

London Borough of Bromley  
Statement of Accounts

2017/18



THE LONDON BOROUGH  
[www.bromley.gov.uk](http://www.bromley.gov.uk)

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## **FOREWORD FROM THE LEADER OF THE COUNCIL**

Bromley Council has continued its prudent approach to managing the budget during an era of completely un-paralleled financial challenge across local government.

Everything we do is focussed on ensuring, as best we possibly can, the long term stability of the Council's finances, a challenge which is, in large part, dependent on the Government's continued level of funding to local councils.

In light of future threatened Government cuts, we are developing innovative solutions to provide more self-sufficiency around Council finances.

We continue to closely scrutinise all Council services to ensure 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 efficient approach, coupled with low risk investments to provide an income, helps to address growing demand for services, especially those for our most vulnerable residents. This strategy has also helped us balance the budget without the need to go into debt, unlike many other councils across the country.

Despite the ongoing pressures, we have continued to seek efficiencies, take savings early and invest money wisely wherever an opportunity can be found.

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
- Lobbying Government for a better deal for Bromley.

We have continued our commitment to Building a Better Bromley, enhancing our Borough as a great place to live, work and spend leisure time, as well as a destination of choice where people want to come to raise families and do business.

I am pleased to present our Annual Statement of Accounts for 2017-18. 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 and expanding Bromley's ever-popular Friends Initiative for parks, streets and snow.
- Progressing the Local Plan to completion to shape the Borough's future.
- Working with Crystal Palace Park Management Board to develop a regeneration plan for the park.
- Progressing plans to redevelop the Chislehurst Library site.
- 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, for example, through Trading Standards' work with banks.
- Working with partners to improve services for children and families through our 'journey to 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 health partners to further integrate health and care to support residents to be as independent for as long as possible.
- 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.
- Working with housing associations and landlords to provide housing solutions.
- Encouraging housing developments to include affordable homes.
- Advising and supporting parents and others around children's health issues.
- Working with health partners to focus on wellbeing and prevention to improve health outcomes for residents.
- Improving health for those with long-term health conditions and maximising the efficiency of NHS checks.

Looking ahead, as with so many other local authorities, there are a number of imperatives facing us in what remains an absolutely unprecedented time for austerity across local government.

We will continue completing our work on children's services and strive our hardest to achieve a unique turnaround with Ofsted which will be an outstanding feat if it can be accomplished.

Housing and services to reduce homelessness are key priorities and as such we need to ensure there are more Bromley homes for Bromley people. This and the vital work to be done around integrating health and adult services are probably the biggest challenges facing the Council over the next four years.

By this autumn, we aim to complete the Borough's Local Development Plan process, which has gone well so far with few alterations.

We will continue our fight for a fairer share of London's transport infrastructure to obtain better links to Bromley North and, ideally, Bromley South to facilitate easier access to Central London, Docklands and the East London corridor beyond.

We shall also continue to lobby the Mayor of London for a fairer share of London's policing resources. Recent changes around tri-borough arrangements remain unsatisfactory and a further review is clearly needed.

And last, but by no means least, we will work ever more closely with Bromley's fantastic voluntary sector, Friends Groups and Residents' Associations which support it.

We will never underestimate the sheer volume of resources, extra hands, eyes and ears that make such a difference in Bromley and the nurturing and development of such groups remains of paramount importance.

Very serious financial challenges still lay ahead, with many tough and difficult choices still to be made as a result.

That work is now underway and I know that between us, Council Officers and Councillors alike, everyone is firmly focussed and set to play their part in making the right decisions for Bromley people.

Colin Smith  
Leader  
Bromley Council

## APPROVAL OF THE STATEMENT OF ACCOUNTS

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I hereby confirm that the Statement of Accounts for the year ending 31st March 2018, as signed by the Director of Finance on the 25th July 2018, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 25th July 2018.



Councillor Pauline Tunnicliffe  
Chairman of the General Purposes and Licensing Committee  
25th July 2018

# NARRATIVE REPORT

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This Narrative Report provides information about the key issues affecting the Council and its accounts. It also provides an explanation of the Financial Statements and a summary of financial performance in 2017/18.

## *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 2016) is 326,900 and there are 242,429 people on the electoral roll. In 2017/18 the total number of 'Band D equivalent' properties was estimated at 128,523 and the number of business properties at 7,272.

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

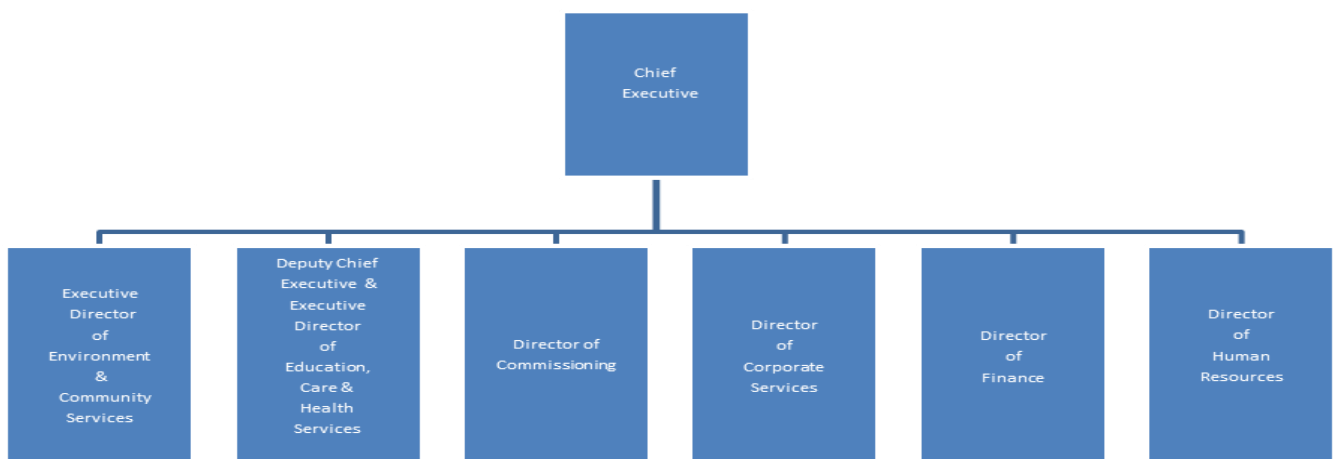
Our officer and political structures are all aligned to deliver this vision through our portfolio plans.

## **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**

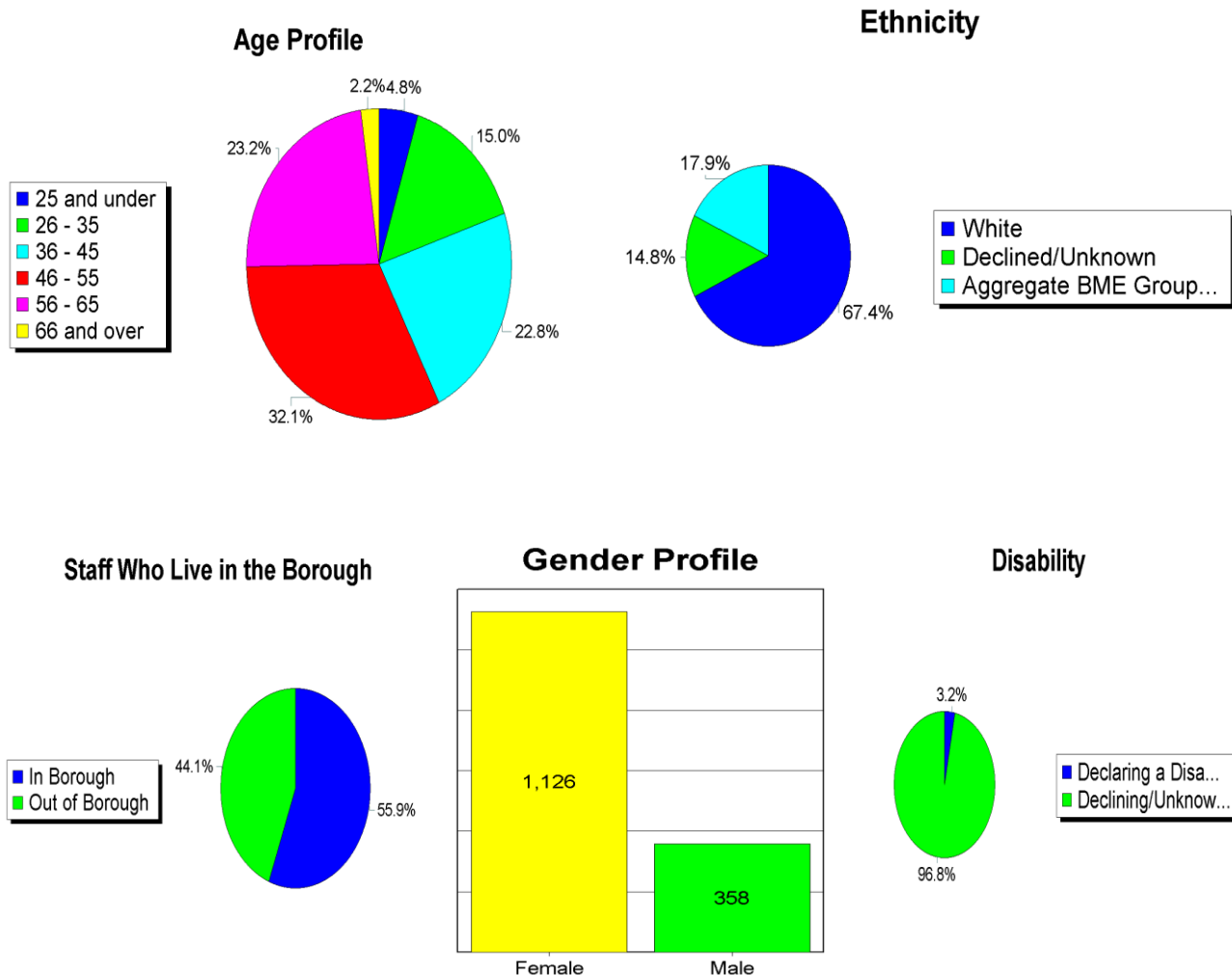
Supporting the work of Councillors is the organisational structure of the Council led by the Chief Executive. Chief Officers have a strategic role, advising Councillors on their areas of particular expertise and contributing to the overall leadership of the Council. They also have a managerial role, 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.



# NARRATIVE REPORT

## Bromley Workforce

The Council employs 1,484 people on full and part-time contracts equating to a full-time equivalent of 1,237. 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

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## *Explanation of the Financial Statements*

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. This sets out the Council's income and expenditure for the year and its financial position at 31<sup>st</sup> March. The format and content is prescribed in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 – this statement 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

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## 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 2017/18. The Net Asset Statement sets out the position of the Fund as at 31<sup>st</sup> March 2018. The Council's Pension Fund is part of the Local Government Pension Scheme (LGPS).

## Financial Performance in 2017/18

### Revenue Expenditure

The 2017/18 outturn position is summarised in the table below:

	Budget £m	Actual £m	Variation £m
Net expenditure	205.98	207.53	1.55
Funded by:			
Grants, Council Tax and Business Rates	(205.42)	(207.53)	(2.11)
Carry Forwards from 2016/17	(0.56)	-	0.56
Variation in General Reserves	-	-	-

The 2018/19 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 '2018/19 Council Tax' report to the Executive in February.

The 2017/18 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 2017/18 were reported to the Council's Executive on the 21<sup>st</sup> May 2018 and are available through: [Executive 21st May 2018](#)

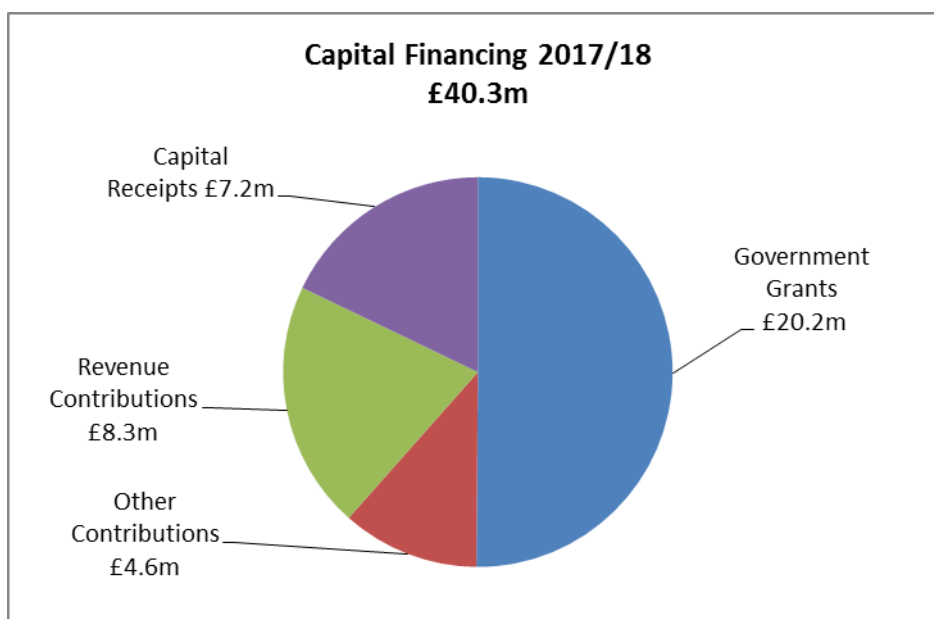
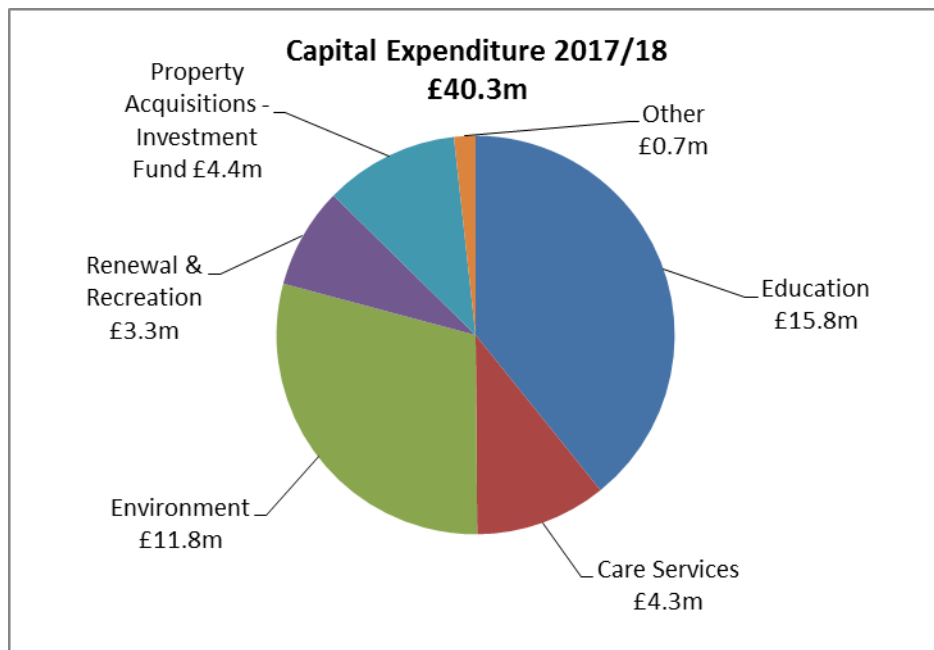
# NARRATIVE REPORT

## Capital Expenditure

Capital expenditure totalled £43.0m compared with the final approved estimate of £51.6m. 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 £8.8m in 2017/18 and, during the year, £7.2m 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 21<sup>st</sup> May 2018 which is available through: [Executive 21st May 2018](#)



# NARRATIVE REPORT

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## Investments

At the year end, the Council held significant investments totalling £284.4m (principal sum). These investments generated net income of £4.0m in 2017/18 to support the revenue budget. The investments represent the Council's general and earmarked reserves, provisions and net working capital.

## Pension Fund

During 2017/18 the net assets of the Pension Fund increased by £53.6m (5.9%). 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 1<sup>st</sup> 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;
- Budgetary overspends across individual departments;
- 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 and the impact of welfare reform;
- 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, 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;
- Contract Management: contract issues have been identified across the organisation which have identified the need for strengthened control and management oversight;
- Performance Management: further work is required to ensure a comprehensive understanding of the strengths and weaknesses of services provided, effective use of performance management information and robust quality assurance arrangements;
- Code of Corporate Governance: requires updating to reflect the 2016 CIPFA guidance;
- General Data Protection Regulations (GDPR): significant changes required to ensure compliance with the GDPR 2016.

## NARRATIVE REPORT

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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 24<sup>th</sup> May 2018 and is available through [AGS Report](#).

The Annual Governance Statement is published with the Statement of Accounts.

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

The draft 2017/18 budget and MTFS to 2020/21 was approved by Executive on 14<sup>th</sup> January 2017 and set the framework for the Council to address the significant financial challenges not only for 2017/18 but going forward into future years. This is the second 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 2017 and the Local Government Financial Settlement 2018/19 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 front-line services and providing sustainable longer term solutions. Although it has been possible to achieve a broadly balanced budget for 2018/19 through a combination of front loading savings, proactively generating investment income, setting aside non-recurring collection fund surplus and prudent financial management, there remains a significant budget gap by 2021/22. 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 agreed to support developing a 100% business rate retention pilot pool in London for 2018/19. Although this provides additional income in 2018/19, there is uncertainty on the impact of the full devolution of business rates and the outcome of the Government's 'Fair Funding' review. The Government's next spending review is expected to be implemented from 2020/21 which will include the revised levels of funding for individual local authorities. The continuation of long term financial planning as part of the MTFS remains essential.

The key issue to consider is the need to ensure long term sustainable finances to help ensure the Council can provide priority services in the longer term. 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.

# NARRATIVE REPORT

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

The Council continues to face ongoing funding reductions and there remains a significant budget gap that needs to be addressed. It remains essential to explore opportunities to increase the Council’s business rate base through economic development as well as increase investment income. Some of the options being undertaken are summarised below:

- Community Infrastructure Levy (CIL) - potential income of up to £3.5m per annum could be raised but implementation is not likely to be until 2019 after the adoption of the Local Plan.
- New Homes Bonus – currently a key source of income, previously set aside to generate investment income. Financial benefits have reduced significantly through reductions in funding levels and the financial forecast assumes that any monies will be used towards reducing the budget gap over the next four years.
- Localisation of Business Rates – changes in 2018/19 to reflect 100% devolution to London as part of the London Business Rate Pool Pilot. The draft budget assumes additional income of £2.9m from the Pilot. 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.
- 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.
- Transformation - exploring opportunities for increased partnership working, collaboration, use of technology and community based place shaping.
- 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.

### ***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

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### **Opinion**

We have audited the financial statements of the London Borough of Bromley ('the Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Collection Fund, the Fund Account and Net Assets Statement for the London Borough of Bromley Pension Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the London Borough of Bromley Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

#### **Other information published with the financial statements**

The Director of Finance is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

#### **Director of Finance's responsibilities**

As explained more fully in the statement set out on page 13, the Director of Finance is responsible for the preparation of the Authority's 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 2017/18. They are also responsible for: such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

# AUDITOR'S REPORT

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## **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

### **Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Qualified conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph below, 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 2018.

#### **Basis for qualified conclusion**

During 2015/16 the Authority received a report from Ofsted rating Children's Services as 'inadequate'. The Ofsted report raised concerns that strategic leaders did not have a comprehensive understanding of the services being provided, and noted that there had been a significant deterioration in the quality of services since 2010, with children being left in negative home situations for too long because of a poor understanding of the risk identification and reduction process. During 2017/18 Ofsted issued further monitoring reports which identified that improvements had occurred, these had not yet been subject to a full inspection. The Commissioner recommended that the Authority retain control of Children's Services.

### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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.

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether the London Borough of Bromley had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Bromley put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.



# AUDITOR'S REPORT

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## Statutory reporting matters

The Code of Audit Practice requires us to report to you if:

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made 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;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## CERTIFICATE OF COMPLETION OF THE AUDIT

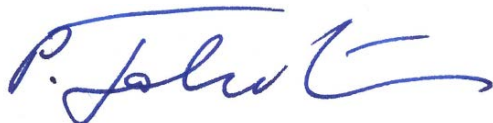
### DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

#### Due to work on the WGA Return not being completed

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

#### Due to matters brought to our attention by a local authority elector

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to both 2016/17 and 2017/18. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Philip Johnstone  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square, London, E14 5GL

26 July 2018

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## *The Authority's Responsibilities*

The Authority is required:

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

## *The Director of Finance Responsibilities*

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts 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 14 to 110 give a true and fair view of the financial position of the Authority as at 31st March 2018 and of its income and expenditure for the year ended 31st March 2018.



Peter Turner  
Director of Finance  
25th July 2018

## EXPENDITURE AND FUNDING ANALYSIS

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

2016/17			2017/18		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Restated £000	Restated £000	Restated £000	£000	£000	£000
73,374	1,528	74,902	78,915	(2,480)	76,435
36,530	1,163	37,693	48,728	2,417	51,145
41,345	(3,728)	37,617	36,667	(2,725)	33,942
2,412	59	2,471	2,587	(14)	2,573
16,904	(518)	16,386	11,170	(521)	10,649
22,703	(3,236)	19,467	21,595	(1,606)	19,989
<b>193,268</b>	<b>(4,732)</b>	<b>188,536</b>	<b>199,662</b>	<b>(4,929)</b>	<b>194,733</b>
(194,068)	26,164	(167,904)	(223,163)	40,147	(183,016)
					(Surplus) / Deficit on Provision of
<b>(800)</b>	<b>21,432</b>	<b>20,632</b>	<b>(23,501)</b>	<b>35,218</b>	<b>11,717</b>
(121,696)		Opening General Fund Balance	(122,496)		
(800)		Less Deficit / (Surplus) on General Fund	(23,501)		
<b>(122,496)</b>		<b>Closing General Fund Balance at 31 March 2018</b>	<b>(145,997)</b>		

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2016/17			2017/18			
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
Restated £000	Restated £000	Restated £000		£000	£000	£000
265,456	(190,554)	74,902		270,039	(193,604)	76,435
166,408	(128,715)	37,693		158,480	(107,335)	51,145
62,067	(24,450)	37,617		56,978	(23,036)	33,942
3,204	(733)	2,471		3,429	(856)	2,573
19,857	(3,471)	16,386		15,161	(4,512)	10,649
22,669	(3,202)	19,467		22,704	(2,715)	19,989
<b>539,661</b>	<b>(351,125)</b>	<b>188,536</b>		<b>526,791</b>	<b>(332,058)</b>	<b>194,733</b>
47,714	(1,768)	45,946	10	41,806	(1,221)	40,585
17,601	(13,088)	4,513	11	2,122	(15,299)	(13,177)
-	(218,363)	(218,363)	12	-	(210,424)	(210,424)
<b>604,976</b>	<b>(584,344)</b>	<b>20,632</b>		<b>570,719</b>	<b>(559,002)</b>	<b>11,717</b>
		(13,695)	28			(12,413)
		5,238	28			3,778
		2,120	28			599
		(1,454)	45			(80,662)
		<b>(7,791)</b>				<b>(88,698)</b>
		<b>12,841</b>				<b>(76,981)</b>

\* The restatement of the 2016/17 figures is primarily the result of presentational changes to reflect the Council's Portfolio reporting structure.

## 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	
<b>Current Year</b>							
<b>Balance at 31 March 2017 carried forward</b>	<b>(122,496)</b>	<b>(24,109)</b>	<b>(36,944)</b>	<b>(183,549)</b>	<b>(445,872)</b>	<b>(629,421)</b>	
<b>Movement in Reserves during 2017/18</b>							
<b>Total Comprehensive Income and Expenditure</b>	11,717	-	-	<b>11,717</b>	(88,698)	<b>(76,981)</b>	
Adjustments between accounting basis & funding basis under regulations (Note 8)	(35,218)	(1,587)	3,809	<b>(32,996)</b>	32,996	-	8
<b>(Increase)/Decrease in 2017/18</b>	<b>(23,501)</b>	<b>(1,587)</b>	<b>3,809</b>	<b>(21,279)</b>	<b>(55,702)</b>	<b>(76,981)</b>	
<b>Balance at 31 March 2018 carried forward</b>	<b>(145,997)</b>	<b>(25,696)</b>	<b>(33,135)</b>	<b>(204,828)</b>	<b>(501,574)</b>	<b>(706,402)</b>	
<b>General Fund Analysed over:</b>							
	<b>£000</b>						
Amounts earmarked (Note 9)	(125,997)						
Amounts uncommitted	(20,000)						
<b>Total General Fund Balance at 31st March 2018</b>	<b>(145,997)</b>						
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	
	£000	£000	£000	£000	£000	£000	
<b>Comparative Year</b>							
<b>Balance at 31st March 2016</b>	<b>(121,696)</b>	<b>(29,583)</b>	<b>(18,722)</b>	<b>(170,001)</b>	<b>(472,261)</b>	<b>(642,262)</b>	
<b>Movement in Reserves during 2016/17</b>							
<b>Total Comprehensive Income and Expenditure</b>	20,632	-	-	<b>20,632</b>	(7,791)	<b>12,841</b>	
Adjustments between accounting basis & funding basis under regulations (Note 8)	(21,432)	5,474	(18,222)	<b>(34,180)</b>	34,180	-	8
<b>(Increase)/Decrease in 2016/17</b>	<b>(800)</b>	<b>5,474</b>	<b>(18,222)</b>	<b>(13,548)</b>	<b>26,389</b>	<b>12,841</b>	
<b>Balance at 31 March 2017 carried forward</b>	<b>(122,496)</b>	<b>(24,109)</b>	<b>(36,944)</b>	<b>(183,549)</b>	<b>(445,872)</b>	<b>(629,421)</b>	
<b>General Fund Analysed over:</b>							
	<b>£000</b>						
Amounts earmarked (Note 9)	(102,496)						
Amounts uncommitted	(20,000)						
<b>Total General Fund Balance at 31st March 2017</b>	<b>(122,496)</b>						

## BALANCE SHEET

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

<b>31st March 2017 £000</b>		<b>Notes</b>	<b>31st March 2018 £000</b>
424,416	Property, Plant and Equipment	<b>14</b>	404,591
1,017	Heritage Assets	<b>15</b>	1,017
145,786	Investment Property	<b>16</b>	148,590
130,202	Long Term Investments	<b>17</b>	156,911
2,165	Long Term Debtors	<b>17</b>	2,915
<b>703,586</b>	<b>Long Term Assets</b>		<b>714,024</b>
135,098	Short Term Investments	<b>17</b>	106,707
6,587	Assets Held for Sale (<1yr)	<b>22</b>	3,121
196	Inventories	<b>18</b>	139
21,039	Short Term Debtors	<b>20</b>	23,320
6,991	Cash and Cash Equivalents	<b>21</b>	24,092
-	Short Term Borrowing / Temporary Loans	<b>23</b>	3,875
<b>169,911</b>	<b>Current Assets</b>		<b>161,254</b>
2,359	Cash and Cash Equivalents	<b>21</b>	-
626	Short Term Borrowing / Temporary Loans	<b>23</b>	-
12,657	Provisions	<b>26</b>	13,304
71,062	Short Term Creditors	<b>24</b>	74,814
4,219	Grants Receipts in Advance - Revenue	<b>38</b>	4,602
7,980	Grants Receipts in Advance - Capital	<b>38</b>	6,583
<b>98,903</b>	<b>Current Liabilities</b>		<b>99,303</b>
145,173	Other Long Term Liabilities	<b>25</b>	69,573
<b>145,173</b>	<b>Long Term Liabilities</b>		<b>69,573</b>
<b>629,421</b>	<b>Net Assets</b>		<b>706,402</b>
183,549	Usable Reserves	<b>27</b>	204,828
445,872	Unusable Reserves	<b>28</b>	501,574
<b>629,421</b>	<b>Total Reserves</b>		<b>706,402</b>

## CASH FLOW STATEMENT

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

<b>2016/17</b>		<b>Notes</b>	<b>2017/18</b>
<b>£000</b>			<b>£000</b>
20,632	Net Deficit on the Provision of Services		11,717
(57,946)	Adjustments to Net Deficit on the Provision of Services for Non-Cash Movements	<b>29</b>	(57,568)
35,061	Adjustments for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	<b>29</b>	29,481
<u>(2,253)</u>	Net Cash Flows from Operating Activities		<u>(16,370)</u>
(17,451)	Investing Activities	<b>30</b>	612
<u>12,365</u>	Financing Activities	<b>31</b>	<u>(3,702)</u>
(7,339)	Net (Increase) or Decrease in Cash and Cash Equivalents		(19,460)
2,707	Cash and Cash Equivalents at the Beginning of the Reporting Period		(4,632)
<u>(4,632)</u>	Cash and Cash Equivalents at the End of the Reporting Period	<b>21</b>	<u>(24,092)</u>

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies**

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. 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 2017/18 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 sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 20).
- 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 2018 there was a total of £22.5m of cash investments on the Balance Sheet in instant access AAA-rated Money Market Funds and other short-term accessible accounts, (£6.9m as at 31st March 2017).

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

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### **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 authority recognises costs for a restructuring.

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

## Notes to the Core Financial Statements

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### 1 *Statement of Accounting Policies continued*

#### 7 *Employee Benefits continued*

##### *Post Employment Benefits*

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

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

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

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

Disclosures in relation to retirement benefits can be found in Note 45.

##### *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 2017/18, this discount rate was 2.5% compared to 2.5% in 2016/17. 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 2017/18 (a reduction of £75m). Movements in the Pensions Reserve balance are explained in more detail in Note 45.

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

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

##### a) Service Cost comprising:

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

# Notes to the Core Financial Statements

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

### **7 Employee Benefits continued**

#### b) Net interest cost:

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

#### c) Remeasurements comprising:

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

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

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

#### *Discretionary Benefits*

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

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

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

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

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

## **9 Fair Value Measurement**

The Authority 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 authority 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 Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## Notes to the Core Financial Statements

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

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

The authority 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 41.

#### **11 Financial Assets**

Financial assets are classified as either:

- available for sale assets - those with a quoted market price and/or no fixed or determinable payments; or
- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.

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

##### *Loans and Receivables*

Loans and receivables 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 then measured at their amortised cost. Annual credits for interest receivable to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans at less than market rates (soft loans), for example car and season ticket loans to employees or deferred payment agreements for social services clients. The Code of Practice requires that, when soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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. The impact on the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has a record of all soft loans issued and, having calculated the value, has not applied this policy as the amounts involved would not create a material difference in the accounts.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge is made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

## Notes to the Core Financial Statements

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### 1 *Statement of Accounting Policies continued*

#### 11 *Financial Assets cont.*

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 Comprehensive Income and Expenditure Statement.

##### *Available -for-Sale Assets*

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values 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
- equity shares with no quoted market prices – independent appraisal of company valuations.

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 authority 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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### 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 Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

## Notes to the Core Financial Statements

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

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

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

#### **13 Heritage Assets**

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

Heritage Assets are recognised and measured in accordance with the Authority'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 49.

The Authority'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 49. 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 Authority'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 17). 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 17).

#### **14 Inventories**

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

#### **15 Investment properties**

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

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

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

# Notes to the Core Financial Statements

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## 1 Statement of Accounting Policies continued

### 16 Leases

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

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

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

#### The Authority as Lessee

##### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

##### *Operating Leases*

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

#### The Council as Lessor

##### *Finance Leases*

As at 31st March 2018, the Authority holds no finance leases as lessor.

##### *Operating Leases*

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

## Notes to the Core Financial Statements

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

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2017/18 (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 December 2016 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
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).



# Notes to the Core Financial Statements

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## *1 Statement of Accounting Policies continued*

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

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

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

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

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

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

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

#### *Impairment*

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

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

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

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

#### *Depreciation*

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

Depreciation is calculated on the following basis:

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

## Notes to the Core Financial Statements

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### *1 Statement of Accounting Policies continued*

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

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

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

#### *Disposals*

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

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

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

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

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

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

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

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

# Notes to the Core Financial Statements

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

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

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

The Council has not entered into any PFI schemes but it has entered into 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 42.

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 Authority 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 26.

### **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 47) where it is probable that there will be an inflow of economic benefits or service potential.

## Notes to the Core Financial Statements

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

#### **23 Reserves**

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

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

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

Reserves are reported in two categories - Usable and Unusable.

##### *Usable Reserves*

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

##### *Unusable Reserves*

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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 authority 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 authority 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 authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

## Notes to the Core Financial Statements

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### **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.

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

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority'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 authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore the transactions, cash flows and balances of 10 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.

## Notes to the Core Financial Statements

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

- i) Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting. IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss. The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

The impact of these changes on the Authority's financial position can be summarised as follows:

- The Authority currently hold investments in property/multi asset funds which, under the revised arrangements, will no longer be classified as Available for Sale, but Fair Value through the Profit and Loss. This will mean any capital gains or losses will have a direct impact on the General Fund Balance. The Authority currently holds £80m of such assets. There are indications that the Government will introduce a statutory over-ride to protect short term fluctuations from impacting on the General Fund Balance, although details of this arrangement have not yet been formalised.
  - The expected credit loss implications for those financial assets not treated as Fair Value are expected to be minimal for the majority of the treasury investments as the Authority adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice.
- ii) IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers: replaces IAS 18 Revenue and IAS 11 Construction Contracts
- The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated. Appendix C of the Code confirms that there is no requirement to provide financial information relating to the impact of IFRS 9 for the 2017/18 year in the 2017/18 Financial Statements.
- iii) Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value. This does not apply to the single entity statements
- iv) Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- In January 2016 the IASB issued an amendment to IAS 7 to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- None of the above amendments are expected to have a material impact on the information in the Financial Statements 2017/18.

### **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) There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Authority repudiates any liability and no provision for potential damages has been made in relation to the claim.

### 3 *Critical Judgements in Applying Accounting Policies continued*

- c) 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.
- d) 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).
- e) 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 2018 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

## Notes to the Core Financial Statements

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

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.

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%.

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

#### **Arrears**

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

At 31st March 2018, the Authority had a balance of sundry debtors of £10,396k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 13% (£1,302k) 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**

#### **Loss Recognised on Disposals of Long-Term Assets**

During 2017/18, 4 of the Council's Primary Schools and 1 Special School adopted academy status. In addition, a building that was being refurbished was transferred to a Special School academy. (8 Primary Schools in 2016/17). As a result Property, Plant & Equipment values, totalling £40.5m (£46.3m in 2016/17), have been removed from the balance sheet. This has been treated as a loss on disposal in these accounts, as the Council has effectively disposed of the schools for no receipt. In accordance with the accounting requirements of the Code, a debit of £40.5m has been posted in 2017/18 to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (see Note 10), with a corresponding reduction to long-term assets (property, plant & equipment - see Note 14).

Accumulated revaluation gains of £5.3m (£5.9m in 2016/17) have been transferred from the Revaluation Reserve to the Capital Adjustment Account (both included in figures in Note 28) and, in order to ensure that the total "loss" does not impact on the General Fund, the debit of £40.5m has been reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

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

The Statement of Accounts was authorised for issue by the Director of Finance on 25th July 2018. The existence of events after the Balance Sheet date has been considered up to this date and there are none to disclose. Events taking place after this date are not reflected in the financial statements or notes.

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## 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						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			
	£000	£000	£000	£000	£000	£000
Care Services	(156)	1,417	(6)	1,255	(3,735)	(2,480)
Education, Children & Families	(156)	3,118	(418)	2,544	(127)	2,417
Environment	3,667	511	(3)	4,175	(6,900)	(2,725)
Public Protection & Safety	(12)	261	(2)	247	(261)	(14)
Renewal & Recreation	(1,946)	717	(14)	(1,243)	722	(521)
Resources	490	(3,623)	8	(3,125)	1,519	(1,606)
<b>Net Cost of Services</b>	<b>1,887</b>	<b>2,401</b>	<b>(435)</b>	<b>3,853</b>	<b>(8,782)</b>	<b>(4,929)</b>
Other operating expenditure (i)	39,314	-	-	39,314	2,661	41,975
Financing and investment income and expenditure	(8,458)	3,406	-	(5,052)	6,121	1,069
Taxation and non-specific grant income and expenditure	(3,165)	-	268	(2,897)	-	(2,897)
	<b>27,691</b>	<b>3,406</b>	<b>268</b>	<b>31,365</b>	<b>8,782</b>	<b>40,147</b>
<b>General Fund (Surplus)/Deficit</b>	<b>29,578</b>	<b>5,807</b>	<b>(167)</b>	<b>35,218</b>	<b>-</b>	<b>35,218</b>

Adjustments between Funding and Accounting Basis						2016/17
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
Care Services	(430)	427	(37)	(40)	1,568	1,528
Education, Children & Families	(9,686)	1,558	(488)	(8,616)	9,779	1,163
Environment	3,611	592	(3)	4,200	(7,928)	(3,728)
Public Protection & Safety	94	174	(2)	266	(207)	59
Renewal & Recreation	3,517	599	(7)	4,109	(4,627)	(518)
Resources	1,191	(8,934)	(3)	(7,746)	4,510	(3,236)
<b>Net Cost of Services</b>	<b>(1,703)</b>	<b>(5,584)</b>	<b>(540)</b>	<b>(7,827)</b>	<b>3,095</b>	<b>(4,732)</b>
Other operating expenditure (i)	44,598	-	-	44,598	(26,305)	18,293
Financing and investment income and expenditure	(10,282)	5,049	-	(5,233)	23,210	17,977
Taxation and non-specific grant income and expenditure	(6,909)	-	(3,197)	(10,106)	-	(10,106)
	<b>27,407</b>	<b>5,049</b>	<b>(3,197)</b>	<b>29,259</b>	<b>(3,095)</b>	<b>26,164</b>
<b>General Fund (Surplus)/Deficit</b>	<b>25,704</b>	<b>(535)</b>	<b>(3,737)</b>	<b>21,432</b>	<b>-</b>	<b>21,432</b>

## 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.

### 7B Segmental Income

Income received on a segmental basis is analysed below:

<b>Services</b>	<b>2016/17 Income from Services Restated £000</b>	<b>2017/18 Income from Services £000</b>
Care Services	(50,619)	(48,254)
Education, Children & Families	(13,347)	(11,692)
Environment	(21,603)	(20,821)
Public Protection & Safety	(434)	(462)
Renewal & Recreation	(3,433)	(3,257)
Resources	(1,864)	(2,003)
<b>Total income analysed on a segmental basis</b>	<b>(91,300)</b>	<b>(86,489)</b>

## Notes to the Core Financial Statements

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

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

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

#### **General Fund Balance**

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

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

## Notes to the Core Financial Statements

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

<u>2017/18</u>	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments to Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
<i>Pensions Costs transferred to/(from) the Pensions Reserve</i>				
Reversal of retirement benefits debited or credited to the				
CI&E Statement (see note 45)	(15,816)	-	-	15,816
Employer's pension contributions and direct payments to pensioners payable in the year	10,009	-	-	(10,009)
<b>C Tax and NDR transfers to/(from) the Collection Fund</b>				
<b>Holiday Pay transferred to/(from) the Accumulated Absence Reserve</b>	(268)	-	-	268
<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure</b>	435	-	-	(435)
Depreciation and impairment of non-current assets	(1,332)	-	-	1,332
Movements in the fair value of investment properties	2,596	-	-	(2,596)
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	(49,034)	-	-	49,034
<b>Total Adjustments to Revenue Resources</b>	<b>(54,081)</b>	<b>-</b>	<b>3,809</b>	<b>50,272</b>
<b>Adjustments between Revenue and Capital Resources</b>				
<i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve				
	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)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>18,863</b>	<b>(8,549)</b>	<b>-</b>	<b>(10,314)</b>
<b>Adjustment to Capital Resources</b>				
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
<b>Total Adjustment to Capital Resources</b>	<b>-</b>	<b>6,962</b>	<b>-</b>	<b>(6,962)</b>
<b>Total Adjustments</b>	<b>(35,218)</b>	<b>(1,587)</b>	<b>3,809</b>	<b>32,996</b>

## Notes to the Core Financial Statements

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

<u>2016/17</u>	Usable Reserves			Movement
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	in Unusable Reserves £000
<b>Adjustments to Revenue Resources</b>				
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
<i>Pensions Costs transferred to/(from) the Pensions Reserve</i>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	(14,447)	-	-	14,447
Employer's pension contributions and direct payments to pensioners payable in the year	14,982	-	-	(14,982)
<b>C Tax and NDR transfers to/(from) the Collection Fund</b>				
Holiday Pay transferred to/(from) the Accumulated Absence Reserve	3,197	-	-	(3,197)
	540	-	-	(540)
<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure</b>				
Depreciation and impairment of non-current assets	(17,607)	-	-	17,607
Movements in the fair value of investment properties	(8,853)	-	-	8,853
Capital grants & contributions	34,461	-	(18,222)	(16,239)
Revenue expenditure funded from capital under statute	(13,530)	-	-	13,530
Non-current assets written off on disposal or sale	(50,379)	-	-	50,379
<b>Total Adjustments to Revenue Resources</b>	<b>(51,636)</b>	<b>-</b>	<b>(18,222)</b>	<b>69,858</b>
<b>Adjustments between Revenue and Capital Resources</b>				
<i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	600	(600)	-	-
Transfer of deferred sale proceeds	1,731	-	-	(1,731)
Payments to the government housing receipts pool	(10)	10	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	969	-	-	(969)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	26,914	-	-	(26,914)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>30,204</b>	<b>(590)</b>	<b>-</b>	<b>(29,614)</b>
<b>Adjustment to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	9,880	-	(9,880)
Application of capital grants to finance capital expenditure	-	-	-	-
Cash payments in relation to Deferred Capital Receipts	-	(3,816)	-	3,816
<b>Total Adjustment to Capital Resources</b>	<b>-</b>	<b>6,064</b>	<b>-</b>	<b>(6,064)</b>
<b>Total Adjustments</b>	<b>(21,432)</b>	<b>5,474</b>	<b>(18,222)</b>	<b>34,180</b>

## Notes to the Core Financial Statements

### 9 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17 and 2017/18.

	Balance at 31st March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31st March 2018 £000
<b>2017/18</b>				
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 Investment Fund	100	-	-	100
Invest to Save	4,621	4,533	6,109	6,197
Bromley Welcare	14,777	-	1,195	15,972
One-off Member Initiatives	29	-	-	29
Infrastructure Investment Fund	1,332	165	-	1,167
Commissioning Authority Programme	2,000	132	-	1,868
Health & Social Care - Promise Programme	55	-	500	555
Housing Strategy Trading Account	3,953	-	-	3,953
Community Right to Bid & Challenge	25	-	-	25
Winter Pressures	46	-	-	46
Refurbishment of War Memorials	2,010	-	-	2,010
Key Health & Social Care Initiatives	13	-	-	13
Integration of Health & Social Care Initiatives	1,700	-	-	1,700
Cheyne Woods & Cyphers Gate	1,614	750	-	864
Healthy Bromley Fund	163	10	-	153
Transformation Fund	3,815	-	-	3,815
Future Repairs of High Street Properties	979	355	2,000	2,624
Collection Fund Surplus Set Aside	31	-	12	43
Parallel Fund	4,912	-	6,401	11,313
Growth Fund	2,700	-	-	2,700
Health & Social Care Integrated Commissioning	22,425	1,592	2,319	23,152
Financial Planning & Risk Reserve	4,550	-	-	4,550
Bromley Welfare Fund	5,000	-	5,000	10,000
PIL Reserve for Temporary Accommodation	970	110	-	860
Business Rate Risk Reserve	85	-	37	122
One Off Expenditure in 2016/17 (inc TFM Contract)	4,200	-	-	4,200
Crystal Palace Park Improvements	152	55	-	97
Various Joint Schemes and Pump Priming Investments	145	63	-	82
Transition Fund	5,006	1,411	550	4,145
Childrens Social Care Transition Fund	568	30	2,052	2,590
Environmental Initiatives	1,500	750	-	750
Planning/Planning Enforcement	500	-	-	500
Apprenticeship Scheme	250	53	-	197
	200	-	-	200
<b>Sub Total 2017/18</b>	<b>101,237</b>	<b>13,650</b>	<b>33,046</b>	<b>120,633</b>

## Notes to the Core Financial Statements

### 9 Transfers to/from Earmarked Reserves continued

	Balance at 31st March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31st March 2018
<b>2017/18</b>				
<b>Balance brought forward from previous page</b>	<b>101,237</b>	<b>13,650</b>	<b>33,046</b>	<b>120,633</b>
Civic Centre Development Strategy	257	-	-	257
CSC Recruitment & Retention	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 Redevelopm	-	-	993	993
Income Equalisation Reserve	-	-	1,086	1,086
<b>Total Earmarked Reserves 2017/18</b>	<b>102,496</b>	<b>14,083</b>	<b>37,584</b>	<b>125,997</b>

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 2015/16 and 2016/17.

	Balance at 31st March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31st March 2017
	£000	£000	£000	£000
Balances Held by Schools	4,017	1,786	390	2,621
Insurance Fund	3,099	607	881	3,373
LPSA Reward Grant Investment Fund	121	45	-	76
LAA Reward Grant Investment Fund	750	595	-	155
Technology Fund	1,853	150	28	1,731
Reserve for Potential Redundancy Costs	116	-	-	116
Public Halls Fund	7	-	-	7
Town Centre Improvement Fund	55	-	-	55
Ex Glaxo Land Maintenance	175	23	2	154
Building Control Charging Account	131	131	182	182
Grant Related Expenditure	2,257	2,257	1,811	1,811
Investment to Community Fund	578	48	-	530
Works to Property	100	-	-	100
Investment Fund	3,769	6,630	7,482	4,621
Invest to Save	13,381	55	1,451	14,777
Bromley Welcare	29	-	-	29
One-off Member Initiatives	1,566	234	-	1,332
Infrastructure Investment Fund	2,000	-	-	2,000
Commissioning Authority Programme	55	-	-	55
Health & Social Care - Promise Programme	5,953	2,000	-	3,953
Housing Strategy Trading Account	25	-	-	25
Community Right to Bid & Challenge	46	-	-	46
Glades Refurbishment	7	7	-	-
Winter Pressures	1,542	-	468	2,010
Refurbishment of War Memorials	13	-	-	13
Key Health & Social Care Initiatives	1,700	-	-	1,700
Integration of Health & Social Care Initiatives	1,614	-	-	1,614
Cheyne Woods & Cyphers Gate	173	10	-	163
Healthy Bromley Fund	3,815	-	-	3,815
<b>Sub Total 2016/17</b>	<b>48,947</b>	<b>14,578</b>	<b>12,695</b>	<b>47,064</b>

## Notes to the Core Financial Statements

### 9 Transfers to/from Earmarked Reserves continued

2016/17	Balance at	Transfers		Balance at
	31st March 2016 £000	Out 2016/17 £000	In 2016/17 £000	31st March 2017 £000
<b>Balance brought forward from previous page</b>	<b>48,947</b>	<b>14,578</b>	<b>12,695</b>	<b>47,064</b>
Transformation Fund	1,868	889	-	979
Future Repairs of High Street Properties	19	-	12	31
Collection Fund Surplus Set Aside	-	-	4,912	4,912
Parallel Fund	2,809	109	-	2,700
Growth Fund	29,483	14,369	7,311	22,425
Health & Social Care Integrated Commissioning	4,550	-	-	4,550
Financial Planning & Risk Reserve	5,000	-	-	5,000
Bromley Welfare Fund	970	-	-	970
PIL Reserve for Temporary Accommodation	51	-	34	85
Business Rate Risk Reserve	4,200	-	-	4,200
One Off Expenditure in 2016/17 (inc TFM Contra	461	309	-	152
Crystal Palace Park Improvements	238	93	-	145
Various Joint Schemes and Pump Priming Investm	3,100	94	2,000	5,006
Transition Fund	-	1,500	2,068	568
Childrens Social Care Transition Fund	-	-	1,500	1,500
Environmental Initiatives	-	-	500	500
Planning/Planning Enforcement	-	-	250	250
Apprenticeship Scheme	-	-	200	200
Civic Centre Development Strategy	-	-	257	257
CSC Recruitment & Retention	-	-	855	855
Future Professional Advice for Commissioning	-	-	147	147
<b>Total Earmarked Reserves 2016/17</b>	<b>101,696</b>	<b>31,941</b>	<b>32,741</b>	<b>102,496</b>



## Notes to the Core Financial Statements

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### *9 Transfers to/from Earmarked Reserves continued*

- Balances Held by Schools (under a Scheme of Delegation) - school balances represent sums delegated to schools in accordance with the Education Reform Act 1988 which had not been spent at 31st March. Any underspending on the budget of the school remains at the disposal of the school to spend in future financial years.
- Insurance Fund - provides for the self-insurance of all losses up to a maximum in any year of £500k for material damage claims and £1,965k 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

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### **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.
- Glades Refurbishment - monies set aside for the refurbishment of the Glades Shopping Centre
- 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 2018/19.
- Parallel Fund - a reserve set up in 2014/15 with the aim of providing for the potential future impact of actuarial reviews of the Council's Pension Fund.
- Growth Fund - an allocation of £10m from the Investment Fund was set aside in 2014/15 as a reserve for investments that support growth initiatives in Biggin Hill, the Cray Valley and Bromley Town Centre.
- Health and Social Care Integrated Commissioning - a reserve set up from one off funding from the Bromley Clinical Commissioning Group, to deliver the investment required by Health working with the Council to deliver integrated 'out of hospital' services across the whole health and care system.
- Financial Planning/Risk Reserve - funding set aside in 2014/15 to deal with the impact of the ongoing budget gap and possible utilisation of the reserve to support future years budgets.
- Bromley Welfare Fund - a fund for a 'White Goods and Furniture Scheme' to help with the impact of Welfare reforms on the discretionary housing payments budget.

## Notes to the Core Financial Statements

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### **9 Transfers to/from Earmarked Reserves continued**

- Payments in Lieu (PIL) Reserve for Temporary Accommodation - a reserve set up for surplus rental income from properties purchased with Payment in Lieu Funds for Temporary Accommodation. The reserve will be used for repairs and maintenance costs of the properties, and for the provision of further affordable housing.
- Business Rates Risk Reserve - a fund established to manage the impact of any unexpected reductions in retained business rate income during 2015/16 and future years.
- One Off Expenditure in 2016/17 (inc TFM Contract) - one off funding of £461k was set aside in an earmarked reserve to support the following initiatives in 2016/17:
  - Youth Offending Services - £97k for continued additional staffing resources required for the YOS in preparation for a re-inspection of the service in 2016/17.
  - Bromley Safeguarding Children's Board (BSCB) - £55k to support the continuation of the boards safeguarding activities in 2016/17.
  - Total Facilities Management Contract (TFM) - an amount of £309k was set aside in an earmarked reserve to carry out the 'due diligence' work for the TFM contract prior to any final contract agreement.
- Crystal Palace Park Improvements - £240k was set aside in an earmarked reserve as a Community Project Fund. It will be used to award grants for the completion of small capital and revenue projects submitted by community groups over a period of three years.
- Various Joint Schemes and Pump Priming Investments in Health & Social Care - funding set aside to allow for the continuation of agreed joint schemes and pump priming investment for more cost effective models of delivery across Health & Social Care in Bromley.
- Transition Fund - a reserve set up to provide funding for pump-priming and other transitional arrangements in 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.
- 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%.

## Notes to the Core Financial Statements

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### 10 Other Operating Expenditure

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
1,385 Levies	1,321
10 Payments to Government Housing Capital Receipts Pool	1
(1,731) Other Income	(1,171)
(37) Distribution of former LRB Balances	(50)
46,319 Losses on the Disposal of Non-Current Assets *	40,484
<b><u>45,946</u> Total</b>	<b><u>40,585</u></b>

\* The charge of £40.5m in 2017/18 (£46.3m in 2016/17) relates to losses on property, plant and equipment assets as a result of the adoption of academy status by a number of primary schools, and the transfer of a refurbished building to a Special School Foundation. Further details are provided in the Exceptional Items note (Note 5).

### 11 Financing and Investment Income and Expenditure

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
693 Interest Payable and Similar Charges	521
5,049 Net Interest on the Net Defined Benefit Liability	3,406
(4,547) Interest Receivable and Similar Income	(5,489)
3,318 (Income)/Expenditure in Relation to Investment Properties and changes in their fair value	(11,615)
<b><u>4,513</u> Total</b>	<b><u>(13,177)</u></b>

### 12 Taxation and Non Specific Grant Income

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
(143,536) Council Tax Income	(149,930)
(24,898) Business Rates Income	(26,756)
(43,020) Non-Ringfenced Government grants	(30,573)
(6,909) Capital Grants and Contributions	(3,165)
<b><u>(218,363)</u> Total</b>	<b><u>(210,424)</u></b>

## Notes to the Core Financial Statements

### 13 Expenditure and Income Analysed by Nature

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

<b>Expenditure/Income</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
<b>Expenditure</b>		
Employee Expenses	104,273	101,890
Other Service Expenses	404,979	404,836
Support Service Recharges	(2,890)	(2,869)
Depreciation and Impairment	33,299	22,934
Precepts and Levies	1,385	1,321
Payments to Housing Capital Receipts Pool	10	1
Gain or Loss on Disposal of Non Current Assets	46,319	40,484
Interest and Investment Payments	12,552	(1,284)
Net Interest on the Net Defined Liability	5,049	3,406
<b>Total Expenditure</b>	<b>604,976</b>	<b>570,719</b>
<b>Income</b>		
Fees, Charges & Other Service Income	(91,300)	(86,489)
Other Income	(1,768)	(1,221)
Interest and Investment Income	(13,088)	(15,299)
Income from Council Tax	(143,536)	(149,930)
Income from Non Domestic Rates	(24,898)	(26,756)
Government Grants and Contributions	(309,754)	(279,307)
<b>Total Income</b>	<b>(584,344)</b>	<b>(559,002)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>20,632</b>	<b>11,717</b>

# Notes to the Core Financial Statements

## 14 Property, Plant and Equipment

### Movements on Balances

	Land & Buildings Vehicles, Plant, Furniture & Equipment £000	£000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b><u>Movements in 2017/18</u></b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2017	511,182	30,472	139,727	2,494	25,695	9,733	719,303
Additions	321	167	10,870	-	-	3,472	14,830
Revaluation increases recognised in Revaluation Reserve	11,970	-	-	-	418	-	12,388
Derecognition - disposals	(38,078)	(1,627)	-	-	(170)	(5,733)	(45,608)
Assets reclassified to/from Investment Properties	-	-	-	-	(337)	-	(337)
Other Assets reclassified	4,370	-	-	-	-	(4,370)	-
Assets reclassified to/from Assets Held for Sale	-	-	-	-	1,490	-	1,490
<b>As at 31st March 2018</b>	<b>489,765</b>	<b>29,012</b>	<b>150,597</b>	<b>2,494</b>	<b>27,096</b>	<b>3,102</b>	<b>702,066</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2017	(222,379)	(15,659)	(43,627)	(1,375)	(11,847)	-	(294,887)
Depreciation charge	(2,430)	(1,004)	(3,719)	(83)	-	-	(7,236)
Impairment losses recognised in Revaluation Reserve	(2,027)	-	-	-	-	-	(2,027)
Impairment (losses)/reversals recognised in Deficit on Provision of Services	5,781	123	-	-	-	-	5,904
Derecognition - disposals	563	208	-	-	-	-	771
<b>As at 31st March 2018</b>	<b>(220,492)</b>	<b>(16,332)</b>	<b>(47,346)</b>	<b>(1,458)</b>	<b>(11,847)</b>	<b>-</b>	<b>(297,475)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2018</b>	<b>269,273</b>	<b>12,680</b>	<b>103,251</b>	<b>1,036</b>	<b>15,249</b>	<b>3,102</b>	<b>404,591</b>
<b>As at 31st March 2017</b>	<b>288,803</b>	<b>14,813</b>	<b>96,100</b>	<b>1,119</b>	<b>13,848</b>	<b>9,733</b>	<b>424,416</b>

# Notes to the Core Financial Statements

## 14 Property, Plant and Equipment continued

### Movements on Balances

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b><u>Movements in 2016/17</u></b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2016	533,094	32,251	134,637	2,494	13,583	16,518	732,577
Additions	1,067	770	5,090	-	-	6,956	13,883
Revaluation increases recognised in Revaluation Reserve	8,215	-	-	-	1,529	-	9,744
Derecognition - disposals	(45,672)	(2,543)	-	-	-	(2,499)	(50,714)
Assets reclassified to/from Investment Properties	3,842	-	-	-	(30)	-	3,812
Other Assets reclassified	11,136	(6)	-	-	112	(11,242)	-
Assets reclassified to/from Assets Held for Sale	(500)	-	-	-	10,501	-	10,001
<b>As at 31st March 2017</b>	<b>511,182</b>	<b>30,472</b>	<b>139,727</b>	<b>2,494</b>	<b>25,695</b>	<b>9,733</b>	<b>719,303</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2016	(208,621)	(14,286)	(40,081)	(1,292)	(9,416)	-	(273,696)
Depreciation charge	(2,099)	(1,265)	(3,546)	(83)	(2)	-	(6,995)
Impairment losses recognised in Revaluation Reserve	(3,399)	-	-	-	(1,175)	-	(4,574)
Impairment (losses)/reversals recognised in Deficit on Provision of Services	(8,713)	(108)	-	-	(1,254)	-	(10,075)
Derecognition - disposals	453	-	-	-	-	-	453
<b>As at 31st March 2017</b>	<b>(222,379)</b>	<b>(15,659)</b>	<b>(43,627)</b>	<b>(1,375)</b>	<b>(11,847)</b>	<b>-</b>	<b>(294,887)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2017</b>	<b>288,803</b>	<b>14,813</b>	<b>96,100</b>	<b>1,119</b>	<b>13,848</b>	<b>9,733</b>	<b>424,416</b>
<b>As at 31st March 2016</b>	<b>324,473</b>	<b>17,965</b>	<b>94,556</b>	<b>1,202</b>	<b>4,167</b>	<b>16,518</b>	<b>458,881</b>

## Notes to the Core Financial Statements

### 14 Property, Plant and Equipment continued

#### (i) Depreciation

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

Land is not depreciated.

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

Community Assets - straight-line depreciation over 30 years.

Surplus Assets are not depreciated.

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

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

#### (ii) Capital Commitments

At 31st March 2018, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to cost £18.8m. This mainly comprised commitments relating to works at schools funded by Basic Need grant (£10.5m), Crystal Palace Park (£2.3m), the Highways Investment Scheme (£1.6m) and Biggin Hill Memorial Museum (£1.0m). Commitments at 31st March 2017 totalled £24.5m.

#### (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 2017/18, 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 £000	Total Property, Plant, & Equipment £000
<b>Carried at Historical Cost as at:</b>							
<b>31st March 2018</b>	-	33,475	103,251	1,036	-	3,102	140,864
<b>Valued at Current Value as at:</b>							
31st March 2018	(57,559)	(4,834)	-	-	4,237	-	(58,156)
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)
31st March 2014	221,425	(5,832)	-	-	(170)	-	215,423
<b>Total Assets at Current Value</b>	<b>269,273</b>	<b>(20,795)</b>	<b>-</b>	<b>-</b>	<b>15,249</b>	<b>-</b>	<b>263,727</b>
<b>Total Property, Plant &amp; Equipment</b>							
<b>31st March 2018</b>	<b>269,273</b>	<b>12,680</b>	<b>103,251</b>	<b>1,036</b>	<b>15,249</b>	<b>3,102</b>	<b>404,591</b>



## Notes to the Core Financial Statements

### 15 Heritage Assets

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

	<b>Mayoral Regalia £000</b>	<b>Art Works £000</b>	<b>Total Assets £000</b>
<b>Cost or Valuation</b>			
1st April 2016	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2017</b>	<u>673</u>	<u>344</u>	<u>1,017</u>
<b>Cost or Valuation</b>			
1st April 2017	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2018</b>	<u>673</u>	<u>344</u>	<u>1,017</u>

Further details of Heritage Assets are provided in Note 49 and details of the accounting arrangements are provided in the Statement of Accounting Policies (policy 13).

### 16 Investment Property

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

<b>2016/17 £000</b>	<b>2017/18 £000</b>
(8,541) Rental Income from Investment Property	(9,810)
3,006 Direct Operating Expenses arising from Investment Property	791
<u>(5,535) Net gain</u>	<u>(9,019)</u>

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

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

<b>2016/17 £000</b>	<b>2017/18 £000</b>
132,123 Balance at Start of Year	145,786
26,328 Purchases	3,971
- Disposals	(4,100)
(3,812) Reclassified to Property, Plant and Equipment	-
- Reclassified from Surplus Properties	337
(8,853) Net Gains/(Losses) from Fair Value Adjustments	2,596
<u>145,786 Balance at End of Year</u>	<u>148,590</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 41.

## Notes to the Core Financial Statements

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### 16 Investment Property continued

Details of the authority's investment properties as at 31st March 2018 and 2017 are as follows:

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
947 Residential (market rental) properties	946
1,341 Office units	17,066
3,600 Airport	3,808
6,580 Industrial	16,740
132,339 Commercial units	108,679
979 Other	1,351
<b>145,786</b> Balance at End of Year	<b>148,590</b>

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

There has been no change in the valuation techniques used during the year for investment properties, and all measurements have been categorised at Level 2 in the fair value hierarchy. There were no transfers between levels during 2017/18.

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

## Notes to the Core Financial Statements

### 17 Financial Instruments

#### (a) Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Council had four such investments as at 31st March 2018, the loss (loss as at 31st March 2017) on which is recorded in the Available for Sale Reserve (Note 28).

#### Loans and Receivables

Loans and receivables are divided on the Balance Sheet between Long Term Assets (long term investments placed for more than 1 year) and Current Assets (short term investments placed for less than 1 year). Investments that match the Code's definition of cash equivalents ("short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of a change in value") are shown as Cash and Cash Equivalents under Current Assets.

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

	Long-term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
<b>Investments</b>				
<i>Loans and Receivables</i>				
- Banks	55,000	80,000	96,032	71,197
- Local Authorities	-	10,000	10,043	23,258
- Housing Associations	20,000	-	179	-
- Other	2,307	-	17	-
<i>Available for Sale</i>				
- Property Fund	40,532	29,689	436	337
- Diversified Growth Funds	10,428	10,513	-	-
- Multi Asset Income Funds	28,644	-	-	-
- Certificates of Deposit	-	-	-	40,306
<i>Cash and Cash Equivalents</i>				
- Money Market Funds and other short-term liquid deposits	-	-	22,542	6,991
<b>Total Investments</b>	<b>156,911</b>	<b>130,202</b>	<b>129,249</b>	<b>142,089</b>

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 with short term investments in the Balance Sheet. The balances as at 31st March 2018 include a total principal sum of £284,411k and total accrued interest of £1,749k (£270,102k and £2,189k as at 31st March 2017).

## Notes to the Core Financial Statements

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### 17 Financial Instruments continued

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

Fair value is defined as the amount for which an asset could be exchanged, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair values for loans and receivables have been determined by using the Net Present Value (NPV) approach which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation for an instrument with the same duration (i.e. from valuation date to maturity). The structure and terms of the comparable instrument should also be the same. The rates used in the valuation were obtained from the market on 31st March, 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:

	31st March 2017		31st March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Investments less than 1 year	142,089	142,089	129,249	129,249
Investments greater than 1 year	130,202	131,931	156,911	157,655
<b>Total Financial Assets</b>	<b>272,291</b>	<b>274,020</b>	<b>286,160</b>	<b>286,904</b>

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

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

The fair value of trade and other receivables is taken to be the invoiced or billed amount. 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

#### (c) Gains / Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2016/17				2017/18			
Financial Liabilities	Loans & Receivables	Available for Sale	Total	Financial Liabilities	Loans & Receivables	Available for Sale	Total
£000	£000	£000	£000	£000	£000	£000	£000
-	(4,415)	-	(4,415)	-	(2,918)	(2,571)	(5,489)
1	-	-	1	9	-	-	9
1	(4,415)	-	(4,414)	9	(2,918)	(2,571)	(5,480)
-	-	(130)	(130)	-	-	(879)	(879)
-	-	2,250	2,250	-	-	1,478	1,478
-	-	2,120	2,120	-	-	599	599
<b>1</b>	<b>(4,415)</b>	<b>2,120</b>	<b>(2,294)</b>	<b>9</b>	<b>(2,918)</b>	<b>(1,972)</b>	<b>(4,881)</b>

The above analysis is purely for interest paid and received on loans and investments during the year. Interest and investment income is credited gross to the Comprehensive Income and Expenditure Statement and debit entries are then posted in respect of interest paid to internally held funds.

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

Also 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.

2017		2018
£000	Mortgages	£000
4	Loans to Council House Purchasers	-
-	Loans to Private House Purchasers	-
<u>4</u>		<u>-</u>
	<b>Others</b>	
	Broomleigh Housing Association (Clarion Housing Group)	
	Property Transfer	
1,470	- Sale of Council Houses *	2,473
5	- Deferred Interest Earnings *	16
464	Loans for Miscellaneous Advances	282
200	Loans to Schools	120
22	Loans to Private Street Work Frontagers	24
<u>2,161</u>		<u>2,915</u>
<b>2,165</b>		<b>2,915</b>

\* 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 £1,475k (including accrued interest) was included in the 2016/17 accounts, which comprised 9 sales. In 2017/18 a further 5 properties were sold and an additional long term debtor of £1,014k (including accrued interest) was included on the Balance Sheet as at 31st March 2018. The next receipt is due in 2019/20.

## Notes to the Core Financial Statements

### 18 Inventories

	Road Salt		Other Consumables		Total	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
<b>Balance outstanding at start of year</b>	<b>191</b>	<b>210</b>	<b>5</b>	<b>4</b>	<b>196</b>	<b>214</b>
Purchases	40	46	21	20	<b>61</b>	<b>66</b>
Usage/Payment/Transfers during the year	(98)	(65)	(20)	(19)	<b>(118)</b>	<b>(84)</b>
<b>Balance outstanding at year-end</b>	<b>133</b>	<b>191</b>	<b>6</b>	<b>5</b>	<b>139</b>	<b>196</b>

### 19 Construction Contracts

Details of capital schemes in progress and outstanding commitments as at the balance sheet date are provided in Note 14

### 20 Short - Term Debtors

31st March 2017 Net £000		Gross £000	Allowance for Bad Debts £000	31st March 2018 Net £000
	<i>Debtors</i>			
3,400	Central Government Bodies	4,454	-	4,454
774	Other Local Authorities	386	-	386
830	NHS Bodies	2,909	-	2,909
35	Public Corporations and Trading Funds	-	-	-
1,083	Council Tax	10,829	9,883	946
456	NNDR	826	276	550
12,512	Other Entities and Individuals	32,519	20,369	12,150
<u>19,090</u>		<u>51,923</u>	<u>30,528</u>	<u>21,395</u>
1,949	<i>Payments in Advance</i>			1,925
<u>21,039</u>				<u>23,320</u>

## Notes to the Core Financial Statements

### 21 Cash and Cash Equivalents

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
26	Cash held by the Authority	16
(2,385)	Bank Current Accounts	1,534
6,991	Short-term Deposits with Money Market Funds*	22,542
<b>4,632</b>	<b>Total Cash and Cash Equivalents</b>	<b>24,092</b>

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

### 22 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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
14,438	<b>Balance outstanding at start of year</b>	6,587
	Assets newly classified/(declassified) as held for sale:	
(10,001)	Property, Plant and Equipment	(1,490)
(664)	Revaluation losses - recognised in Revaluation Reserve	(1,751)
(537)	- recognised in deficit on Provision of Services	-
3,951	Revaluation gains	25
(600)	Assets sold	(250)
<b>6,587</b>	<b>Balance outstanding at year-end</b>	<b>3,121</b>

### 23 Financial Liabilities

#### Short Term Borrowing / Temporary Loans

	<b>Balance as at 31st March</b>	<b>Loans Raised</b>	<b>Loans Repaid</b>	<b>Balance as at 31st March</b>
	<b>2017 £000</b>	<b>£000</b>	<b>£000</b>	<b>2018 £000</b>
Pension Fund	(56)	3,984	-	3,928
Former LRB Fund	(570)	-	517	(53)
	<b>(626)</b>	<b>3,984</b>	<b>517</b>	<b>3,875</b>

## Notes to the Core Financial Statements

### 24 Short - Term Creditors

<b>31st March 2017 £000</b>	<b>Creditors</b>	<b>31st March 2018 £000</b>
2,251	Central Government Bodies	2,209
1,815	Other Local Authorities	1,406
2,065	NHS Bodies	7,435
6	Public Corporations	15
2,128	Council Tax	2,303
4,596	Council Tax Precepts (GLA)	4,901
5,938	NNDR Central Government	5,798
2,502	NNDR GLA	5,839
616	NNDR LBB	1,350
42,539	Other Entities and Individuals	36,097
64,456		67,353
	<b>Receipts in Advance</b>	
76	Central Government Bodies	-
-	Other Local Authorities	79
278	NHS Bodies	204
1,808	Council Tax	2,401
662	NNDR LBB	1,079
3,782	Other Entities and Individuals	3,698
6,606		7,461
<b>71,062</b>		<b>74,814</b>

### 25 Other Long Term Liabilities

<b>31st March 2017 £000</b>		<b>31st March 2018 £000</b>
142,880	Liability relating to Defined Benefit Pension Scheme #	68,025
2,293	Liability relating to Finance Leases *	1,548
<b>145,173</b>		<b>69,573</b>

# Full details relating to the Defined Benefit Pension Scheme are included in Note 45

\* Full details of the Authority's finance leases are included in Note 41



## Notes to the Core Financial Statements

### 26 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	10,731	12,657
Additional Provisions made in year	190	875	2,904	3,969
Amounts used in year	243	872	1,433	2,548
Unused amounts reversed in year	-	344	430	774
Balance at 31st March 2018	<b>198</b>	<b>1,334</b>	<b>11,772</b>	<b>13,304</b>

(a) Outstanding Legal Cases: the Council made provision for the financial implications arising from a number of legal cases totalling £198k.

(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 2018 (354 claims with a total estimate of £1,334k).

(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. No reimbursements have been made during 2017/18 and a sum of £628k has been carried forward into 2018/19.

Provision of £3,496k 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 £1,410k has been made.

A provision of £600k 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.

### 27 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

### 28 Unusable Reserves

<b>31st March</b>		<b>31st March</b>
<b>2017</b>		<b>2018</b>
<b>£000</b>		<b>£000</b>
66,129	Revaluation Reserve	69,732
202	Available for Sale Financial Instruments Reserve	(397)
508,574	Capital Adjustment Account	485,333
(142,880)	Pensions Reserve	(68,025)
1,778	Deferred Capital Receipts Reserve	2,695
14,075	Collection Fund Adjustment Account	13,807
(2,006)	Accumulated Absences Account	(1,571)
<b>445,872</b>	<b>Total Unusable Reserves</b>	<b>501,574</b>

#### Revaluation Reserve

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

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

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

<b>2016/17</b>			<b>2017/18</b>
<b>£000</b>			<b>£000</b>
63,979	<b>Balance as at 1st April</b>		66,129
13,695	Upward revaluation of assets	12,413	
(5,238)	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(3,778)	
8,457	Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services		8,635
(6,307)	Accumulated losses on assets sold or scrapped	(5,032)	
(6,307)	Amount written off to Capital Adjustment Account		(5,032)
<b>66,129</b>	<b>Balance as at 31st March</b>		<b>69,732</b>

#### Available for Sale Financial Instruments 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. A negative balance is shown when available for sale investments are revalued downwards or impaired and a positive balance is shown when investments are revalued upwards or are disposed of and the gains are realised.

<b>2016/17</b>			<b>2017/18</b>
<b>Restated</b>			<b>£000</b>
<b>£000</b>			<b>£000</b>
2,322	<b>Balance as at 1st April</b>		202
130	Upward revaluation of investments	879	
(687)	Downward revaluation of investments and impairment losses	(1,478)	
(557)			
(1,563)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		(599)
<b>202</b>	<b>Balance as at 31st March</b>		<b>(397)</b>

## Notes to the Core Financial Statements

### 28 Unusable Reserves continued

#### 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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
<b>538,634</b>	<b>Balance as at 1st April</b>	<b>508,574</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>	
(17,607)	Charges for depreciation and impairment of non-current assets	(1,332)
(13,530)	Revenue expenditure funded from capital under statute	(21,602)
(44,072)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(44,002)
(75,209)	Net written out amount of the cost of non-current assets consumed in the year	(66,936)
	<i>Capital financing applied in the year:</i>	
9,880	Use of Capital Receipts Reserve to finance new capital expenditure	7,216
16,239	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	20,931
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	3,809
-	- Other Movements	
969	Statutory provision for capital financing charged against the General Fund	804
26,914	Capital expenditure charged against the General Fund balance	8,339
54,002		41,099
(8,853)	Movements in market value of Investment Properties debited or credited to CI&E Statement	2,596
<b>508,574</b>	<b>Balance as at 31st March</b>	<b>485,333</b>

## Notes to the Core Financial Statements

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### 28 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.

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(144,869)	<b>Balance as at 1st April</b>	(142,880)
1,454	Actuarial gains or (losses) on pensions assets and liabilities	80,662
(14,447)	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	(15,816)
14,982	Employer's pension contributions and direct payments to pensioners payable in the year	10,009
<b>(142,880)</b>	<b>Balance as at 31st March</b>	<b>(68,025)</b>

#### Deferred Capital Receipts Reserve

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
3,863	<b>Balance as at 1st April</b>	1,778
1,470	New advances	1,003
(3,555)	Transfer to the Capital Receipts Reserve upon receipt of cash	(86)
<b>1,778</b>	<b>Balance as at 31st March</b>	<b>2,695</b>

## Notes to the Core Financial Statements

### 28 Unusable Reserves continued

#### Collection Fund Adjustment Account

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
10,878	<b>Balance as at 1st April</b>	14,075
3,197	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	(268)
<b>14,075</b>	<b>Balance as at 31st March</b>	<b>13,807</b>

#### Accumulated Absences Account

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
(2,546)	<b>Balance as at 1st April</b>	(2,006)
2,546	Settlement or cancellation of accrual made at the end of the preceding year	2,006
(2,006)	Amounts accrued at the end of the current year	(1,571)
540	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	435
<b>(2,006)</b>	<b>Balance as at 31st March</b>	<b>(1,571)</b>

## Notes to the Core Financial Statements

### 29 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
(5,079) Interest Received	(5,929)
30 Interest Paid	-
(5,049) Net Interest Received	(5,929)

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

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
(6,995) Depreciation	(7,236)
(10,612) Impairment/Reversals and Downward Valuations	5,904
16,536 Increase/Decrease in Creditors	(6,268)
186 Increase/Decrease in Debtors (net of bad debts)	1,810
(18) Increase/Decrease in Inventories	(57)
535 Movement in Pension Liability	(5,807)
(50,379) Carrying Amount of Non-Current Assets and Non-Current Assets Held-for-Sale, Sold or De-Recognised	(49,034)
(7,199) Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	3,120
(57,946)	(57,568)

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

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
600 Proceeds from the Sale of Property, Plant and Equipment and Investment Property	8,550
34,461 Other Items for which the Cash Effects are Investing or Financing Cash Flows	20,931
35,061	29,481

### 30 Cash Flow Statement - Investing Activities

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
33,566 Purchase of Property, Plant and Equipment and Investment Property	24,224
110,000 Purchase of Short-term and Long-term Investments	177,308
(600) Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(8,550)
(132,500) Proceeds from Short-term and Long-term Investments	(178,000)
(27,917) Other Receipts from Investing Activities	(14,370)
(17,451) Net Cash Flows from Investing Activities	612

### 31 Cash Flow Statement - Financing Activities

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
26,066 Cash Receipts from Short-term Borrowing	4,501
(14,670) Other Receipts from Financing Activities	(9,007)
969 Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases	804
12,365 Net Cash Flows from Financing Activities	(3,702)

## Notes to the Core Financial Statements

### 32 Pooled Budgets

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

<b>2016/17 Integrated Community Equipment Services £000</b>		<b>2017/18 Integrated Community Equipment Services £000</b>
	<b>Income</b>	
600	Bromley CCG contribution	964
1,186	London Borough of Bromley contribution	1,003
<u>1,786</u>	<b>Gross Income</b>	<u>1,967</u>
	<b>Expenditure</b>	
1,786	Integrated Community Equipment Service	1,969
<u>1,786</u>	<b>Gross Expenditure</b>	<u>1,969</u>
<u>-</u>	<b>Deficit / (Surplus) for the Year</b>	<u>2</u>

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

<b>2016/17 Mental Health Services £000</b>		<b>2017/18 Mental Health Services £000</b>
	<b>Income</b>	
18,951	Oxleas NHS Foundation Trust contribution	19,742
1,372	London Borough of Bromley contribution	1,397
<u>20,323</u>	<b>Gross Income</b>	<u>21,139</u>
	<b>Expenditure</b>	
20,210	Mental Health Functions	21,648
<u>20,210</u>	<b>Gross Expenditure</b>	<u>21,648</u>
<u>(113)</u>	<b>Deficit / (Surplus) for the Year</b>	<u>509</u>

The parties agreed that the underspend on LBB funded expenditure would be split equally. The deficit on Oxleas expenditure remains within their accounts.

## Notes to the Core Financial Statements

### 32 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:

<b>2016/17</b>		<b>2017/18</b>
<b>Better Care</b>		<b>Better Care</b>
<b>Fund</b>		<b>Fund</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
19,930	Bromley CCG revenue funding	20,287
1,681	Disabled Facilities capital grant	1,838
389	Carry Forward from 2016/17 - Capital	747
381	Carry Forward from 2016/17 - Revenue	157
<b>22,381</b>	<b>Gross Income</b>	<b>23,029</b>
	<b>Expenditure</b>	
20,154	Revenue expenditure	20,408
1,323	Capital expenditure	1,347
<b>21,477</b>	<b>Gross Expenditure</b>	<b>21,755</b>
	<b>Deficit / (Surplus) for the Year</b>	
(157)	Revenue	(36)
(747)	Capital	(1,238)
<b>(904)</b>		<b>(1,274)</b>

The Improved Better Care Fund (IBCF) is a time limited 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.

<b>2016/17</b>		<b>2017/18</b>
<b>Improved</b>		<b>Improved</b>
<b>Better Care</b>		<b>Better Care</b>
<b>Fund</b>		<b>Fund</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
-	Revenue grant funding	4,184
<b>-</b>	<b>Gross Income</b>	<b>4,184</b>
	<b>Expenditure</b>	
-	Revenue expenditure	1,012
<b>-</b>	<b>Gross Expenditure</b>	<b>1,012</b>
<b>-</b>	<b>Deficit / (Surplus) for the Year</b>	<b>(3,172)</b>

The surplus on both BCF and IBCF has been carried forward to meet agreed priorities in 2018/19.



## Notes to the Core Financial Statements

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### 33 Members Allowances

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

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
1,003	Allowances	997
12	Expenses	7
<u>1,015</u>	Total	<u>1,004</u>

### 34 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 2018, the actuary estimated the past service cost in 2017/18 to be zero, (also zero in 2016/17).
- 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 2017/18 and £755k in 2016/17) 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 (£2,764k in 2016/17) has arisen 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:

<b>2016/17</b>		<b>2017/18</b>
<b>£000</b>		<b>£000</b>
755	Loss on Curtailments	-
(2,764)	(Gain) on Settlements	(2,886)
278	Other Pension Costs	285
<u>(1,731)</u>		<u>(2,601)</u>

## Notes to the Core Financial Statements

### 35 Officers Remuneration

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

<b>Disclosure of remuneration for senior employees 2017/18</b>	Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Compensation for Loss of Office £	Total Remuneration including Pension Contributions £
Post holder information (Post title)						
Chief Executive - 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. Lemic	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
	<b>1,298,647</b>	<b>29,651</b>	<b>1,328,298</b>	<b>133,011</b>	<b>40,000</b>	<b>1,501,309</b>

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

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

## Notes to the Core Financial Statements

### 35 Officers Remuneration

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

<b>Disclosure of remuneration for senior employees 2016/17</b>	Salary (including Fees, Allowances Expenses) £	Restated 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	190,320	-	190,320	-	-	190,320
@ Deputy Chief Executive - Executive Director, Education, Care & Health Services - A Adetosoye	54,083	-	54,083	8,275	-	62,358
Director of Corporate Services	127,605	6,831	134,436	18,711	-	153,147
Director of Finance	133,143	1,441	134,584	10,455	-	145,039
Director of Human Resources	120,793	167	120,960	16,941	-	137,901
*Director of Regeneration & Transformation	70,290	1,225	71,515	5,578	30,000	107,093
Executive Director, Environmental & Community Services	142,921	3,872	146,793	14,577	-	161,370
#Director of Public Health - N. Lemic	163,703	117	163,820	21,799	-	185,619
Director of Health & Integration Programme	96,753	8,626	105,379	13,483	-	118,862
Director of Adult Social Care	112,653	167	112,820	17,236	-	130,056
**Interim Director of Children's Services	91,939	-	91,939	10,923	61,193	164,055
Director of Commissioning & Procurement	117,310	5,505	122,815	11,967	-	134,782
Director of Education	107,463	167	107,630	16,442	-	124,072
Director of Housing	95,649	167	95,816	-	-	95,816
*** Assistant Director of Strategic & Business Support Services	85,285	3,823	89,108	13,049	-	102,157
	<u>1,709,910</u>	<u>32,108</u>	<u>1,742,018</u>	<u>179,436</u>	<u>91,193</u>	<u>2,012,647</u>

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

\* Post Holder left the employment of the Council in June 2016.

\*\*Post Holder left the employment of the Council in December 2016.

\*\*\*Post Holder left the employment of the Council in March 2017.

@Post Holder joined the Council in December 2016.

## Notes to the Core Financial Statements

### 35 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:

2016/17			2017/18			
Restated Non-School Employees	School Employees	Total Employees	Annual Remuneration	Non-School Employees	School Employees	Total Employees
34	18	52	£50,000-£54,999	36	11	47
24	21	45	£55,000-£59,999	19	10	29
22	13	35	£60,000-£64,999	22	4	26
15	8	23	£65,000-£69,999	9	12	21
7	5	12	£70,000-£74,999	10	3	13
1	3	4	£75,000-£79,999	3	-	3
4	5	9	£80,000-£84,999	6	2	8
2	-	2	£85,000-£89,999	3	-	3
3	1	4	£90,000-£94,999	3	-	3
2	-	2	£95,000-£99,999	2	-	2
2	2	4	£100,000-£104,999	1	-	1
4	-	4	£105,000-£109,999	3	2	5
1	1	2	£110,000-£114,999	1	-	1
-	-	-	£115,000-£119,999	-	-	-
3	-	3	£120,000-£124,999	1	-	1
-	-	-	£125,000-£129,999	-	-	-
2	-	2	£130,000-£134,999	1	-	1
-	-	-	£135,000-£139,999	1	-	1
-	-	-	£140,000-£144,999	1	-	1
1	-	1	£145,000-£149,999	-	-	-
1	-	1	£150,000-£154,999	-	-	-
1	-	1	£155,000-£159,999	-	-	-
1	-	1	£160,000-£164,999	1	-	1
-	-	-	£165,000-£169,999	1	-	1
-	-	-	£170,000-£174,999	-	-	-
-	-	-	£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	-	1	1

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

### 35 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £000s	2017/18 £000s
£0 - £20,000	28	4	2	9	30	13	215	110
£20,001 - £40,000	9	5	1	3	10	8	316	253
£40,001 - £60,000	1	-	-	-	1	-	45	-
£60,001 - £80,000	2	2	1	-	3	2	206	143
£80,001 - £100,000	-	-	1	-	1	-	99	-
£100,001 - £150,000	-	1	-	-	-	1	-	144
£250,001 - £300,000	1	-	-	-	1	-	258	-
<b>Total</b>	<b>41</b>	<b>12</b>	<b>5</b>	<b>12</b>	<b>46</b>	<b>24</b>	<b>1,139</b>	<b>650</b>

In 2017/18 the total cost of £650k (£1,139k in 2016/17) in the table above consists of exit packages agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

## Notes to the Core Financial Statements

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### 36 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:

2016/17 £000		2017/18 £000
	Fees payable to KPMG LLP with regard to:	
119	- External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts)	119
21	- Pension Fund audit fee	21
17	Fees payable to KPMG LLP for the certification of grant claims returns for the year	13
3	Fees payable to Grant Thornton for Teachers Pension Review	3
20	Fees payable to PricewaterhouseCoopers LLP with regard to: - Investigation work resulting from objections to accounts	-
	* There is an objection relating to the 2016/17 accounts which is currently being examined by KPMG. Fees for this work have not yet been finalised.	
<b>180</b>		<b>156</b>

## Notes to the Core Financial Statements

### 37 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 2017. 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 2017/18 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Notes
Final DSG for 2017/18 before Academy recoupment			256,991	(a)
Academy figure recouped for 2017/18			(182,053)	(b)
Total DSG after Academy recoupment for 2017/18			74,938	(c)
Plus: Brought forward from 2016/17			1,623	(d)
Less: Carry forward to 2018/19 agreed in advance			-	(e)
Agreed initial budgeted distribution in 2017/18	38,952	37,609	76,561	(f)
In year adjustments	(197)	(278)	(475)	(g)
<b>Final budgeted distribution for 2017/18</b>	<b>38,755</b>	<b>37,331</b>	<b>76,086</b>	<b>(h)</b>
Less Actual central expenditure	37,102	-	37,102	(i)
Less Actual ISB deployed to schools	-	37,804	37,804	(j)
Plus Local Authority contribution for 2017/18	-	-	-	(k)
Carry forward to 2018/19	<b>1,653</b>	<b>(473)</b>	<b>1,180</b>	<b>(l)</b>

- (a) Final DSG figure before any amount has been recouped from the Authority excluding the January 2018 early years block adjustment.
- (b) Figure recouped from the Authority in 2017/18 by the DfE for the conversion of maintained schools into Academies. Also included is the recoupment relating to a Free School that opened in 2017/18 which will be recouped by DfE in 2018/19.
- (c) Total figure after Academy recoupment for 2017/18.
- (d) Figure brought forward from 2016/17 as agreed with the Department.
- (e) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2018/19 rather than distribute in 2017/18.
- (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 2017/18.
- (j) Amount of ISB actually distributed to schools.
- (k) Any contribution from the Local Authority in 2017/18 which will have the effect of substituting for DSG in funding the Schools Budget.
- (l) Carry forward to 2018/19.

## Notes to the Core Financial Statements

### 38 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17 and 2017/18.

<i>Credited to Taxation and Non Specific Grant Income</i>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Revenue Support Grant	21,292	10,855
Business Rates Related Grant Income	11,298	11,448
New Homes Bonus	8,362	6,218
Transition Grant	2,068	2,052
	<u>43,020</u>	<u>30,573</u>
<b>Total Government Grants</b>	<b><u>43,020</u></b>	<b><u>30,573</u></b>
<b>Other Capital Grants and Contributions:</b>	<b><u>6,909</u></b>	<b><u>3,165</u></b>
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b><u>49,929</u></b>	<b><u>33,738</u></b>
<i>Credited to Services</i>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Housing Benefit & Council Tax	119,958	115,078
Dedicated Schools Grant	77,665	74,906
Public Health	15,478	15,096
Improved Better Care Fund	-	4,184
Education Funding Agency	3,156	2,858
Flexible Homeless Support	-	2,107
Environment Agency Waste4Fuel	2,409	1,607
Skills Funding Agency - Adult Education	1,540	1,533
Pupil Premium	1,940	1,404
Council Tax Support & Housing Benefits Administration	1,350	1,244
Adult Social Care Support	-	1,196
Discretionary Housing Payment	618	729
Troubled Families	675	683
Unaccompanied Asylum Seekers	448	670
Independent Living Fund	666	644
Universal Infant Free School meals	651	478
Home Office - Community Safety	402	335
Homelessness Reduction Act	-	255
SEN Reform	201	225
Step up to Social Work	780	223
Standards Fund	745	-
Youth Justice Board	220	220
Education Services Grant	1,274	166
Other Miscellaneous Grants	1,563	1,771
	<u>231,739</u>	<u>227,612</u>



## Notes to the Core Financial Statements

### 38 Grant Income continued

<i>Credited to Services continued</i>	<b>2016/17</b> <b>£000</b>	<b>2017/18</b> <b>£000</b>
Capital Grants:		
Maintenance in Schools	958	580
Basic Need	23,908	9,732
Devolved Formula Capital	156	92
Disabled Facilities Grant	1,681	2,021
Other Capital Grants	31	-
	<u>26,734</u>	<u>12,425</u>
<b>Total Government Grants</b>	<b><u>258,473</u></b>	<b><u>240,037</u></b>
Other Grants and Contributions:		
Other Grants and Contributions	569	1,687
Section 106 Developers Contributions	783	3,845
<b>Total Contributions</b>	<b><u>1,352</u></b>	<b><u>5,532</u></b>
<b>Total Credited to Services</b>	<b><u>259,825</u></b>	<b><u>245,569</u></b>

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

#### Current Liabilities

<i>Revenue Grants Creditors and Receipts in Advance</i>	<b>2016/17</b> <b>£000</b>	<b>2017/18</b> <b>£000</b>
Dedicated Schools Grant	1,623	1,886
Housing Benefit Grant	242	-
SEND Implementation	-	189
LEP Project	330	208
Preventing Homelessness	152	-
Other Miscellaneous Grants	120	259
<b>Total Government Grants</b>	<b><u>2,467</u></b>	<b><u>2,542</u></b>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	1,752	2,060
Section 106 Developers Contributions - Capital	7,980	6,583
<b>Total Contributions</b>	<b><u>9,732</u></b>	<b><u>8,643</u></b>
<b>Total Receipts in Advance</b>	<b><u>12,199</u></b>	<b><u>11,185</u></b>

## Notes to the Core Financial Statements

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### 39 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 2017 are shown in the grant income Note 38.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 33. During 2017/18, 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 £2.6m in 2017/18.
- b) Councillor K. Onslow is employed by the Royal Borough of Greenwich, to which the Council paid £283k in 2017/18, for a number of services including fraud investigations and insurance services.

#### Officers

- i) During 2017/18 £10.3m 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 2017/18 a family member of the Executive Director of Environment & Community Services, undertook freelance design work across the Council at a cost of £7k.
- iii) A family member of the Director of Corporate Services is employed by MCCH Society Ltd, to which the Council paid £114k in 2017/18, 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 32.

#### Pension Fund

During the financial year, the average monthly cash balance of the Pension Fund was slightly positive and, as a result, interest of £46k was charged to the Fund (£8k was paid in 2016/17). In 2017/18, £593k was charged to the Fund for expenses incurred in administering the Fund (£631k in 2016/17).

#### 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 Council incurred no direct expenditure in 2017/18.

## Notes to the Core Financial Statements

### 40 Capital Expenditure and Capital Financing

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

	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	3,846	3,103
<i>Capital investment</i>		
Property, Plant and Equipment	13,883	14,830
Investment Properties	26,328	3,971
Revenue Expenditure Funded from Capital under Statute	13,530	21,602
	<u>53,741</u>	<u>40,403</u>
<i>Sources of finance</i>		
Capital receipts	9,880	7,216
Government grants and other contributions	16,239	24,740
Sums set aside from revenue:		
Direct revenue contributions	26,914	8,339
Other adjustments	312	-
Finance Leases Repaid/Terminated	1,139	957
	<u>54,484</u>	<u>41,252</u>
Movement in Capital Financing Requirement	(743)	(849)
<i>Closing Capital Financing Requirement</i>	3,103	2,254
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,139)	(957)
Assets acquired under finance leases	396	108
Increase/(decrease) in Capital Financing Requirement	<u>(743)</u>	<u>(849)</u>

## Notes to the Core Financial Statements

### 41 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 gully and street cleansing contracts, have also been classified as finance leases and 7 years has also typically been assumed as the useful life for these items.

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:

	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>
Vehicles, Plant and Equipment	3,103	2,254
	<b><u>3,103</u></b>	<b><u>2,254</u></b>

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

	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	826	706
- non current (later than 1 year)	2,277	1,548
Finance costs payable in future years	1,307	1,063
Minimum lease payments	<b><u>4,410</u></b>	<b><u>3,317</u></b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>
Not later than one year	1,100	944	826	706
Later than one and less than five years	3,137	2,241	2,151	1,432
Later than five years	173	132	126	116
	<b><u>4,410</u></b>	<b><u>3,317</u></b>	<b><u>3,103</u></b>	<b><u>2,254</u></b>

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

## Notes to the Core Financial Statements

### 41 Leases continued

#### Operating Leases - Authority as Lessee

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

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

	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>
Not later than one year	221	230
Later than one and less than five years	452	414
Later than five years	845	794
	<u><b>1,518</b></u>	<u><b>1,438</b></u>

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

	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>
<i>Minimum lease payments</i>	<b>Restated</b>	
Resources Portfolio	154	167
Environment Portfolio	123	103
Renewal and Recreation	49	54
Education, Children & Families	197	245
Care Services	11	11
	<u><b>534</b></u>	<u><b>580</b></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.

	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>
Not later than one year	11	2
Later than one and less than five years	13	2
	<u><b>24</b></u>	<u><b>4</b></u>

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

	<b>31st March 2017 £000</b>	<b>31st March 2018 £000</b>
<i>Minimum lease payments</i>		
Education	16	6
	<u><b>16</b></u>	<u><b>6</b></u>

## Notes to the Core Financial Statements

### 41 Leases continued

#### Finance Leases - Authority as Lessor

As at 31st March 2018, 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:

	<b>31st March 2017</b>	<b>31st March 2018</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	8,931	9,247
Later than one and less than five years	30,730	30,058
Later than five years	231,457	227,446
	<b><u>271,118</u></b>	<b><u>266,751</u></b>

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 £214m as at 31st March 2018 (£185m as at 31st March 2017). Depreciation, impairment charges and impairment reversals of £0.7m, £1.3m and £4.4m respectively were made in 2017/18.

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

	<b>31st March 2017</b>	<b>31st March 2018</b>
	<b>£000</b>	<b>£000</b>
<i>Minimum lease payments</i>	<b>Restated</b>	
Resources Portfolio	566	666
Environment Portfolio	578	553
Renewal and Recreation	114	102
Education, Children & Families	6	10
Care Services	168	23
Financing & Investing Income & Expenditure	8,405	9,178
<i>Contingent rents</i>		
Financing & Investing Income & Expenditure	331	621
	<b><u>10,168</u></b>	<b><u>11,153</u></b>

### 42 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 2018 was £77.5m (£71.0m to 31st March 2017).

Further details of the leasing arrangements are provided in Note 41.

## Notes to the Core Financial Statements

### 42 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 £17.5m to 31st March 2018 (£16.7m to 31st March 2017).

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 £2.7m to 31st March 2018.

### 43 Impairment Losses/(Reversals)

During 2017/18 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.

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
10,075 Property, Plant and Equipment	(5,904)
537 Assets Held for Sale	-
<b>10,612</b>	<b>(5,904)</b>

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

<b>2016/17</b>	<b>2017/18</b>
<b>£000</b>	<b>£000</b>
<b>Restated</b>	
(691) Care Services	(97)
8,284 Education, Children & Families	(1,704)
(526) Environment	(1,027)
1,965 Renewal & Recreation	(2,391)
336 Resources	(685)
9,368	(5,904)
1,244 Financing & Investment Income & Expenditure	-
<b>10,612</b>	<b>(5,904)</b>

### 44 Termination Benefits

The Authority terminated the contracts of a number of employees in 2017/18 incurring liabilities of £650k (£1.139k in 2016/17) - see Note 35 for the number of exit packages and total cost per band. The total expenditure in 2017/18 related to 24 employees across all departments of the Authority (46 employees in 2016/17).

## Notes to the Core Financial Statements

### 45 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 2007/08 (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 2018, include Baillie Gifford, Blackrock, Fidelity 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 finally 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 2017 and 2018, prepared by the Council's actuary, Mercer.

	2016/17	2017/18
	<b>£000</b>	<b>£000</b>
<u>Comprehensive Income &amp; Expenditure Statement</u>		
Current service cost	11,062	14,992
Settlements	(2,764)	(2,886)
Curtailments	755	-
Administration Costs	345	304
Past service costs	-	-
Total included in Cost of Services	9,398	12,410
<u>Financing &amp; Investment Income &amp; Expenditure</u>		
Net Pensions interest cost	5,049	3,406
Total included in Surplus or Deficit on the Provision of Services	14,447	15,816
<u>Other Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</u>		
Remeasurement of Net Defined Benefit Obligation	(1,454)	(80,662)
<u>Total Post-employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</u>	12,993	(64,846)
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	(14,447)	(15,816)
Employers' contributions and benefits payable direct to pensioners	14,982	10,009
	535	(5,807)
Actual return on scheme assets	145,360	69,799



## Notes to the Core Financial Statements

### 45 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	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Present value of defined benefit obligation	(875,124)	(851,303)	(4,096)	(3,750)
Fair value of plan assets	736,340	787,028	-	-
Net liability from defined benefit obligation	<u>(138,784)</u>	<u>(64,275)</u>	<u>(4,096)</u>	<u>(3,750)</u>

##### Reconciliation of movement in present value of Scheme liabilities (Defined Benefit):

	LGPS		Unfunded Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening Liability	724,502	875,124	3,489	4,096
Current service cost	11,062	14,992	-	-
Interest cost	26,266	21,478	123	98
Contributions by scheme members	3,316	2,915	-	-
Remeasurement (gains)/losses:				
Experience	-	-	-	-
Financial assumptions	143,369	(28,948)	842	(86)
Demographic assumptions	-	-	-	-
Past service costs	-	-	-	-
Curtailments	755	-	-	-
Settlements	(5,137)	(5,246)	-	-
Benefits paid	(29,009)	(29,012)	(358)	(358)
Closing Liability (Defined Benefit)	<u>875,124</u>	<u>851,303</u>	<u>4,096</u>	<u>3,750</u>

##### Reconciliation of movement in fair value of Scheme assets:

	LGPS		Unfunded Benefits	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening fair value of scheme assets	583,122	736,340	-	-
Interest on plan assets	21,340	18,170	-	-
Remeasurements (assets)	145,665	51,628	-	-
Administration Expenses	(345)	(304)	-	-
Contributions by employer	14,624	9,651	358	358
Contributions by scheme members	3,316	2,915	-	-
Settlements	(2,373)	(2,360)	-	-
Benefits paid	(29,009)	(29,012)	(358)	(358)
Closing fair value of scheme assets	<u>736,340</u>	<u>787,028</u>	<u>-</u>	<u>-</u>

In 2017/18, the net liability decreased by some £75m (from £143m to £68m). This was mainly due to remeasurement gains on liabilities in addition to the gains on assets.

The actual return on scheme assets in the year was a gain of £69.8m (gain of £145.4m in 2016/17).

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £855m 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 £68.0m. 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

### 45 Disclosure of Information about Retirement Benefits continued

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

	Fair value of scheme assets	
	As at 31st March 2017	As at 31st March 2018
	£000	£000
Equities	566,982	613,882
Government bonds	102,351	51,944
Other bonds	-	51,944
Other	61,853	63,749
Cash / liquidity	5,154	5,509
	<u>736,340</u>	<u>787,028</u>

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

Liabilities have been assessed on an actuarial basis using the projected unit 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 2018.

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

	As at 31st March 2017	As at 31st March 2018
Longevity at 65 for pensioners retiring today (years):		
Men	23.3	23.4
Women	26.0	26.1
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	25.9	26.1
Women	28.3	28.4
Rate of inflation - CPI	2.3%	2.2%
Rate of increase in salaries	3.8%	3.7%
Rate of increase in pensions	2.3%	2.3%
Rate for discounting scheme liabilities	2.5%	2.7%

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.

## Notes to the Core Financial Statements

### 45 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	855,053
+ 0.1% on rate for discounting scheme liabilities	841,717
+ 0.1% on inflation rate	868,600
+ 0.1% on pay growth	856,395
+1 year on life expectancy	871,909

#### (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 £10.4m in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 16 years as at 31st March 2018 (also 16 years as at 31st March 2017).

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 2017/18, Bromley paid into the Pension Fund a total contribution of £10.4m (24.1% of total pensionable pay), including a past deficit contribution of £2.1m. This compares to £14.4m (29.6%) and £5.9m in 2016/17. 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 2016/17 incorporated the results of the full valuation as at 31st March 2010, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over 15 years. The employer and past-deficit contributions from 2017/18 were set by the actuary in the most recent triennial valuation of the Fund (as at 31st March 2016) with the aim of achieving a 100% funding level 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 2017/18, Bromley paid £1.5m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 16.5% of teachers' pensionable pay. The figures for 2016/17 were £1.9m 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 2017/18 and 2016/17.

#### (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 2017/18, 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 2016/17).

## Notes to the Core Financial Statements

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### **46 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 2017/18 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

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### *47 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 2017/18 there are two contingent assets to be disclosed:

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

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

## Notes to the Core Financial Statements

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

The Council's activities expose it to a variety of financial risks. With regard to financial assets, these are mainly classified as loans and receivables (see note 17) and most of this note concentrates on the nature and extent of risk arising from these.

- 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 2017/18 was approved by Full Council in March 2017 (subsequently revised in December 2017) 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 Capita Treasury Solutions. 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 (£286.2m) 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 2018 that this was likely to materialise.

No breaches of the Council's counterparty criteria occurred during 2017/18 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

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

#### Credit Risk (cont)

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.

	<b>As at 31st March 2017 £000</b>	<b>As at 31st March 2018 £000</b>
Less than three months	5,183	5,995
Three to six months	557	2,471
Six months to one year	1,610	1,446
More than one year	3,518	3,861
	<b><u>10,868</u></b>	<b><u>13,773</u></b>

#### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and could also borrow from the Public Works Loan Board if necessary. Currently, however, 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. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

<b>Principal Sum Invested as at 31st March 2017 £000</b>		<b>Principal Sum Invested as at 31st March 2018 £000</b>
139,900	Less than one year	127,500
55,000	Between one and two years	75,000
75,202	More than two years	81,911
<b><u>270,102</u></b>		<b><u>284,411</u></b>

#### Refinancing and Maturity Risk

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

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

## Notes to the Core Financial Statements

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### 48 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 2017/18 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), a Multi-Asset Income Fund (£30m), and with two Diversified Growth Funds (£10m in total). All were placed after consultation with Capita and none 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 46.

##### 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 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).

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## Notes to the Core Financial Statements

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### 49 *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	2016/17 £000	2017/18 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	181,129	188,774
Income collectable from Business Rate payers	(2)	85,861	91,528
Income Collectable from Business Rate Supplement	(3)	2,382	2,355
		<u>269,372</u>	<u>282,657</u>
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		135,683	143,177
- Greater London Authority		34,957	35,989
Business Rates	(2)		
- Payments to National Pool			
- Payment to Central Government (CLG)		41,069	30,211
- Payment to Greater London Authority (GLA)		16,428	33,666
- Payment to London Borough of Bromley		24,642	27,376
- Cost of Collection		337	336
Business Rate Supplement	(3)		
- Contribution to GLA		2,375	2,347
- Cost of Collection/Administrative Costs		7	8
Bad and Doubtful Debts / Appeals			
- Write offs		925	1,684
- Provision for Appeals		2,532	2,005
- Increase / (decrease) in bad debt provision		(262)	(544)
		<u>258,693</u>	<u>276,255</u>
<b>Surplus for the Year</b>			
		<u>(10,679)</u>	<u>(6,402)</u>
Distribution of Previous Year's Collection Fund Surplus			
- London Borough of Bromley		4,912	6,401
- Greater London Authority		1,406	1,649
		<u>6,318</u>	<u>8,050</u>
<b>Net Movement on Fund Balance</b>			
		<u>(4,361)</u>	<u>1,648</u>
<b>Fund Balance</b>			
Balance at 1st April		(12,918)	(17,279)
Net movement for year		(10,679)	(6,402)
Distribution of 2014/15 and 2015/16 Surplus		6,318	8,050
Balance at 31st March - Deficit / (Surplus)		<u>(17,279)</u>	<u>(15,631)</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 2017 £000	Distribution of Surplus in 2017/18 £000	Surplus for 2017/18 £000	Surplus as at 31st March 2018 £000
London Borough of Bromley	(14,253)	6,401	(6,753)	(14,605)
Greater London Authority	(3,623)	1,649	(1,715)	(3,689)
	<u>(17,876)</u>	<u>8,050</u>	<u>(8,468)</u>	<u>(18,294)</u>

The balance of the surplus held at 31st March 2017 will be distributed in 2018/19 and the 2017/18 surplus will be distributed in 2019/20.

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

	Deficit for 31st March 2017 £000	Distribution of estimated Surplus in 2017/18 £000	Deficit for 2017/18 £000	Deficit as at 31st March 2018 £000
London Borough of Bromley	179	(173)	447	799
Greater London Authority	119	(116)	551	786
Central Government	299	(288)	491	1,078
	<u>597</u>	<u>(577)</u>	<u>1,489</u>	<u>2,663</u>

The deficit held at 31st March 2018 of £2,663k will be distributed in 2018/19 and 2019/20.

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

(15,631)

# THE COLLECTION FUND

## Notes to the Accounts

### 1 Council Tax Base

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

Band	Number of Properties	Multiplier	Band D Equivalent Dwellings
A	984	6/9	656
B	5,917	7/9	4,602
C	20,542	8/9	18,260
D	29,199	9/9	29,199
E	25,849	11/9	31,594
F	16,565	13/9	23,927
G	12,755	15/9	21,259
H	1,430	18/9	2,860
			<hr/>
			132,357
Allowance for MOD properties, changes in exemptions, discounts and number of properties			(741)
			<hr/>
			131,616
Estimated Collection Rate			97.65%
			<hr/>
Council Tax Base 2017/18			<hr/> 128,523 <hr/>

### 2 Business Rates

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

The total non-domestic rateable value at 31st March 2018 was assessed by the Government's District Valuer as £245,111,797. The national non-domestic multiplier for the year was 47.9p. The income collectable for the year of £91.5m is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory reliefs as well as the part year effect of properties falling out / brought into rating during the year.

### 3 Business Rate Supplements

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities "to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development". The BRS only applies to businesses with a rateable value of more than £70,000. The BRS multiplier for the year was 2 pence in the pound. The income collectable for the year was £2.4m net of reliefs on the same basis and same percentage rate as for NNDR.

## 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 2018*

	<b>Fund 1</b>	<b>Fund 2</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April 2017	( 268)	( 302)	( 570)
Movement in year on ex LRB functions:			
Income	( 1)	( 801)	( 802)
Interest earnings on Fund balance	( 4)	( 5)	( 9)
Contribution to Fund			
Expenditure	15	511	526
Distribution (note 1)	1	801	802
Balance as at 31st March 2018	<u>( 257)</u>	<u>204</u>	<u>( 53)</u>

### *Balance Sheet as at 31st March 2018*

<b>2017</b>		<b>2018</b>
<b>£000</b>		<b>£000</b>
	<i>Assets</i>	
541	Debtors	221
<u>541</u>		<u>221</u>
570	Cash	53
<u>1,111</u>		<u>274</u>
	<i>Liabilities</i>	
269	Fund 1	257
301	Fund 2	( 204)
541	Creditors	221
<u>1,111</u>		<u>274</u>

### *Notes to accounts*

#### 1) *2017/18 Distribution*

Of the £802,000 receipts in 2017/18, £221,202 was not received as at 31 March 2018. This will be distributed in 2018/19.

#### 2) *Fund 2*

Due to the large volume of claims raised against the Former LRB, funds have diminished further. Income received in 2018/19 will be 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

### NET ASSETS STATEMENT

<b>31st March 2017</b>			<b>31st March 2018</b>	
£000	£000		£000	£000
		<b>Investment assets</b>		
			<b>8</b>	
28,102		Equities - UK (quoted)		28,717
503,092		- overseas (quoted)		546,112
	531,194			574,829
		Pooled investments		
221,711		- UK unitised insurance policies		155,148
180,491		- UK open ended investment companies		212,858
	402,202			368,006
		Pooled property investments		
	-	- UK open ended investment companies		15,925
	10,192	Cash deposits held by investment managers		11,634
	2,193	Investment income due		2,016
56		Other investment balances - sales		238
(104)		- purchases		(911)
	(48)			(673)
	945,733	Net investment assets	<b>8</b>	971,737
		<b>Current assets and liabilities</b>		
56		Short term borrowing		(3,928)
915		Current assets - debtors	<b>9</b>	1,075
(33,319)		Current liabilities - creditors	<b>9</b>	(1,904)
	(32,348)			(4,757)
	<u>913,385</u>	<b>Closing net assets</b>		<u>966,980</u>

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 11.

# 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 2017/18 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.

As at 31st March 2018, there were a total of 110 employer organisations in the Bromley Fund, including the Council itself. These are listed below.

<b>Scheduled Bodies</b>	<b>Scheduled Bodies</b>	<b>Scheduled Bodies</b>
<b>Primary School Academies</b>	<b>Primary School Academies (cont)</b>	<b>Primary School Academies (cont)</b>
Alexandra Infants	Harris Crystal Palace	Mottingham Primary
Alexandra Junior	Harris Kent House	Oaklands Primary School
Balgowan Primary	Harris Primary Beckenham	Oak Lodge Primary School
Biggin Hill Primary	Harris Primary Orpington	Parish Primary
Blenheim Primary	Harris Shortlands	Perry Hall Primary
Burnt Ash Primary	Hawes Down Infants School	Pickhurst Infants
Castlecombe Primary	Hawes Down Junior School	Pickhurst Junior
Chelsfield Primary	Hayes Primary	Pratts Bottom Primary
Chislehurst CE Primary	Highfield Infants	Raglan Primary
Churchfields Primary	Highfield Junior	Red Hill Primary
Clare House Primary	Hillside Primary	Scotts Park Primary
Crofton Infants	Holy Innocents RC Primary	Spring Partnership Trust
Crofton Junior	James Dixon Primary	Stewart Fleming Primary
Cudham CE Primary	Keston CE Primary	St. Anthony's RC Primary
Darrick Wood Infants	Langley Park Primary	St. James RC Primary
Darrick Wood junior	La Fontaine	St. John's CE Primary
Farnborough Primary	Leesons Primary	St. Joseph's RC Primary
Grays Farm Primary	Manor Oak Primary	St. Mark's CE Primary
Green Street Green Primary	Marian Vian Primary School	St. Mary Cray Primary
Harris Aspire	Mead Road Infant School	St. Mary's RC Primary
Harris Beckenham Green	Midfield Primary	St. Peter & St. Paul Primary



# PENSION FUND

Notes to the Accounts

## 1 Description of Fund continued

<i>Primary School Academies (cont)</i>	<i>Secondary School Academies (cont)</i>	<i>Special School/AP Academies</i>
St. Philomena's RC Primary	Eden Park High School	Bromley Trust Academy
St. Vincent's RC Primary	Harris Beckenham	Bromley Beacon Academy
The Highway Primary	Harris Bromley	Harris Aspire
Trinity CE Primary	Harris Orpington	The Glebe
Tubbenden Primary	Hayes	<i>Admitted Bodies</i>
Unicorn Primary School	Kemnal	Amey
Valley Primary	Langley Park Boys	Birkin Cleaning Services
Warren Road Primary	Langley Park Girls	British Telecom
Wickham Common Primary	Newstead Wood	Bromley & Lewisham MIND
Worsley Bridge Primary	Ravens Wood	Bromley Mytime
	The Priory	Certitude
<i>Secondary School Academies</i>	The Ravensbourne	Clarion Housing Group
Chislehurst School for Girls		Creative Support Ltd
Bishop Justus CE	<i>Foundation Schools</i>	Cushman and Wakefield
Bullers Wood	St Olave's & St Saviour's	Greenwich Leisure Ltd
Charles Darwin		Liberata UK
Coopers	<i>Scheduled Bodies - Other</i>	Mears
Darrick Wood	Ravensbourne College	The Landscape Group

The following table shows the total membership of the Fund as at 31st March 2018 and 2017.

	<b>2017</b>	<b>2018</b>
Members	6,076	6,198
Pensioners - widows / dependants	727	743
- other	4,343	4,442
Deferred Pensioners	5,258	5,537
Total	16,404	16,920

### (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 2017/18, ranged from 2.8% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations, the rates for 2016/17 being set by the previous valuation as at 31st March 2013. In 2017/18, employer rates ranged from 16.9% 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.

# PENSION FUND

## Notes to the Accounts

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### 1 *Description of Fund continued*

- 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 2017/18 financial year and its position as at 31st March 2018. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations which fall due after the end of the financial year.

### 3 *Summary of Significant Accounting Policies*

#### *(a) Contribution income*

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate. Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid is classified as a current financial asset. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of an agreement, on a receipts basis.

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

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

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

#### *(c) Investment Income*

##### *(i) Interest income*

Interest income is recognised in the Fund account as it accrues.

##### *(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.

## PENSION FUND

### Notes to the Accounts

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#### 3 Summary of Significant Accounting Policies continued

##### *(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) Administrative expenses*

All administrative expenses are accounted for on an accruals basis. Staff costs of the pensions administration team and management, accommodation and other overheads are charged to the Fund in accordance with Council policy.

##### *(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 15).

##### *(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 11). A summary of the results of the last full actuarial valuation is shown in Note 10.

## PENSION FUND

### Notes to the Accounts

#### 3 Summary of Significant Accounting Policies continued

##### (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 12.

##### (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.

#### 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 and are summarised in Note 10. 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.

#### 5 Contributions receivable

	2016/17 £000	2017/18 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley - normal	7,773	7,880
- augmentations	1,431	453
- deficit funding	5,900	2,100
Scheduled bodies - Foundation Schools	334	147
	15,438	10,580
Other		
Scheduled bodies - normal - academies	9,508	10,283
- normal - colleges	1,116	634
Admitted bodies - normal	719	988
- deficit funding	109	469
	26,890	22,954
Member Contributions		
L.B. Bromley part of Fund		
L.B. Bromley	3,234	3,061
Scheduled bodies - Foundation Schools	85	40
	3,319	3,101
Other		
Scheduled bodies - academies	2,317	2,612
- colleges	355	265
Admitted bodies	228	306
	6,219	6,284

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

## PENSION FUND

Notes to the Accounts

### 6 Management Expenses

	2016/17	2017/18
	£000	£000
Administrative costs	517	500
London CIV implementation & service chg	100	100
External audit costs	21	21
PSAA refund relating to 2016/17 audit	-	(3)
Investment management expenses	3,344	3,991
Oversight and governance costs	215	159
	<u>4,197</u>	<u>4,768</u>

### 7 Investment Management Expenses

	2016/17	2017/18
	£000	£000
Management fees	2,976	3,654
Custody fees	162	125
Transaction costs	206	212
	<u>3,344</u>	<u>3,991</u>

### 8 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 2018 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS.

Fixed income: Baillie Gifford and Fidelity.

Multi-Asset Income: Fidelity.

Pooled Property: Fidelity.

In addition, the Fund has £150k of unlisted equity 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 2017 and 2018 was divided between the Fund managers as follows:

	31st March 2017		31st March 2018	
	£000	%	£000	%
Baillie Gifford - global equities	335,269	35.53%	380,801	39.18%
- fixed income	56,835	6.02%	58,039	5.97%
- DGF	49,316	5.23%	-	0.00%
Fidelity - fixed income	74,340	7.88%	75,635	7.78%
- multi-asset income	-	0.00%	79,192	8.15%
- pooled property	-	0.00%	15,925	1.64%
MFS - global equities	205,919	21.82%	206,847	21.29%
Blackrock - global	193,238	20.48%	155,148	15.97%
Standard Life - DGF	28,473	3.02%	-	0.00%
London CIV	150	0.02%	150	0.02%
	<u>943,540</u>	<u>100.00%</u>	<u>971,737</u>	<u>100.00%</u>

The carrying amounts of financial assets held by Fund managers are held as fair value through profit and loss.

## PENSION FUND

### Notes to the Accounts

#### 8 Investments continued

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

	<b>31st March 2017</b>	<b>31st March 2018</b>
	£000	£000
Diversified Growth Funds (2)	77,781	-
Multi-Asset Income Fund (1)	-	79,192
Property Fund (1)	-	15,925
Global Equity Fund (1)	193,238	155,148
Sterling Bond Funds (2)	131,183	133,666
	<u>402,202</u>	<u>383,931</u>

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

	<b>Value at 31st March 2017</b>	<b>Purchases</b>	<b>Sales</b>	<b>Change in MV</b>	<b>Value at 31st March 2018</b>
	£000	£000	£000	£000	£000
Equities	531,194	108,357	(100,881)	36,159	574,829
Pooled investments	402,202	98,281	(131,160)	14,608	383,931
Sub-Total	<u>933,396</u>	<u>206,638</u>	<u>(232,041)</u>	<u>50,767</u>	<u>958,760</u>
Cash deposits	10,192			2,131	11,634
Amounts receivable for sales	56				238
Investment income due	2,193				2,016
Amounts payable for purchases	(104)				(911)
Net investment assets	<u>945,733</u>			<u>52,898</u>	<u>971,737</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. In the case of pooled investment vehicles, which are accumulation funds, changes in value also include income, net of withholding tax, which is re-invested in the Fund. 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 £218k (£206k in 2016/17). 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.

	<b>31st March 2017</b>		<b>31st March 2018</b>	
	£000	% of total Fund	£000	% of total Fund
Baillie Gifford				
- Sterling Aggregate Plus Bond Fund	49,780	5.26	49,780	5.12
- Diversified Growth Fund	49,316	5.21	-	-
Standard Life - Global Absolute Return Fund	28,473	3.01	-	-
Blackrock - Ascent Life Global Equities Fund	193,238	20.43	155,148	15.97
Fidelity				
- Institutional Aggregate Bond Fund	74,340	7.86	75,627	7.78
- Diversified Income Fund	-	-	79,192	8.15
- UK Real Estate Fund	-	-	15,925	1.64

## PENSION FUND

### Notes to the Accounts

#### 9 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.

	2016/17	2017/18
<u>Debtors (current assets)</u>	£000	£000
Contributions due from employers and employees	911	1,072
Other	4	3
	<u>915</u>	<u>1,075</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	928	734
Transfers out (group)	32,387	1,165
Other	4	5
	<u>33,319</u>	<u>1,904</u>

#### 10 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>	<u>% p.a.</u>	<u>% p.a.</u>
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	5.0	4.2
<u>Mortality assumptions</u>	<u>Years</u>	<u>Years</u>
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).

## PENSION FUND

Notes to the Accounts

### 11 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 £1,111m as at 31st March 2018 (£1,115m as at 31st March 2017).

The demographic assumptions used in the IAS 26 report were the same as those used for the 2016 full valuation (see Note 10) and the following financial assumptions were used:

	2017	2018
	% p.a.	% p.a.
Increases in earnings	3.8	3.6
Increases in pensions	2.3	2.2
Inflation	2.3	2.1
Investment return - Overall discount rate	2.5	2.6

### 12 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 2016/17 and 2017/18 and the total value of AVC Funds as at 31st March 2017 and 2018 is shown below.

	2016/17	2017/18
	£000	£000
AVC contributions		
- to Aviva	39	47
- to Equitable Life *	-	-
<b>Total contributions</b>	<b>39</b>	<b>47</b>

\* the total contribution to Equitable Life in 2016/17 was less than £500, and zero in 2017/18.

	2016/17	2017/18
	£000	£000
Market Value		
- Aviva	1,054	899
- Equitable Life	68	66
<b>Total Market Value</b>	<b>1,122</b>	<b>965</b>

### 13 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 2016/17 and 2017/18. No other payments were made for meeting attendance.

The Council incurred costs of £593k (£631k in 2016/17) 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.

### 14 Nature and extent of risks arising from financial instruments

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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.



# PENSION FUND

## Notes to the Accounts

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### 14 Nature and extent of risks arising from financial instruments continued

#### 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.

#### 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.

# PENSION FUND

## Notes to the Accounts

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### 14 *Nature and extent of risks arising from financial instruments continued*

#### Currency Risk continued

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.

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 £3.9m under its treasury management arrangements at 31st March 2018 (£0.1m temporary loan as at 31st March 2017). Although the Pension Fund Revenue Account cashflow position was cash negative for most of the year, the new income distributing funds (see note 8) 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 most, if not all, of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

The Fund managers held no illiquid assets (i.e. assets that could not be sold within 10 days) as at both 31st March 2017 and 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.

## PENSION FUND

### Notes to the Accounts

#### 14 Nature and extent of risks arising from financial instruments continued

##### Summary

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

	<b>Market Risk £000</b>	<b>Other Price Risk £000</b>	<b>Currency Risk £000</b>	<b>Interest Rate Risk £000</b>	<b>Credit Risk £000</b>
UK Equities (quoted)	28,717	28,717	-	-	28,717
Overseas Equities (quoted)	546,112	546,112	546,112	-	546,112
Pooled Investments					
- Multi-Asset Income Funds *	79,192	79,192	79,192	79,192	79,192
- Global Equity Fund	155,148	155,148	155,148	-	155,148
- Sterling Bond Funds	133,666	-	-	133,666	133,666
- Property Funds	15,925	15,925	-	-	15,925
Cash and cash equivalents	-	10,961	-	10,961	10,961
	<b>958,760</b>	<b>836,055</b>	<b>780,452</b>	<b>223,819</b>	<b>969,721</b>

\* 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.

#### 15 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.

#### 16 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.



# Annual Governance Statement 2017/18

## **FINAL**

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## 1. Executive Summary

The Leader of the Council and Chief Executive recognise the importance of having appropriate processes and controls in place to run the Council and ensure its services are delivered effectively.

The Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. The Council's Audit 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' has contained the guiding principles for Bromley Council since 2004/05 and was amended in 2013 to reflect the Public Health and Wellbeing agenda as well as the priority to continue to invest in the economic wellbeing of the borough. 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 2018 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 2016/17 Annual Governance Statement is detailed on page 16.

The five areas detailed overleaf have been identified as requiring further work during 2018/19:

Governance Issue	Action	Lead Officer
<p><b>Finance</b> 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>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 10<sup>th</sup> January 2018 identified the 'One Council' approach.</p> <p><a href="#">Draft 2018/19 Budget and update on Council's Financial Strategy 2019/20 to 2021/22</a></p>	<p><b>Director of Finance</b></p>
<p><b>Contract Management</b> 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><b>Contract Database</b> Authorisation system for tendering/change control</p> <p><b>Document Management System</b> Holds all contracts electronically and also Minutes of meetings, Change Control Notices (CCN), Waivers</p> <p><b>Training</b> 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"> <li>• Module 1 – Commissioning</li> <li>• Module 2 – Contracting process, engaging with the market (procurement)</li> <li>• Module 3 – Tender &amp; evaluation process</li> <li>• Module 4 – Award (Governance)</li> </ul> <p><b>Restructuring of the Commissioning Team</b> To improve Governance and Quality Assurance</p>	<p><b>Director of Commissioning</b></p>
<p><b>Performance Management</b> Further work is required to ensure a comprehensive understanding of the strengths and weaknesses of services provided; effective use of performance management information and robust quality assurance arrangements across the Council, building on the work undertaken in Children's Services</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 arrangements more broadly across the Council.</p> <p><a href="#">Performance Reporting - Children's Services - covering report</a></p> <p><a href="#">Performance Index</a></p>	<p><b>Assistant Director, Strategy, Performance and Business Support</b></p>

Governance Issue	Action	Lead Officer
<b>Code of Corporate Governance</b> The Council's Code of Corporate Governance has not been updated to reflect the 2016 CIPFA /Solace guidance	A review of the Code will be undertaken to ensure that it reflects recommended practice	<b>Director of Corporate Services and Monitoring Officer</b>
<b>General Data Protection Regulations (GDPR)</b> Significant changes were required to ensure that the Council is compliant with the General Data Protection Regulations 2016 (GDPR) when introduced on the 25 <sup>th</sup> May 2018.	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 25 <sup>th</sup> May 2018 was not a finish line and work is continuing on the project plan  <a href="#">GDPR Regulations Executive Report 6<sup>th</sup> December 2017</a>	<b>Director of Corporate Services</b>

### 3. What is Corporate Governance?

#### 3.1 Definition

The CIPFA International Framework 'Good Governance in the Public Sector' defines governance as:-

*'The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'*

It also states that:-

*'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times'*

*'Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders'*

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, provide leadership to their communities.

Effective corporate governance and the capacity to lead and manage change are essential to meet the ever increasing challenges for the public sector. Good governance is important to all involved in local government and a key responsibility of the Chief Executive, the Leader of the Council and other statutory governance Chief Officers.

Our governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management practice.



### **Bromley Council recognises that:**

- ▶ Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for residents and service users
- ▶ Good governance enables an authority to pursue its vision effectively, as well as underpinning that vision with appropriate mechanisms for control and management of risk
- ▶ All authorities should aim to meet the standards of the best and governance arrangements should not only be sound, but also be seen to be sound

## **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 2018/19 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

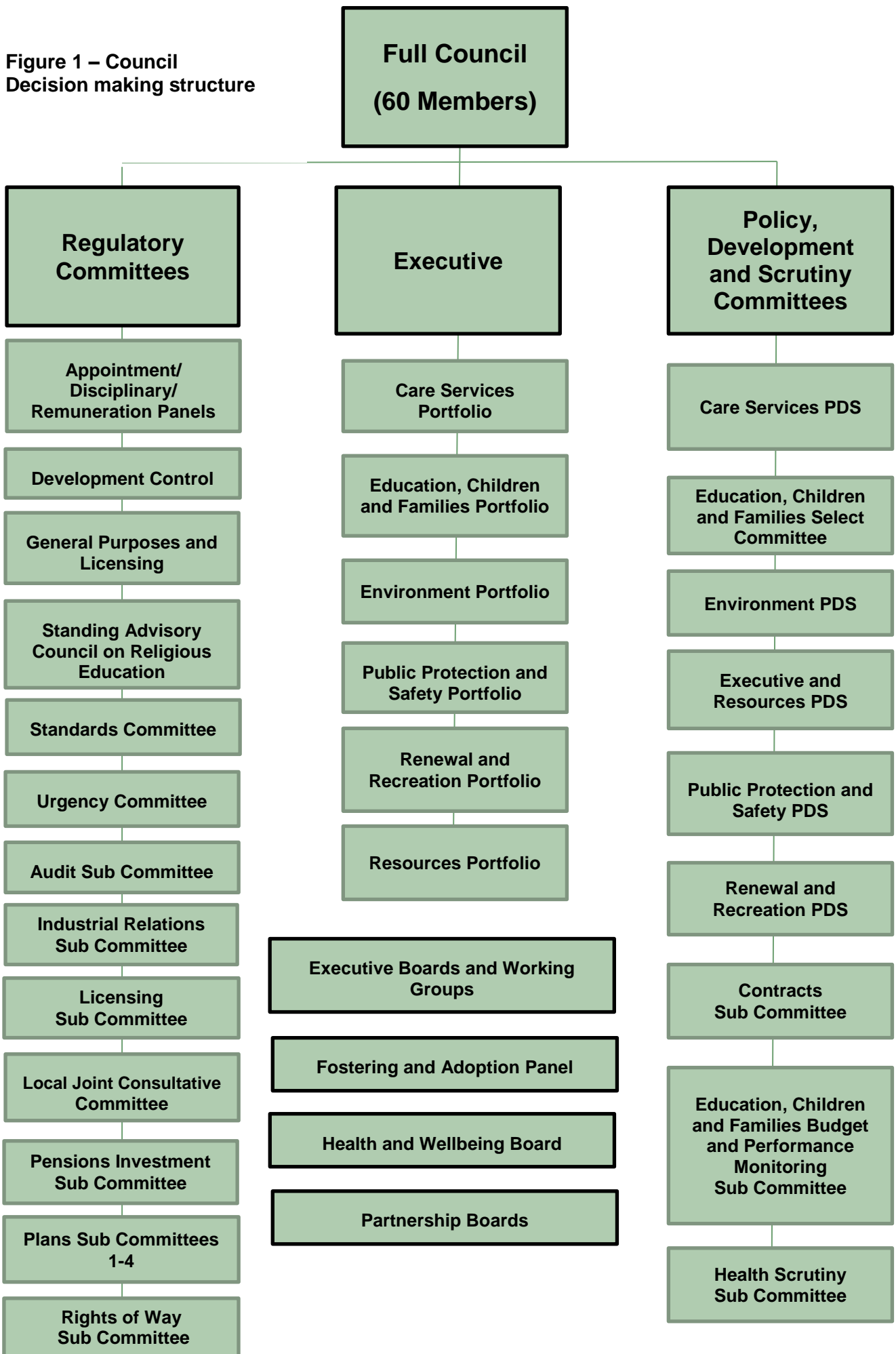
## 4. The Council - How it Works

This Annual Governance Statement covers the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018.

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 six Councillors with specific Portfolio responsibilities. Non-Executive duties are performed 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.

[Care Services Portfolio Plan 2017/18](#)

[Education, Children and Families Portfolio Plan 2017/18](#)

[Environment Portfolio Plan 2017/18](#)

[Public Protection Portfolio Plan 2017/18](#)

[Renewal and Recreation Portfolio Plan 2017/18](#)

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

[Environment Portfolio Plan - half year update covering report \(January 2018\)](#)

[Environment Portfolio Plan - half year update on progress \(January 2018\)](#)

### 5.3 Managing our Resources (Value for Money)

The Council's external auditors issued a qualified 'except for' conclusion on the authority's arrangements to secure value for money for 2016/17 on 27 September 2017. The 'except for' was in relation to Children's Services following the Ofsted rating of inadequate in 2015/16 as improvements had not been in place for the entirety of 2016/17. They issued an unqualified opinion on the authority's

financial statements on 27<sup>th</sup> September 2017. 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 also include those of the pension fund.

The Council's external auditors 'External Audit Plan' for 2017/18 (published February 2018) states that:

'Our risk assessment regarding your arrangements to secure value for money has identified the following VFM significant risks to date:

- ▶ **Delivery of budgets:** As a result of reductions in central government funding and overspends in children's services, the Authority is having to identify savings beyond those from prior years. We will consider how the Authority identifies, approves, and monitors savings plans and how budgets are monitored throughout the year.
- ▶ **Findings from regulatory bodies:** As a result of the Ofsted inspection in June 2016 children's services were rated as 'inadequate'. We will review the Council's continuing response to this review and the progress that has been made. We will consider the results of any recent reports from Ofsted'.

The external auditors have therefore stated that the 2017/18 review will incorporate:

- ▶ 'The Controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors'.
- ▶ 'The Council's continuing response to the Ofsted report including how the Council is working with the Commissioner to improve services. We will consider how the approach to improving services is being managed across the Authority, for example, whether there is an appropriate amount of Senior Manager and Councillor oversight of issues. We will also consider the results of any recent relevant reports from Ofsted or similar bodies'.

The Budget Strategy for 2018/19 has been 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 strategy 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.

The Council has had to take significant action to reduce the cost base while protecting priority front line services and providing sustainable longer term solutions.

Council Tax has been kept low compared with other Councils. A combination of front loading of savings in previous years, pro-actively generating investment income and prudent financial management have provided an opportunity to provide a balanced budget for next year with potential opportunity to balance the budget in 2019/20, assuming any further cost pressures are contained and relentless cost control is undertaken.

There will be significant challenges as the Council is a low cost authority and the position will need to be regularly reviewed, particularly as there are risks relating to recent increases in inflation compared with the previous year's forecast, and further cost pressures/new burdens. Apart from early identification of options to address the future years' budget gap (2020/21 and beyond), including any significant transformation and income generating opportunities, it 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 the Government's austerity measures continue. It is important to consider actions now that address the "budget gap" in the medium term.

The Council's prudent approach to identify and deliver front loading efficiency savings, together with being debt free and having healthy reserves, places the Council in a stronger position to respond to the challenges that will undoubtedly arise. 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 during this austerity period.

## 6. How do we know our arrangements are working?

### 6.1 The Role of Management

The Corporate Leadership Team are 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 'check and challenge' exercise on the departmental Risk Registers. The aim of this was to provide the Departmental Management Teams (DMT) and the Corporate Leadership Team (CLT) with an independent discussion on risk and one which challenged, refreshed and validated the current risk register content.

Zurich attended the October 2017 Corporate Risk Management Group (CRMG) meeting to discuss their findings and recommendations prior to the Corporate Leadership Team's approval of each refreshed Risk Register and presentation of the same to Audit Sub Committee on 8<sup>th</sup> November 2017. Each Risk Register was then submitted to the most appropriate Policy Development and Scrutiny Committee/Sub Committee for scrutiny.

This year, a review of our governance arrangements was undertaken by Internal Audit, overseen by the Corporate Risk Management Group. The outcome of this is that we have adequate governance arrangements in place and relevant to the environment we work in. The review suggested a number of improvements in the areas of performance management and the Council's Code of Corporate Governance (having not been updated to reflect the 2016 CIPFA/Solace guidance). However, in practice, the code consists of a number of codes and documents which can be regarded as fit for purpose in accordance with the governance framework.

### 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.

## 6.3 Our Governance Framework

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

	Policy/Process
<b>A</b>	Annual Audit Letter
	Annual Governance Statement
	Anti-Fraud and Corruption Strategy
	Audit Sub Committee
<b>B</b>	Building a Better Bromley
<b>C</b>	Capital Strategy
	Code of Conduct for Members
	Communications Strategy
	Complaints System
	Constitution
	Contract Procedure Rules/Standing Orders
	Corporate Induction Process
	Corporate Leadership Team
	Corporate Operating Principles
	Customer Access Channel Strategy
	Customer Services Charter
<b>D</b>	DISCUSS Appraisal Scheme
<b>E</b>	Executive and Resources PDS Committee Annual Report
<b>F</b>	Financial Regulations
	Financial Strategy
	Forward Plan of Key Decisions
<b>G</b>	'Getting it Right – Complaints, Compliments and Suggestions
	Gifts and Hospitality Code of Conduct
<b>H</b>	Head of Audit
	Head of Paid Service
<b>I</b>	Internal and External Audit Reports
	Internal Audit Opinion and Annual Report
	Internal Controls
	IT Governance
<b>L</b>	Leader's Foreword and Statement of Accounts
	Learning and Development
	Local Development Framework
<b>M</b>	Member/Officer Protocol
	Monitoring Officer (Director of Corporate Services)
<b>P</b>	Portfolio Plans
	Public Consultations/Meetings
<b>R</b>	'Raising Concerns' whistle blowing
	Register of Interests
	Risk Management Strategy
<b>S</b>	Scheme of Delegation
	Section 151 Officer (Director of Finance)
	Statement of Accounts
<b>T</b>	Treasury Management Strategy



## 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:

- The London Association of Directors of Social Services (ADASS) Peer Review of Bromley – Use of Resources (22<sup>nd</sup> – 24<sup>th</sup> November 2017).  
[ADASS Peer Review - Use of Resources](#)
- Ofsted – sixth monitoring visit (13<sup>th</sup> and 14<sup>th</sup> March 2018).  
[Press release 20th April 2018](#)  
[Ofsted sixth monitoring visit](#)
- CQC review of Health Services for Children Looked After and Safeguarding in Bromley (16<sup>th</sup> – 20<sup>th</sup> October 2017, published 29<sup>th</sup> January 2018).  
[Health Services for Children Looked After and Safeguarding](#)

- Food Standard Agency audit of the food hygiene service (24<sup>th</sup> April 2017).  
[Food Standards Agency - audit of food hygiene service delivery Committee Report](#)  
[FSA report](#)  
[Action Plan](#)  
[Executive Report - additional resources](#)  
[Executive Report - additional resources - minutes](#)

## 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 2017/18, 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.

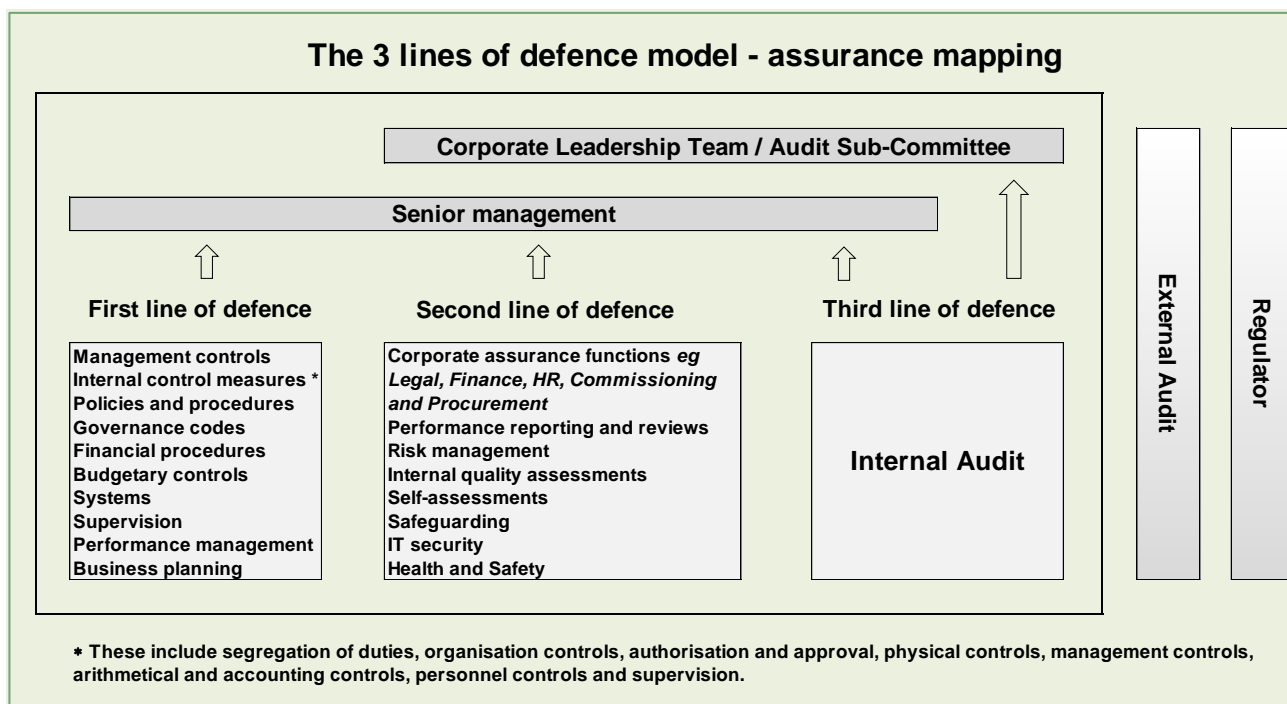
## 7. Our Strategic Risks

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 (CRR) 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 by following the link

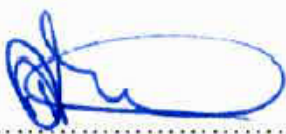
[Corporate Risk Register](#)

## 8. Looking Back on 2016/17

Governance Issue	Actions	Progress
Capacity to make further budget savings and maintain frontline services: The Council will need to make significant savings of around £24m per annum by 2020/21.	The Executive is working to balance the budget for 2017/18. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.	The Executive have achieved a balanced budget for 2018/19 and there are options to balance the budget for 2019/20 without a detrimental impact on key services. Work is ongoing to explore options to address the future years' budget gap through the four year forward planning arrangements.
Commissioning and transformation agenda	The Commissioning Team will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.	Officers have, and will continue, to review all services to identify more efficient ways of commissioning and to contribute to the Council's budget gap.

To the best of our knowledge, the governance arrangements as defined above, have been operating effectively during the year.

We propose to take steps over the coming year to address the Significant Governance Issues defined on Page 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.

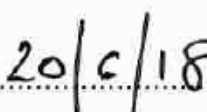
Signed 

Chief Executive

Date 

Signed 

Leader of the Council

Date 

## 9. Appendix 1 – Links to Documents

<b>Page 2</b>	<b>Building a Better Bromley (2016-2018)</b>
<a href="http://www.bromley.gov.uk/downloads/file/2005/building_a_better_bromley">http://www.bromley.gov.uk/downloads/file/2005/building_a_better_bromley</a>	
<b>Page 3</b>	<b>Draft 2018/19 Budget and update on Council's Financial Strategy 2019/20 to 2021/22</b>
<a href="http://cds.bromley.gov.uk/documents/s50056259/Executive%20100118%20Draft%20Budget%20Report.pdf">http://cds.bromley.gov.uk/documents/s50056259/Executive%20100118%20Draft%20Budget%20Report.pdf</a>	
<b>Page 3</b>	<b>Performance Reporting - Children's Services - covering report</b>
<a href="http://cds.bromley.gov.uk/documents/s50059461/Performance%20Reporting%20-%20Childrens%20Services.pdf">http://cds.bromley.gov.uk/documents/s50059461/Performance%20Reporting%20-%20Childrens%20Services.pdf</a>	
<b>Page 3</b>	<b>Performance Index</b>
<a href="http://cds.bromley.gov.uk/documents/s50059462/App.%20to%20Performance%20Reporting%20-%20Childrens%20Services.pdf">http://cds.bromley.gov.uk/documents/s50059462/App.%20to%20Performance%20Reporting%20-%20Childrens%20Services.pdf</a>	
<b>Page 4</b>	<b>GDPR Regulations Executive Report 6th December 2017</b>
<a href="http://cds.bromley.gov.uk/documents/b50011952/10.%20THE%20GENERAL%20DATA%20PROTECTION%20REGULATIONS%202016%20Wednesday%2006-Dec-2017%2019.00%20Executive.pdf?T=9">http://cds.bromley.gov.uk/documents/b50011952/10.%20THE%20GENERAL%20DATA%20PROTECTION%20REGULATIONS%202016%20Wednesday%2006-Dec-2017%2019.00%20Executive.pdf?T=9</a>	
<b>Page 9</b>	<b>Care Services Portfolio Plan 2017/18</b>
<a href="http://www.bromley.gov.uk/downloads/file/1741/care_services_portfolio_plan">http://www.bromley.gov.uk/downloads/file/1741/care_services_portfolio_plan</a>	
<b>Page 9</b>	<b>Education, Children and Families Portfolio Plan 2017/18</b>
<a href="http://www.bromley.gov.uk/downloads/file/1796/education_children_and_families_portfolio_plan">http://www.bromley.gov.uk/downloads/file/1796/education_children_and_families_portfolio_plan</a>	
<b>Page 9</b>	<b>Environment Portfolio Plan 2017/18</b>
<a href="http://cds.bromley.gov.uk/documents/s50051289/Appendix%201%20for%20Environment%20Portfolio%20Plan.pdf">http://cds.bromley.gov.uk/documents/s50051289/Appendix%201%20for%20Environment%20Portfolio%20Plan.pdf</a>	
<b>Page 9</b>	<b>Public Protection Portfolio Plan 2017/18</b>
<a href="http://cds.bromley.gov.uk/documents/s50051026/Enc.%201%20for%20Draft%20Portfolio%20Plan%20PPS.pdf">http://cds.bromley.gov.uk/documents/s50051026/Enc.%201%20for%20Draft%20Portfolio%20Plan%20PPS.pdf</a>	

<b>Page 9</b>	<b>Renewal and Recreation Portfolio Plan 2017/18</b>
<a href="http://cds.bromley.gov.uk/documents/s50051160/Appendix1%20RENEWAL%20AND%20RECREATION%20PORTFOLIO%20PLAN%20201718.pdf">http://cds.bromley.gov.uk/documents/s50051160/Appendix1%20RENEWAL%20AND%20RECREATION%20PORTFOLIO%20PLAN%20201718.pdf</a>	
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## GLOSSARY OF TERMS

### **Accounting Policies**

The specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements.

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### **Actuary**

An independent consultant who advises on the financial position of the Pension Fund.

### **Actuarial Gains and Losses**

Changes in actuarial deficits or surpluses that arise because either actual experience or events have differed from the assumptions adopted at the previous valuation (experience gains or losses) or the actuarial assumptions have been changed.

**Agent** is where the Council is acting as an intermediary.

### **Balance Sheet**

A statement showing the position of the Council's assets and liabilities as at 31<sup>st</sup> March in each year.

### **Billing Authority**

A local authority empowered to set and collect council taxes, and manage the Collection Fund, on behalf of itself and local authorities in its areas. Bromley is a billing authority.

### **Budget**

A forecast of the Council's planned expenditure. The level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.

### **Capital Adjustment Account**

This reserve includes amounts set aside from either revenue resources or capital receipts to fund the acquisition of fixed assets.

### **Capital Charges**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge includes depreciation (intended to represent the cost of using the asset) and any impairment that may have occurred in the year of account.

### **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **Capital Receipt**

The proceeds from the sale of a fixed asset.

### **Carrying amount**

Is the amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

### **Change in Accounting Estimate**

Is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future



benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.

### **Collection Fund**

Statutory account showing transactions in relation to collection of Council Tax, administration of National Non-Domestic Rates and contributions made to the General Fund of Bromley Council and the GLA.

### **Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent**

A condition which exists at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the authority's control.

### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **Council Tax**

A local charge (or charges set by the council and the GLA) in order to collect sufficient revenue to meet their demand on the collection fund. It replaced the community charge (poll tax) on 1 April 1993 and is based on the value of the property and the number of residents. The Valuation Office Agency assesses the properties in each district area and assigns each property to one of eight valuation bands; A to H. The tax is set on the basis of the number of Band D equivalent properties. Tax levels for dwellings in other bands are set relative to the Band D baseline.

### **Council Tax Support**

The Council operates a national council tax benefit scheme which supports pensioners and working age people on low incomes to pay their council tax.

### **Creditors**

Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.

### **Current Asset**

An asset that will be consumed or cease to have value within one year of the reporting date. Examples are inventories and debtors.

### **Current Expenditure**

A general term for the direct running costs of local authority services, including employee costs and running expenses.

### **Current Liability**

An amount which will become payable or could be called in within the next accounting period, examples are creditors and cash overdrawn.

**Current Service Cost**

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

**Curtailments**

Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, redundancy or where the Employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

**Debtors**

Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.

**Deferred Capital Receipts**

These result mainly from loans to Housing Associations plus outstanding loans in respect of past sales of Council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long-term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

**Demand on the Collection Fund**

Represents the amount calculated by the council or the GLA to be transferable from the council's collection fund to its general fund.

**Depreciation**

The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.

**Earmarked Reserves**

Reserves set aside for a specific purpose or a particular service or type of expenditure.

**Employee benefits**

Are all forms of consideration given by an entity in exchange for service rendered by employees.

**Events after the reporting period**

Are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

**Fair Value**

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In accounting terms, fair values are approximated by the present value of the cash flows that will take place over the remaining life of the financial instrument.

**Fixed Assets**

Tangible assets that yield benefit to the local authority and its services for a period of more than one year.

**Formula Grant**

The main channel of government funding which includes re-distributed Business Rates and Revenue Support Grant. There are no restrictions on what local authorities can spend it on.

### **Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

### **Greater London Authority**

A strategic authority for London created on 3rd July 2000.

### **Historical Cost**

Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

### **Housing Benefit**

Financial help given to local authority or private tenants whose income falls below prescribed amounts.

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

### **Infrastructure Assets**

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths, bridges and sewers.

### **Intangible Assets**

An intangible asset is an *identifiable* non-monetary asset without physical substance. It must be *controlled* by the authority as a result of past events, and *future economic or service benefits* must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.

### **Inventories**

Are assets:

- a) in the form of materials or supplies to be consumed in the production process
- b) in the form of materials or supplies to be consumed or distributed in the rendering of services
- c) held for sale or distribution in the ordinary course of operations, or
- d) in the process of production for sale or distribution.

### **Investment Property**

Is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.

### **Levies**

A payment that a local authority is required to make to a particular body (a levying body) to meet London wide services. Levying bodies include the London Pensions Fund Authority, London Boroughs Grants Committee, Environment Agency and Lee Valley Regional Park.

### **Material**

Material omissions or misstatements of items are material if they could, individually or collectively, Statement 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.

