care. A sum of £300k has been carried forward into 2018/19.

Provision of £8,256k has been made to reflect potential losses in business rates income as a result of changes to the rating list arising from successful appeals.

There are uncertainties regarding potential funding streams and liabilities for Learning Disabilities and Mental Health clients and a provision of £1,109k has been made.

A provision of £470k has been made for the potential repayment of housing benefit subsidy, mainly arising from uncertainty relating to government subsidy for overpayments generated from L.A. errors.

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

| 1st April 2017 | 31st March 2018 | | 31st March 2019 |
|-------------------|--------------------|--|--------------------|
| *Restated £000 | *Restated £000 | | £000 |
| 73,851 | 79,105 | Revaluation Reserve | 77,629 |
| 202 | (397) | Available for Sale Financial Instruments Reserve | - |
| - | - | Pooled Investment Funds Adjustment Account | 221 |
| 483,024 | 465,797 | Capital Adjustment Account | 462,119 |
| (142,880) | (68,025) | Pensions Reserve | (82,847) |
| 1,778 | 2,695 | Deferred Capital Receipts Reserve | 3,093 |
| 14,075 | 13,807 | Collection Fund Adjustment Account | 11,320 |
| (2,006) | (1,571) | Accumulated Absences Account | (1,460) |
| 428,044 | 491,411 | Total Unusable Reserves | 470,075 |

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.

| 2017/18 | | 2018/19 |
|-------------------|--|---------------|
| *Restated £000 | | £000 |
| 73,851 | Balance as at 1st April | 79,105 |
| 14,932 | Upward revaluation of assets | 4,699 |
| (3,486) | Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services | (4,770) |
| 11,446 | Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services | (71) |
| (6,192) | Accumulated losses on assets sold or scrapped | (1,405) |
| (6,192) | Amount written off to Capital Adjustment Account | (1,405) |
| 79,105 | Balance as at 31st March | 77,629 |

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.

* See Note 6B

Notes to the Core Financial Statements

27 Unusable Reserves continued

| AFS Reserve 2017/18 £000 | | PIFAA 2018/19 £000 |
|-----------------------------------|--|--------------------------|
| 202 | Balance as at 1st April | (397) |
| 879 | Upward revaluation of investments | 1,045 |
| (1,478) | Downward revaluation of investments and impairment losses | - |
| (599) | | 1,045 |
| - | Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement | (427) |
| (397) | Balance as at 31st March | 221 |

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.

| 2017/18 *Restated £000 | | 2018/19 £000 |
|------------------------------|---|-----------------|
| 483,024 | Balance as at 1st April | 465,797 |
| | <i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:</i> | |
| 4,160 | Charges for depreciation and impairment of non-current assets | (6,638) |
| (21,602) | Revenue expenditure funded from capital under statute | (17,387) |
| (43,089) | Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement | (5,067) |
| (60,531) | Net written out amount of the cost of non-current assets consumed in the year | (29,092) |
| | <i>Capital financing applied in the year:</i> | |
| 7,216 | Use of Capital Receipts Reserve to finance new capital expenditure | 8,905 |
| 20,931 | Capital grants and contributions credited to CI&E Statement that have been applied to capital financing | 16,374 |
| 3,809 | Application of grants to capital financing from the Capital Grants Unapplied Account | 2,333 |
| 804 | Statutory provision for capital financing charged against the General Fund | 657 |
| 8,339 | Capital expenditure charged against the General Fund balance | 2,555 |
| 41,099 | | 30,824 |
| 2,205 | Movements in market value of Investment Properties debited or credited to CI&E Statement | (5,410) |
| 465,797 | Balance as at 31st March | 462,119 |

* See Note 6B

Notes to the Core Financial Statements

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. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and present employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2017/18 | | 2018/19 |
|-----------------|--|-----------------|
| £000 | | £000 |
| (142,880) | Balance as at 1st April | (68,025) |
| 80,662 | Actuarial gains or (losses) on pensions assets and liabilities | (652) |
| (15,816) | 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 | (24,744) |
| 10,009 | Employer's pension contributions and direct payments to pensioners payable in the year | 10,574 |
| (68,025) | Balance as at 31st March | (82,847) |

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.

| 2017/18 | | 2018/19 |
|----------------|---|----------------|
| £000 | | £000 |
| 1,778 | Balance as at 1st April | 2,695 |
| 1,003 | New advances | 478 |
| (86) | Transfer to the Capital Receipts Reserve upon receipt of cash | (80) |
| 2,695 | Balance as at 31st March | 3,093 |

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.

| 2017/18 | 2018/19 |
|---|----------------------|
| £000 | £000 |
| 14,075 Balance as at 1st April | 13,807 |
| <u>(268) 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</u> | <u>(2,487)</u> |
| <u>13,807</u> Balance as at 31st March | <u>11,320</u> |

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.

| 2017/18 | 2018/19 |
|--|-----------------------|
| £000 | £000 |
| (2,006) Balance as at 1st April | (1,571) |
| 2,006 Settlement or cancellation of accrual made at the end of the preceding year | 1,571 |
| <u>(1,571) Amounts accrued at the end of the current year</u> | <u>(1,460)</u> |
| 435 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 | 111 |
| <u>(1,571) Balance as at 31st March</u> | <u>(1,460)</u> |

Notes to the Core Financial Statements

28 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2017/18 | 2018/19 |
|--------------------------------------|----------------|
| £000 | £000 |
| (5,929) Interest Received | (6,172) |
| <u>(5,929) Net Interest Received</u> | <u>(6,172)</u> |

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

| 2017/18 | 2018/19 |
|--|-----------------|
| Restated | £000 |
| £000 | £000 |
| (4,805) Depreciation | (4,811) |
| 8,965 Impairment/Reversals and Downward Valuations | (1,827) |
| (6,268) Increase/Decrease in Creditors | (8,207) |
| 1,810 Increase/Decrease in Debtors (net of bad debts) | (601) |
| (57) Increase/Decrease in Inventories | 36 |
| (5,807) Movement in Pension Liability | (14,170) |
| - Movement in Fair Value of Pooled Investment Funds | 618 |
| (49,281) Carrying Amount of Non-Current Assets and Non-Current Assets Held-for-Sale, Sold or De-Recognised | (6,472) |
| 2,729 Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services | (8,355) |
| <u>(52,714)</u> | <u>(43,789)</u> |

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

| 2017/18 | 2018/19 |
|---|----------------|
| £000 | £000 |
| 8,550 Proceeds from the Sale of Property, Plant and Equipment and Investment Property | 12,199 |
| 20,931 Other Items for which the Cash Effects are Investing or Financing Cash Flows | 16,374 |
| <u>29,481</u> | <u>28,573</u> |

29 Cash Flow Statement - Investing Activities

| 2017/18 | 2018/19 |
|---|----------------|
| £000 | £000 |
| 24,224 Purchase of Property, Plant and Equipment and Investment Property | 14,258 |
| 177,308 Purchase of Short-term and Long-term Investments | 150,000 |
| (8,550) Proceeds from the Sale of Property, Plant and Equipment and Investment Property | (12,199) |
| (178,000) Proceeds from Short-term and Long-term Investments | (115,000) |
| (14,370) Other Receipts from Investing Activities | (13,064) |
| <u>612 Net Cash Flows from Investing Activities</u> | <u>23,995</u> |

30 Cash Flow Statement - Financing Activities

| 2017/18 | 2018/19 |
|---|----------------|
| £000 | £000 |
| 4,501 Cash Receipts from Short-term Borrowing | (1,587) |
| (9,007) Other Receipts from Financing Activities | 3,983 |
| 804 Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases | 657 |
| <u>(3,702) Net Cash Flows from Financing Activities</u> | <u>3,053</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.

| 2017/18 Integrated Community Equipment Services £000 | | 2018/19 Integrated Community Equipment Services £000 |
|---|---|---|
| | Income | |
| 964 | Bromley CCG contribution | 717 |
| <u>1,003</u> | London Borough of Bromley contribution | <u>1,254</u> |
| 1,967 | Gross Income | 1,971 |
| | Expenditure | |
| 1,969 | Integrated Community Equipment Service | <u>1,971</u> |
| <u>1,969</u> | Gross Expenditure | 1,971 |
| <u>2</u> | Deficit / (Surplus) for the Year | <u>-</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.

| 2017/18 Mental Health Services £000 | | 2018/19 Mental Health Services £000 |
|--|--|--|
| | Income | |
| 19,742 | Oxleas NHS Foundation Trust contribution | 21,373 |
| <u>1,397</u> | London Borough of Bromley contribution | <u>1,406</u> |
| 21,139 | Gross Income | 22,779 |
| | Expenditure | |
| 21,648 | Mental Health Functions | <u>23,996</u> |
| <u>21,648</u> | Gross Expenditure | 23,996 |
| <u>509</u> | Deficit / (Surplus) for the Year | <u>1,217</u> |

The parties agreed that the underspend on LBB funded expenditure (£42k) would be retained within pooled funds for future years. The deficit on Oxleas expenditure (£1,259k) 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 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:

| 2017/18 | | 2018/19 |
|--------------------|---|--------------------|
| Better Care | | Better Care |
| Fund | | Fund |
| £000 | | £000 |
| | Income | |
| 20,287 | Bromley CCG revenue funding | 20,672 |
| 1,838 | Disabled Facilities capital grant | 1,995 |
| 747 | Carry Forward from 2017/18 - Capital | 1,238 |
| 157 | Carry Forward from 2017/18 - Revenue | 36 |
| 23,029 | Gross Income | 23,941 |
| | Expenditure | |
| 20,408 | Revenue expenditure | 20,650 |
| 1,347 | Capital expenditure | 1,247 |
| 21,755 | Gross Expenditure | 21,897 |
| | Deficit / (Surplus) for the Year | |
| (36) | Revenue | (58) |
| (1,238) | Capital | (1,986) |
| (1,274) | | (2,044) |

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.

| 2017/18 | | 2018/19 |
|--------------------|---|--------------------|
| Improved | | Improved |
| Better Care | | Better Care |
| Fund | | Fund |
| £000 | | £000 |
| | Income | |
| - | Revenue grant funding - recurrent | 2,013 |
| 4,184 | Revenue grant funding - additional | 3,363 |
| - | Carry Forward from 2017/18 | 3,172 |
| 4,184 | Gross Income | 8,548 |
| | Expenditure | |
| 1,012 | Revenue expenditure | 4,581 |
| 1,012 | Gross Expenditure | 4,581 |
| (3,172) | Deficit / (Surplus) for the Year | (3,967) |

The surplus on both BCF and IBCF has been carried forward to meet agreed priorities in 2019/20.

Notes to the Core Financial Statements

32 Members Allowances

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

| 2017/18 | | 2018/19 |
|----------------|------------|----------------|
| £000 | | £000 |
| 997 | Allowances | 997 |
| 7 | Expenses | 8 |
| <u>1,004</u> | Total | <u>1,005</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 2019, the actuary estimated the past service cost in 2018/19 to be £7,891k (zero in 2017/18).
- 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 2017/18 and 2018/19) arise when the Authority allows employees to retire on unreduced benefits before they would normally have been able to do so. A gain on settlements of £2,886k in 2017/18 (£nil in 2018/19) arose as a result of the adoption of academy status by a number of Bromley schools.

The following charges have been posted to Non Distributed Costs:

| 2017/18 | | 2018/19 |
|----------------|-----------------------|----------------|
| £000 | | £000 |
| (2,886) | (Gain) on Settlements | - |
| - | Past Service Cost | 7,891 |
| 285 | Other Pension Costs | 290 |
| <u>(2,601)</u> | | <u>8,181</u> |

Notes to the Core Financial Statements

34 Officers Remuneration

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

| Disclosure of remuneration for senior employees 2018/19 | 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 - D. Patterson | 147,198 | - | 147,198 | - | - | 147,198 |
| Interim Chief Executive (from December 2018) Deputy Chief Executive/Executive Director, Education, Care & Health Services (ended in December 2018) - A Adetosoye | 172,039 | 9,167 | 181,206 | 29,075 | - | 210,281 |
| Director of Corporate Services | 95,463 | 7,171 | 102,634 | 8,049 | - | 110,683 |
| Director of Finance | 140,603 | 4,438 | 145,041 | 12,178 | - | 157,219 |
| Director of Human Resources and Customer Services | 133,304 | - | 133,304 | 11,264 | - | 144,568 |
| Executive Director, Environmental & Community Services - Nigel Davies | 150,106 | 5,597 | 155,703 | 12,684 | - | 168,387 |
| #Director of Public Health - N. Lemic-Stojcevic | 170,565 | - | 170,565 | 22,730 | - | 193,295 |
| **Director of Adult Social Care | 101,734 | 2,662 | 104,396 | 17,193 | 74,000 | 195,589 |
| Director of Commissioning & Procurement | 120,134 | 6,524 | 126,658 | 10,151 | - | 136,809 |
| *** Director of Education | 23,495 | - | 23,495 | 3,971 | - | 27,466 |
| | 1,254,641 | 35,559 | 1,290,200 | 127,295 | 74,000 | 1,491,495 |

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

* Post Holder left the employment of the Council in December 2018.

** Post Holder left the employment of the Council in February 2019.

*** Post Holder joined the Council in January 2019.

Notes to the Core Financial Statements

34 Officers Remuneration continued

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

| Disclosure of remuneration for senior employees 2017/18 | 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 £ |
|--|--|---|--|-------------------------|---------------------------------|--|
| Chief Executive - D. Patterson | 192,533 | - | 192,533 | - | - | 192,533 |
| Deputy Chief Executive - Executive Director, Education, Care & Health Services - A Adetosoye | 165,534 | 417 | 165,951 | 27,975 | - | 193,926 |
| Director of Corporate Services | 96,597 | 6,448 | 103,045 | 14,290 | - | 117,335 |
| Director of Finance | 134,741 | 2,500 | 137,241 | 11,683 | - | 148,924 |
| Director of Human Resources | 122,243 | 1,667 | 123,910 | 10,329 | - | 134,239 |
| Executive Director, Environmental & Community Services | 138,696 | 4,231 | 142,927 | 11,720 | - | 154,647 |
| #Director of Public Health - N. | 162,196 | - | 162,196 | 21,677 | - | 183,873 |
| Director of Adult Social Care | 113,969 | - | 113,969 | 19,261 | - | 133,230 |
| Director of Commissioning & Procurement | 117,779 | 14,388 | 132,167 | 9,952 | - | 142,119 |
| * Director of Education | 54,359 | - | 54,359 | 6,124 | 40,000 | 100,483 |
| | 1,298,647 | 29,651 | 1,328,298 | 133,011 | 40,000 | 1,501,309 |

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

* Post Holder left the employment of the Council in July 2017.

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:

| 2017/18 | | 2018/19 | | Annual Remuneration | 2018/19 | |
|----------------------|------------------|-----------------|----------------------|---------------------|------------------|-----------------|
| Non-School Employees | School Employees | Total Employees | Non-School Employees | | School Employees | Total Employees |
| 36 | 11 | 47 | £50,000-£54,999 | 51 | 13 | 64 |
| 19 | 10 | 29 | £55,000-£59,999 | 21 | 13 | 34 |
| 22 | 4 | 26 | £60,000-£64,999 | 14 | 6 | 20 |
| 9 | 12 | 21 | £65,000-£69,999 | 14 | 8 | 22 |
| 10 | 3 | 13 | £70,000-£74,999 | 9 | 6 | 15 |
| 3 | - | 3 | £75,000-£79,999 | 6 | 1 | 7 |
| 6 | 2 | 8 | £80,000-£84,999 | 5 | - | 5 |
| 3 | - | 3 | £85,000-£89,999 | 5 | - | 5 |
| 3 | - | 3 | £90,000-£94,999 | 3 | 1 | 4 |
| 2 | - | 2 | £95,000-£99,999 | 2 | - | 2 |
| 1 | - | 1 | £100,000-£104,999 | 1 | - | 1 |
| 3 | 2 | 5 | £105,000-£109,999 | 1 | - | 1 |
| 1 | - | 1 | £110,000-£114,999 | 1 | 1 | 2 |
| - | - | - | £115,000-£119,999 | - | - | - |
| 1 | - | 1 | £120,000-£124,999 | - | - | - |
| - | - | - | £125,000-£129,999 | 1 | 1 | 2 |
| 1 | - | 1 | £130,000-£134,999 | 1 | - | 1 |
| 1 | - | 1 | £135,000-£139,999 | - | - | - |
| 1 | - | 1 | £140,000-£144,999 | - | - | - |
| - | - | - | £145,000-£149,999 | 2 | - | 2 |
| - | - | - | £150,000-£154,999 | - | - | - |
| - | - | - | £155,000-£159,999 | 1 | - | 1 |
| 1 | - | 1 | £160,000-£164,999 | - | - | - |
| 1 | - | 1 | £165,000-£169,999 | - | - | - |
| - | - | - | £170,000-£174,999 | 1 | - | 1 |
| - | - | - | £175,000-£179,999 | 1 | - | 1 |
| - | - | - | £180,000-£184,999 | 1 | - | 1 |
| - | - | - | £185,000-£189,999 | - | - | - |
| 1 | - | 1 | £190,000-£194,999 | - | - | - |
| - | 1 | 1 | £195,000-£199,999 | - | - | - |

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 | |
|---|---|-----------|---|----------|--|-----------|--|------------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 £000s | 2018/19 £000s |
| £0 - £20,000 | 4 | 5 | 9 | - | 13 | 5 | 110 | 38 |
| £20,001 - £40,000 | 5 | 4 | 3 | - | 8 | 4 | 253 | 108 |
| £40,001 - £60,000 | - | 2 | - | - | - | 2 | - | 95 |
| £60,001 - £80,000 | 2 | 1 | - | - | 2 | 1 | 143 | 74 |
| £80,001 - £100,000 | - | 2 | - | - | - | 2 | - | 186 |
| £100,001 - £150,000 | 1 | 1 | - | - | 1 | 1 | 144 | 148 |
| £150,001 - £200,000 | - | 1 | - | - | - | 1 | - | 156 |
| £250,001 - £300,000 | - | 1 | - | - | - | 1 | - | 268 |
| Total | 12 | 17 | 12 | - | 24 | 17 | 650 | 1,073 |

In 2018/19 the total cost of £1,073k (£650k in 2017/18) 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

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:

| 2017/18 | | 2018/19 |
|------------------------|--|------------------------|
| £000 | | £000 |
| | Fees payable to KPMG LLP in 2017/18 and to Ernst & Young LLP in 2018/19 with regard to: | |
| 119 | - External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts) | 92 |
| 21 | - Pension Fund audit fee | 16 |
| 13 | Fees payable to KPMG LLP for the certification of grant claims returns for the year | 16 |
| 3 | Fees payable to Grant Thornton for Teachers Pension Review | 3 |
| - | Fees payable to KPMG LLP with regard to fee variation on 2015/16 certification of grant claims returns. | 2 |
| | * There is an objection relating to the 2016/17 and 2017/18 accounts which are currently being examined by KPMG LLP. Fees for this work have not yet been finalised. | |
| <hr/> 156 <hr/> | | <hr/> 129 <hr/> |

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 2018/19 are as follows:

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 | Notes |
|--|--------------------------------|---|---------------|------------|
| Final DSG for 2018/19 before Academy and high needs recoupment | | | 275,735 | (a) |
| Academy and high needs figure recouped for 2018/19 | | | (199,496) | (b) |
| Total DSG after Academy and high needs recoupment for 2018/19 | | | 76,239 | (c) |
| Plus: Brought forward from 2017/18 | | | 1,180 | (d) |
| Less: Carry forward to 2019/20 agreed in advance | | | - | (e) |
| Agreed initial budgeted distribution in 2018/19 | 40,130 | 37,289 | 77,419 | (f) |
| In year adjustments | - | (166) | (166) | (g) |
| Final budgeted distribution for 2018/19 | 40,130 | 37,123 | 77,253 | (h) |
| Less Actual central expenditure | 39,435 | - | 39,435 | (i) |
| Less Actual ISB deployed to schools | - | 36,323 | 36,323 | (j) |
| Plus Local Authority contribution for 2018/19 | 1,000 | - | 1,000 | (k) |
| Carry forward to 2019/20 | 1,695 | 800 | 2,495 | (l) |

- (a) Final DSG figure before any amount has been recouped from the Authority excluding the January 2019 early years block adjustment.
- (b) Figure recouped from the Authority in 2018/19 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 2018/19 but will not be recouped by DfE until 2019/20.
- (c) Total DSG figure after Academy and high needs recoupment for 2018/19.
- (d) Figure brought forward from 2017/18 as agreed with the Department.
- (e) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2019/20 rather than distribute in 2018/19.
- (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 2018/19.
- (j) Amount of ISB actually distributed to schools.
- (k) Any contribution from the Local Authority in 2018/19 which will have the effect of substituting for DSG in funding the Schools Budget.
- (l) Carry forward to 2019/20.

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 2017/18 and 2018/19.

| <i>Credited to Taxation and Non Specific Grant Income</i> | 2017/18 | 2018/19 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Revenue Grants: | | |
| Revenue Support Grant | 10,855 | - |
| Business Rates Related Grant Income | 11,448 | 6,095 |
| New Homes Bonus | 6,218 | 3,623 |
| Transition Grant | 2,052 | - |
| | <u>30,573</u> | <u>9,718</u> |
| Total Government Grants | <u>30,573</u> | <u>9,718</u> |
| Other Capital Grants and Contributions: | <u>3,165</u> | <u>5,897</u> |
| Total Credited to Taxation and Non Specific Grant Income | <u>33,738</u> | <u>15,615</u> |
| <i>Credited to Services</i> | 2017/18 | 2018/19 |
| | £000 | £000 |
| Revenue Grants: | | |
| Housing Benefit & Council Tax | 115,078 | 109,344 |
| Dedicated Schools Grant | 74,906 | 74,757 |
| Public Health | 15,096 | 14,708 |
| Improved Better Care Fund | 4,184 | 5,377 |
| Education Funding Agency | 2,858 | 2,719 |
| Flexible Homeless Support | 2,107 | 2,368 |
| Environment Agency Waste4Fuel | 1,607 | - |
| Skills Funding Agency - Adult Education | 1,533 | 1,580 |
| Pupil Premium | 1,404 | 1,305 |
| Winter Pressures | - | 1,190 |
| Council Tax Support & Housing Benefits Administration | 1,244 | 1,152 |
| Unaccompanied Asylum Seekers | 670 | 1,048 |
| Troubled Families | 683 | 801 |
| Adult Social Care Support | 1,196 | 744 |
| Discretionary Housing Payment | 729 | 725 |
| Step up to Social Work | 223 | 685 |
| Independent Living Fund | 644 | 624 |
| Universal Infant Free School meals | 478 | 340 |
| Preventing Homelessness | 152 | 322 |
| Adoption Support Fund | - | 315 |
| Home Office - Community Safety | 335 | - |
| Homelessness Reduction Act | 255 | - |
| SEN Reform | 225 | - |
| Youth Justice Board | 220 | 221 |
| SEND Implementation | - | 189 |
| Local Reform & Community Voices | 165 | 168 |
| Education Services Grant | 166 | - |
| Other Miscellaneous Grants | 1,454 | 1,662 |
| | <u>227,612</u> | <u>222,344</u> |

Notes to the Core Financial Statements

37 Grant Income continued

| <i>Credited to Services continued</i> | 2017/18 | 2018/19 |
|---------------------------------------|-----------------------|-----------------------|
| | £000 | £000 |
| Capital Grants: | | |
| Basic Need | 9,732 | 3,761 |
| Disabled Facilities Grant | 2,021 | 2,228 |
| Maintenance in Schools | 580 | 421 |
| Free School MUGA | - | 301 |
| Devolved Formula Capital | 92 | 182 |
| Other Capital Grants | - | 29 |
| | <u>12,425</u> | <u>6,922</u> |
| Total Government Grants | <u>240,037</u> | <u>229,266</u> |
| Other Grants and Contributions: | | |
| Other Grants and Contributions | 1,687 | 641 |
| Section 106 Developers Contributions | 3,845 | 3,366 |
| Total Contributions | <u>5,532</u> | <u>4,007</u> |
| Total Credited to Services | <u>245,569</u> | <u>233,273</u> |

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

| | 1st April | 2017/18 | 2018/19 |
|---|----------------------|----------------------|----------------------|
| | 2017 | | |
| | £000 | £000 | £000 |
| <i>Revenue Grants Creditors and Receipts in Advance</i> | | | |
| Dedicated Schools Grant | 1,623 | 1,886 | 2,495 |
| Housing Benefit Grant | 242 | - | 3,163 |
| SEND Implementation | | 189 | - |
| LEP Project | 330 | 208 | 118 |
| Other Miscellaneous Grants | 272 | 259 | 103 |
| Total Government Grants | <u>2,467</u> | <u>2,542</u> | <u>5,879</u> |
| <i>Other Grants and Contributions Receipts in Advance</i> | | | |
| Section 106 Developers Contributions - Revenue | 1,752 | 2,060 | 2,362 |
| Section 106 Developers Contributions - Capital | 7,980 | 6,583 | 8,350 |
| Total Contributions | <u>9,732</u> | <u>8,643</u> | <u>10,712</u> |
| Total Receipts in Advance | <u>12,199</u> | <u>11,185</u> | <u>16,591</u> |

Notes to the Core Financial Statements

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 2019 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 2018/19 is shown in Note 32. During 2018/19, there are no declarable related party transactions with the exception of the following:-

- a) Councillor P. Fortune is Director of Clarion Housing (formerly Affinity Sutton Homes), to which the Council paid £888k in 2018/19.
- b) Until June 218, Councillor K. Onslow was employed by the Royal Borough of Greenwich, to which the Council paid £306k in 2018/19, for a number of services including fraud investigations and insurance services.
- c) Councillor Mcilveen is employed by the Royal Mail Group to which the Council paid £193k in 2018/19.

Officers

- i) During 2018/19 £10.41m 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.
- ii) During 2018/19 a family member of the Executive Director of Environment & Community Services, undertook freelance design work across the Council at a cost of £4k.
- iii) A family member of the Director of Corporate Services is employed by MCCH Society Ltd, to which the Council paid £76k in 2018/19, relating to a number of contracts.

Other Public Bodies

The Authority has 2 pooled budget arrangement 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 negative and as a result, interest of £68k was charged to the Fund (£46k was paid in 2017/18). In 2018/19, £662k was charged to the Fund for expenses incurred in administering the Fund (£593k in 2017/18).

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. Due to the nature and structure of the arrangement, the direct expenditure the Council incurred in 2018/19 was a one-off payment of £181k towards the purchase and adaptation of a wheelchair accessible property funded from S106 contributions.

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.

| | 2017/18 | 2018/19 |
|---|----------------|----------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 3,103 | 2,254 |
| <i>Capital investment</i> | | |
| Property, Plant and Equipment | 14,830 | 12,780 |
| Investment Properties | 3,971 | - |
| Revenue Expenditure Funded from Capital under Statute | 21,602 | 17,387 |
| | <u>40,403</u> | <u>30,167</u> |
| <i>Sources of finance</i> | | |
| Capital receipts | 7,216 | 8,905 |
| Government grants and other contributions | 24,740 | 18,707 |
| Sums set aside from revenue: | | |
| Direct revenue contributions | 8,339 | 2,555 |
| Finance Leases Repaid/Terminated | 957 | 1,039 |
| | <u>41,252</u> | <u>31,206</u> |
| Movement in Capital Financing Requirement | (849) | (1,039) |
| <i>Closing Capital Financing Requirement</i> | 2,254 | 1,215 |
| <i>Explanation of movements in year</i> | | |
| Reduction in underlying need for borrowing (unsupported by government financial assistance) | (957) | (1,039) |
| Assets acquired under finance leases | 108 | - |
| Increase/(decrease) in Capital Financing Requirement | <u>(849)</u> | <u>(1,039)</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. The most significant of these relate to 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 gulley 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.

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 in the Balance Sheet at the following net amounts:

| | 31st March 2018 £000 | 31st March 2019 £000 |
|-------------------------------|-------------------------------------|-------------------------------------|
| Vehicles, Plant and Equipment | 2,254 | 1,215 |
| | <u>2,254</u> | <u>1,215</u> |

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:

| | 31st March 2018 £000 | 31st March 2019 £000 |
|---|-------------------------------------|-------------------------------------|
| Finance lease liabilities (net present value of minimum lease payments) | | |
| - current (within 1 year) | 706 | 431 |
| - non current (later than 1 year) | 1,548 | 784 |
| Finance costs payable in future years | 1,063 | 475 |
| Minimum lease payments | <u>3,317</u> | <u>1,690</u> |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | 31st March 2018 £000 | 31st March 2019 £000 | 31st March 2018 £000 | 31st March 2019 £000 |
| Not later than one year | 944 | 599 | 706 | 431 |
| Later than one and less than five years | 2,241 | 1,081 | 1,432 | 777 |
| Later than five years | 132 | 10 | 116 | 7 |
| | <u>3,317</u> | <u>1,690</u> | <u>2,254</u> | <u>1,215</u> |

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:

| | 31st March 2018 £000 | 31st March 2019 £000 |
|---|-------------------------------------|-------------------------------------|
| Not later than one year | 230 | 465 |
| Later than one and less than five years | 414 | 392 |
| Later than five years | 794 | 704 |
| | <u>1,438</u> | <u>1,561</u> |

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

| | 31st March 2018 £000 | 31st March 2019 £000 |
|---|-------------------------------------|-------------------------------------|
| <i>Minimum lease payments</i> | | |
| Resources, Commissioning & Contracts Management Portfolio | 167 | 53 |
| Environment & Community Portfolio | 103 | 84 |
| Renewal, Recreation and Housing | 54 | 54 |
| Education, Children & Families | 245 | 236 |
| Adult Care and Health Services | 11 | 91 |
| | <u>580</u> | <u>518</u> |

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.

| | 31st March 2018 £000 | 31st March 2019 £000 |
|---|-------------------------------------|-------------------------------------|
| Not later than one year | 2 | 5 |
| Later than one and less than five years | 2 | 8 |
| | <u>4</u> | <u>13</u> |

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

| | 31st March 2018 £000 | 31st March 2019 £000 |
|-------------------------------|-------------------------------------|-------------------------------------|
| <i>Minimum lease payments</i> | | |
| Education | 6 | 5 |
| | <u>6</u> | <u>5</u> |

Notes to the Core Financial Statements

40 Leases continued

Finance Leases - Authority as Lessor

As at 31st March 2019, 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 2018 £000 | 31st March 2019 £000 |
|---|-------------------------------------|-------------------------------------|
| Not later than one year | 9,247 | 8,777 |
| Later than one and less than five years | 30,058 | 27,770 |
| Later than five years | 227,446 | 223,369 |
| | <u>266,751</u> | <u>259,916</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 £203m as at 31st March 2019 (£214m as at 31st March 2018). Depreciation, impairment charges and impairment reversals of £0.3m, £6.1m and £11.3m respectively were made in 2018/19.

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

| | 31st March 2018 £000 | 31st March 2019 £000 |
|---|-------------------------------------|-------------------------------------|
| <i>Minimum lease payments</i> | | |
| Resources, Commissioning & Contracts Management Portfolio | 666 | 326 |
| Environment & Community Portfolio | 553 | 454 |
| Renewal, Recreation and Housing | 102 | 104 |
| Education, Children & Families | 10 | 22 |
| Adult Care and Health Services | 23 | 78 |
| Financing & Investing Income & Expenditure | 9,178 | 8,830 |
| <i>Contingent rents</i> | | |
| Financing & Investing Income & Expenditure | 621 | 742 |
| | <u>11,153</u> | <u>10,556</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.

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 2019 was £84.1m (£77.5m to 31st March 2018).

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 until 31st March 2024.

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 Leisure Centres which remain in the authority's ownership, the Authority has paid a total of £18.3m to 31st March 2019 (£17.5m to 31st March 2018).

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 £7.2m to 31st March 2019 (£2.7m to 31st March 2018).

42 Impairment Losses/(Reversals)

During 2018/19 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.

| 2017/18 | 2018/19 |
|---------------------------------------|----------------|
| Restated | |
| £000 | £000 |
| (8,965) Property, Plant and Equipment | 1,827 |
| <u>(8,965)</u> | <u>1,827</u> |

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

| 2017/18 | 2018/19 |
|---|----------------|
| Restated | |
| £000 | £000 |
| (480) Adult Care and Health Services | (47) |
| (773) Education, Children & Families | (241) |
| (723) Environment & Community Portfolio | 476 |
| (6,005) Renewal, Recreation and Housing | 1,890 |
| (984) Resources, Commissioning & Contracts Management Portfolio | (251) |
| <u>(8,965)</u> | <u>1,827</u> |

43 Termination Benefits

The Authority terminated the contracts of a number of employees in 2018/19 incurring liabilities of £1,073k (£650k in 2017/18) - see Note 34 for the number of exit packages and total cost per band. The total expenditure in 2018/19 related to 17 employees across all departments of the Authority (24 employees in 2017/18).

Notes to the Core Financial Statements

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 employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council's Pension Fund is a funded defined benefit final salary statutory scheme operated (until 31st March 2014) under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2008 (as amended). With effect from 1st April 2014, these regulations were revoked and replaced by the LGPS Regulations 2013. The Authority and employees pay contributions into the Fund, calculated at a level intended to ensure that pensions liabilities balance with investment assets over a period of time. The Fund provides benefits for members, including retirement pensions, lump sum retirement grants and widow's pensions.

Governance of the scheme is the responsibility of the London Borough of Bromley Pensions Investment Sub-Committee and policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Sub-Committee and, as at 31st March 2019, include Baillie Gifford, Blackrock, Fidelity, Schroders and MFS International.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory, structural and inflation changes, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The Authority also makes arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments when they eventually fall due.

(b) Transactions relating to Post-employment Benefits

The cost of retirement benefits is recognised in the Cost of Services within the Comprehensive Income & Expenditure Statement when benefits are earned by employees, rather than when they are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year, based on figures provided in the IAS 19 reports as at 31st March 2018 and 2019, prepared by the Council's actuary, Mercer.

These figures include the estimated impact of the McCloud judgement.

| | 2017/18 | 2018/19 |
|--|-----------------|-----------------|
| | £000 | £000 |
| <u>Comprehensive Income & Expenditure Statement</u> | | |
| Current service cost | 14,992 | 14,927 |
| Past service cost | - | 7,891 |
| Settlements | (2,886) | - |
| Administration Costs | 304 | 232 |
| Total included in Cost of Services | <u>12,410</u> | <u>23,050</u> |
| <u>Financing & Investment Income & Expenditure</u> | | |
| Net Pensions interest cost | 3,406 | 1,694 |
| Total included in Surplus or Deficit on the Provision of Services | <u>15,816</u> | <u>24,744</u> |
| <u>Other Benefits Charged to the Comprehensive Income & Expenditure Statement</u> | | |
| Remeasurement of Net Defined Benefit Obligation | (80,662) | 652 |
| <u>Total Post-employment Benefit Charged to the Comprehensive Income & Expenditure Statement</u> | <u>(64,846)</u> | <u>25,396</u> |
| <u>Movement in Reserves Statement</u> | | |
| Reversal of net charges to the Surplus or Deficit on the Provision of Services | (15,816) | (24,744) |
| Employers' contributions and benefits payable direct to pensioners | 10,009 | 10,574 |
| | <u>(5,807)</u> | <u>(14,170)</u> |
| Actual return on scheme assets | 69,799 | 62,151 |

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 | |
|---|-----------------|-----------------|-------------------|----------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £000 | £000 | £000 | £000 |
| Present value of defined benefit obligation | (851,303) | (909,765) | (3,750) | (3,609) |
| Fair value of plan assets | 787,028 | 830,527 | - | - |
| Net liability from defined benefit obligation | <u>(64,275)</u> | <u>(79,238)</u> | <u>(3,750)</u> | <u>(3,609)</u> |

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

| | LGPS | | Unfunded Benefits | |
|-------------------------------------|----------------|----------------|-------------------|--------------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £000 | £000 | £000 | £000 |
| Opening Liability | 875,124 | 851,303 | 4,096 | 3,750 |
| Current service cost | 14,992 | 14,927 | - | - |
| Interest cost | 21,478 | 22,600 | 98 | 96 |
| Contributions by scheme members | 2,915 | 3,114 | - | - |
| Remeasurement (gains)/losses: | | | | |
| Experience | - | - | - | - |
| Financial assumptions | (28,948) | 41,588 | (86) | 121 |
| Demographic assumptions | - | - | - | - |
| Past service costs | - | 7,891 | - | - |
| Curtailments | - | - | - | - |
| Settlements | (5,246) | - | - | - |
| Benefits paid | (29,012) | (31,658) | (358) | (358) |
| Closing Liability (Defined Benefit) | <u>851,303</u> | <u>909,765</u> | <u>3,750</u> | <u>3,609</u> |

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

| | LGPS | | Unfunded Benefits | |
|-------------------------------------|----------------|----------------|-------------------|----------|
| | 2017/18 | 2018/19 | 2017/18 | 2018/19 |
| | £000 | £000 | £000 | £000 |
| Opening fair value of scheme assets | 736,340 | 787,028 | - | - |
| Interest on plan assets | 18,170 | 21,002 | - | - |
| Remeasurements (assets) | 51,628 | 41,057 | - | - |
| Administration Expenses | (304) | (232) | - | - |
| Contributions by employer | 9,651 | 10,216 | 358 | 358 |
| Contributions by scheme members | 2,915 | 3,114 | - | - |
| Settlements | (2,360) | - | - | - |
| Benefits paid | (29,012) | (31,658) | (358) | (358) |
| Closing fair value of scheme assets | <u>787,028</u> | <u>830,527</u> | <u>-</u> | <u>-</u> |

In 2018/19, the net liability increased by £15m (from £68m to £83m). This was mainly due to the estimated impact of the McCloud judgement on past service costs and interest on liabilities being higher than interest on plan assets.

The actual return on plan assets in the year was a gain of £62.1m (gain of £69.8m in 2017/18).

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £913m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance (deficit) of £82.8m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the scheme will be made good by increased employer contributions over a 12 year period, as assessed by the scheme actuary in the last full valuation of the fund as at 31st March 2016.

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 2018 £000 | As at 31st March 2019 £000 |
| Equities | 613,882 | 506,622 |
| Government bonds | 51,944 | 58,967 |
| Other bonds | 51,944 | 52,323 |
| Property Funds | - | 39,865 |
| Other | 63,749 | 161,122 |
| Cash / liquidity | 5,509 | 11,628 |
| | <u>787,028</u> | <u>830,527</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 2016 and latest estimates for for the Fund as at 31st March 2019.

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

| | As at 31st March 2018 | As at 31st March 2019 |
|--|-----------------------------|-----------------------------|
| Longevity at 65 for pensioners retiring today (years): | | |
| Men | 23.4 | 23.5 |
| Women | 26.1 | 26.2 |
| Longevity at 65 for pensioners retiring in 20 years (years): | | |
| Men | 26.1 | 26.2 |
| Women | 28.4 | 28.5 |
| Rate of inflation - CPI | 2.2% | 2.2% |
| Rate of increase in salaries | 3.7% | 3.7% |
| Rate of increase in pensions | 2.3% | 2.3% |
| Rate for discounting scheme liabilities | 2.7% | 2.4% |

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 Government Actuary's Department (GAD) has 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 | 913,374 |
| + 0.1% on rate for discounting scheme liabilities | 899,128 |
| + 0.1% on inflation rate | 927,845 |
| + 0.1% on pay growth | 914,696 |
| +1 year on life expectancy | 931,380 |

(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 2016, the Authority agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 12 years. Funding levels are monitored and the next triennial valuation is due to be completed as at 31st March 2019.

The actuary has estimated a total authority contribution of £10.9m in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16 years as at 31st March 2019 (also 16 years as at 31st March 2018).

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 2018/19, Bromley paid into the Pension Fund a total contribution of £11.1m (24.9% of total pensionable pay), including a past deficit contribution of £2.1m. This compares to £10.4m (24.1%) and £2.1m in 2017/18. 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 2018/19 incorporated the results of the full valuation as at 31st March 2016, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over 12 years.

(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 2018/19, Bromley paid £1.4m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 16.5% of teachers' pensionable pay. The figures for 2017/18 were £1.5m and 16.5%. 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 2018/19 and 2017/18.

(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 2018/19, the Authority paid £0.1m (14.4% of pensionable pay) to the NHS scheme in respect of these staff (also £0.1m and 14.4% in 2017/18).

Notes to the Core Financial Statements

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 2018/19 there are six 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) There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Council repudiates any liability. It is difficult to give a much fuller assessment unless proceedings are actually issued and the completed particulars of the claim and quantified damages are known. However, it is estimated that the maximum claim could be in the region of £1m.
- 3) There are potential risks through the Council picking up liabilities from Governing Bodies of Foundation and Community schools which convert to Academy status. The financial impact of this cannot be quantified at this stage.
- 4) 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.
- 5) There is a potential impact to the authority relating to the issue of NHS Trusts seeking charitable relief from Business Rates. The Local Government Association (LGA) have determined that NHS Trusts are not charitable organisations as they are commissioned by Central Government to provide a Health Service and have an element of private healthcare which fails the public benefit test, this view is also supported by the LGA's Counsel. The estimated liability to the Council is around £3.5m
- 6) 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.

Notes to the Core Financial Statements

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 2018/19 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

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 2018/19 was approved by Full Council in February 2018 (subsequently revised in December 2018 and February 2019) 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 (£314.6m) 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 2019 that this was likely to materialise.

No breaches of the Council's counterparty criteria occurred during 2018/19 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 | |
|-------------------------------------|---|-----------------|
| | 2017/18 £000 | 2018/19 £000 |
| Opening Balance as at 1st April | 20,132 | 20,369 |
| Amounts Written Off | (3,360) | (1,862) |
| Changes in Models / Risk Parameters | 3,597 | 3,861 |
| Balance as at 31st March | 20,369 | 22,368 |

Credit Risk Exposure

A summary of the credit ratings of the Council's investments in line with the Treasury Management Strategy is shown below:

| | Credit Risk Rating | Gross Carrying Amount £m |
|---|-----------------------|-----------------------------------|
| Investments Measured at Amortised Cost | AAA | 14,514 |
| | A | 145,803 |
| | A- | 35,265 |
| | N/A | 47,476 |
| | | 243,058 |
| Investments Measured at Fair Value through Profit or Loss | N/A | 71,535 |
| Total Investments | | 314,593 |

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 2018 £000 | As at 31st March 2019 £000 |
|------------------------|-------------------------------------|-------------------------------------|
| Less than three months | 5,995 | 5,601 |
| Three to six months | 2,471 | 1,062 |
| Six months to one year | 1,446 | 997 |
| More than one year | 3,861 | 4,676 |
| | 13,773 | 12,336 |

Notes to the Core Financial Statements

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:

| Principal Sum Invested as at 31st March 2018 £000 | | Principal Sum Invested as at 31st March 2019 £000 |
|--|---------------------------|--|
| 127,500 | Less than one year | 199,300 |
| 75,000 | Between one and two years | 42,307 |
| 81,911 | More than two years | 70,221 |
| <u>284,411</u> | | <u>311,828</u> |

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

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 2018/19 were fixed interest investments with banks, building societies or other local authorities. In addition to fixed interest deposits, the Council also has investments with a Property Fund (£40m) and a Multi-Asset Income Fund (£30m). Both 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 2019, a total of £4,985k had been received from the administrator (98% 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 £199k in 2015/16. This reduced the balance of the provision for potential loss to £102k (2% 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 minimus 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 | 2017/18 £000 | 2018/19 £000 |
|---|-------|-----------------|-----------------|
| Income | | | |
| Amounts receivable from Council Tax payers | (1) | 188,774 | 197,840 |
| Income collectable from Business Rate payers | (2) | 91,528 | 95,102 |
| Income Collectable from Business Rate Supplement | (3) | 2,355 | 2,412 |
| | | <u>282,657</u> | <u>295,354</u> |
| Expenditure | | | |
| Precepts / Demands | | | |
| - London Borough of Bromley | | 143,177 | 150,607 |
| - Greater London Authority | | 35,989 | 38,251 |
| Business Rates | (2) | | |
| - Payments to National Pool | | | |
| - Payment to Central Government (CLG) | | 30,211 | (519) |
| - Payment to Greater London Authority (GLA) | | 33,666 | 33,957 |
| - Payment to London Borough of Bromley | | 27,376 | 60,359 |
| - Cost of Collection | | 336 | 334 |
| Business Rate Supplement | (3) | | |
| - Contribution to GLA | | 2,347 | 2,406 |
| - Cost of Collection/Administrative Costs | | 8 | 6 |
| Bad and Doubtful Debts / Appeals | | | |
| - Write offs | | 1,684 | 1,596 |
| - Provision for Appeals | | 2,005 | 1,248 |
| - Increase / (decrease) in bad debt provision | | (544) | (35) |
| | | <u>276,255</u> | <u>288,210</u> |
| Surplus for the Year | | | |
| | | <u>(6,402)</u> | <u>(7,144)</u> |
| Distribution of Previous Year's Collection Fund Surplus | | | |
| - London Borough of Bromley | | 6,401 | 7,853 |
| - Greater London Authority | | 1,649 | 1,974 |
| | | <u>8,050</u> | <u>9,827</u> |
| Net Movement on Fund Balance | | | |
| | | <u>1,648</u> | <u>2,683</u> |
| Fund Balance | | | |
| Balance at 1st April | | (17,279) | (15,631) |
| Net movement for year | | (6,402) | (7,144) |
| Distribution of 2015/16 and 2016/17 Surplus | | 8,050 | 9,827 |
| Balance at 31st March - Deficit / (Surplus) | | <u>(15,631)</u> | <u>(12,948)</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 2018 £000 | Distribution of Surplus in 2018/19 £000 | Surplus for 2018/19 £000 | Surplus as at 31st March 2019 £000 |
|---------------------------|--|--|-----------------------------------|--|
| London Borough of Bromley | (14,605) | 7,853 | (5,873) | (12,625) |
| Greater London Authority | (3,689) | 1,974 | (1,548) | (3,263) |
| | <u>(18,294)</u> | <u>9,827</u> | <u>(7,421)</u> | <u>(15,888)</u> |

The balance of the surplus held at 31st March 2018 will be distributed in 2019/20 and the 2018/19 surplus will be distributed in 2020/21.

Business Rates Balance split into its attributable parts:

| | Deficit for 31st March 2018 £000 | Distribution of estimated Deficit in 2018/19 £000 | Deficit for 2018/19 £000 | Deficit as at 31st March 2019 £000 |
|---------------------------|--|---|-----------------------------------|--|
| London Borough of Bromley | 799 | 291 | 797 | 1,305 |
| Greater London Authority | 786 | 159 | 449 | 1,076 |
| Central Government | 1,078 | 519 | - | 559 |
| | <u>2,663</u> | <u>969</u> | <u>1,246</u> | <u>2,940</u> |

The deficit held at 31st March 2019 of £2,940k will be distributed in 2019/20 and 2020/21.

Council Tax and Business Rates Net Deficit / (Surplus)

(12,948)

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 2019

| | Fund 1 | Fund 2 | TOTAL |
|---------------------------------------|---------------|---------------|---------------|
| | £000 | £000 | £000 |
| Balance as at 1st April 2018 | (258) | 205 | (53) |
| Movement in year on ex LRB functions: | | | |
| Income | (1) | (890) | (891) |
| Interest earnings on Fund balance | (3) | (1) | (4) |
| Contribution to Fund | | | |
| Expenditure | | 188 | 188 |
| Distribution (note 1) | | | |
| Balance as at 31st March 2019 | <u>(262)</u> | <u>(498)</u> | <u>(760)</u> |

Balance Sheet as at 31st March 2019

| 2018 | | 2019 |
|-------------|--------------------|-------------|
| £000 | | £000 |
| | <i>Assets</i> | |
| 221 | Debtors | 310 |
| <u>221</u> | | <u>310</u> |
| 53 | Cash | 450 |
| <u>274</u> | | <u>760</u> |
| | <i>Liabilities</i> | |
| 258 | Fund 1 | 262 |
| (205) | Fund 2 | 498 |
| 221 | Creditors | |
| <u>274</u> | | <u>760</u> |

Notes to accounts

1) *2018/19 Distribution*

There was no distributions for 2018-19 as all income received has been used to top up the LRB funds to aid future claims against the LRB.

2) *Fund 1 & Fund 2*

As agreed in 2017-18 all income received for 2018-19 has been withheld.

3) *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

| 2017/18 | | Note | 2018/19 | |
|--|----------------|------|----------------|------------------|
| £000 | £000 | | £000 | £000 |
| Dealings with members and employers | | | | |
| Contributions and similar payments | | | | |
| 6,284 | | 6 | 6,604 | |
| 22,954 | | 6 | 24,984 | |
| <u>3,568</u> | | | <u>2,655</u> | |
| | 32,806 | | | 34,243 |
| Benefits | | | | |
| (26,332) | | | (27,531) | |
| (5,025) | | | (6,255) | |
| <u>(776)</u> | | | <u>(335)</u> | |
| | (32,133) | | | (34,121) |
| Payments to and on account of leavers | | | | |
| (171) | | | (152) | |
| (1,196) | | | (1,280) | |
| <u>(2,646)</u> | | | <u>(2,336)</u> | |
| | (4,013) | | | (3,768) |
| | <u>(3,340)</u> | | | <u>(3,646)</u> |
| | (4,768) | | | |
| | <u>(8,108)</u> | | | <u>(8,564)</u> |
| Returns on investments | | | | |
| 8,805 | | 9 | 20,627 | |
| 52,898 | | 10 | 59,947 | |
| | <u>61,703</u> | | | <u>80,574</u> |
| | 53,595 | | | 72,010 |
| | 913,385 | | | 966,980 |
| | <u>966,980</u> | | | <u>1,038,990</u> |

PENSION FUND

NET ASSETS STATEMENT

| 31st March 2018 (restated) | | | 31st March 2019 | |
|-------------------------------|----------------|---|-----------------|------------------|
| £000 | £000 | | £000 | £000 |
| | 150 | London Collective Investment Vehicle (CIV) | | 150 |
| | | Investment assets | | |
| 28,567 | | Equities - UK (quoted) | 35,945 | |
| 546,112 | | - overseas (quoted) | 600,529 | |
| | | Pooled investments | | |
| 155,148 | | - UK unitised insurance policies | 11,444 | |
| 212,858 | | - UK open ended investment companies | 332,434 | |
| | | Pooled property investments | | |
| 15,925 | | - UK open ended investment companies | 48,573 | |
| 11,634 | | Cash deposits held by investment managers | 9,652 | |
| 2,016 | | Investment income due | 2,279 | |
| 238 | | Other investment balances - sales | 97 | |
| (911) | | - purchases | - | |
| | 971,587 | Total investment assets | | 1,040,953 |
| | 971,737 | Total net investments | 10 | 1,041,103 |
| - | | Long-term debtors | 12 | 70 |
| | | Current assets and liabilities | | |
| 1,075 | | Current assets - debtors | 11 | 2,661 |
| | 1,075 | | | 2,731 |
| (3,928) | | Short term borrowing | | (2,738) |
| (1,904) | | Current liabilities - creditors | 11 | (2,106) |
| | (5,832) | | | (4,844) |
| | 966,980 | Net assets of the fund available to fund benefits at the end of the reporting period | | 1,038,990 |

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 14.

The balance as at 31st March 2018 has been restated to separate the investment in the London Collective Investment Vehicle (CIV) from investment assets

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 2018/19 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 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 Investment Sub-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 2019 and 2018.

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Number of employers | 113 | 110 |
| Number of employees in scheme | | |
| London Borough of Bromley | 1,747 | 1,648 |
| Other employers | 4,569 | 4,550 |
| | <u>6,316</u> | <u>6,198</u> |
| Number of pensioners | | |
| London Borough of Bromley | 4,511 | 4,456 |
| Other employers | 859 | 729 |
| | <u>5,370</u> | <u>5,185</u> |
| Deferred pensioners | | |
| London Borough of Bromley | 3,748 | 3,831 |
| Other employers | 1,998 | 1,706 |
| | <u>5,746</u> | <u>5,537</u> |
| Total number of members in pension scheme | <u>17,432</u> | <u>16,920</u> |

PENSION FUND

Notes to the Accounts

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 2018/19, ranged from 2.8% to 12.0% 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 2018/19, total employer rates ranged from 5.6% to 38.0% 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.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position as at 31st March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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 14.

The accounts have been prepared on a going concern basis.

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.

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies continued

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

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 IFRS13 (see Note 18).

(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 14). A summary of the results of the last full actuarial valuation is shown in Note 13.

(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 15.

(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

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 13. 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 14. 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. Additionally the actuary has included the impact of the McCloud judgement in June 2019. This is estimated to increase liabilities by approximately 1% which amounts to £12m as at 31st March 2019.

5 *Events after the Balance Sheet Date*

There has been one adjusting event that provides additional information about conditions that existed at the end of the reporting period. There has been additional evidence regarding the McCloud case judgement, including a legal ruling by the Supreme Court on 27th June 2019 which rejected the Government's appeal. The impact on the present value of future retirement benefit is included within Note 14.

| 6 <i>Contributions receivable</i> | 2017/18 | 2018/19 |
|---------------------------------------|---------------|---------------|
| | £000 | £000 |
| Employer Contributions | | |
| L.B. Bromley part of Fund | | |
| L.B. Bromley - normal | 7,880 | 7,968 |
| - augmentations | 453 | 1,055 |
| - deficit funding | 2,100 | 2,100 |
| Scheduled bodies - Foundation Schools | 147 | 157 |
| | <u>10,580</u> | <u>11,280</u> |
| Other | | |
| Scheduled bodies - normal - academies | 10,283 | 11,061 |
| - normal - colleges | 634 | 688 |
| Admitted bodies - normal | 988 | 1,477 |
| - deficit funding | 469 | 478 |
| | <u>22,954</u> | <u>24,984</u> |
| Member Contributions | | |
| L.B. Bromley part of Fund | | |
| L.B. Bromley | 3,061 | 3,074 |
| Scheduled bodies - Foundation Schools | 40 | 42 |
| | <u>3,101</u> | <u>3,116</u> |
| Other | | |
| Scheduled bodies - academies | 2,612 | 2,810 |
| - colleges | 265 | 289 |
| Admitted bodies | 306 | 389 |
| | <u>6,284</u> | <u>6,604</u> |

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

| 7 <i>Management Expenses</i> | 2017/18 | 2018/19 |
|---|--------------|--------------|
| | £000 | £000 |
| Administrative costs | 500 | 530 |
| London CIV implementation & service chg | 100 | 90 |
| External audit costs | 21 | 21 |
| PSAA refund re 2016/17 audit | -3 | 0 |
| Investment management expenses | 3,991 | 4,113 |
| Oversight and governance costs | 159 | 164 |
| | <u>4,768</u> | <u>4,918</u> |

PENSION FUND

Notes to the Accounts

| 8 Investment Management Expenses | 2017/18 | 2018/19 |
|---|----------------|----------------|
| | £000 | £000 |
| Management fees | 3,654 | 3,807 |
| Custody fees | 125 | 162 |
| Transaction costs | 212 | 144 |
| | <u>3,991</u> | <u>4,113</u> |
| | | |
| 9 Investment Income | 2017/18 | 2018/19 |
| | £000 | £000 |
| Income from equities | 8,842 | 10,386 |
| Pooled property investments | 0 | 1,866 |
| Pooled investments | 0 | 8,424 |
| Interest on cash deposits | -37 | -49 |
| | <u>8,805</u> | <u>20,627</u> |

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 2019 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS.

Fixed income: Baillie Gifford and Fidelity.

Multi-Asset Income: Fidelity and Schroders.

Pooled Property: Fidelity.

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 2018 and 2019 was divided between the Fund managers as follows:

| | 31st March 2018 | | 31st March 2019 | |
|-----------------------------------|------------------------|----------------|------------------------|----------------|
| | £000 | % | £000 | % |
| Baillie Gifford - global equities | 380,801 | 39.19% | 418,276 | 40.18% |
| - fixed income | 58,039 | 5.97% | 59,158 | 5.68% |
| Fidelity - fixed income | 75,635 | 7.78% | 78,671 | 7.56% |
| - multi-asset income | 79,192 | 8.15% | 78,784 | 7.57% |
| - pooled property | 15,925 | 1.64% | 48,573 | 4.67% |
| MFS - global equities | 206,847 | 21.29% | 230,226 | 22.11% |
| Blackrock - global | 155,148 | 15.97% | 11,444 | 1.10% |
| Schroders - multi-asset income | 0 | 0.00% | 115,821 | 11.12% |
| London CIV | 150 | 0.02% | 150 | 0.01% |
| | <u>971,737</u> | <u>100.00%</u> | <u>1,041,103</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 |
|-----------------------------|-------------------|-------------------|
| | 2018 | 2019 |
| | £000 | £000 |
| Multi-Asset Income Fund (2) | 79,192 | 194,605 |
| Property Fund (1) | 15,925 | 48,573 |
| Global Equity Fund (1) | 155,148 | 11,444 |
| Sterling Bond Funds (2) | 133,666 | 137,829 |
| | <u>383,931</u> | <u>392,451</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 2018 £000 | Purchases £000 | Sales £000 | Change in value £000 | Value at 31st March 2019 £000 |
|-------------------------------|--|-------------------|------------------|----------------------------|--|
| Equities | 574,679 | 104,582 | (91,630) | 48,843 | 636,474 |
| Pooled investments | 383,931 | 155,240 | (153,573) | 6,853 | 392,451 |
| | <u>958,610</u> | <u>259,822</u> | <u>(245,203)</u> | <u>55,696</u> | <u>1,028,925</u> |
| Cash deposits | 11,634 | | | 4,251 | 9,652 |
| Amounts receivable for sales | 238 | | | | 97 |
| Investment income due | 2,016 | | | | 2,279 |
| Amounts payable for purchases | (911) | | | | - |
| Net investment assets | <u>971,587</u> | | | <u>59,947</u> | <u>1,040,953</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 £144k (£212k in 2017/18). 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 2018 | | 31st March 2019 | |
|--|-----------------|------------|-----------------|------------|
| | £000 | % of total | £000 | % of total |
| Baillie Gifford | | | | |
| - Sterling Aggregate Plus Bond Fund | 49,780 | 5.12 | 52,085 | 5.01 |
| Blackrock - Ascent Life Global Equities Fund | 155,148 | 15.97 | 11,444 | 1.10 |
| Fidelity | | | | |
| - Institutional Aggregate Bond Fund | 75,627 | 7.78 | 78,671 | 7.57 |
| - Diversified Income Fund | 79,192 | 8.15 | 78,784 | 7.58 |
| - UK Real Estate Fund | 15,925 | 1.64 | 48,573 | 4.68 |
| Schroders - Global Multi Asset Income | - | - | 115,821 | 11.15 |

11 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.

| | 2017/18 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| <u>Short term debtors</u> | | |
| Contributions due from employers and employees | 1,072 | 1,323 |
| Dividend income due | 0 | 1,334 |
| Other | 3 | 4 |
| | <u>1,075</u> | <u>2,661</u> |
| <u>Current liabilities</u> | | |
| Fund management fees | 734 | 736 |
| Transfers out (group) | 1,165 | 1,280 |
| Other | 5 | 90 |
| | <u>1,904</u> | <u>2,106</u> |

PENSION FUND

Notes to the Accounts

| 12 Long term debtors | 2017/18 | 2018/19 |
|--|----------------|----------------|
| <u>Long term debtors</u> | £000 | £000 |
| Reimbursement of lifetime tax allowances | 0 | 70 |
| | 0 | 70 |

13 Funding Arrangements

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2013. The Fund's actuary, Mercer Ltd, carried out a full valuation of the Fund as at 31st March 2013, when its solvency level was calculated at 82%.

The 2013 actuarial valuation set the level of employer contributions required to attain 100% solvency within 15 years. It set employer rates for the years ending 31st March 2015, 2016 and 2017 at an average of 15.3% (excluding past deficit adjustment) and specified total annual lump sum past-deficit contributions of £6.0m.

The most recent full valuation of the Fund (as at 31st March 2016) was carried out by the actuary during 2016/17. This calculated a new 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.

A significant number of schools adopted academy status between 2014/15 and 2017/18. Calculations of deficit shares and contribution rates for academies are carried out individually by the Council's actuary and are set at either the same rate as the Council or at a rate sufficient to ensure that the deficit share is recovered within 12 years.

The following assumptions were employed in the 2013 and 2016 valuations.

| | 2013 | 2016 |
|---|---------------|---------------|
| <u>Economic assumptions</u> | % p.a. | % p.a. |
| Increases in earnings - long term | 4.1 | 3.7 |
| - short term (3 years) | 1.0 | n/a |
| General Inflation | 2.6 | 2.2 |
| Increases in pensions | 2.6 | 2.2 |
| Investment return - Overall discount rate | 4.95 | 4.2 |
| <u>Mortality assumptions</u> | Years | Years |
| Life expectancy - male aged 65 now | 22.9 | 23.2 |
| - at 65 for male aged 45 now | 25.1 | 25.8 |
| - female aged 65 now | 25.3 | 25.9 |
| - at 65 for female aged 45 now | 28.2 | 28.2 |

Commutation assumption - It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (the standard for pre April 2008 service).

14 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 45 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 £1,201m as at 31st March 2019 (£1,111m as at 31st March 2018). The Government Actuary's Department (GAD) has estimated that the impact of the McCloud judgement for the LGPS as a whole could be to increase active member liabilities by 3.2% (around 1% of overall liabilities) based on a given set of actuarial assumptions. Based on the calculation carried out by the Fund actuary the estimated increase in promised retirement benefits arising from the McCloud judgement is £12m increasing the total present value of promised retirement benefits to £1,213m. The demographic assumptions used in the IAS 26 report were the same as those used for the 2016 full valuation (see Note 13) and the following financial assumptions were used:

| | 2018 | 2019 |
|---|---------------|---------------|
| | % p.a. | % p.a. |
| Increases in earnings | 3.6 | 3.7 |
| Increases in pensions | 2.2 | 2.3 |
| Inflation | 2.1 | 2.2 |
| Investment return - Overall discount rate | 2.6 | 2.4 |

PENSION FUND

Notes to the Accounts

15 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 2017/18 and 2018/19 and the total value of AVC Funds as at 31st March 2018 and 2019 is shown below.

| | 2017/18 | 2018/19 |
|----------------------------|-----------|-----------|
| | £000 | £000 |
| AVC contributions | | |
| - to Aviva | 47 | 18 |
| - to Equitable Life * | - | - |
| Total contributions | 47 | 18 |

* the total contribution to Equitable Life was zero in 2017/18, and zero in 2018/19.

| | 2017/18 | 2018/19 |
|---------------------------|------------|------------|
| | £000 | £000 |
| Market Value | | |
| - Aviva | 899 | 881 |
| - Equitable Life | 66 | 46 |
| Total Market Value | 965 | 927 |

16 Related Parties

Two members of the Pensions Investment Sub-Committee during the year were in receipt of a pension, and one is a deferred pensioner.

A special responsibility allowance of £1,970 was paid to the Chairman of the Sub-Committee in both 2017/18 and 2018/19. No other payments were made for meeting attendance.

The Council incurred costs of £662k (£593k in 2017/18) 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.

| | 2017/18 | 2018/19 |
|--------------------------|-----------|-----------|
| | £000 | £000 |
| Short-term benefits | 9 | 12 |
| Post-employment benefits | 1 | 2 |
| | 10 | 14 |

17 Nature and extent of risks arising from financial instruments

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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

17 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 Authority and 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 Authority to ensure it is within limits specified in the Fund's investment strategy.

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 Sub-Committee every quarter.

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.

PENSION FUND

Notes to the Accounts

17 Nature and extent of risks arising from financial instruments continued

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 had temporary borrowing of £2.7m under its treasury management arrangements at 31st March 2019 (£3.9m as at 31st March 2018). Although the Pension Fund Revenue Account balance was cash negative for the year, the new income income distributing funds (see note 9) are intended to rectify this position going forward, 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 £48.6m as at 31st March 2019, representing 4.67% of investment assets (£15.9m (1.64%) as at 31st March 2018).

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 Council 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.

Summary

The following table sets out the potential sums at risk, most of which are remote possibilities, under the various types of risk:

PENSION FUND

Notes to the Accounts

17 Nature and extent of risks arising from financial instruments continued

| | Market Risk £000 | Other Price £000 | Currency Risk £000 | Liquidity Risk £000 | Interest Rate Risk £000 | Credit Risk £000 |
|------------------------------|------------------------|------------------------|--------------------------|---------------------------|-------------------------------|------------------------|
| UK Equities (quoted) | 35,945 | 35,945 | - | - | - | 35,945 |
| Overseas Equities (quoted) | 600,529 | 600,529 | 600,529 | - | - | 600,529 |
| Pooled Investments | | | | | | |
| - Multi-Asset Income Funds * | 194,605 | 194,605 | 194,605 | 194,605 | 194,605 | 194,605 |
| - Global Equity Fund | 11,444 | 11,444 | 11,444 | - | - | 11,444 |
| - Sterling Bond Funds | 137,829 | - | - | - | 137,829 | 137,829 |
| - Property Funds | 48,573 | 48,573 | - | 48,573 | - | 48,573 |
| Cash and cash equivalents | - | 9,749 | - | - | 9,749 | 9,749 |
| | <u>1,028,925</u> | <u>900,845</u> | <u>806,578</u> | <u>243,178</u> | <u>342,183</u> | <u>1,038,674</u> |

* The Multi-Asset Income Fund invests in a wide range of assets, including equities, bonds and alternative investments, as determined by the Fund managers. As a result, there is exposure to all types of risk up to the value of the investments held.

18 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.

Valuations considered to be Level 1 are based on quoted prices, and the valuation of the Fund's equities fall into this category.

Level 2 valuations are based on observable inputs relating to the assets, such as the quoted price of similar assets or market data relating to the assets held. The valuation of the Fund's pooled investments fall into this category.

Level 3 valuations are based on non-observable inputs. These types of valuation are common to the valuation of private equity and other alternative investments. The investment in the London CIV falls into this category.

19 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.

20 Contingent Liabilities

Defined benefit pension schemes that were Contracted-out Salary Related (COSR) schemes before contracting-out ended on 6th April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted-out service between 6th April 1978 and 5th April 1997.

Guaranteed Minimum Pension (GMP) relates to the period where Members of a pension scheme were 'contracted out' of additional state pension arrangements (eg. SERPS or S2P). If the contracted out benefits are less than the pensioner would have received if the contracting out had not applied, the pension scheme would be required to increase the pension paid to reach the GMP.

Scheme actuaries are assessing the impact on the LGPS and other schemes but estimates of the financial impact for individual Funds are not yet available.



Annual Governance Statement 2018/19

FINAL

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1. Executive Summary

The Leader of the Council and Interim 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 Sub-Committee review 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. 'Building a Better Bromley' contains the guiding principles for Bromley Council. Following public consultation, in 2016 Bromley Council updated and relaunched the priorities contained in the vision and strengthened links with key partner organisations to help deliver important outcomes for residents, businesses and visitors to Bromley.

[Building a Better Bromley \(2016-2018\)](#)

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 March 2019 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 2017/18 Annual Governance Statement is detailed on pages 18 - 20.

Four areas, detailed overleaf, have been identified as requiring further work during 2019/20:

| Governance Issue | Action | Lead Officer |
|---|---|---|
| <p>Finance Capacity to make further budget savings and maintain frontline services. The Council has set a balanced budget for 2019/20 without a detrimental impact on key services. There are significant mitigation options to partly offset growth/cost pressures being implemented for 2019/20. Significant challenges remain for 2020/21 and beyond.</p> | <p>Work is ongoing to explore options to address the future years' budget gap through the four year forward planning arrangements.</p> <p>Draft 2019/20 budget and update on Council's financial strategy 2020/21 to 2022/23 report to Executive on 16th January 2019 identified the 'One Council' approach and new arrangements for a Transformational Review and Core Statutory Minimum Requirements review to explore further budget choices.</p> <p>Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23</p> | <p>Director of Finance</p> |
| <p>Health and Safety/Fire Safety Compliance Strengthen the Health and Safety Management systems and processes across the Council ensuring compliance with good practice.</p> | <p>Health and Safety Risk Assessments Compile a full suite of comprehensive Health and Safety Risk Assessments, demonstrating that Health and Safety Risks have been established and action plans are in place to implement controls.</p> <p>Fire Safety Risk Assessments Action is being taken to address the site management issues identified in the Operational Property Estate Fire Risk Assessments:-</p> <ul style="list-style-type: none"> • A person responsible for fire safety is identified at each building • Contractors occupying buildings are carrying out fire safety properly, if their responsibility • Suitable training/guidance is delivered either in house or externally, to ensure that responsible personnel are enabled to carry out their duties correctly and with confidence. | <p>Director of Human Resources and Customer Services</p> |
| <p>Contract Management and Monitoring Strengthen control arrangements and effectiveness of Contract Management.</p> | <p>Clarify and communicate to all staff their roles and responsibilities in respect of the management of key contracts.</p> <p>Monitor compliance against Contract Procedure Rules Contract Monitoring requirements, identifying any issues for action to be taken through the Chief Officers' Executive/Corporate Leadership Team.</p> <p>Via the Procurement Board, periodically review contract management and contract monitoring issues for key contracts, feeding back any issues/actions to the Chief Officers' Executive/Corporate Leadership Team.</p> <p>Embed learning and best practice for contract management via Practice Notes on the Managers' Toolkit and through a quarterly Contract Owners Forum to ensure governance compliance and consistency.</p> | <p>Assistant Director, Governance and Contracts</p> |

Valuation of Fixed Assets

Issues have been identified relating to the methodology used for the valuation of fixed assets for reporting in the Council's 2018/19 Statement of Accounts. It is clear that a revised approach is necessary which will require significant work relating to a full re-valuation of the Council's assets.

The Council's Assistant Director, Strategic Property, is working with our external real estate property advisors/valuers to ensure that this work is completed within a timescale to allow restatement of the Council's accounts prior to the end of the current financial year.

Assistant Director, Strategic Property

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 Interim 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.

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
- Consulting with residents during the budget setting process for 2019/20 and beyond
- 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 ‘Building a Better Bromley’
- 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 Members and Officers 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, 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

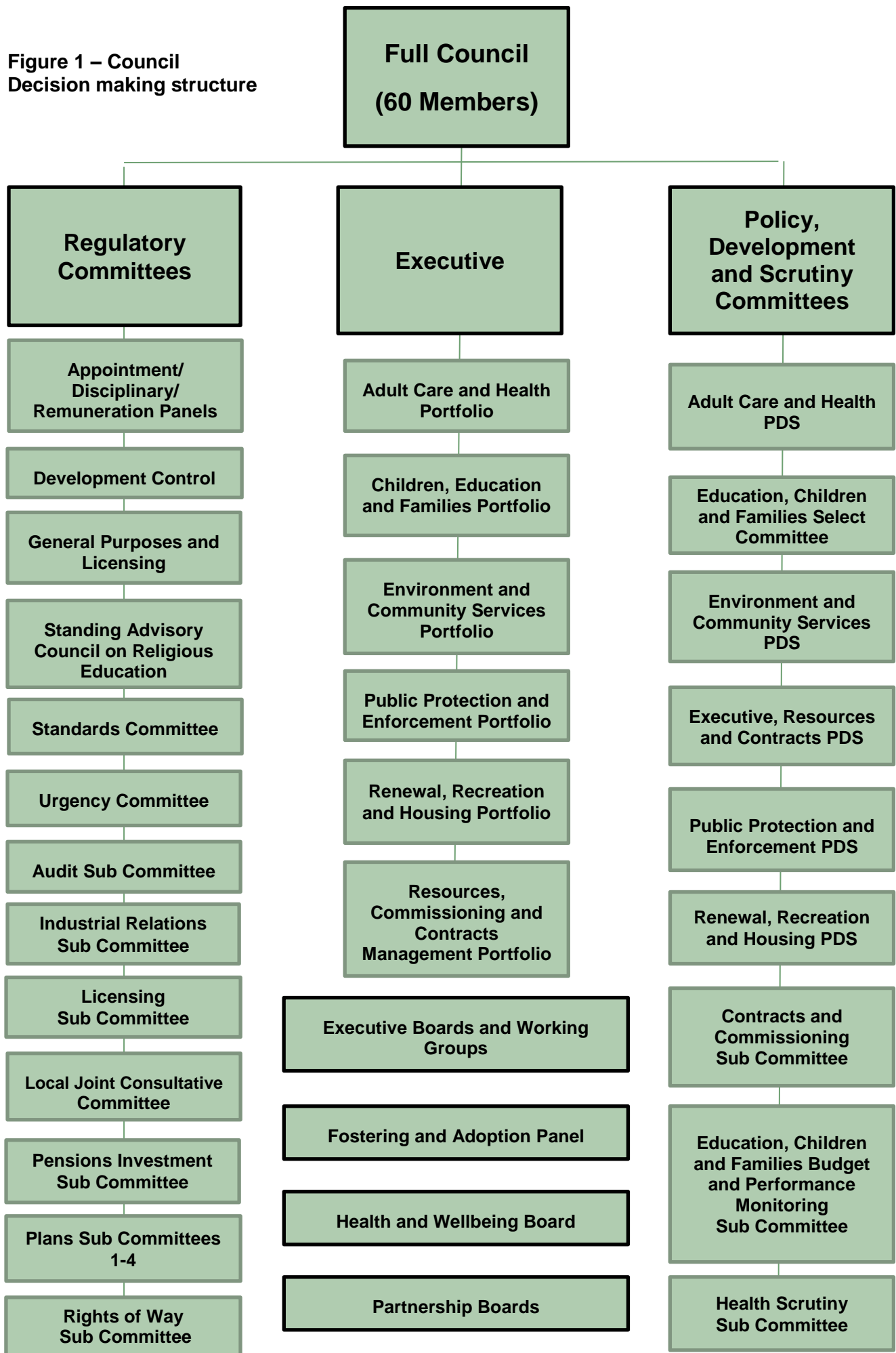
4. The Council - How it Works

This Annual Governance Statement covers the period 1st April 2018 to 31st March 2019.

The Council is made up of 60 Councillors with the decision making structure divided between Executive and non-Executive matters. Executive duties are carried out by an Executive body of Councillors, which includes the Leader and six Councillors with specific Portfolio responsibilities. Non-Executive duties are performed mainly by the Development Control Committee and the General Purposes and Licensing Committee.

The decision making structure is depicted overleaf:

Figure 1 – Council Decision making structure



5. Outcomes and Value for Money

5.1 Building a Better Bromley 2016-2018

Bromley Council will continue to reduce bureaucratic burdens whilst meeting its role in providing key services. An environment will be created where individuals and communities can thrive and where people can lead healthier, more independent and self-reliant lifestyles. This means that the authority can focus on supporting the Borough's most vulnerable residents with services underpinned by the principles of early intervention and prevention.

Bromley aims to create an environment where children and young people can be successful: supporting people into work; offering advice and signposting to self-help solutions, and working with partners to minimise crime and antisocial behaviour.

Bromley recognises that this activity cannot be done in isolation, so will continue strong support for the voluntary sector as well as working closely with outside bodies in the private and public sector.

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.

5.2 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 Building a Better Bromley. 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 2018/22](#)

[Children, Education and Families Portfolio Plan 2018/22](#)

[Environment and Community Services Portfolio Plan 2018/21](#)

[Public Protection and Enforcement Portfolio Plan 2018/19](#)

[Renewal, Recreation and Housing Portfolio Plan 2018/19](#)

Updates on progress are reported to Members through the Policy, Development and Scrutiny process. Examples of this include:

[Adult Care and Health Portfolio Plan 2018/2022 - Quarter Two update covering report \(November 2018\)](#)

[Adult Care and Health Portfolio Plan 2018/2022 - Quarter Two update on progress \(November 2018\)](#)

[Education, Children and Families Portfolio Plan 2018/2022 - Quarter Two update covering report \(October 2018\)](#)

[Education, Children and Families Portfolio Plan 2018/2022 - Quarter Two update on progress \(October 2018\)](#)

[Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update covering report \(January 2019\)](#)

[Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update on progress \(January 2019\)](#)

[Public Protection and Enforcement Performance Overview \(January 2019\)](#)

[Environment and Community Services Performance Overview \(February 2019\)](#)

5.3 Managing our Resources (Value for Money)

The Council's external auditors issued an unqualified opinion on the Authority's financial statements on 26th July 2018. This means that they believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include those of the Pension Fund.

The audit procedures are designed to:

- ▶ Identify misstatements which are material to their opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £9 million which equates to around 1.5% of gross expenditure;
- ▶ Detect errors in specific accounts at a lower level of precision. Materiality for the Pension Fund was set at £9 million which is approximately 0.99% of gross assets.

The external auditors identified one audit adjustment with a total value of £1.36 million relating to the reclassification of a property from assets held for sale to surplus assets. This adjustment does not result in a change in the reported deficit on provision of services or a net change in the general fund balance. The external auditors stated that they were provided with a good first draft of the financial statements. Their audit work was designed to specifically address the following significant risks for which no issues were identified:-

- ▶ **Management Override of Controls** – The audit methodology incorporates the risk of management override as a default significant risk;
- ▶ **Valuation of PPE (Plant, Property and Equipment)** – The authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value;
- ▶ **Pension Liabilities** – Valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions and actuarial methodology which results in the Authority's overall valuation;
- ▶ **Faster Close** – The timetable available to produce draft accounts was reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in previous years.

Whilst not explicitly covered by the audit opinion, the external auditors reviewed other information that accompanies the financial statements to consider its material consistency with the audited accounts. For 2017/18, they reviewed the Annual Governance Statement and Narrative Report. They concluded that they were consistent with their understanding and did not identify any issues.

There were no significant issues arising from their audit of the pension fund and the external auditors issued an unqualified opinion on the pension fund financial statements as part of their audit report.

A qualified 'except for' conclusion was issued on the authority's arrangements to secure value for money (VFM conclusion) for 2017/18 on 26th July 2018. This means that the external auditors were satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of resources, except for the area of children's services where the authority received an 'Inadequate' Ofsted inspection in June 2016 and these findings had not yet been fully remediated. This was an ongoing issue from previous years. To arrive at their conclusion, external audit looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties. It should be noted that Ofsted subsequently judged children's services as 'Good' across all practice areas and the impact of leaders on social work practice has been judged as 'Outstanding'.

The audit cannot be formally concluded and an audit certificate issued as the external auditors are currently considering elector queries relating to 2016/17 and 2017/18. Until they have completed their consideration of these, they are unable to certify that they have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014.

The detailed approach of the Council towards budgeting over the medium to longer term was reported to Executive on 16th January 2019.

[Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23](#)

Although the London Business Rate Pilot provides additional income in 2019/20, there is uncertainty on the impact of full devolution of business rates, awaited Spending Review and the outcome of the Government's 'Fairer 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 2020/21, whilst the fiscal squeeze for local government is 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 Medium Term Financial Strategy remains essential to ensure that any future service challenges are managed effectively.

The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions likely to continue beyond 2020 – the 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, as the gap could increase further. The overall updated strategy has to be set in the context of the national state of public finances, with the fiscal squeeze for local government continuing.

The background to the impact of the real reductions in government funding within the local authority landscape was reported to the January 2019 meeting of the Executive. Bromley has delivered savings of over £97m since 2011 and has a low cost base which makes further savings more challenging. Real term reductions in Government funding, future year cost pressures and new burdens are expected to continue over the next four years.

The Council is 'better placed' than many other authorities due to remaining debt free, has retained adequate level of reserves and maintained adequate provisions in the Council's revenue budget for unforeseen costs and risks. The Council has maintained four year financial planning despite the future funding uncertainty (awaited Spending Review, Fair Funding review and devolution of business rates from 2020/21) and it remains essential that action is taken to address any in year overspends, recognising that there could be a full year impact which could increase the 'budget gap' further. Apart from continuing the 'One Council' approach as reported to the January 2019 meeting of the Executive, the further new measures relating to the Transformational Review and Core Statutory Minimum Requirements review are essential to identify options from 2020/21 to address the medium term budget gap and ensure the Council can continue to 'live within its means'. It also remains essential that Chief Officers identify mitigating action to address any in year cost pressures/new burdens to remain within their 'cash envelope'.

Stewardship and delivering sustainable finances are increasingly important whilst cost pressures and the Government's fiscal squeeze continues. The strategy needs to remain flexible and the Council's reserves resilient to respond to the impact of volatile external events and the structural budget deficit.

This year we sought to collect views from residents through meetings with residents' associations and by requesting views through media and social media as the Council sets the budget for 2019-20 and beyond.

Two round table meetings for representatives of the Borough's residents' associations were held at the Civic Centre. These meetings were attended by 57 people from 29 associations, out of the 131 associations invited from across the Borough. Background information was uploaded to the Council's website, distributed to the residents' association representatives and highlighted to the wider audience through media and social media. Residents were invited to get in touch through the Leader's mailbox and say what they think the Council is doing well, where they believe improvements could be made and a greater focus placed, and how we can work together better to keep and improve our Borough as the great place it is to live, work, do business and relax in, as we move to the future.

Residents' comments will be considered as the Council prioritises key issues and as Councillors make decisions on the Council's services into the future. A bullet point summary of the observations made by residents at the meetings and through E mail and social media can be found in Appendix 9 (page 91 onwards) of the Draft 2019/20 Budget and update on the Council's Financial Strategy 2020/21 to 2022/23.

[Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23](#)

6. How do we know our arrangements are working?

6.1 The Role of Management

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 in its membership, oversees the Council's governance arrangements and delivery of the Annual Governance Statement.

This year, Internal Audit commissioned Zurich, in their capacity as the Authority's insurers, to carry out a series of 'check and challenge' sessions to review and refresh the departmental Risk Registers resulting in an updated suite reflecting the current risk profile of the organisation. Zurich attended the January 2019 Corporate Risk Management Group meeting to discuss the output, further strengthening Risk Management and controls within the Council. None of the registers required wholesale changes and a good general awareness and understanding of Risk Management was reported. Overall there was a good level of engagement and it was evident throughout those discussions that in the last couple of years, and in particularly recently, risk has become embedded and is more 'live'.

This year, a review of our governance arrangements was undertaken by Internal Audit, overseen by the Corporate Risk Management Group. As part of that review, the Council's Anti-Fraud and Corruption Strategy was updated and approved by the Audit Sub Committee on 26th February 2019. This also includes updates to the Raising Concerns (Whistleblowing Policy), Anti Bribery Policy and the Money Laundering Policy.

[Anti-Fraud and Corruption Strategy](#)

The Standards Committee of 22nd January 2019 considered the Monitoring Officer's General Report. This updated the Committee on a number of Standard issues including the Authority's Whistleblowing

policy (Raising Concerns), Dispensations granted by the Monitoring Officer and Members' Gifts and Hospitality Register entries.

[Monitoring Officer's General Report 22nd January 2019](#)

The outcome of this is that we have adequate governance arrangements in place and relevant to the environment we work in.

6.2 The Role of the Audit Committee

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.

[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.

In January 2019, the Constitution Improvement Working Group concluded that allowing an Executive Member to sit on the Audit Sub Committee could, potentially, be perceived as compromising its independence. Following approval by Council, para 2.02 of the Constitution was amended to 'Audit Sub Committee (Membership proportional, and to exclude any member of the Executive)'.

6.3 Our Governance Framework

Key Policies/Processes/Posts/Functions in our Governance Framework include:

| | Policy/Process |
|----------|--|
| A | Annual Audit Letter |
| | Annual Governance Statement |
| | Anti-Bribery Policy and Procedures |
| | Anti-Fraud and Corruption Strategy |
| | Anti-Money Laundering Policy |
| | Audit Sub Committee |
| B | Building a Better Bromley |
| C | 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 |
| D | DISCUSS Appraisal Scheme |
| E | Executive and Resources PDS Committee Annual Report |
| F | Financial Regulations |
| | Financial Strategy |
| | Forward Plan of Key Decisions |
| G | 'Getting it Right' – Complaints, Compliments and Suggestions |
| | Gifts and Hospitality Code of Conduct |
| H | Head of Audit |
| | Head of Paid Service |
| I | Internal and External Audit Reports |
| | Internal Audit Opinion and Annual Report |
| | Internal Controls |
| | IT Governance |
| L | Leader's Foreword and Statement of Accounts |
| | Learning and Development |
| | Local Development Framework |
| M | Member/Officer Protocol |
| | Monitoring Officer (Director of Corporate Services) |
| P | Portfolio Plans |
| | Public Consultations/Meetings |
| R | 'Raising Concerns' whistle blowing |
| | Register of Interests |
| | Risk Management Strategy |
| S | Scheme of Delegation |
| | Section 151 Officer (Director of Finance) |
| | Statement of Accounts |
| T | Treasury Management Strategy |

6.4 Annual Governance Assurance Statement

Each member of the Corporate Leadership Team 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'.

6.5 External Inspections/Peer Reviews

During the last year the Council has received the following assessments from other Inspectorates, agencies or Peer Reviews:

- Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2018)
[Ofsted - Inspection of Children's Social Care Services](#)
[Press Release - 7th January 2019](#)
[Press Release - 17th January 2019](#)
- Care Quality Commission – Review of Reablement (2nd May 2018, published 30th May 2018)
[Care Quality Commission - Review of Reablement \(2nd May 2018\)](#)
- Ofsted – Inspection of Further Education and Skills (15th – 18th January 2019)
[Ofsted - Inspection of Further Education and Skills \(15th - 18th January 2019\)](#)
[Press Release - 8th March 2019](#)

- ▶ Care Quality Commission – Review of Shared Lives (2nd May 2018, published 30th May 2018)
[Care Quality Commission - Review of Shared Lives \(24th January 2019\)](#)

6.6 The Role of Internal Audit

Internal Audit provides independent and objective assurance to the Council through its Audit Sub-Committee, to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs, and is a key component of Corporate Governance within the Council.

An independent Internal Audit function will, through its risk-based approach to work, provide assurance to the Council's Audit Sub-Committee 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 will be periodically reviewed and presented to senior management and the Audit Sub-Committee for approval.

6.7 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 is required to provide an independent opinion on the overall adequacy of the 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.

From the work undertaken during 2018/19, reasonable assurance can be provided that there is generally a sound system of internal control, designed to meet the Council's objectives and that controls are applied consistently. Where weaknesses are identified, i.e. Limited Assurance reports and Priority One recommendations are made; these are tracked by the Corporate Leadership Team and the Audit Sub Committee until implemented or discharged.

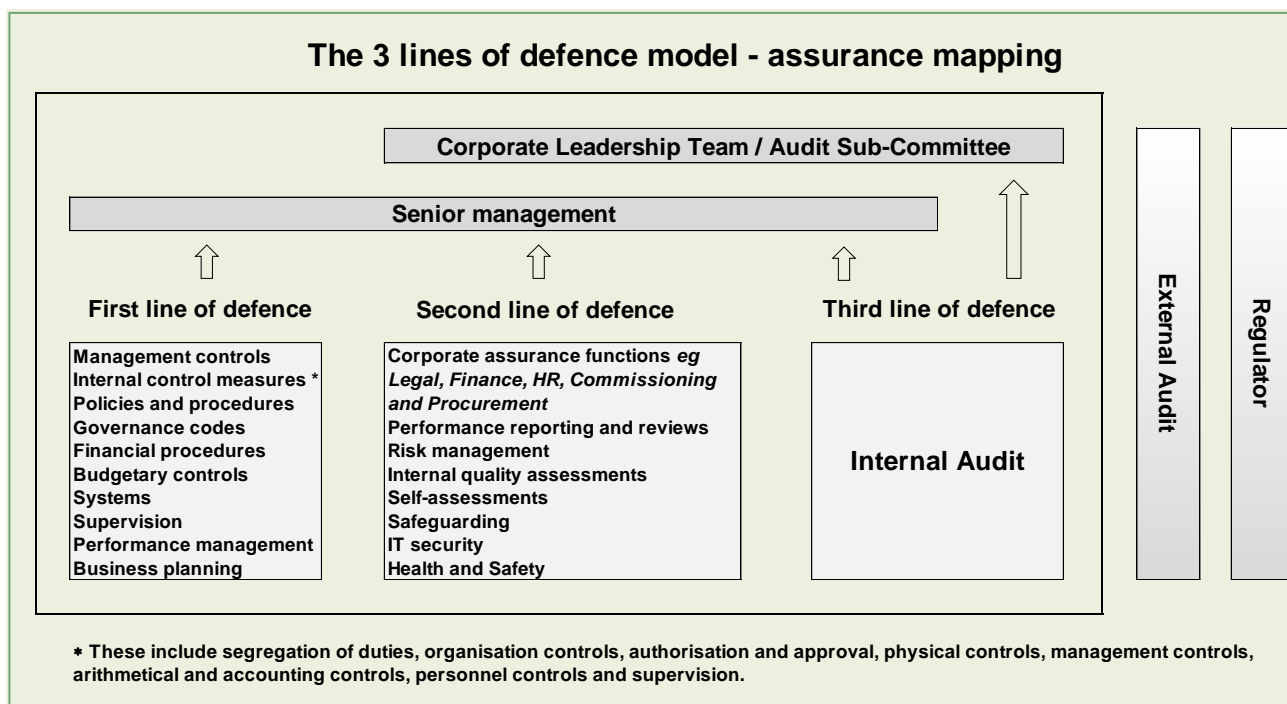
7. Our Strategic Risks

The Accounts and Audit Regulations require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS) or guidance. Internal audit is a key component of corporate governance within the Council. The three lines of defence model, as detailed below, provides a simple framework for understanding the role of internal audit in the overall risk management and internal control processes of an organisation.

- ▶ First line – operational management controls
- ▶ Second line – monitoring controls, e.g. the policy or system owner / sponsor
- ▶ Third line – independent assurance

The Council's third line of defence includes Internal Audit, who should provide independent assurance to senior management and the Audit Sub-Committee on how effectively the first and second lines of defence have been operating.

Figure 2 – 3 Lines of Defence Model



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 ‘Building a Better Bromley’ 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 current Corporate Risk Register can be viewed via following the link

[Corporate Risk Register](#)

8. Looking Back on 2017/18

| Governance Issue | Action | Progress |
|---|--|--|
| <p>Finance Capacity to make further budget savings and maintain frontline services. The Council has set a balanced budget for 2018/19 without a detrimental impact on key services. There are savings/income generating options required for 2019/20. However, there are significant challenges for 2020/21 and beyond</p> <p>(Director of Finance)</p> | <p>Work is ongoing to explore options to address the future years' budget gap through the four year forward planning arrangements.</p> <p>Draft 2018/19 budget and update on Council's financial strategy 2019/20 to 2021/22 report to Executive on 10th January 2018 identified the 'One Council' approach.</p> <p>Draft 2018/19 Budget and update on Council's Financial Strategy 2019/20 to 2021/22</p> | <p>Draft 2019/20 budget and update on Council's financial strategy 2020/21 to 2022/23 report to Executive on 16th January 2019 identified the 'One Council' approach and new arrangements for a Transformational Review and Core Statutory Minimum Requirements review to explore further budget choices.</p> <p>Work is ongoing to explore options to address the future year's budget gap through the four year forward planning arrangements.</p> <p>Draft 2019/20 Budget and update on Council's Financial Strategy 2020/21 to 2022/23</p> |
| <p>Contract Management Contract issues have been identified across the organisation in the last two years which have identified the need for strengthened control and management oversight</p> <p>(Director of Commissioning)</p> | <p>Contract Database Authorisation system for tendering/change control</p> <p>Document Management System Holds all contracts electronically and also Minutes of meetings, Change Control Notices (CCN), Waivers</p> <p>Training Has been identified as a mandatory requirement for 'commissioners of services'. It consists of four modules (3 hours per module) with compulsory attendance on all four to complete the course.</p> <ul style="list-style-type: none"> • Module 1 – Commissioning • Module 2 – Contracting process, engaging with the market (procurement) • Module 3 – Tender & evaluation process • Module 4 – Award (Governance) <p>Restructuring of the Commissioning Team To improve Governance and Quality Assurance</p> | <p>Contract Database Manual authorisation system updated with templates and guidance available. Monitoring of the authorisation process through the Commissioning Board. Managing the authorisation process through the Database is in development with expected roll out in early 2019.</p> <p>Document Management System The Database is fully in place and embedded through the organisation. Regular data quality checks and follow up actions are in place.</p> <p>Training The first suite of training has been completed (now five modules). Sessions are being repeated in the first half of 2019.</p> <p>Restructuring of the Commissioning Team Restructure carried out. Structure to be reviewed in context of Transformation agenda.</p> |
| <p>Performance Management Further work is required to ensure a comprehensive understanding of the strengths and weaknesses of services provided; effective use of</p> | <p>We will be launching an Adults Performance Framework during 2018/19 to compliment the new Children's Performance Management Framework launched in 2017/18. The Council will also be improving performance management</p> | <p>The Adults Performance Framework was launched in June 2018. Implemented through a phased approach, there are ongoing improvements to management oversight.</p> |

| | | |
|---|---|---|
| <p>performance management information and robust quality assurance arrangements across the Council, building on the work undertaken in Children's Services</p> <p>(Assistant Director, Strategy, Performance and Business Support)</p> | <p>arrangements more broadly across the Council.</p> <p>Performance Reporting - Children's Services - covering report</p> <p>Performance Index</p> | <p>Performance Management Framework - Adults Services</p> <p>In regards to the Children's Performance Management Framework it is noteworthy that the Ofsted inspection in December 2018 highlighted the following:- 'Performance Information has substantially improved since the last inspection and it can now be relied on to help leaders and managers to identify and understand important areas of risk and to prioritise actions. Senior Leaders, including the Chief Executive and Lead Member, have a clear understanding of frontline practice and they interrogate performance information effectively in order to continue to improve. The use of performance information is embedded throughout Children's Services and is accessible to all managers. Improved accountability means that there is sharp analysis and challenge ensuring that issues are tackled as they arise'.</p> |
| <p>Code of Corporate Governance The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA /Solace guidance</p> <p>(Director of Corporate Services and Monitoring Officer)</p> | <p>A review of the Code will be undertaken to ensure that it reflects recommended practice</p> | <p>A draft code has been produced reflecting the CIPFA/Solace guidance. This will accompany the Annual Governance Statement through the Audit Sub-Committee, General Purposes and Licensing Committee approval process.</p> |
| <p>General Data Protection Regulations (GDPR) Significant changes were required to ensure that the Council is compliant with the General Data Protection Regulations 2016 (GDPR) when introduced on the 25th May 2018.</p> <p>(Director of Corporate Services)</p> | <p>Following an independent review which provided a data protection compliance review and initial gap analysis, a project plan was created with actionable tasks for working towards GDPR compliance. Additional staff support and investment have been secured. The 25th May 2018 was not a finish line and work is continuing on the project plan.</p> <p>GDPR Regulations Executive Report 6th December 2017</p> | <p>Work was undertaken and prioritised in terms of risk to ensure that the Council met and continues to meet its data protection obligations. Risk impact assessments were conducted to ensure that Council processes are actioned giving consideration to adequate technical and organisational measures. Significant structures have been put in place to ensure the organic inclusion of privacy by design and by default that ensures robustly embedded in security. The evolution of this work is the delivery of the progressive Information Management strategy with work currently being carried</p> |

out to implement and transition it into operation throughout the Council to support the IT Transformation project.

[Zurich Information Governance Health Check Report November 2018](#)

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 Issue defined on pages 3 and 4 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.....
Ao Adero soye

Chief Executive

Date 30th July 2020

Signed.....
Colin P Smith

Leader of the Council

Date 30th July 2020

Appendix 1 – Links to Documents

| | |
|---|---|
| Page 2 | Building a Better Bromley (2016-2018) |
| http://www.bromley.gov.uk/downloads/file/2005/building_a_better_bromley | |
| Page 3 | Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23 |
| https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf | |
| Page 9 | Adult Care and Health Services Portfolio Plan 2018/22 |
| https://www.bromley.gov.uk/downloads/file/1741/care_services_portfolio_plan | |
| Page 9 | Children Education and Families Portfolio Plan 2018/22 |
| https://www.bromley.gov.uk/downloads/file/1796/education_children_and_families_portfolio_plan | |
| Page 9 | Environment and Community Services Portfolio Plan 2018/21 |
| https://cds.bromley.gov.uk/documents/s50061598/Appendix%201%20Environment%20Portfolio%20Plan.pdf | |
| Page 9 | Public Protection and Enforcement Portfolio Plan 2018/19 |
| https://cds.bromley.gov.uk/documents/s50061439/appendix%201%20draft%20PPE%20PP.pdf | |
| Page 9 | Renewal, Recreation and Housing Portfolio Plan 2018/19 |
| https://cds.bromley.gov.uk/documents/s50061284/Appendix%201%20for%20Renewal%20Recreation%20and%20Housing%20Portfolio%20Plan.pdf | |
| Page 9 | Adult, Care and Health Portfolio Plan 2018/22 – Quarter Two update covering report (November 2018) |
| https://cds.bromley.gov.uk/documents/s50064768/Adult%20Care%20and%20Health%20Portfolio%20Plan%202018-2022%20Update%20-%20Quarter%202%20201819.pdf | |
| Page 9 | Adult, Care and Health Portfolio Plan 2018/22 – Quarter Two update on progress (November 2018) |

<https://cds.bromley.gov.uk/documents/s50064769/App.%201%20to%20Adult%20Care%20and%20Health%20Portfolio%20Plan%202018-2022%20Update%20-%20Quarter%202%20201819.pdf>

Page 9

Education, Children and Families Portfolio Plan 2018/22 – Quarter Two update covering report (October 2018)

<https://cds.bromley.gov.uk/mgConvert2PDF.aspx?ID=50063955&ISATT=1#search=%22portfolio%20plan%202022>

Page 10

Education, Children and Families Portfolio Plan 2018/22 – Quarter Two update on progress (October 2018)

<https://cds.bromley.gov.uk/mgConvert2PDF.aspx?ID=50063956&ISATT=1#search=%22portfolio%20plan%202022>

Page 10

Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update covering report (January 2019)

<https://cds.bromley.gov.uk/documents/s50065860/Renewal%20Recreation%20and%20Housing%20Portfolio%20Plan%20-%20Quarter%20Two%20UpdatePART%201%20REPORT%20TEMPLATE.pdf>

Page 10

Renewal, Recreation and Housing Portfolio Plan 2018/19 - Quarter Two update on progress (January 2019)

<https://cds.bromley.gov.uk/documents/s50063001/The%20London%20Borough%20of%20Bromley%20-%20Renewal%20Recreation%20and%20Housing%20Portfolio%20Plan%20-%20Quarter%20Two%20Update.pdf>

Page 10

Public Protection and Enforcement Performance Overview 2018/19 (January 2019)

<https://cds.bromley.gov.uk/documents/s50066154/Copy%20of%2019.01.30%20PPE%20Portfolio%20RAG%20Report%202018%20vFINAL%2021.01.19.pdf?CT=2>

Page 10

Environment and Community Services Performance Overview 2018/19 (January 2019)

<https://cds.bromley.gov.uk/documents/s50066260/ECS%20Performance%20Monitoring%20201819.pdf?CT=2>

Page 11

Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23

<https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf>

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Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23

<https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf>

Page 12

Anti-Fraud and Corruption Strategy

| | |
|---|--|
| https://cds.bromley.gov.uk/documents/s50067028/Appendix%20C-Update%20to%20Anti%20Fraud%20Corruption%20PolicyWhistleblowingBriberyMoney%20Laundering%20Policies.pdf | |
| Page 13 | Monitoring Officer's General Report 22nd January 2019 |
| https://cds.bromley.gov.uk/documents/s50065897/MONITORING%20OFFICERS%20GENERAL%20REPORT.pdf | |
| Page 14 | Audit Sub Committee Meetings (Agendas, Papers, Minutes) |
| http://cds.bromley.gov.uk/ieListMeetings.aspx?CId=135&Year=0 | |
| Page 15 | Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2019) – Report |
| https://reports.ofsted.gov.uk/provider/44/305 | |
| Page 15 | Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2019) – Press Release 7th January 2019 |
| https://www.bromley.gov.uk/press/article/1466/bromley_children_s_services_leap_to_good_with_outstanding_leadership | |
| Page 15 | Ofsted – Inspection of Children's Social Care Services (19th – 30th November 2018) – Press Release 17th January 2019 |
| https://www.bromley.gov.uk/press/article/1467/outstanding_leadership_and_good_overall_ofsted_judgements_brought_about_by_fundamental_shift_in_approach_to_children_s_services | |
| Page 15 | Care Quality Commission – Review of Reablement (2nd May 2018) - Report |
| https://www.cqc.org.uk/location/1-176333932 | |
| Page 15 | Ofsted Inspection of Further Education and Skills. (15th – 18th January 2019) |
| https://cds.bromley.gov.uk/documents/s50067494/Final%20Ofsted%20report%20-%20Bromley%20Adult%20Education%20January%202019.pdf | |
| Page 15 | Ofsted Inspection of Further Education and Skills (15th – 18th January 2019) – Press Release 8th March 2019 |
| https://www.bromley.gov.uk/press/article/1487/bromley_adult_education_gets_good_marks_from_ofsted | |

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|---|---|
| Page 16 | Care Quality Commission – Review of Shared Lives (24th January 2019) |
| https://www.cqc.org.uk/sites/default/files/new_reports/INS2-2838196510.pdf | |
| Page 17 | Corporate Risk Register |
| https://cds.bromley.gov.uk/documents/s50064510/Appendix%20A2%20-%20Corporate%20Risk%20Register.pdf?CT=2 | |
| Page 18 | Draft 2018/19 Budget and update on Council's Financial Strategy 2019/20 to 2021/22 |
| https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf | |
| Page 18 | Draft 2019/20 Budget and Update on Council's Financial Strategy 2020/21 to 2022/23 |
| https://cds.bromley.gov.uk/documents/s50066150/Executive%20160119%20Draft%202019-20%20Budget%20Report%20Final%20Version.pdf | |
| Page 19 | Performance Reporting – Children's Services – Covering Report |
| http://cds.bromley.gov.uk/documents/s50059461/Performance%20Reporting%20-%20Childrens%20Services.pdf | |
| Page 19 | Performance Reporting – Children's Services – Performance Index |
| http://cds.bromley.gov.uk/documents/s50059462/App.%20to%20Performance%20Reporting%20-%20Childrens%20Services.pdf | |
| Page 19 | Performance Management Framework – Adults Services |
| https://cds.bromley.gov.uk/documents/s50061329/Performance%20Management%20Framework%20-%20Adults%20Services.pdf | |
| Page 19 | GDPR Regulations Executive Report 6th December 2017 |
| http://cds.bromley.gov.uk/documents/b50011952/10.%20THE%20GENERAL%20DATA%20PROTECTION%20REGULATIONS%202016%20Wednesday%2006-Dec-2017%2019.00%20Executive.pdf?T=9 | |
| Page 20 | Zurich Information Governance Health Check Report |
| https://cds.bromley.gov.uk/documents/s50067026/Appendix%20A-Zurich%20Information%20Governance%20Report.pdf | |

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 31st 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.