



THE LONDON BOROUGH
www.bromley.gov.uk

BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

TELEPHONE: 020 8464 3333

CONTACT: Graham Walton
graham.walton@bromley.gov.uk

DIRECT LINE: 0208 461 7743

FAX: 020 8290 0608

DATE: 4 September 2017

To: Members of the

GENERAL PURPOSES AND LICENSING COMMITTEE

Councillor Ian F. Payne (Chairman)

Councillor Stephen Wells (Vice-Chairman)

Councillors Vanessa Allen, Nicholas Bennett J.P., Kim Botting FRSA, Alan Collins, Mary Cooke, Ellie Harmer, David Livett, Tony Owen, Charles Rideout QPM CVO, Tim Stevens, Teresa Te, Pauline Tunnicliffe and Michael Turner

A meeting of the General Purposes and Licensing Committee will be held at Bromley Civic Centre on **TUESDAY 12 SEPTEMBER 2017 AT 7.00 PM**

MARK BOWEN

Director of Corporate Services

Copies of the documents referred to below can be obtained from
<http://cds.bromley.gov.uk/>

A G E N D A

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

2 DECLARATIONS OF INTEREST

3 QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING

In accordance with the Council's Constitution, questions to the Chairman of this Committee must be received in writing 4 working days before the date of the meeting. Therefore please ensure questions are received by the Democratic Services Team by 5pm on Wednesday 6th September 2017.

4 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 11TH JULY 2017
(Pages 5 - 8)

5 AUDIT OF FINANCIAL STATEMENTS 2016/17 (Pages 9 - 186)

6 FEEDBACK ON THE 2017 UK PARLIAMENTARY (GENERAL) ELECTION (Pages 187 - 202)

7 PROPOSED ARRANGEMENTS FOR THE 2018 LOCAL COUNCIL ELECTIONS
(Pages 203 - 212)

8 COMPLAINTS - ANNUAL OMBUDSMAN LETTER (Pages 213 - 216)

The following is a link for the embedded documents at the end of the report:

[embedded ombudsman documents](#)

9 TEACHERS PAY POLICY--CENTRALLY BASED STAFF (Pages 217 - 248)

**10 FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND
PROCUREMENT STRATEGY FOR THE APPOINTMENT OF AN ACTUARY** (Pages
249 - 258)

11 LICENSING ACT 2003 LICENSABLE ACTIVITIES (Pages 259 - 264)

12 LICENSING UPDATE SEPTEMBER 2017 (Pages 265 - 274)

13 INDUCTION ARRANGEMENTS FOR NEW MEMBERS IN 2018 (Pages 275 - 282)

14 HR KEY ISSUES PRESENTATION

15 WORK PROGRAMME 2017/18 (Pages 283 - 286)

**16 PENSIONS INVESTMENT SUB-COMMITTEE: MINUTES OF THE MEETING HELD
ON 16TH MAY 2017, EXCLUDING EXEMPT INFORMATION** (Pages 287 - 294)

**17 AUDIT SUB-COMMITTEE: MINUTES OF THE MEETING HELD ON 21ST JUNE
2017, EXCLUDING EXEMPT INFORMATION** (Pages 295 - 304)

**18 APPEALS SUB-COMMITTEE: MINUTES OF THE MEETING HELD ON 10TH JULY
2017, EXCLUDING EXEMPT INFORMATION** (Pages 305 - 306)

**19 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT
(ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM
OF INFORMATION ACT 2000**

The Chairman to move that the Press and public be excluded during consideration of the items of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

Items of Business

Schedule 12A Description

20 **AUDIT SUB-COMMITTEE: EXEMPT MINUTES - 21ST JUNE 2017** (Pages 307 - 312)

Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

21 **APPEALS SUB-COMMITTEE: EXEMPT MINUTES - 10TH JULY 2017** (Pages 313 - 320)

Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority.

.....

This page is left intentionally blank

GENERAL PURPOSES AND LICENSING COMMITTEE

Minutes of the meeting held at 7.00 pm on 11 July 2017

Present:

Councillor Stephen Wells (Vice-Chairman in the Chair)
Councillors Vanessa Allen, Nicholas Bennett J.P.,
Kim Botting FRSA, Mary Cooke, Simon Fawthrop,
Ellie Harmer, David Livett, Tony Owen,
Charles Rideout QPM CVO, Tim Stevens,
Teresa Te and Michael Turner

256 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from the Chairman, Councillor Ian F. Payne and Councillor Pauline Tunnicliffe, who was replaced by Councillor Simon Fawthrop. The Vice-Chairman, Councillor Stephen Wells, took the chair.

257 DECLARATIONS OF INTEREST

Councillors Nicholas Bennett, Fawthrop and Owen declared interests in relation to the Pension Fund. Councillor Bennett also declared an interest as a Council appointed member of the Mytime Active Board.

258 QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

259 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 23RD MAY 2017

The Committee noted the answer given to Councillor Nicholas Bennett's question about member i-pads in Appendix A to the minutes. The Vice-Chairman suggested that the Head of ICT be required to attend the next meeting to give a more detailed explanation. It was noted that work had already started with BT to consider Member IT requirements for the 2018/22 Council.

RESOLVED that the minutes of the meeting held on 23rd May 2017 (excluding exempt information) be confirmed.

260 FORFEITURE OF LOCAL GOVERNMENT PENSION SCHEME RIGHTS

The Local Government Pension Scheme Regulations provided that in certain circumstances the accrued pension rights of scheme members could be reduced or entirely withheld. In order for this to be considered a formal procedure was required to determine in what circumstances, and to what extent, the Council would seek to reduce a scheme member's pension rights.

A Member suggested that the policy needed to be split to clearly separate Regulation 93 and Regulation 91. This re-formatting should be carried out and the document be circulated to Committee Members before being released to the Trades Unions for consultation – if any objections were received the matter could be considered again at the next meeting.

RESOLVED that

(1) The Committee agrees in principle that a policy on the forfeiture of accrued local Government Pension Scheme rights is required.

(2) The contents of the report and the draft policy on the forfeiture of accrued Local Government Pensions scheme rights be noted.

(2) The draft policy be approved for release to the Trades Unions for consultation, subject to being re-drafted and circulated to Committee members.

(4) It is noted that a further report detailing the outcome of consultation will be presented to the Committee for consideration in due course.

261 LICENSING UPDATE
Report ES17055

The Committee received a report summarising the outcomes of recent Licensing Sub-Committee hearings. The summary covered three recent hearings, two as the result of objections by Trading Standards following underage sales at Capital Wines, 21 Green Lane, Penge and The Wine Shop, 75 Cotmandene Crescent, Orpington, and one as a result of an objection by the Police to a Temporary Event Notice at Langtrys/The Bridge Bar, High Street, Beckenham. The decision on the hearing for The Wine Shop, 75 Cotmandene Crescent, Orpington was also circulated.

With regard to the Bridge bar, a Member asked whether there had been any trouble reported on the weekend when the Temporary Event Notice had been granted. Officers were not aware of anything, and neither were ward Councillors, but this would be checked.

The Vice-Chairman reminded Members about the need for on-going training and updates on regulations, and in particular for formal training in licensing issues to be included in the induction programme after the 2018 local election.

RESOLVED that the report be noted.

262 REVIEW OF OUTSIDE BODIES
Report CSD17094

One of the Committee's duties was to make appointments to a range of partnerships and "outside bodies" on behalf of the Council. The report divided these appointments into five broad categories –

- (i) London Councils appointments and lead Members;
- (ii) Partnerships and Local Boards;
- (iii) organisations providing services in the borough;
- (iv) London or regional organisations;
- (v) local charities and foundations.

Most of these appointments were made annually, following the Council year, in May. The report offered the opportunity to review the purpose of making these appointments.

Guidance on membership of Outside Bodies was set out in Appendix 8 to the Council's Constitution. Councillors owed a first duty to a trust when acting as a trustee, and needed to be covered by the trust's own indemnities. It was suggested that this point should be clarified, and the guidance included in the induction materials circulated to Councillors after the 2018 local elections.

RESOLVED that the report be noted.

263 WORK PROGRAMME 2017/18
Report CSD17097

The Committee considered its work programme for 2017/18.

RESOLVED that the report be noted.

**264 LOCAL JOINT CONSULTATIVE COMMITTEE: MINUTES OF
THE MEETING HELD ON 20TH JUNE 2017**

The minutes of the Local Joint Consultative Committee's meeting on 20th June 2017 were received.

**265 AUDIT SUB-COMMITTEE: MINUTES OF THE MEETING HELD
ON 21ST JUNE 2017, EXCLUDING EXEMPT INFORMATION**

The minutes of the Audit Sub-Committee's meeting on 21st June 2017 (excluding exempt information) were received. Two errors were identified -

which would be corrected - regarding Garry Warner's title, and Cllr Owen's declaration, which related to his daughter rather than his wife.

266 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

**The following summaries
refer to matters
involving exempt information**

267 EXEMPT MINUTES - 23RD MAY 2017

RESOLVED that the exempt minutes of the meeting held on 23rd May 2017 be confirmed.

268 AUDIT SUB-COMMITTEE: EXEMPT MINUTES - 4TH APRIL 2017

The exempt minutes of the Audit Sub-Committee meeting held on 4th April 2017 were received. It was noted that these minutes should have been submitted to the Committee's previous meeting in May.

269 AUDIT SUB-COMMITTEE: EXEMPT MINUTES - 21ST JUNE 2017

The exempt minutes of the Audit Sub-Committee meeting held on 21st June 2017 were received. The Vice-Chairman reminded Members that they should be careful not to reveal the restricted information contained in part 2 documents.

The Meeting ended at 7.59 pm

Chairman

Report No.
FSD17066

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: General Purposes & Licensing Committee

Date: 12th September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **AUDIT OF FINANCIAL STATEMENTS 2016/17**

Contact Officer: Tracey Pearson, Chief Accountant
Tel: 020 8313 4323 E-mail: tracey.pearson@bromley.gov.uk

Chief Officer: Director of Finance

Ward: Borough Wide

1. Reason for report

- 1.1 This report sets out the Council's 2016/17 statutory accounts for approval by Members in accordance with the requirements of the Accounts and Audit Regulations 2015. The report also details the conclusions and significant issues arising from the work carried out in relation to the audit of the 2016/17 accounts.
-

2. **RECOMMENDATION(S)**

2.1 **The Committee is requested to:**

- (a) Approve the Council's statutory accounts for 2016/17;
- (b) In accordance with the requirements of the Accounts and Audit Regulations 2015, following approval, the Chairman of this Committee shall sign and date the statutory statements on page 1 as a formal record of the Committee's approval;
- (c) Consider the external auditor's report;
- (d) Note the auditor's conclusion on VFM;
- (e) Confirm agreement with the auditor's conclusion on their independence and objectivity;
- (f) Note the objections to the accounts as set out in para 3.13;
- (g) Authorise the Chairman of this Committee to sign the letter of representation for 2016/17 on behalf of the Council, see Appendix 2;
- (h) Approve the Annual Governance Statement which accompanies the statutory statement of accounts.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: Council wide
 4. Total current budget for this head: £136m 2016/17 budget (excluding GLA precept)
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional): 2,555 full-time equivalent posts (per 2016/17 Budget), which includes 911 for delegated budgets to schools.
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory requirement. The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Local Government Act 2000; the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2016/17 final accounts reflect the financial impact of the Council's strategies and service plans which impact on all of the Council's customers (including council tax payers) and users of the services.
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments: Council wide

3. COMMENTARY

- 3.1 The Accounts and Audit Regulations 2015 require the Accounts to be considered and approved by resolution of a Committee or Full Council no later than 30th September. Following approval, the Statement of Accounts must be signed and dated by the person presiding at the meeting at which that approval was given.
- 3.2 The Regulations specifically require authorities to prepare the accounts by 30th June and that the responsible financial officer sign, date and certify that the Statement of Accounts present a true and fair view of the financial position of the Authority and of the Authority's income and expenditure for the year. The responsible financial officer must re-certify the presentation of the Statement of Accounts before this Committee approves it.
- 3.3 The external auditors, KPMG LLP, have issued their report on the Financial Statements and Accounts for 2016/17, comprising the Council's main financial statements and Pension Fund accounts. A copy of this report is attached at appendix 1 and includes the findings from the interim and final audits and recommendations for improvement.
- 3.4 The draft accounts were approved by the Director of Finance on 23rd June 2017. At the time of writing, the auditors anticipate issuing an unqualified audit opinion on the financial statements, including the Pension Fund accounts.
- 3.5 In accordance with ISA260, the auditors are required to report all uncorrected audit differences, other than those that they believe are clearly trivial, to those charged with governance. They are also required to report any material misstatements which have been corrected and which they believe should be communicated to the Committee to assist in fulfilling governance responsibilities. The auditors have not identified any issues in the course of the audit that are considered to be material. The audit identified no significant audit adjustments and there are no non-trivial audit differences which remain uncorrected.
- 3.6 A small number of non-material audit differences and minor presentational changes were agreed and the financial statements have been updated accordingly. None of these matters have an impact on the Council's revenue accounts or general fund balance.
- 3.7 ISA 260 requires that the auditors communicate by exception 'audit matters of governance interest that arise from the audit of the financial statements'. There are no matters that the auditors wish to draw to the attention of the committee other than those highlighted in the auditor's report.
- 3.8 Value For Money Conclusion
- 3.8.1 The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the Authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'. This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically'.

3.8.2 The Auditor's VFM work followed the National Audit Office (NAO) guidance which is risk based and targets audit effort on the areas of greatest risk. The auditors are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on the following criteria:

- (i) informed decision making;
- (ii) sustainable resource deployment;
- (iii) working with partners and third parties.

3.8.3 In their external audit plan, the auditors identified three specific VFM risks – Financial Resilience, Findings from Regulatory Bodies and Overspends in Children's Services. In line with the risk-based approach set out in the plan, they have worked with officers throughout the year to discuss these VFM risks and their detailed findings are shown below:

- Financial resilience – reviewed the Council's financial position and financial management procedures taking account of the position reported in the Medium term Financial Strategy, the overall level of reserves and budget setting strategies. Considered forecast financial data over both the immediate and long term plans to evaluate the likelihood of the Council achieving the budgeted position. Reviewed the latest government spending policies and anticipated their effect on the Council's outturn position. No issues were identified.
- Findings from regulatory bodies – reviewed the Council's response to the Ofsted report including how the Council is working with the Commissioner to improve services. Considered how the approach to improving services is being managed across the Authority and the results of any recent relevant reports from Ofsted or similar bodies. In review of the Ofsted monitoring report dated 24th March 2017, it was noted that progress had been made to remediate issues identified in the June 2016 report but was not met on some areas within the local authority's action plan.
- Overspends in Children's Services – reviewed the financial position of Children's Services, including savings plans which have been put in place in response to the budget overspends. Considered whether the current spending is sustainable in the future, and modelled effects on the Medium Term Financial Strategy of further overspends within the service. No issues were identified.

3.8.4 Following the Ofsted inspection rating the Authority's Children's Services as 'inadequate' in June 2016 and the recent Ofsted monitoring visit report on 24th March 2017, the auditors have concluded that the Authority has made progress to obtain proper arrangements to secure economy, efficiency and effectiveness in its use of resources in these areas but have not fully remediated findings within this report. The auditors will therefore be issuing a qualified 'except for' VFM conclusion on this basis.

3.8.5 There are no other matters of any significance arising as a result of the audit work in these VFM risk areas.

3.9 The auditor's report also reviews accounting systems and systems of internal control and reports on weaknesses in the accounting and internal control systems identified during the audit. A summary of control recommendations is included on pages 16 and 17 and includes a follow up of three prior year recommendations. There are no new recommendations arising from the 2016/17 audit.

- 3.10 The duty to appoint auditors to Local Authorities is a statutory function of the PSAA and 2016/17 is the second year that the audit was undertaken by KPMG LLP, who was appointed as Bromley's external auditor from 1st April 2015 for 3 years. In August 2017 the PSAA wrote to the Council to formally consult on the appointment of Ernst & Young LLP as Bromley's external auditor for 5 years from 2018/19. The appointment will start on 1st April 2018.
- 3.11 The auditor's report details on pages 20 and 21 the requirement for annual disclosure of all relationships between KPMG (and associated entities) and the Authority that may reasonably be thought to bear on their independence and objectivity. In conclusion they have confirmed that there are no relationships between KPMG LLP and the London Borough of Bromley that they consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. They have also confirmed compliance with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity. This Committee is requested to consider the matters detailed in the auditor's report and confirm agreement with their conclusion on independence and objectivity.
- 3.12 In accordance with the Accounts and Audit Regulations 2015 the Director of Finance, as responsible financial officer, has authenticated and signed the amended accounts and the authorised for issue date has been updated to 12th September 2017. The audited Statement of Accounts, accompanied by the Annual Governance Statement, is attached at appendix 3.
- 3.13 The Council's Accounts and related records were made available for public inspection for 30 working days between 3rd July 2017 and 11th August 2017. This is a requirement of the Regulations and must take place prior to the completion of the audit. An elector in the Bromley borough has raised two objections to the 2016/17 accounts:
- Waste Management and Street Cleansing Services;
 - Trade Waste Collection Service.

As a result of these objections the audit cannot be formally concluded and an audit certificate issued. The auditor will provide a verbal update as to the status of these objections.

- 3.14 Members will be aware of the objections made to the 2012/13 and 2013/14 accounts with regard to the Council's parking enforcement contract, bailiff fees and London Councils. An update was provided in the Audit of Financial Statements 2015/16 report to this Committee on 14th September 2016. In summary, PWC have concluded that they would take no further action and did not consider it appropriate to issue a Public Interest Report. However, they did deem it necessary to include the following recommendations in their Annual Audit Letters:
- that the Authority should continue to have due regard to the Secretary of State for Transport's statutory guidance to local councils on the civil enforcement of parking contraventions when tendering its parking enforcement contract; and
 - that the Authority should make it clear what deliberations and considerations are made, including recording any reasons for departing from the requirements in the statutory guidance.

As no appeal was received from the objector within the permitted 28 day period these objections are now concluded. Certificates of completion for the years 2012/13, 2013/14 and 2014/15 were certified by PWC on 15th December 2016. KPMG certified the certificate of completion for the 2015/16 accounts on 16th December 2016.

- 3.15 The Council must publish its audited 2016/17 Accounts by 30th September 2017. In June 2014 Government issued a consultation setting out draft Regulations proposing an earlier timetable for the publication of both pre-audited and audited accounts. The proposals were implemented under the Accounts and Audit Regulations 2015. The pre audited accounts must be signed and certified by the Responsible Financial Officer by 31st May (currently 30th June) and the audited accounts must now be published by 31st July (currently 30th September). This will be effective from the 2017/18 accounts. Changes to the arrangements for Public Inspection came into effect from the 2015/16 financial year.
- 3.16 The Council has very little discretion over the format of its Accounts as they must be presented in the form laid down in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA) under the oversight of the Financial Reporting Advisory Board. The Code requires authorities to produce accounts based on International Financial Reporting Standards (IFRS) while at the same time recognising the particular position of local government where legislative requirements override accounting principles in some areas.
- 3.17 The sections that follow provide a brief commentary on the main points to note in the Accounts.
- 3.18 Movement in Reserves Statement (MIRS)
- 3.18.1 This statement is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (those that can be applied to fund the provision of services) and 'unusable reserves' (those that an Authority is unable to utilise to provide services).
- 3.18.2 The crucial line in the MIRS is the one containing adjustments between the accounting basis and funding basis under regulations. The Comprehensive Income and Expenditure Statement (CI&E Statement) is prepared wholly in accordance with accounting standards but local authorities are subject to specific rules and statutory requirements which, in significant instances, differ substantially from proper accounting practices particularly in relation to capital accounting and retirement benefits. This line reconciles the surplus or deficit on the provision of services as detailed in the CI&E Statement with the statutory amounts required to be charged to the general fund balance for council tax setting purposes.
- 3.18.3 This statement also includes discretionary transfers between the general fund and earmarked reserves.
- 3.18.4 Usable reserves showed an overall increase of £13.5m in 2016/17 which was mainly due to an increase in the Capital Grants Unapplied reserve of £18m offset by a reduction to the Capital Receipts reserve of (£5m). Unusable reserves reduced by £26m which was due to a reduction to the Capital Adjustment account of (£30m), offset by an increase to the Collection Fund Adjustment account of £3m, and minor net increases to other unusable reserves of £1m.
- 3.18.5 The reduction of £30m on the Capital Adjustment Account was the result of a number of accounting entries relating to the depreciation and impairment of non-current assets and the write-off of asset values on disposal or sale offset by capital grants and other sources of capital financing.

3.18.6 The net increase of £3m to the Collection Fund Adjustment Account was made up of a combination of LBB's element of the 2016/17 council tax surplus offset by LBB's element of the business rates deficit and the distribution of the council tax surplus and business rates deficit carried forward from prior years.

3.19 The Comprehensive Income and Expenditure Statement (CI&E Statement)

3.19.1 This statement provides a summary of the resources generated and consumed in providing services during the year. It is intended to show the annual activity of the Council in line with accounting practice before allowing for the requirements of statute that certain costs should or should not fall on council tax. This statement reveals a deficit for the year of £13m.

3.19.2 Pensions costs, as defined by International Accounting Standard 19 (IAS19 – formerly FRS17) account for a deficit of £13m, mainly the result of the accounting treatment for current service costs, net interest costs and other charges.

3.19.3 The deficit reflected on the CI&E Statement for the year is offset by the movement shown in the MIRS, as detailed within note 9 of the Accounts and section 3.18 above. These two statements should be considered together and the overall position is summarised on page 16 of the accounts. The result is an overall increase in the Council's general fund balance and earmarked reserves of £0.8m.

3.19.4 The Statement of Accounts reflects the 2016/17 outturn position for both capital and revenue, as reported to the Executive in June 2017, in the required statutory format. As stated in para 3.16, the Council has very little discretion over the format of the accounts. The overall outturn position for 2016/17 was reported to the Executive on 20th June 2017 with more detailed information being reported to individual Portfolio Holders for their respective service areas. This report identified the key cost variations compared with the 2016/17 budget. Details of variations relating to the 2016/17 capital programme outturn were also reported to the Executive in June 2017 and there was no requirement to use General Fund balances to support the capital programme in 2016/17.

3.20 Balance Sheet

3.20.1 The balance sheet provides a snapshot of the Council's financial position, its assets and liabilities, at 31st March 2017. Compared to the position in 2016, Property Plant & Equipment asset values reduced by £34m, mainly as a result of the de-recognition of assets disposed of during the year (£50m mostly relating to academy transfers), additions £14m, reclassifications £14m, depreciation (£7m) and impairment losses/reversals (£5m). In addition the Council's investment properties increased by £14m and Assets Held for Sale decreased by £8m, mainly as a result of 2 properties being declassified as they are no longer being actively marketed. The Council's assets are valued on different bases depending on the type of asset, as described in accounting policy 18.

3.20.2 Other significant variations between the 2016 and 2017 Balance Sheet dates include a reduction of £10m of short term investments (1 year or less to maturity) and a £15m reduction in the value of long term investments (1 year or more to maturity), offset by an increase of £7m in the value of investments classified as cash equivalents (instant or easy access), and a reduction in short term borrowing of £26m.

3.20.3 The net Pension Fund liability has reduced by £2m, mainly the result of the re-measurement of scheme assets and liabilities. Proper accounting practice requires that the actuarially calculated fund deficit, in relation to Bromley's employees and pensioners, is disclosed on the face of the Council's Balance Sheet. The net liability of £143m represents the difference between the bid value of assets and the value of liabilities based on a valuation carried out by the Actuary as at 31st March 2017 in accordance with the requirements of IAS19. This is different from the Actuary's triennial valuation (most recently as at 31st March 2016) that determines the contribution rate to the Pension Fund. Although the liability has a significant negative effect on the net worth of the Authority, the contribution payments agreed as a result of the triennial valuation include arrangements to clear the deficit over a 12 year period from 1st April 2017.

3.21 Cash Flow Statement

3.21.1 The cash flow statement summarises all the cash flows from the Council's activities.

3.22 Notes to the Main Statements

3.22.1 The notes to the Accounts are grouped together at the end of the main statements rather than following each statement individually.

3.23 Pension Fund Accounts

3.23.1 These are the accounts of the London Borough of Bromley Pension Fund that provides pension benefits for staff, excluding Teachers. The accounts relate to the whole fund including the assets and liabilities of the scheduled and admitted bodies.

3.23.2 During 2016/17 the net assets of the Fund increased by £165m, mainly as a result of the excellent investment performance (net return of £200m), partly offset by the group transfers out of Bromley College and GS Plus (£32m) and other net cash outflows (£3m).

3.23.3 The Fund actuary values the fund every three years and the most recent full valuation was carried out during 2016/17 on the position at 31st March 2016. The actuary found a solvency level of 91%, an increase of 9% compared to the position at the 31st March 2013. The next full valuation (as at 31st March 2019) will be carried out by the actuary during 2019/20 and this will determine a revised Fund position and will set employer contribution rates for the three years 2020/21, 2021/22 and 2022/23.

3.23.4 The Accounts also include disclosures in relation to the Bromley part of the Fund, which are based on the assumptions used in the 2016 valuation. Note 45 of the Statement of Accounts explains the IAS19 valuation basis used to prepare the Authority's accounts – this uses different assumptions from those used in the triennial valuation.

3.24 Annual Governance Statement (AGS)

3.24.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. Regulation 6 (2) of the Regulations requires that the AGS should be considered and approved by a Committee or Full Council. The statement must then be included with the Statement of Accounts.

3.24.2 The draft AGS was approved by Audit Sub Committee on 21st June 2017. No amendments were identified during the audit and this Committee is requested to formally approve the audited AGS which will be published alongside the Statement of Accounts.

4. FINANCIAL IMPLICATIONS

- 4.1 The final revenue and capital outturn for 2016/17 were reported to the Executive on 20th June 2017. Members are referred to these reports for detailed information on variations from approved budgets.
- 4.2 Details of external audit fees, including PWC and KPMG, are set out in note 36 of the financial statements and totalled £180k in 2016/17 (£195k in 2015/16). The 2016/17 fee includes costs of £20k (£15k in 2015/16) relating to the 2012/13 and 2013/14 objections. The total cost incurred on these objections was £75k.
- 4.3 This report refers to matters reflected in the auditor's report. There are no adjustments to the accounts that have an impact on the Council's revenue outturn position and general fund balance for 2016/17. Accordingly, there is no impact on the level of reserves previously reported to the Executive in the Provisional Final Accounts report on 20th June 2017.

5. LEGAL IMPLICATIONS

- 5.1 The Accounts and Audit Regulations 2015 require the Statement of Accounts to be signed and dated by the responsible financial officer by 30th June immediately following the end of the financial year and subsequently to be considered and approved by a Committee of the Council, or by the Council meeting as a whole, before 30th September.

Non-Applicable Sections:	Policy, Personnel
Background Documents: (Access via Contact Officer)	Provisional Final Accounts – Executive 20 th June 2017; Capital Programme Outturn – Executive 20 th June 2017; Code of Practice on Local Authority Accounting in the United Kingdom 2016/17; Service Reporting Code of Practice 2016/17; The Accounts and Audit Regulations 2015; Final accounts supporting papers are held in the Technical and Control (Accountancy) Team.

This page is left intentionally blank



External Audit Report 2016/17

London Borough of Bromley

—

12 September 2017

Content

Contacts in connection with this report are:

Phil Johnstone
Director

Tel: 020 7311 2091
philip.johnstone@kpmg.co.uk

James Seegar
Senior Manager

Tel: 020 7311 4163
james.seegar@kpmg.co.uk

Jonathan Chowis
Assistant Manager

Tel: 0746 874 1082
jonathan.chowis@kpmg.co.uk

Important notice

1. Summary

2. Financial statements audit

3. Value for money conclusion

Appendices

- 1 Recommendations raised and followed up
- 2 Materiality and reporting of audit differences
- 3 Audit differences
- 4 Audit independence
- 5 Audit quality framework

Page

3

4

6

14

16

This report is addressed to the London Borough of Bromley (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Phil Johnstone, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Important notice

This report is presented in accordance with our PSAA engagement. Circulation of this report is restricted. The content of this report is based solely on the procedures necessary for our audit. This report is addressed to the London Borough of Bromley (the Authority) and has been prepared for your use only. We accept no responsibility towards any member of staff acting on their own, or to any third parties. The National Audit Office (NAO) has issued a document entitled Code of Audit Practice (the Code). This summarises where the responsibilities of auditors begin and end and what is expected from the Authority. External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Basis of preparation: We have prepared this External Audit Report (Report) in accordance with our responsibilities under the National Audit Office Code of Audit Practice (the Code) and the terms of our Public Sector Audit Appointments Ltd (PSAA) engagement.

Purpose of this report: This Report is made to the Council's General Purposes and Licensing Committee in order to communicate matters as required by International Audit Standards (ISAs) (UK and Ireland) and other matters coming to our attention during our audit work that we consider might be of interest and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report or for the opinions we have formed in respect of this Report.

Limitations on work performed: This Report is separate from our audit opinion and does not provide an additional opinion on the Authority's financial statements nor does it add to or extend or alter our duties and responsibilities as auditors. We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report. The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit: Our audit is complete

Financial statements audit – see section 2 for further details

Subject to all outstanding queries and procedures being satisfactorily resolved we intend to issue an unqualified audit opinion on the Authority's financial statements by 30 September 2017, following the General Purposes and Licensing Committee adopting them and receipt of the management representations letter.

We also anticipate issuing an unqualified audit opinion in relation to the Pension Fund's financial statements by 30 September 2017.

We have completed our audit of the financial statements. We have read the Narrative Report and reviewed the Annual Governance Statement (AGS). Our key findings are:

- There are no unadjusted audit differences, explained in section 2 and appendix 2.
- We agreed presentational changes to the accounts with Finance, mainly related to compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
- In addition to our routine requests we are asking for management representations over the following, which are explained in section 2:
 - The valuation of land and buildings within the financial statements is appropriate and reflects all relevant factors impacting upon valuation, including the measurement of the gross internal areas of buildings.
- We will report that your AGS complies with delivering Good Governance guidance issued by CIPFA/SOLACE in April 2016.
- We reviewed the narrative report and have no matters to raise with you.
- We received one objection from a local elector this year.

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

Value for money – see section 3 for further details

We identified the following VFM risks in our External audit plan 2016/17 issued in 6 February 2016.

- Financial resilience,
- Findings from regulatory bodies; and
- Overspends in Children's Services.

We have worked with officers throughout the year to discuss these VFM risks and our detailed findings are reported in section three of this report. There are no matters of any significance arising as result of our audit work in these VFM risk areas.

Following an Ofsted inspection rating the Authority's children's services as 'inadequate' in June 2016 and recent Ofsted monitoring visit reports (24 March 2017) we have concluded that the Authority has made progress to obtain proper arrangements to secure economy, efficiency and effectiveness in its use of resources in these areas but have not fully remediated findings within these reports. We are therefore issuing a qualified 'except for' VFM conclusion by 30 September 2017 on this basis.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions / objections, opening balances, etc.).

There are no other matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.

We identified 3 prior year recommendations that require further action by Management. We have made no new recommendations as a result of our 2016/17 work. The key recommendations relate to the Pension Fund bank account, fixed assets and journals. All recommendations are shown in appendix 1.

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements. The status of our grants and claim work is summarised below:

- Housing benefits audit: work to commence in August 2017, expected completion in November 2017.

The fees for this work is explained in section two.

Section Two

Financial statements audit

We audit your financial statements by undertaking the following:

Work Performed	Accounts production stage		
	Before	During	After
1. Business understanding: review your operations	✓	✓	–
2. Controls: assess the control framework	✓	–	–
3. Prepared by Client Request (PBC): issue our prepared by client request	✓	–	–
4. Accounting standards: agree the impact of any new accounting standards	✓	✓	–
5. Accounts production: review the accounts production process	✓	✓	✓
6. Testing: test and confirm material or significant balances and disclosures	–	✓	✓
7. Representations and opinions: seek and provide representations before issuing our opinions	✓	✓	✓

We have completed the first six stages and report our key findings below:

1. Business understanding	In our 2016/17 audit plan we assessed your operations to identify significant issues that might have a financial statements consequence. We confirmed this risk assessment as part of our audit work. We provide an update on each of the risks identified later in this section.
2. Assessment of the control environment	We assessed the effectiveness of your key financial system controls that prevent and detect material fraud and error. We found that the financial controls on which we seek to place reliance are operating effectively. We have made 3 recommendations which relate to the Pension Fund bank account, fixed assets and journals. We believe that these recommendations (see appendix 1) will strengthen your control environment. We reviewed work undertaken by your internal auditors, in accordance with ISA 610 and used the findings to inform our work. We have chosen not to place reliance on their work due to the approach we adopted for the financial statements audit.
3. Prepared by client request (PBC)	We produced the PBC to summarise the working papers and evidence we ask you to collate as part of the preparation of the financial statements. We discussed and tailored our request with the Senior Accountant and this was issued as a final document to the finance team. We are pleased to report that this has resulted in good-quality working papers with clear audit trails.

Section Two

Financial statements audit

4. Accounting standards	<p>We work with you to understand changes to accounting standards and other technical issues. For 2016/17 these changes related to:</p> <ul style="list-style-type: none"> • Updates to the presentation of the Comprehensive Income and Expenditure Statement and the Movements in Reserves Statement and the introduction of the new Expenditure and Funding Analysis; • Amended guidance on the Annual Governance Statement; and • Changes in the format of the Pension Fund accounts;
5. Accounts Production	<p>We received complete draft accounts by 3 July 2017 in accordance with the deadline. The accounting policies, accounting estimates and financial statement disclosures are in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We will debrief with the Finance Section to share views on the final accounts audit which hopefully will lead to further efficiencies in the 2017/18 audit process. The Authority has strengthened its financial reporting by finalising the accounts in a shorter timescale. The Authority and KPMG can improve on points that will be discussed during a debrief, these areas including the process by which assets are transferred between classes and clarity on PBC requests. This puts the Authority in a good position to meet the new 2017/18 deadline.</p> <p>We thank Finance for their cooperation throughout the visit which allowed the audit to progress and complete within the allocated timeframe.</p>
6. Testing	<p>We have summarised the findings from our testing of significant risks and areas of judgement in the financial statements on the following pages. During the audit we identified only presentational issues which have been adjusted as they have no material effect on the financial statements.</p>
7. Representations	<p>You are required to provide us with representations on specific matters such as your going concern assertion and whether the transactions in the accounts are legal and unaffected by fraud. We provided a draft of this representation letter to the Director of Finance on 23 August 2017. We draw attention to the requirement in our representation letter for you to confirm to us that you have disclosed all relevant related parties to us. We are asking Management to provide specific representations on:</p> <ul style="list-style-type: none"> • The valuation of land and buildings within the financial statements is appropriate and reflects all relevant factors impacting upon valuation, including the measurement of the gross internal areas of buildings. <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>

Section Two

Financial statements audit

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with Management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, opening balances, public interest reporting, questions/objections, etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2016/17 financial statements.

To ensure that we provide a comprehensive summary of our work, we have over the next pages set out:

- The results of the procedures we performed over the risks of the valuation of property, plant and equipment and valuation of pension assets and liabilities which were identified as significant risks within our audit plan and which will form a part of our audit opinion;
- The results of our procedures to review the required risks of the fraudulent risk of revenue recognition and management override of control; and
- Our view of the level of prudence applied to key balances in the financial statements.

Section Two

Financial statements audit

SIGNIFICANT audit risk	Account balances affected	Summary of findings
Valuation of Property, Plant and Equipment	Property, plant and equipment, £424,416K, PY £458,881K; Investment property, £145,786K, PY £132,123K	We tested a sample of individual assets which had been revalued and checked that the entries processed for those assets agreed to the information obtained from the valuation professional. We assessed whether the accounting entries for revaluation gains, revaluation losses and impairment had been correctly posted within the financial statements. We assessed the professional competence of the valuer. We tested a sample of fixed asset additions and disposals to assess whether they had been appropriately capitalised or removed from the financial statements. No issues were identified
Valuation of Pension Assets and Liabilities	All Unusable reserves, £445,872K, PY £472,261K; All Other long term liabilities, £145,173K, PY £147,731K	We obtained the report from the actuary and checked whether the amounts calculated by the actuary had been correctly disclosed within the financial statements. We considered the assumptions made by the actuary, and compared these to benchmark assumptions reviewed by KPMG actuaries, and to the assumptions used within 2015/16. We assessed the movements in membership numbers since 2016 and confirmed that these movements are in line with our expectations. No issues were identified.

Other areas of audit focus

We identified one other area of audit focus. This is not considered to be a significant risk as it is less likely to give rise to a material error. Nonetheless this is an area of importance where we carry out audit procedures to ensure that there is no material misstatement.

Other areas of audit focus	Account balances effected	Summary of findings
Pension fund investments	Net investment assets, £946M, PY £746M	We obtained third party confirmations of investments assets held in order to corroborate the figures disclosed. We compared these to the investments disclosed within the Pension Fund financial statements, and determined whether these had been correctly categorised. No issues were identified.

Section Two

Financial statements audit

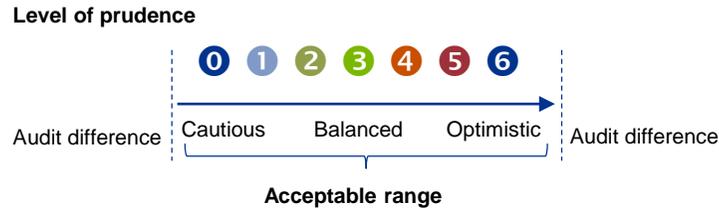
Risks that ISAs require us to assess in all cases	Why	Our findings from the audit
Fraud risk from revenue recognition	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We do not consider this to be a significant risk for the majority of the Authority's income as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk for Council Tax, Business Rates, Housing rents, annual central Government grants and social services income and do not incorporate specific work into our audit plan in these areas over and above our standard fraud procedures. However, we do consider it for income relating to s106 monies that span financial years and often have to be used on specific projects.</p>	<p>We completed cut off testing over a sample of income items to assess whether the sampled items had been recorded in the correct accounting period. This did not identify any issues. We compared the Authority's accounting policy for revenue recognition to the accounting policy within the CIPFA Code of Practice in Local Authority Accounting and did not identify any issues to bring to the Authority's attention. We completed detailed sample testing over a sample of revenue items (including grants received) to assess whether these had been accounted for in line with the Authority's accounting policies. We did not note any issues through our work.</p>
Fraud risk from management override of controls	<p>Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<p>In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>

Section Two

Financial statements audit

Judgements in your financial statements

We consider the level of prudence in key judgements in your financial statements. We summarise our view below using the following scale:



Assessment of subjective areas				
Asset / liability class	Current year	Prior year	Balance (£m)	KPMG comment
Provisions (excluding NDR)	3	3	£9.8 (PY:£10.8)	The individually material provisions have remained consistent from the prior years with a decrease in individually insignificant other provisions. We consider the provision disclosures to be proportionate.
NDR provisions	3	3	£2.9 (PY:£2.1)	In 2013/14, local authority funding arrangements meant that the Authority is now responsible for a proportion of successful rateable value appeals. The Authority has provided for a fixed percentage of outstanding appeals in accounting for the potential liability, based on historical appeals success rates
Property, Plant and Equipment (PPE)	4	4	£424.4 (PY:£458.8)	There are a number of assumptions in place within the valuations for PPE. We are aware that the Council accounts for the fixtures and fittings element of PPE by capitalising them when they are acquired as part of the purchase of a new building, but not charging subsequent depreciation. Instead of charging depreciation, subsequent expenditure on fixtures and fittings is charged to the CI&ES, and the initially capitalised amount fluctuates in accordance with the revaluation movements on the relevant buildings. This is not in line with the accounting standard, however, through discussion with management and the previous auditor, we are satisfied that the effects on the CI&ES are not material. We deem this to be an optimistic way of measuring PPE fixtures and fittings.
Pension liability	3	3	£142.8 (PY:£144.9)	The assumptions which have been used are consistent with the report from the actuary, Mercer. KPMG have reviewed the information provided by the actuary and compared this to industry standard benchmarks. We have not noted any material inconsistencies between the assumptions used by the actuary and the industry standard benchmarks. This includes the discount rate, inflation, salary growth, and life expectancy assumptions.
Short term creditors	3	3	£71.1 (PY:£71.9)	We completed sample testing over creditors (both specific item and cut-off testing) and did not identify any issues which would cause us to have concern that the Authority is accounting for items in an overly optimistic way.

Section Two

Financial statements audit

Narrative report of the Authority

We have reviewed the Authority's narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Pension fund audit

The audit of the pension fund and the Pension Fund Annual Report was completed alongside the audit of the Authority's accounts. There are no specific matters to bring to your attention relating to this.

Pension fund annual report

We reviewed the consistency of the Fund's financial statements in the Fund's Annual Report and the financial statements included in the London Borough of Bromley's financial statements. We confirm that the Fund's financial statements are consistent with the pension fund financial statements included in the accounts of the London Borough of Bromley. We read the information in the Fund's Annual Report to identify material inconsistencies with the Fund's financial statements. We can confirm it is not inconsistent with the financial information contained in the audited financial statements. As such we anticipate issuing an unqualified consistency opinion on the pension fund financial statements.

Queries from local electors

We received two objections from a registered electors this year on the Council's Waste Management Services. Work is continuing on these matters.

Audit certificate

In order for us to issue an audit certificate, we are required to have completed all our responsibilities relating to the financial year. We are not in a position to issue our audit certificate with the audit opinion as we have received objections to the accounts from local electors, therefore we expect to issue our audit certificate following completion of the objections.

Section Two

Financial statements audit

Whole of Government Accounts (WGA)

We reviewed your WGA consolidation pack and there are no issues to report. We anticipate issuing an unqualified consistency report.

Other grants and claims work

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements. The status of our grants and claim work is presented below:

- Housing benefits (BEN01) audit: work to commence in August 2017, expected completion in November .

Audit fees

Our fee for the audit was £119,076 excluding VAT (£119,076 excluding VAT in 2015/16) and for the Pension Fund audit was £21,000 excluding VAT (£21,000 excluding VAT in 2015/16). This fee was in line with that highlighted in our audit plan approved by the General Purposes and Licensing Committee on 6 February 2017.

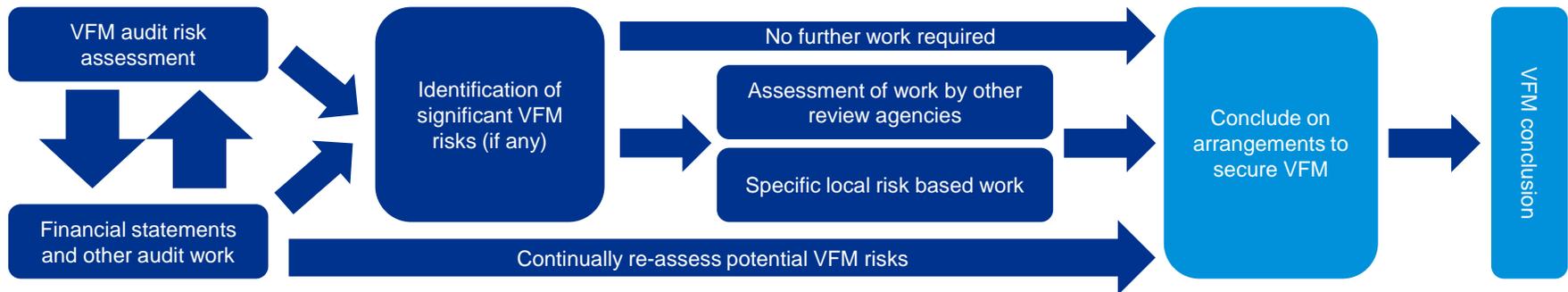
Our work on the certification of Housing Benefits (BEN01) is planned for August 2017. The planned scale fee for this is £17,476 excluding VAT (£10,890 excluding VAT in 2015/16).

We have not performed any non-audit work outside of that already disclosed to you as part of our audit planning.

Section Three

Value for money

For 2016/17 our value for money (VFM) work follows the NAO's guidance. It is risk based and targets audit effort on the areas of greatest audit risk. Our methodology is summarised below. We identified three significant VFM risks which are reported below. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017, based upon the criteria of informed decision making, sustainable resource deployment and working with partners and third parties.



Section Three

Value for money

Significant risk based VFM audit work

Below we set out the detailed findings of our significant risk based VFM work. This work was completed to address the residual risks remaining after our assessment of the higher level controls in place to address the VFM risks identified in our planning and financial statements audit work.

Significant VFM risk	Why this risk is significant	Our audit response and findings
Financial resilience	Local Authorities are subject to an increasingly challenged financial regime with reduced funding from Central Government, whilst having to maintain a level of services to local residents	We reviewed the Council's financial position and financial management procedures, taking account of the position reported in the Medium Term Financial Strategy, the overall level of reserves and budget setting strategies. We considered forecast financial data over both the immediate and long term plans and evaluate the likelihood of the Council achieving the budgeted position. We also reviewed the latest government spending policies and anticipate their effect on the Council's outturn position. Our work considered the Council is considering moving into non-traditional investment areas to compensate for the reducing funding. We did not identify any issues.
Findings from regulatory bodies	The June 2016 Ofsted report graded the Authority's children's services as 'inadequate'	We reviewed the Council's response to the Ofsted report including how the Council is working with the Commissioner to improve services. We considered how the approach to improving services is being managed across the Authority. We also considered the results of any recent relevant reports from Ofsted or similar bodies. In review of Ofsted monitoring report dated 24 March 2017, we note that progress had been made to remediate issues identified in the June 2016 report but was not met on some areas within the local authority's action plan.
Overspends in Children's Services	Overspends could indicate that resources within this area are not being deployed in a sustainable manner	We reviewed the financial position of the Children's Services Directorate, including savings plans which have been put in place in response to the budget overspends. We considered whether the current spending is sustainable in the future, and model effects on the Medium Term Financial Strategy of further overspends within the Children's Services Directorate. We did not identify any issues.

Recommendations raised and followed up

Priority rating for recommendations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
		3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

We have followed up the recommendations from the prior year's audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
3	0	3

#	Risk	Recommendation	Management Response / Officer / Due Date	Status 2017
Financial statements				
1	1	<p>Pension Fund Bank Account</p> <p>The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require that all pension schemes have their own back account.</p> <p>Although a separate bank account has been set up for the Fund, it is not being used. As a result, the Fund is not fully compliant with the requirements of the legislation. This is a point consistent with the prior year.</p> <p>Recommendation</p> <p>We recommend that the pension fund bank account is put into use in order that the pension fund is fully compliant with all regulations.</p>	<p>A cost benefit analysis was carried out during 2013/14 and has been reviewed. Details were provided to Members of Audit Sub-Committee in January 2015. It remains the view of management that there is little to be gained from using a separate Pension Fund bank account. Whilst the External Auditors are required to raise this matter as a non-compliance issue, management are satisfied that there is a robust coding structure in place which sufficiently separates out the pensions transactions in an effective manner.</p> <p>Responsible Officer: Principal Accountant</p>	Not implemented

Page 34

Recommendations raised and followed up

#	Risk	Recommendation	Management Response / Officer / Due Date	Status 2017
2	2	<p>Fixed Asset Register Reconciliation</p> <p>A reconciliation is carried out between the fixed asset register, the property system (Uniform) and the general ledger. There are currently a number of discrepancies between the fixed asset register and general ledger and the Uniform system. In addition, this reconciliation is carried out in two parts, and it may be more efficient to reconcile all three systems at the same time.</p> <p>In addition to this, there is no single fixed asset register for all assets, with separate registers being maintained for each class of asset, increasing the staff administration time required to manage the fixed asset registers. Multiple fixed asset registers also increases the risk of error through an update not being made in the correct fixed asset register.</p> <p>Recommendation</p> <p>We recommend that a single fixed asset register is maintained for all classes of assets.</p> <p>We also recommend that a joint reconciliation is carried out between the fixed asset register, the general ledger and Uniform on an at least annual basis to identify and explain any discrepancies between the systems.</p>	<p>A database is being developed which will combine the separate fixed asset registers and help to streamline the reconciliation process. The database will also facilitate year end accounting entries, and aid audit queries.</p> <p>Due date: 2016/17 year end accounts</p> <p>Responsible officer: Principal Accountant</p>	<p>Partial implementation</p> <p>Management has implemented the first part of this recommendation and put into place a fixed asset containing all assets (with the exception of assets held under finance leases). Management was however unable to perform the reconciliation timely as a part of the final financial year end reporting processes.</p>
3	2	<p>Journal Posting</p> <p>All finance team members are able to self-approve and post journals on the Oracle general ledger system. This increases the potential for fraud or error to occur and remain undetected.</p> <p>Recommendation</p> <p>We recommend that a monthly process is put in place whereby a sample of journals are checked to see that they are correct.</p>	<p>The facility to post journals is restricted to Finance Staff and detailed procedures are in place which are reviewed annually. All journal entries are supported by supporting working papers. In addition, Internal Audit carry out an annual audit which includes testing of the main system journals. Management consider this to be sufficient.</p>	<p>Not implemented</p>

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects:

- Material errors by **value** are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements;
- Errors which are material by **nature** may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff; and
- Errors that are material by **context** are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to you on 6 February 2017.

Materiality for the Authority's accounts was set at £10 million which equates to around 1.58% of gross expenditure.

Materiality for the Pension Fund was set at £7.4 million which equates to around 1% of net assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to General Purposes and Licensing Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the General Purposes and Licensing Committee any misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.5 million for the Authority and less than £0.35 million for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the General Purposes and Licensing Committee to assist it in fulfilling its governance responsibilities.

Appendix 3

Audit differences

Unadjusted audit differences

Under UK auditing standards (ISA (UK&I) 260) we are required to provide the General Purposes and Licensing Committee with a summary of unadjusted audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK&I) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the General Purposes and Licensing Committee, we are pleased to report that there are no uncorrected audit differences.

Adjusted audit differences

Material misstatements

No material misstatements were identified.

Non-material audit differences

Our audit identified a small number of non material errors in the financial statements. These have been discussed with management and the financial statements have been amended for all of them. These included adjustments to the presentation of non current assets and Dedicated Schools Grant income classification. None of these adjustments totalled more than our performance materiality of £6 million in totality.

A number of minor amendments focused on presentational improvements have also been made to the draft financial statements. The Finance Team are committed to continuous improvement in the quality of the financial statements submitted for audit in future years and adjusted all misstatements, even those which were not material.

Audit independence

This appendix communicates all significant facts and matters that bear on KPMG LLP's independence and objectivity and informs you of the requirements of *ISA 260 (UK and Ireland) Communication of Audit Matters to Those Charged with Governance*.

Integrity, objectivity and independence

We are required to communicate to you in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and audit team. We have considered the fees paid to us by the Authority for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies all KPMG LLP audit partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings. Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: instilling professional values; communications; internal accountability; risk management; and independent reviews. We would be happy to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed.

Audit matters

We are required to comply with *ISA (UK and Ireland) 260 Communication of Audit Matters to Those Charged with Governance* when carrying out the audit. ISA 260 requires that we consider the following audit matters and formally communicate them to those charged with governance:

- Relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement lead and audit staff;
- The general approach and overall scope of the audit, including any expected limitations thereon, or any additional requirements;
- The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the Authority's financial statements;
- The potential effect on the accounts of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements;
- Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the Authority's financial statements;
- Material uncertainties related to events and conditions that may cast significant doubt on the Authority's ability to continue as a going concern;
- Disagreements with Management about matters that, individually or in aggregate, could be significant to the Authority's financial statements or the auditor's report. These communications include consideration of whether the matter has, or has not, been resolved and the significance of the matter;
- Expected modifications to the auditor's report;

Appendix 4

Audit independence

- Other matters warranting attention by those charged with governance, such as material weaknesses in internal control, questions regarding management integrity, and fraud involving management; and
- Any other matters agreed upon in the terms of the audit engagement.

We continue to discharge these responsibilities through our attendance at General Purposes and Licensing Committees, commentary and reporting and, in the case of uncorrected misstatements, through our request for management representations.

Auditor declaration

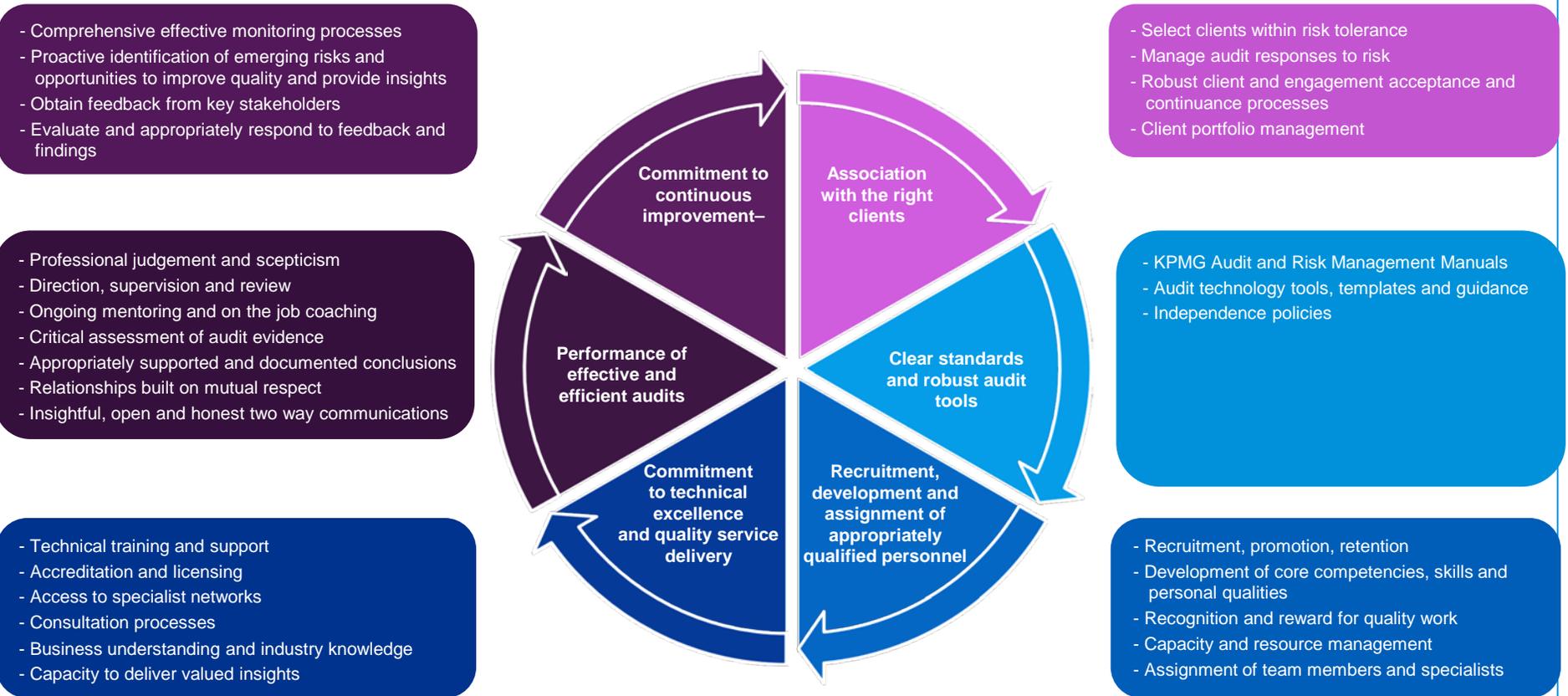
In relation to the audit of the financial statements of the London Borough of Bromley and London Borough of Bromley's Pension Fund for the financial year ending 31 March 2017 we confirm that there were no relationships between KPMG LLP and the London Borough of Bromley and London Borough of Bromley's Pension Fund, their directors and senior management and their affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have not provided any additional non-audit services during the year.

We have considered the ratio of audit to non-audit fees and as required by the APB Ethical Standards. The principal threat which arises from fees from non-audit services which are large in absolute terms relative to the audit fee is the perception of self-interest and advocacy. In this regard, we do not consider that the above ratio creates such a self-interest or advocacy threat since the absolute level of non-audit fees is not significant to our firm as a whole and neither the audit partner nor members of the audit team are incentivised on, or rewarded in respect of, the provision of non-audit services to you. We believe that the question of perception is best addressed through appropriate disclosure as to use of the auditor for the provision of non-audit services in the Authority's annual report and accounts.

Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework





kpmg.com/socialmedia



kpmg.com/app



© 2017 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

This page is left intentionally blank

**Financial Services**

Civic Centre, Stockwell Close, Bromley BR1 3UH

Telephone: 0208 464 3333

Direct Line: 0208 313 4338

Email: peter.turner@bromley.gov.uk

Fax: 020 8313 4335

Internet: www.bromley.gov.uk

KPMG LLP
15 Canada Square
London
E14 5GL

12th September 2017

Dear Phil

This representation letter is provided in connection with your audit of the financial statements of the London Borough of Bromley ("the Authority"), for the year ended 31 March 2017, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes (including the Expenditure and Funding Analysis). The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

- i. give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year;
- iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Authority has disclosed to you all information in relation to:

- a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

11. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
- statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

13. The Authority provides the following specific representations:

- The valuation of land and buildings within the financial statements (net book value of £289 million) is appropriate and reflects all relevant factors impacting upon valuation, including the measurement of the gross internal area of buildings.

This letter was tabled and agreed at the meeting of the General Purposes and Licensing Committee on 12 September 2017.

.....
Peter Turner, Director of Finance

.....
Date

.....
Councillor Ian Payne
Chair of the General Purposes and Licensing Committee

.....
Date

Appendix to the Authority Representation Letter of the London Borough of Bromley: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control, joint control or significant influence over the reporting entity; and
- b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

This page is left intentionally blank

London Borough of Bromley

Statement of Accounts

2016/17

Contents

INTRODUCTION

Foreword from the Leader of the Council	I
---	---

STATUTORY STATEMENTS

Approval of the Statement of Accounts	1
Narrative Report	2
Auditor's Report	10
Statement of Responsibilities for the Statement of Accounts	13
Expenditure and Funding Analysis	14
Comprehensive Income and Expenditure Statement	15
Movement in Reserves Statement	16
Balance Sheet	17
Cash Flow Statement	18
Notes to the Core Financial Statements	19
The Collection Fund	94
Former LRB Fund	97
Pension Fund	98
Annual Governance Statement	112
Glossary of Terms	126

FOREWORD FROM THE LEADER OF THE COUNCIL

Bromley Council has continued its prudent approach to managing the budget while doing everything we can to ensure the long term stability of the Council's finances as we move towards more self-sufficiency. We scrutinise all Council services and activities to ensure they are delivered by those best able to offer quality services that are value for money. Our prudent, no gimmicks approach helps us to address increasing demands for services, often for our most vulnerable residents, as well as shoulder additional responsibilities placed on local authorities without going into debt, unlike many other local authorities.

The Council will continue with its approach to budgeting sustainably by:

- Maximising income through sound investments
- Seeking efficiencies in the way we procure and supply services
- Lobbying government for a better deal for Bromley.

This, and the drive to take savings early, has meant we have been able to respond to local priorities highlighted to us last year. This resulted in funding to enhance the street scene and planning and enforcement, as well as new money to improve services for our vulnerable children in care.

We are committed to our long-term objective of Building a Better Bromley, a place where people want to live, work and spend their leisure time. I am pleased to present our Annual Statement of Accounts for 2016-17. Among other projects, our achievements include:

- Establishing a growth fund to support business across the borough
- Continuing to work on development in Bromley Town Centre
- Progressing improvements to Beckenham, Penge and Orpington and working with businesses to empower them to further improve our town centres
- Working with the Biggin Hill Memorial Museum Trust to start work on the heritage museum
- The Glades recent restaurant terrace is proving a successful addition to the town centre
- Working with Crystal Palace Park Management Board to develop a regeneration plan for the Park
- Plans being progressed to submit a planning application in support of redevelopment of the Chislehurst Library site
- Continuing to engage with Bromley's ever-popular Friends initiative, including Friends of Parks Groups, Street Friends, and Snow Friends
- Supporting the Safer Bromley Partnership to keep Bromley a safe place and a low crime borough
- Working with banks, our Trading Standards Rapid Response team has protected vulnerable residents from rogue traders
- Continued to develop strategic objectives for the Local Plan including the need for educational establishments
- Expanded existing schools and supported the creation of free schools where they address basic need, ensuring provision of sufficient school places to meet future demand
- Adult Social Care is working with all services to support parents and carers and promote independence with young adults
- Refreshed the 'Local Offer' for children with Special Educational Needs and Disabilities
- More than fifty per cent of Special Educational Needs statements in the statutory transition groups converted to Education, Health and Care Plans

- Focused on preventing homelessness by working in partnership to maximise and make the best use of the supply of affordable housing
- Implemented new initiatives to give more families the opportunity to access temporary accommodation in, or near, Bromley enabling them to access work and for children to remain in their school
- Improved children and young people's wellbeing by engaging more than 80 schools in the London Healthy Schools programme
- Supported residents to undertake a Diabetes Prevention programme with Weight Watchers
- Maximised the efficiency of the NHS Health Checks programme through increased early detection of high blood pressure, risk of type 2 diabetes and increased prevention of cardiovascular disease
- In addition, there are a number of other exciting plans for projects around the borough.

As we look ahead, we have to continue to do things differently and make sure that we all take more responsibility and accountability within families and communities, so that those who need our services most get the help they require when they need it.

We have made good progress in children's services, we are ambitious for our young people and have put them at the centre of our future priorities. We have been successful in making sure that the Council and its partners consider the impact on young people of everything we do in the borough. We support them to remain in education and to get experience of work, apprenticeships and mentoring.

Our journey to integrate health and social care is making encouraging progress, though there will be challenges to face in social care into the future.

As part of our aim to encourage business to the borough, we look forward to the opportunities that will be created as we welcome the announcement that a multi-national aerospace and transportation company intends to set up a servicing venture at Biggin Hill Airport. We are one of the first to support local businesses by agreeing and implementing a Business Rates transitional relief scheme for businesses affected by increases following the government's 2017 revaluation of business rates.

Our work to engage with residents around the environment goes on. Our popular Friends Groups continue to thrive in parks, in streets and when it snows. We are fortunate to have so many committed volunteers who help us keep our borough clean, tidy and safe.

Building a Better Bromley continues to be our quest and we reinforced this by launching an updated set of priorities in the autumn of 2016. Despite the challenges of fewer resources and greater pressures on our services, we are determined to continue to work with residents and our partners to keep this borough a fantastic place to live, work and visit.

Stephen Carr
Leader
Bromley Council

APPROVAL OF THE STATEMENT OF ACCOUNTS

I hereby confirm that the Statement of Accounts for the year ending 31st March 2017, as signed by the Director of Finance on the 12th September 2017, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 12th September 2017.

Councillor Ian Payne
Chairman of the General Purposes and Licensing Committee
12th September 2017

NARRATIVE REPORT

This Narrative Report (previously the Explanatory Foreword) 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 2016/17.

Introduction to 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 2015) is 324,857 and there are 238,533 people on the electoral roll. In 2016/17 the total number of 'Band D equivalent properties' was estimated at 126,656 and the number of business properties at 7,282.

The Council has an agreed framework to improve the life of all those that visit, live, 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

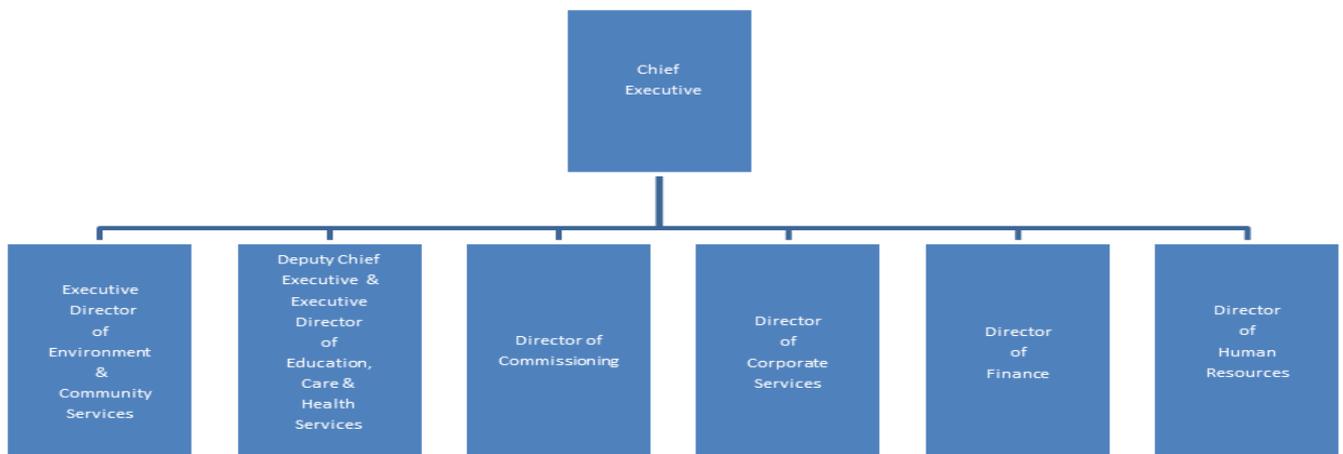
Our officer and political structures are all aligned to deliver this vision through our portfolio plans.

Council Structure

The Council has adopted a Leader and Cabinet model and has 60 Councillors representing 22 wards. There are currently 51 Conservative, 7 Labour and 2 UKIP 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.

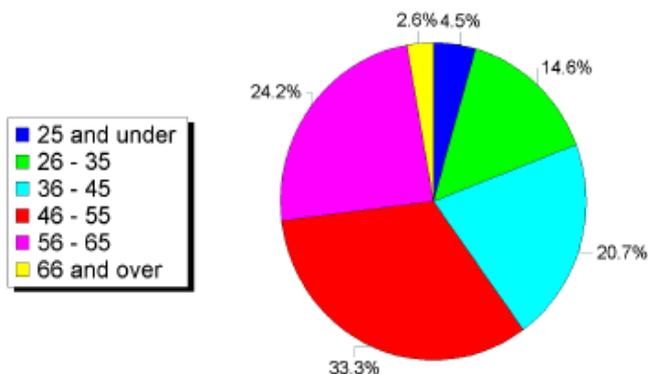


NARRATIVE REPORT

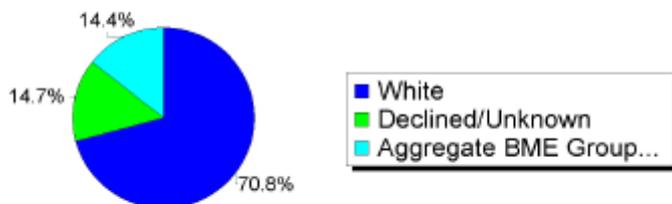
Bromley Workforce

The Council employs 1,629 people on full and part-time contracts equating to a full-time equivalent of 1,327. The make-up of the workforce is as follows:

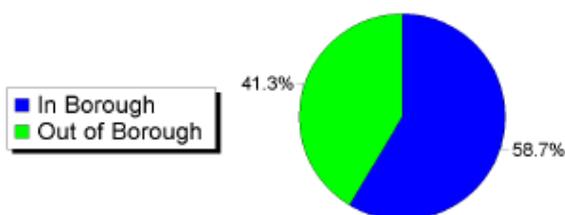
Age Profile



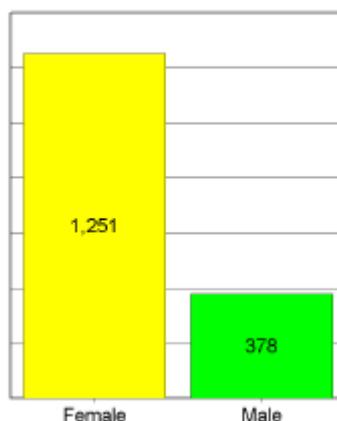
Ethnicity



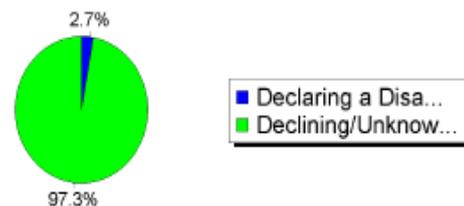
Staff Who Live in the Borough



Gender Profile



Disability



Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. This sets out the Council's income and expenditure for the year and its financial position at 31st March. The format and content is prescribed in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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.

NARRATIVE REPORT

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.

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).

NARRATIVE REPORT

Pension Fund – shows the contributions made to the Fund and the benefits paid to pensioners in 2016/17. The Net Asset Statement sets out the position of the Fund as at 31st March 2017. The Council’s Pension Fund is part of the Local Government Pension Scheme (LGPS).

Financial Performance in 2016/17

Revenue Expenditure

The 2016/17 outturn position is summarised in the table below:

	Budget £m	Actual £m	Variation £m
Net expenditure on Bromley’s Services	209.65	200.95	(8.70)
Funded by:			
Grants, Council Tax and Business Rates	(207.95)	(208.26)	(0.31)
Carry Forwards from 2015/16	(1.70)	-	1.70
Increase in General Reserves	-	(7.31)	(7.31)
Contribution from General Reserves to Growth Fund	-	7.31	7.31
Variation in General Reserves	-	-	-

The 2017/18 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 ‘2017/18 Council Tax’ report to the Executive in February.

The 2016/17 outturn identifies overspends in departmental expenditure offset by underspends from prior year adjustments and the Council’s central contingency sum. In addition, there are higher investment returns from changes to the treasury management strategy. The 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.

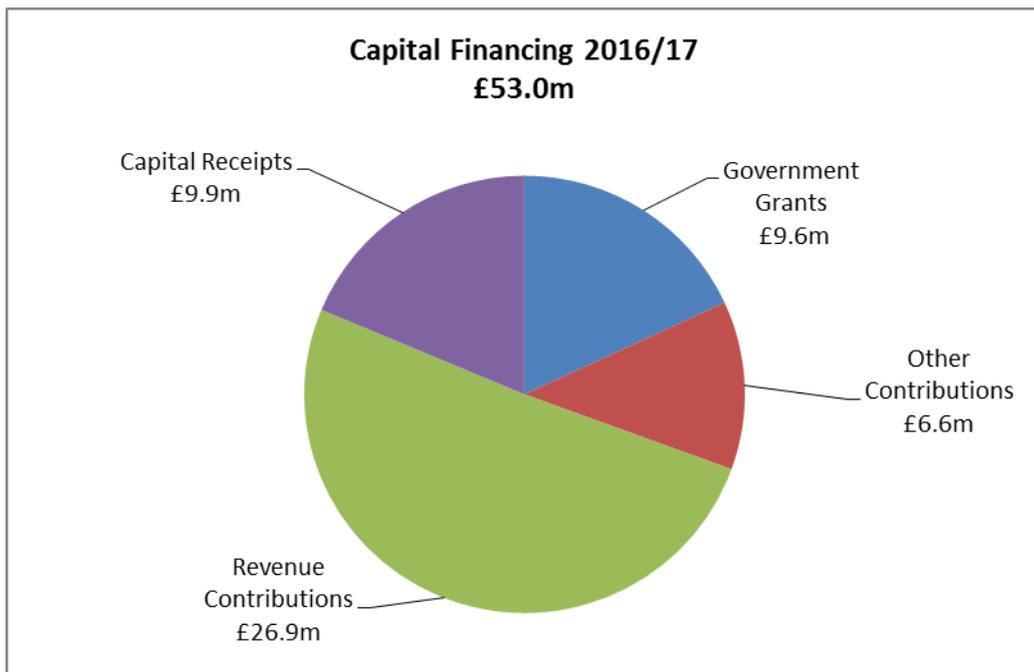
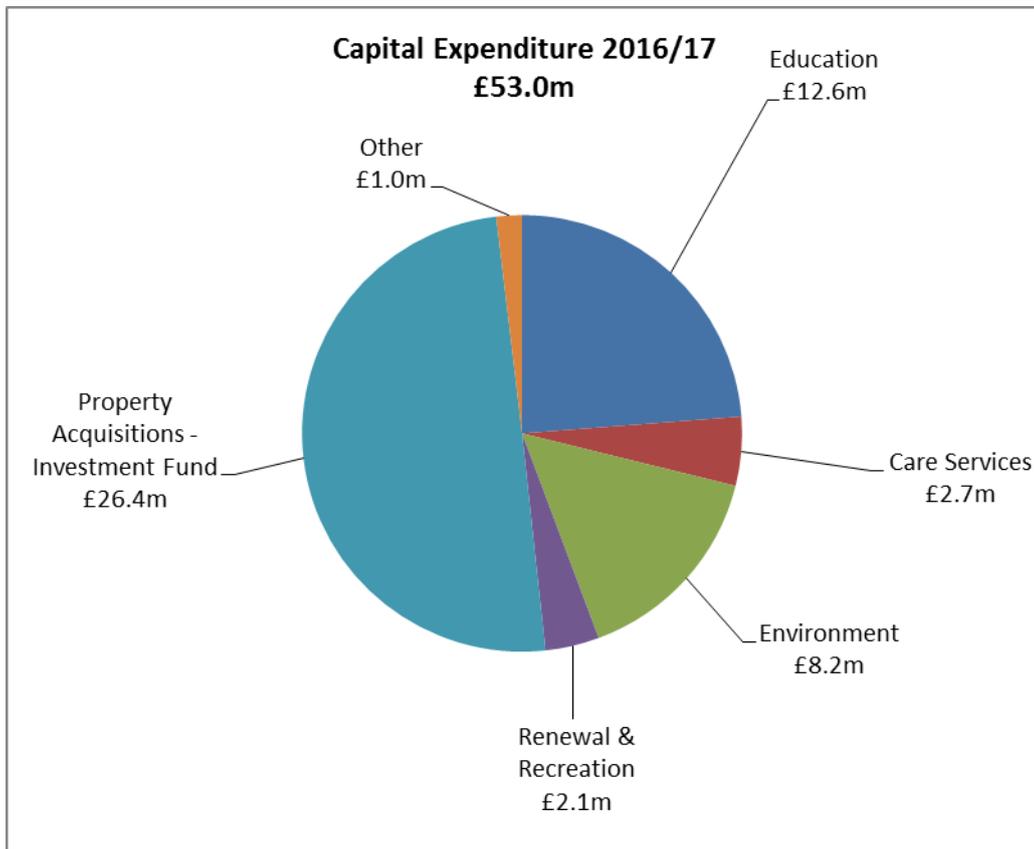
Further details of the variations in 2016/17 were reported to the Council’s Executive on the 20th June 2017 and are available through: [Executive 20th June 2017](#)

Capital Expenditure

Capital expenditure totalled £53.0m compared with the final approved estimate of £59.9m. 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 £4.4m in 2016/17 and, during the year, £9.9m of receipts were applied to finance capital expenditure.

Further information can be found in charts below and also in the Capital Programme Outturn report to the Executive on 20th June 2017 which is available through: [Executive 20th June 2017](#)



NARRATIVE REPORT

Investments

At the year end, the Council held significant investments totalling £270.1m (principal sum). These investments generated net income of £4.2m in 2016/17 to support the revenue budget. The investments represent the Council's general and earmarked reserves, provisions and net working capital.

Pension Fund

During 2016/17 the net assets of the Pension Fund increased by £165.4m (22.1%). The underlying assets and liabilities of the Fund for retirement benefits earned by Bromley employees past and present are required to be recognised on the Council's Balance Sheet as a net liability. This liability has a significant negative effect on the net worth of the Council. However, the Council plans that the deficit on the scheme will be made good by increased employer contributions over a 12 year period from 1st April 2017.

Corporate Risks

The Council maintains a corporate risk register. The key financial risks include:

- Failure to deliver a sustainable financial strategy with meets the Council's priorities;
- Government funding reductions and financial uncertainty;
- Unfunded transfer of responsibilities;
- Welfare reform and impact on service pressures;
- Increased demand on key services (demographic pressures/increasing numbers);
- Introduction of new national living wage;
- Impact of inflation and interest rates;
- Non achievement of savings;
- Potential banking failure;
- Pension fund liabilities;
- Delays or non- achievement of planned capital receipts;
- Failure to maximise income/increasing bad debt;
- Impact of business rate appeals;
- External contractors (eg. financial resilience/performance standards).

The Corporate Risk register is available using the following link: [Corporate Risk Register](#)

Medium Term Financial Strategy (MTFS)

The draft 2016/17 budget and MTFS to 2019/20 was approved by Executive on 13th January 2016 and set the framework for the Council to address the significant financial challenges not only for 2016/17 but going forward into future years.

2016/17 is the first year of the four year local government financial settlement (2016/17 to 2019/20). The MTFS has been updated to reflect the new social care precept as well as other changes reflected in the Autumn Statement 2016 and the Local Government Financial Settlement 2017/18 and to take account of the latest forecasts on inflation, interest rates, pension costs, service demands and other cost pressures.

There have been continued reductions in funding for local government and there are plans for authorities to become self-sufficient through business rates and council tax by 2020/21. The Government views new flexibilities such as future growth forecasts from business rates combined with scope for an increase in council tax for the adult social care precept as well as the ongoing ability to raise council tax up to the referendum limit as methods which can significantly mitigate against the impact of grant reductions.

NARRATIVE REPORT

The way that the Council is funded has changed fundamentally in recent years. We have faced significant reductions in Government funding and had to identify annual savings of over £80m since 2011/12. Despite this, considerable challenges remain over the remainder of the MTF5 and we still face a budget gap of over £20m per annum by 2020/21. One of the key issues for future year budgets will be the balance between spending priorities, council tax levels, charges and service reductions. Any decisions will need to take into account the longer term impact on the Council's financial position and will be influenced by the continued need to make significant reductions in expenditure whilst progressing with Council priorities and protecting key services wherever possible.

Options Being Undertaken with a “One Council” Approach

It remains essential to explore opportunities to increase the Council's business rate base through economic development and investment as well as continuing to identify further savings options and increased investment income. Some of the ways in which we are doing this are summarised below:

- Community Infrastructure Levy (CIL) - potential income of £3m per annum could be raised with expected implementation in Spring 2018.
- Localisation of Business Rates - investing in growth and economic development will also increase the Council's share of retained business rate income.
- Asset Review - identifying opportunities for disposal and maximising capital receipts.
- 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 the most effective service delivery models to deliver value for money and make the best use of assets.
- 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 - wider integration proposals to deliver the key benefits of achieving whole systems person centred care whilst making better use of resources.
- Identifying Further Savings - including baseline reviews, identification of statutory and non-statutory functions, considering the scope and level of services and reviewing core priorities.

NARRATIVE REPORT

Economic Climate

The Autumn Statement 2016 identified that public sector net borrowing is expected to be £68.2bn which is planned to move to a deficit of £21.9bn from 2019/20 (previously planned to achieve a surplus of £10.1bn in 2019/20). The fiscal squeeze will continue and with ongoing protection of health, education and recently police and other security services, the disproportionate cuts in direct funding to local government will continue over the remainder of the four year spending review period.

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 Council's 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.

There is also an ongoing need to consider 'front loading' savings to ensure difficult decisions are taken early in the budgetary cycle and to provide some investment in specific priorities such as funding for transformation and invest to save opportunities, both of which provide a more sustainable financial position in the longer term.

The current economic and financial environment provides a difficult and challenging context for the MTFS. There continue to be financial pressures in many service areas and further action will be required to moderate the underlying growth in spending, address ongoing reductions in Government funding, meet inflation pressures and achieve a revenue budget that does not require unsustainable levels of withdrawals from balances.

There have been increased demands on services which can be linked to the economic climate, including requests for housing as well as additional demands on various other services. Demand for financial assistance through housing benefits and council tax support remains high.

There are unlikely to be any significant improvements in funding at a local level over the next few years and austerity measures for the public sector are expected to continue. The Council needs to continue to address the medium term financial position and details will be reported to the Executive during the year as part of the update on the Council's financial strategy.

Further Information

Further Information about the accounts is available from:

Chief Accountant
London Borough of Bromley
Civic Centre
Stockwell Close
Bromley, BR1 3UH

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

AUDITOR'S REPORT

Independent auditor's report to the members of London Borough of Bromley

We have audited the financial statements of the London Borough of Bromley for the year ended 31 March 2017 on pages 14 to 111. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director Of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 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 Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017 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 2016/17.

AUDITOR'S REPORT

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 112 to 125 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition);
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- 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; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on London Borough of Bromley's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

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. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether 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 C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2017.

AUDITOR'S REPORT

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, London Borough of Bromley had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

Basis for qualified conclusion

During 2015/16 the Council received a report from Ofsted rating its 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 2016/17 Ofsted issued two further monitoring reports that identified areas where some improvements had occurred, and some areas where it considered that progress had not met the expectations stated within the local authority's action plan. The Council has appointed a new management team and improved the timeliness of several services. However, the majority of these actions were made late in 2016/17 and were not in place for the entirety of the year.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, 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 2017.

Certificate

Delay in certification of completion of the audit 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 2016/17. 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

KPMG LLP, 15 Canada Square, London, E14 5GL

September 2017

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Finance Responsibilities

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

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

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

The Director of Finance has also:

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

Director of Finance

I certify that the accounts set out on pages 14 to 111 give a true and fair view of the financial position of the Authority as at 31st March 2017 and of its income and expenditure for the year ended 31st March 2017.

Peter Turner
Director of Finance
12th September 2017

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.

2015/16				2016/17		
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
Restated £000	Restated £000	Restated £000		£000	£000	£000
125,644	(126,353)	(709)	Housing	121,843	(121,604)	239
20,288	(12,161)	8,127	- Housing Benefits	22,371	(13,370)	9,001
14,621	(14,139)	482	- Housing Other	15,399	(15,644)	(245)
			Public Health			
			Adult Social Care			
43,337	(16,341)	26,996	- Physical, Sensory & Memory Cognition	40,269	(14,135)	26,134
39,312	(6,721)	32,591	- Learning, Disabilities & Mental Health	38,757	(4,361)	34,396
16,395	(19,400)	(3,005)	- Health Integration & Better Care Fund	21,281	(21,188)	93
7,131	(417)	6,714	- Adult Social Care Other	5,784	(276)	5,508
152,348	(137,608)	14,740	Education	126,154	(124,917)	1,237
37,854	(3,255)	34,599	Childrens Social Care	40,389	(3,798)	36,591
			Environment			
9,806	(1,073)	8,733	- Parks and Green Spaces	8,286	(1,051)	7,235
23,216	(5,169)	18,047	- Waste Services	25,831	(8,086)	17,745
24,375	(16,043)	8,332	- Transport & Highways	22,643	(14,751)	7,892
5,767	(319)	5,448	- Environment Other	5,411	(563)	4,848
3,431	(792)	2,639	Public Protection & Safety	3,068	(707)	2,361
			Renewal & Recreation			
(4,220)	(1,979)	(6,199)	- Recreation	14,115	(814)	13,301
5,323	(2,750)	2,573	- Planning	5,713	(2,818)	2,895
466	(382)	84	- Renewal & Recreation Other	398	(305)	93
5,917	(2,347)	3,570	Central Services to the Public	7,055	(2,737)	4,318
10,751	-	10,751	Concessionary Fares	11,600	-	11,600
4,987	-	4,987	Corporate and Democratic Core	5,009	-	5,009
(1,674)	-	(1,674)	Non Distributed Costs	(1,715)	-	(1,715)
545,075	(367,249)	177,826	Cost of Services	539,661	(351,125)	188,536
84,204	(894)	83,310	Other Operating Expenditure	47,714	(1,768)	45,946
5,561	(11,319)	(5,758)	Financing and Investment Income and Expenditure	17,601	(13,088)	4,513
-	(213,063)	(213,063)	Taxation and Non-Specific Grant Income	-	(218,363)	(218,363)
634,840	(592,525)	42,315	(Surplus) / Deficit on Provision of Services	604,976	(584,344)	20,632
		(23,464)	(Surplus) / Deficit on Revaluation of Property, Plant & Equipment Assets			(13,695)
		8,964	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve			5,238
		(1,349)	(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets			2,120
		(2,535)	Remeasurements of the Net			(1,454)
		(18,384)	Other Comprehensive Income and Expenditure			(7,791)
		23,931	Total Comprehensive Income and Expenditure			12,841

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
Current Year	£000	£000	£000	£000	£000	£000	
Balance at 31 March 2016 carried forward	121,696	29,583	18,722	170,001	472,261	642,262	
Movement in Reserves during 2016/17							
Total Comprehensive Income and Expenditure	(20,632)	-	-	(20,632)	7,791	(12,841)	
Adjustments between accounting basis & funding basis under regulations (Note 9)	21,432	(5,474)	18,222	34,180	(34,180)	-	9
Increase/(Decrease) in 2016/17	800	(5,474)	18,222	13,548	(26,389)	(12,841)	
Balance at 31 March 2017 carried forward	122,496	24,109	36,944	183,549	445,872	629,421	

General Fund Analysed over:

	£000
Amounts earmarked (Note 10)	102,496
Amounts uncommitted	20,000
Total General Fund Balance at 31st March 2017	122,496

	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Notes
Comparative Year	£000	£000	£000	£000	£000	£000	
Balance at 31st March 2015	131,061	28,850	22,609	182,520	483,673	666,193	
Movement in Reserves during 2015/16							
Total Comprehensive Income and Expenditure	(42,315)	-	-	(42,315)	18,384	(23,931)	
Adjustments between accounting basis & funding basis under regulations (Note 9)	32,950	733	(3,887)	29,796	(29,796)	-	9
Increase/(Decrease) in 2015/16	(9,365)	733	(3,887)	(12,519)	(11,412)	(23,931)	
Balance at 31 March 2016 carried forward	121,696	29,583	18,722	170,001	472,261	642,262	

General Fund Analysed over:

	£000
Amounts earmarked (Note 10)	101,696
Amounts uncommitted	20,000
Total General Fund Balance at 31st March 2016	121,696

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'.

31st March 2016 £000		Notes	31st March 2017 £000
458,881	Property, Plant and Equipment	14	424,416
1,017	Heritage Assets	15	1,017
132,123	Investment Property	16	145,786
145,145	Long Term Investments	17	130,202
879	Long Term Debtors	17	2,165
738,045	Long Term Assets		703,586
145,397	Short Term Investments	17	135,098
14,438	Assets Held for Sale (<1yr)	18	6,587
214	Inventories	19	196
24,666	Short Term Debtors	21	21,039
-	Cash and Cash Equivalents - Investments	22	6,991
184,715	Current Assets		169,911
2,707	Cash and Cash Equivalents	22	2,359
26,692	Short Term Borrowing	23	626
12,891	Provisions	24	12,657
71,887	Short Term Creditors	25	71,062
10,527	Grants Receipts in Advance - Revenue	38	4,219
8,063	Grants Receipts in Advance - Capital	38	7,980
132,767	Current Liabilities		98,903
147,731	Other Long Term Liabilities	26	145,173
147,731	Long Term Liabilities		145,173
642,262	Net Assets		629,421
170,001	Usable Reserves	27	183,549
472,261	Unusable Reserves	28	445,872
642,262	Total Reserves		629,421

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.

2015/16		Notes	2016/17
£000			£000
42,315	Net Deficit on the Provision of Services		20,632
(85,598)	Adjustments to Net Deficit on the Provision of Services for Non-Cash Movements	29	(57,946)
34,123	Adjustments for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	29	35,061
(9,160)	Net Cash Flows from Operating Activities		(2,253)
64,106	Investing Activities	30	(17,451)
(32,574)	Financing Activities	31	12,365
22,372	Net (Increase) or Decrease in Cash and Cash Equivalents		(7,339)
(19,665)	Cash and Cash Equivalents at the Beginning of the Reporting Period		2,707
<u>2,707</u>	Cash and Cash Equivalents at the End of the Reporting Period	22	<u>(4,632)</u>

Notes to the Core Financial Statements

1 Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. 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 2016/17 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 21).
- 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 2017 there was a total of £6.9m of cash investments on the Balance Sheet in instant access AAA-rated Money Market Funds and other short-term accessible accounts. As at 31st March 2016, there were no cash equivalent figures on the balance sheet.

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

4 Presentation of Items in Other Comprehensive Income & Expenditure

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

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

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

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

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

6 Charges to Revenue for Non Current Assets

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

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

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

7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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 2016/17, this discount rate was 2.5% compared to 3.7% in 2015/16. The higher the discount rate, the lower the value placed on liabilities, and although the movement in the overall Pension Reserve deficit was mainly as a result of remeasurements, the effect during 2016/17 was relatively minor (a decrease of £2m). 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

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

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

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

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

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 2017, 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.

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 2016/17 (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

1 Statement of Accounting Policies continued

18 Property, Plant and Equipment continued

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

18 Property, Plant and Equipment continued

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

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

Disposals

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

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

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

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

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

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

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

19 Private Finance Initiative and Similar Contracts

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

The Council has not entered into any PFI schemes but it has entered into a service concession arrangement, which grants to another company or organisation the right to provide services on behalf of the Council, using infrastructure assets owned by the Council or the contractor. Further details of this are provided in Note 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 24.

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.

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 10.

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

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 23 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

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

1 Amendment to the reporting of pension fund scheme transaction costs and amendment to the reporting of investment concentration

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 has introduced a new disclosure requirement relating to investment management transaction costs, with an analysis of costs split across asset classes.

The Code also includes an interpretation of the disclosure on pensions investment assets concentration in IAS26.

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 Statement of Accounts.

The impact of the above amendments will be reflected in the 2017/18 Statement of Accounts.

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.
- 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 2017 was £3,103k.
- 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 2017, 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 2017 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 2010, the Government announced that pension increase orders would in future be linked to CPI rather than RPI. CPI was lower (2.7% assumed) than RPI (3.9% assumed) and this had the effect of reducing the Fund's net liability by £60m in 2010/11. Conversely, in 2011/12, the Fund's net liability increased by some £82m because a) actual investment returns in the year (2.2%) were lower than the actuary's assumption (6.6%), which caused asset values to reduce and b) the discount rate (corporate bond yield) used by the actuary to value the Fund's liabilities reduced from the original assumption of 5.5% to 4.6%, which caused liability values to go up. In 2012/13, the Council's net liability remained relatively stable (up by £8.5m, which was primarily due to interest emerging on the net liability figure of £251m as at 31st March 2012). In 2013/14, the net liability fell by some £120m (from £260m to £140m). This was mainly due to positive experience since the 2010 valuation. Other positive factors included favourable investment returns during the year and improved market conditions, which reduced the value placed on the liabilities. In 2014/15, the net liability rose slightly from £140m to £148m, mainly due to interest on liabilities being higher than interest on assets, and in 2015/16 and 2016/17, the net liability reduced slightly to £145m and £143m respectively, mainly due to remeasurement gains on liabilities being higher than the losses on assets.

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

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

Arrears

Uncertainties

At 31st March 2017, the Authority had a balance of sundry debtors of £7,909k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 15% (£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 2016/17, eight of the Council's Primary Schools adopted academy status (13 in 2015/16). In addition, a building that was being refurbished was transferred to a Special School academy. As a result Property, Plant & Equipment values, totalling £46.3m (£82.8m in 2015/16), 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 £46.3m has been posted in 2016/17 to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (see Note 11), with a corresponding reduction to long-term assets (property, plant & equipment - see Note 14).

Accumulated revaluation gains of 5.9m (£8.0m in 2015/16) 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 £46.3m 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 23rd June 2017. The existence of events after the Balance Sheet date has been considered up to this date and there are none to disclose. Events taking place after this date are not reflected in the financial statements or notes.

Notes to the Core Financial Statements

7A Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 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 (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Housing				
- Housing Benefits	-	-	-	-
- Housing Other	756	(87)	(1)	668
Public Health	-	(38)	3	(35)
Adult Social Care				
- Physical, Sensory & memory Cognition	(581)	(187)	24	(744)
- Learning Disabilities & Mental health	255	(41)	2	216
- Health Integration & Better Care Fund	-	(19)	1	(18)
- Adult Social Care Other	-	(71)	8	(63)
Education	9,380	(1,177)	514	8,717
Childrens Social Care	306	(382)	(26)	(102)
Environment				
- Parks & Green Spaces	(1,101)	(109)	-	(1,210)
- Waste Services	255	(152)	-	103
- Transport & Highways	(2,856)	(302)	3	(3,155)
- Environment Other	91	(29)	-	62
Public Protection & Safety	(90)	(152)	2	(240)
Renewal & Recreation				
- Recreation	(4,134)	(286)	7	(4,413)
- Planning	617	(292)	1	326
- Renewal & Recreation Other	-	(20)	(1)	(21)
Central Services to the Public	(1,189)	(287)	3	(1,473)
Concessionary Fares	-	-	-	-
Corporate and Democratic Core	(6)	(28)	-	(34)
Non Distributed Costs	-	9,243	-	9,243
Net Cost of Services	1,703	5,584	540	7,827
Other operating expenditure (i)	(44,598)	-	-	(44,598)
Financing and investment income and expenditure (ii)	10,282	(5,049)	-	5,233
Taxation and non-specific grant income and expenditure (iii)	6,909	-	3,197	10,106
	(27,407)	(5,049)	3,197	(29,259)
General Fund (Surplus)/Deficit	(25,704)	535	3,737	(21,432)

Notes to the Core Financial Statements

7A Note to the Expenditure and Funding Analysis cont.

Adjustments between Funding and Accounting Basis 2015/16

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 (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Housing				
- Housing Benefits	-	-	-	-
- Housing Other	(741)	(8)	2	(747)
Public Health	-	(6)	1	(5)
Adult Social Care				
- Physical, Sensory & memory Cognition	663	-	-	663
- Learning Disabilities & Mental Health	-	-	-	-
- Health Integration & Better Care Fund	-	-	-	-
- Adult Social Care Other	(433)	(1,745)	14	(2,164)
Education	(5,652)	(1,827)	1,188	(6,291)
Childrens Social Care	142	(53)	11	100
Environment				
- Parks & Green Spaces	(3,419)	(13)	1	(3,431)
- Waste Services	-	-	1	1
- Transport & Highways	(1,989)	(13)	8	(1,994)
- Environment Other	70	(352)	2	(280)
Public Protection & Safety	(240)	(191)	3	(428)
Renewal & Recreation				
- Recreation	14,821	(17)	2	14,806
- Planning	-	-	1	1
- Renewal & Recreation Other	1,457	(489)	-	968
Central Services to the Public	(436)	(276)	(1)	(713)
Concessionary Fares	-	-	-	-
Corporate and Democratic Core	-	-	-	-
Non Distributed Costs	-	10,088	-	10,088
Net Cost of Services	4,243	5,098	1,233	10,574
Other operating expenditure (i)	(81,927)	-	-	(81,927)
Financing and investment income and expenditure (ii)	35,113	(4,668)	-	30,445
Taxation and non-specific grant income and expenditure	3,280	-	4,678	7,958
	(43,534)	(4,668)	4,678	(43,524)
General Fund (Surplus)/Deficit	(39,291)	430	5,911	(32,950)

Notes to the Core Financial Statements

7A Note to the Expenditure and Funding Analysis (cont)

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 Differences

- (iii) Other Differences 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 differences 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.

Notes to the Core Financial Statements

7B Segmental Income

Income received on a segmental basis is analysed below:

Services	2015/16 Income from Services £000	2016/17 Income from Services £000
<i>Housing</i>		
- Housing Other	(9,884)	(11,401)
Public Health	(204)	(166)
<i>Adult Social Care</i>		
- Physical, Sensory & memory Cognition	(15,432)	(13,886)
- Learning Disabilities & Mental Health	(4,565)	(3,944)
- Health Integration & Better Care Fund	(19,206)	(20,504)
- Adult Social Care Other	(283)	(222)
Education	(9,372)	(12,146)
Childrens Social Care	(1,525)	(1,201)
<i>Environment</i>		
- Parks & Green Spaces	(825)	(703)
- Waste Services	(5,147)	(5,676)
- Transport & Highways	(14,535)	(14,671)
- Environment Other	(558)	(563)
Public Protection & Safety	(397)	(408)
<i>Renewal & Recreation</i>		
- Recreation	(931)	(812)
- Planning	(2,739)	(2,782)
- Renewal & Recreation Other	(376)	(305)
Central Services to the Public	(1,211)	(1,910)
Total income analysed on a segmental basis	(87,190)	(91,300)

Notes to the Core Financial Statements

8 Expenditure and Income Analysed by Nature

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

Expenditure/Income	2015/16 £000	2016/17 £000
Expenditure		
Employee Expenses	119,065	104,273
Other Service Expenses	399,911	404,979
Support Service Recharges	(3,122)	(2,890)
Depreciation and Impairment	29,221	33,299
Precepts and Levies	1,427	1,385
Payments to Housing Capital Receipts Pool	2	10
Gain or Loss on Disposal of Non Current Assets	82,775	46,319
Interest and Investment Payments	893	12,552
Net Interest on the Net Defined Liability	4,668	5,049
Total Expenditure	634,840	604,976
Income		
Fees, Charges & Other Service Income	(87,190)	(91,300)
Other Income	(894)	(1,768)
Interest and Investment Income	(11,319)	(13,088)
Income from Council Tax	(135,302)	(143,536)
Income from Non Domestic Rates	(24,566)	(24,898)
Government Grants and Contributions	(333,254)	(309,754)
Total Income	(592,525)	(584,344)
(Surplus) / Deficit on Provision of Services	42,315	20,632

9 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

9 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
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
<i>Pensions Costs transferred to/(from) the Pensions Reserve</i>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	(14,447)	-	-	14,447
Employer's pension contributions and direct payments to pensioners payable in the year	14,982	-	-	(14,982)
C Tax and NDR transfers to/(from) the Collection Fund				
Holiday Pay transferred to/(from) the Accumulated Absence Reserve	3,197	-	-	(3,197)
	540	-	-	(540)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure				
Depreciation and impairment of non-current assets	(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
Total Adjustments to Revenue Resources	(51,636)	-	(18,222)	69,858
Adjustments between Revenue and Capital Resources				
<i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	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)
Total Adjustments between Revenue and Capital Resources	30,204	(590)	-	(29,614)
Adjustment to Capital Resources				
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
Total Adjustment to Capital Resources	-	6,064	-	(6,064)
Total Adjustments	(21,432)	5,474	(18,222)	34,180

Notes to the Core Financial Statements

9 Adjustments between Accounting Basis and Funding Basis under Regulations continued

<u>2015/16</u>	Usable Reserves			Movement
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	in Unusable Reserves £000
Adjustments to Revenue Resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
<i>Pensions Costs transferred to/(from) the Pensions Reserve</i>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	(16,666)	-	-	16,666
Employer's pension contributions and direct payments to pensioners payable in the year	17,096	-	-	(17,096)
C Tax and NDR transfers to/(from) the Collection Fund				
Holiday Pay transferred to/(from) the Accumulated Absence Reserve	1,233	-	-	(1,233)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure				
Depreciation and impairment of non-current assets	6,196	-	-	(6,196)
Movements in the fair value of investment properties	1,609	-	-	(1,609)
Capital grants & contributions applied	30,314	-	-	(30,314)
Revenue expenditure funded from capital under statute	(35,525)	-	-	35,525
Non-current assets written off on disposal or sale	(86,584)	-	-	86,584
Total Adjustments to Revenue Resources	(77,649)	-	-	77,649
Adjustments between Revenue and Capital Resources				
<i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	3,809	(3,809)	-	-
Transfer of deferred sale proceeds	850	-	-	(850)
Payments to the government housing receipts pool	(2)	2	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,163	-	-	(1,163)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	38,879	-	-	(38,879)
Total Adjustments between Revenue and Capital Resources	44,699	(3,807)	-	(40,892)
Adjustment to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	-	3,127	-	(3,127)
Application of capital grants to finance capital expenditure	-	-	3,887	(3,887)
Cash payments in relation to Deferred Capital Receipts	-	(53)	-	53
Total Adjustment to Capital Resources	-	3,074	3,887	(6,961)
Total Adjustments	(32,950)	(733)	3,887	29,796

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing 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.

2016/17	Balance at 31st	Transfers Out	Transfers	Balance at 31st
	March 2016	2016/17	In 2016/17	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	1853	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
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 Cont	461	309	-	152
Crystal Palace Park Improvements	238	93	-	145
Various Joint Schemes and Pump Priming Inves	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
	101,696	31,941	32,741	102,496

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves continued

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 2014/15 and 2015/16.

	Balance at 31st March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31st March 2016 £000
2015/16				
Balances Held by Schools	4,544	2,555	2,028	4,017
Insurance Fund	2,888	716	927	3,099
LPSA Reward Grant Investment Fund	231	110	-	121
LAA Reward Grant Investment Fund	750	-	-	750
Technology Fund	1,824	-	29	1,853
Reserve for Potential Redundancy Costs	116	-	-	116
Public Halls Fund	7	-	-	7
Town Centre Improvement Fund	66	11	-	55
Ex Glaxo Land Maintenance	179	7	3	175
Building Control Charging Account	131	131	131	131
Grant Related Expenditure	2,373	1,554	1,438	2,257
Investment to Community Fund	624	46	-	578
Works to Property	100	-	-	100
Investment Fund	33,670	34,442	4,541	3,769
Invest to Save	13,343	1,640	1,678	13,381
Bromley Welcare	29	-	-	29
One-off Member Initiatives	1,038	222	750	1,566
Infrastructure Investment Fund	2,000	-	-	2,000
Commissioning Authority Programme	86	31	-	55
Health & Social Care - Promise Programme	5,953	-	-	5,953
Housing Strategy Trading Account	14	14	25	25
Community Right to Bid & Challenge	46	-	-	46
Glades Refurbishment	97	90	-	7
Winter Pressures	1,542	-	-	1,542
Refurbishment of War Memorials	16	3	-	13
Key Health & Social Care Initiatives	1,700	-	-	1,700
Integration of Health & Social Care Initiatives	1,709	95	-	1,614
Cheyne Woods & Cyphers Gate	187	14	-	173
Healthy Bromley Fund	3,815	-	-	3,815
Transformation Fund	4,326	2,458	-	1,868
Future Repairs of High Street Properties	7	-	12	19
Collection Fund Surplus Set Aside	2,964	2,964	-	-
Parallel Fund	2,866	57	-	2,809
Growth Fund	10,000	41	19,524	29,483
Health & Social Care Integrated Commissioning	4,550	-	-	4,550
Bromley Youth Music Trust	77	77	-	-
Financial Planning & Risk Reserve	5,000	-	-	5,000
Bromley Welfare Fund	970	-	-	970
PIL Reserve for Temporary Accommodation	23	-	28	51
Business Rate Risk Reserve	1,200	-	3,000	4,200
One Off Expenditure in 2016/17 (inc TFM Contract)	-	-	461	461
Crystal Palace Park Improvements	-	2	240	238
Various Joint Schemes and Pump Priming Investments	-	-	3,100	3,100
	111,061	47,280	37,915	101,696

Notes to the Core Financial Statements

10 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.
- Building Control 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

10 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 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.
- Bromley Youth Music Trust - a one off sum of £77k set aside to contribute to the funding of the Trust and support their activities in Bromley during 2015/16.
- 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.

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves continued

- 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.
- 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.

Notes to the Core Financial Statements

11 Other Operating Expenditure

2015/16	2016/17
£000	£000
1,427 Levies	1,385
2 Payments to Government Housing Capital Receipts Pool	10
(850) Other Income	(1,731)
(44) Distribution of former LRB Balances	(37)
82,775 Losses on the Disposal of Non-Current Assets *	46,319
83,310 Total	45,946

* The charge of £46.3m in 2016/17 (£82.8m in 2015/16) 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 academy. Further details are provided in the Exceptional Items note (Note 5).

12 Financing and Investment Income and Expenditure

2015/16	2016/17
£000	£000
806 Interest Payable and Similar Charges	693
4,668 Net Interest on the Net Defined Benefit Liability	5,049
(4,722) Interest Receivable and Similar Income	(4,547)
(6,510) (Income)/Expenditure in Relation to Investment Properties and changes in their fair value	3,318
(5,758) Total	4,513

13 Taxation and Non Specific Grant Income

2015/16	2016/17
£000	£000
(135,302) Council Tax Income	(143,536)
(24,566) Business Rates Income	(24,898)
(49,915) Non-Ringfenced Government grants	(43,020)
(3,280) Capital Grants and Contributions	(6,909)
(213,063) Total	(218,363)

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
Movements in 2016/17							
Cost or Valuation							
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
As at 31st March 2017	511,182	30,472	139,727	2,494	25,695	9,733	719,303
Accumulated Depreciation & Impairment							
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
As at 31st March 2017	(222,379)	(15,659)	(43,627)	(1,375)	(11,847)	-	(294,887)
Net Book Value							
As at 31st March 2017	288,803	14,813	96,100	1,119	13,848	9,733	424,416
As at 31st March 2016	324,473	17,965	94,556	1,202	4,167	16,518	458,881

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
Movements in 2015/16							
Cost or Valuation							
Balance at 1st April 2015	602,520	35,093	128,865	2,494	10,609	16,087	795,668
Additions	-	892	5,772	-	-	1,099	7,763
Revaluation increases recognised in Revaluation Reserve	15,451	-	-	-	2,536	-	17,987
Other Movements	-	5	-	-	-	-	5
Derecognition - disposals	(80,638)	(3,739)	-	-	-	-	(84,377)
Assets reclassified to Investment Properties	-	-	-	-	-	-	-
Other Assets reclassified	230	-	-	-	438	(668)	-
Assets reclassified to Assets Held for Sale	(4,469)	-	-	-	-	-	(4,469)
As at 31st March 2016	533,094	32,251	134,637	2,494	13,583	16,518	732,577
Accumulated Depreciation & Impairment							
As at 1st April 2015	(211,595)	(14,296)	(36,580)	(1,209)	(8,701)	-	(272,381)
Depreciation charge	(2,531)	(1,252)	(3,501)	(83)	-	-	(7,367)
Impairment losses recognised in Revaluation Reserve	(8,249)	-	-	-	(715)	-	(8,964)
Impairment (losses)/reversals recognised in Deficit on Provision of Services	12,301	1,262	-	-	-	-	13,563
Derecognition - disposals	1,453	-	-	-	-	-	1,453
As at 31st March 2016	(208,621)	(14,286)	(40,081)	(1,292)	(9,416)	-	(273,696)
Net Book Value							
As at 31st March 2016	324,473	17,965	94,556	1,202	4,167	16,518	458,881
As at 31st March 2015	390,925	20,797	92,285	1,285	1,908	16,087	523,287

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 36 to 87 years.

Community Assets - straight-line depreciation over 30 years.

Surplus Assets are not depreciated.

Vehicles, Plant, Furniture & Equipment – straight-line depreciation over 5 to 20 years down to residual value.

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

(ii) Capital Commitments

At 31st March 2017, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £24.5m. This mainly comprised commitments relating to works at schools funded by Basic Need grant (£18.3m), the Highways Investment Scheme (£3.1m) and Town Centre schemes (£1.6m). Commitments at 31st March 2016 totalled £8.7m.

(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 2016/17, 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
Carried at Historical Cost as at:							
31st March 2017	-	33,475	96,100	1,119	-	9,733	140,427
Valued at Current Value as at:							
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
31st March 2013	(38,029)	(2,701)	-	-	2,836	-	(37,894)
Total Assets at Current Value	288,803	(18,662)	-	-	13,848	-	283,989
Total Property, Plant & Equipment							
31st March 2017	288,803	14,813	96,100	1,119	13,848	9,733	424,416

Notes to the Core Financial Statements

15 Heritage Assets

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

	Mayoral Regalia £000	Art Works £000	Total Assets £000
Cost or Valuation			
1st April 2015	673	344	1,017
Movement during year	-	-	-
Net Book Value 31st March 2016	<u>673</u>	<u>344</u>	<u>1,017</u>
Cost or Valuation			
1st April 2016	673	344	1,017
Movement during year	-	-	-
Net Book Value 31st March 2017	<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:

2015/16 £000	2016/17 £000
(6,596) Rental Income from Investment Property	(8,541)
1,695 Direct Operating Expenses arising from Investment Property	3,006
<u>(4,901) Net gain</u>	<u>(5,535)</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:

2015/16 £000	2016/17 £000
96,724 Balance at Start of Year	132,123
33,790 Purchases	26,328
- Reclassified to Property, Plant and Equipment	(3,812)
1,609 Net Gains/(Losses) from Fair Value Adjustments	(8,853)
<u>132,123 Balance at End of Year</u>	<u>145,786</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. Details of the number of investment properties held are included in Note 14.

Notes to the Core Financial Statements

16 Investment Property continued

Details of the authority's investment properties as at 31st March 2017 and 2016 are as follows:

2015/16	2016/17
£000	£000
6,066 Residential (market rental) properties	947
1,244 Office units	1,341
3,394 Airport	3,600
- Industrial	6,580
3,355 Agricultural	-
116,571 Commercial units	132,339
1,493 Other	979
132,123 Balance at End of Year	145,786

There were no transfers between levels during 2016/17.

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.

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

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 three such investments as at 31st March 2017, the loss (gain as at 31st March 2016) 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 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Investments				
<i>Loans and Receivables</i>				
- Banks	80,000	35,000	71,197	100,895
- Local Authorities	10,000	33,000	23,258	33,157
<i>Available for Sale</i>				
- Property Fund	29,689	25,376	337	323
- Diversified Growth Funds	10,513	10,383	-	383
- Certificates of Deposit	-	41,386	40,306	10,639
<i>Cash and Cash Equivalents</i>				
- Money Market Funds and other short-term liquid deposits	-	-	6,991	-
Total Investments	130,202	145,145	142,089	145,397
Borrowing				
- Local Authorities	-	-	-	(24,400)
Total included in borrowings	-	-	-	(24,400)

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 2017 include a total principal sum of £270,102k and total accrued interest of £2,189k (£287,822k and £2,720k as at 31st March 2016).

Notes to the Core Financial Statements

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 2016		31st March 2017	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Investments less than 1 year	145,397	145,397	142,089	142,089
Investments greater than 1 year	145,145	146,222	130,202	131,931
Total Financial Assets	290,542	291,619	272,291	274,020
Financial Liabilities:				
Borrowing less than 1 year	24,400	24,400	-	-
Total Financial Liabilities	24,400	24,400	-	-

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:

2015/16				2016/17			
Financial Liabilities	Loans & Receivables	Available for Sale	Total	Financial Liabilities	Loans & Receivables	Available for Sale	Total
£000	£000	£000	£000	£000	£000	£000	£000
-	(4,641)	-	(4,641)	-	(4,415)	-	(4,415)
4	-	-	4	1	-	-	1
4	(4,641)	-	(4,637)	1	(4,415)	-	(4,414)
-	-	(1,596)	(1,596)	-	-	(130)	(130)
-	-	247	247	-	-	2,250	2,250
-	-	(1,349)	(1,349)	-	-	2,120	2,120
4	(4,641)	(1,349)	(5,986)	1	(4,415)	2,120	(2,294)

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.

2016		2017
£000	Mortgages	£000
17	Loans to Council House Purchasers	4
2	Loans to Private House Purchasers	-
<u>19</u>		<u>4</u>
	Others	
	Broomleigh Housing Association (Affinity Homes Group)	
	Property Transfer	
-	- Sale of Council Houses *	1,470
-	- Deferred Interest Earnings *	5
552	Loans for Miscellaneous Advances	464
10	Loans for Transferred Services	-
280	Loans to Schools	200
18	Loans to Private Street Work Frontagers	22
<u>860</u>		<u>2,161</u>
879		2,165

* Under the Housing Stock Transfer agreement concluded with Broomleigh Housing Association (Affinity Homes 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 sum of £3,507k (including accrued interest) was received in April 2016 in respect of sales in the three years 2013/14 to 2015/16, and this cleared the short term debtor included in the 2015/16 accounts. There were 9 sales in 2016/17 and a long term debtor of £1,470k (including interest) is carried on the Balance Sheet as at 31st March 2017. The next receipt is due in 2019/20.

Notes to the Core Financial Statements

18 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.

2015/16 £000		2016/17 £000
8,306	Balance outstanding at start of year	14,438
	Assets newly classified/(declassified) as held for sale:	
4,469	Property, Plant and Equipment	(10,001)
-	- Revaluation losses - recognised in Revaluation Reserve	(664)
-	- recognised in deficit on Provision of Services	(537)
5,472	Revaluation gains	3,951
(3,809)	Assets sold	(600)
14,438	Balance outstanding at year-end	6,587

19 Inventories

	Road Salt		Other Consumables		Total	
	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Balance outstanding at start of year	210	209	4	15	214	224
Purchases	46	37	20	63	66	100
Usage/Payment/Transfers during the year	(65)	(36)	(19)	(74)	(84)	(110)
Balance outstanding at year-end	191	210	5	4	196	214

20 Construction Contracts

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

Notes to the Core Financial Statements

21 Short - Term Debtors

31st March 2016 Net £000		Gross £000	Allowance for Bad Debts £000	31st March 2017 Net £000
	<i>Debtors</i>			
3,571	Central Government Bodies	3,400	-	3,400
1,374	Other Local Authorities	774	-	774
1,153	NHS Bodies	830	-	830
49	Public Corporations and Trading Funds	35	-	35
920	Council Tax	11,410	10,327	1,083
312	NNDR	716	260	456
15,581	Other Entities and Individuals	32,644	20,132	12,512
22,960		49,809	30,719	19,090
1,706	<i>Payments in Advance</i>			1,949
24,666				21,039

22 Cash and Cash Equivalents

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

2015/16 £000		2016/17 £000
22	Cash held by the Authority	26
(2,729)	Bank Current Accounts	(2,385)
-	Short-term Deposits with Money Market Funds*	6,991
(2,707)	Total Cash and Cash Equivalents	4,632

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

Notes to the Core Financial Statements

23 Financial Liabilities

Short Term Borrowing (Temporary Loans)

	Balance as at 31st March 2016 £000	Loans Raised £000	Loans Repaid £000	Balance as at 31st March 2017 £000
Pension Fund	1,127	-	1,071	56
Former LRB Fund	1,165	-	595	570
Temporary Borrowing	24,400	-	24,400	-
	26,692	-	26,066	626

24 Provisions

	Outstanding Legal Cases (a) £000	Injury & Damage Compensation Claims (b) £000	Other Provisions (c) £000	Total £000
Balance at 1 April 2016	244	1,613	11,034	12,891
Additional Provisions made in year	133	881	1,550	2,564
Amounts used in year	126	819	1,391	2,336
Unused amounts reversed in year	-	-	462	462
Balance at 31st March 2017	251	1,675	10,731	12,657

(a) Outstanding Legal Cases: the Council made provision for the financial implications arising from a number of legal cases totalling £251k.

(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 2017 (380 claims with a total estimate of £1,675k).

(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 2016/17 and a sum of £628k has been carried forward into 2017/18.

Provision of £2,894k 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 £1,500k has been made.

A provision of £635k 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.

Notes to the Core Financial Statements

25 Short - Term Creditors

31st March 2016 £000	Creditors	31st March 2017 £000
2,306	Central Government Bodies	2,251
2,767	Other Local Authorities	1,815
2,543	NHS Bodies	2,065
-	Public Corporations	6
1,972	Council Tax	2,128
4,328	Council Tax Precepts (GLA)	4,596
3,990	NNDR Central Government	5,938
1,389	NNDR GLA	2,502
461	NNDR LBB	616
42,149	Other Entities and Individuals	42,539
61,905		64,456
	Receipts in Advance	
1,879	Central Government Bodies	76
2	Other Local Authorities	-
1,198	NHS Bodies	278
2,861	Council Tax	1,808
279	NNDR LBB	662
3,763	Other Entities and Individuals	3,782
9,982		6,606
71,887		71,062

26 Other Long Term Liabilities

31st March 2016 £000		31st March 2017 £000
144,869	Liability relating to Defined Benefit Pension Scheme #	142,880
2,862	Liability relating to Finance Leases *	2,293
147,731		145,173

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

27 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in Note 10.

28 Unusable Reserves

31st March 2016 £000	31st March 2017 £000
63,979 Revaluation Reserve	66,129
2,322 Available for Sale Financial Instruments Reserve	202
538,634 Capital Adjustment Account	508,574
(144,869) Pensions Reserve	(142,880)
3,863 Deferred Capital Receipts Reserve	1,778
10,878 Collection Fund Adjustment Account	14,075
(2,546) Accumulated Absences Account	(2,006)
472,261 Total Unusable Reserves	445,872

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.

2015/16 £000	2016/17 £000
60,681 Balance as at 1st April	63,979
23,459 Upward revaluation of assets	13,695
(8,964) Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(5,238)
14,495 Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	8,457
(11,197) Accumulated losses on assets sold or scrapped	(6,307)
(11,197) Amount written off to Capital Adjustment Account	(6,307)
63,979 Balance as at 31st March	66,129

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.

2015/16 £000	2016/17 £000
973 Balance as at 1st April	2,322
1,349 Upward / (Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(2,120)
2,322 Balance as at 31st March	202

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

2015/16		2016/17
£000		£000
564,366	Balance as at 1st April	538,634
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:</i>	
6,196	Charges for depreciation and impairment of non-current assets	(17,607)
(35,525)	Revenue expenditure funded from capital under statute	(13,530)
(75,387)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(44,072)
(104,716)	Net written out amount of the cost of non-current assets consumed in the year	(75,209)
	<i>Capital financing applied in the year:</i>	
3,127	Use of Capital Receipts Reserve to finance new capital expenditure	9,880
30,314	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	16,239
3,887	Application of grants to capital financing from the Capital Grants Unapplied Account	-
5	Other Movements	-
1,163	Statutory provision for capital financing charged against the General Fund	969
38,879	Capital expenditure charged against the General Fund balance	26,914
77,375		54,002
1,609	Movements in market value of Investment Properties debited or credited to CI&E Statement	(8,853)
538,634	Balance as at 31st March	508,574

Notes to the Core Financial Statements

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.

2015/16		2016/17
£000		£000
(147,834)	Balance as at 1st April	(144,869)
2,535	Actuarial gains or (losses) on pensions assets and liabilities	1,454
(16,666)	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	(14,447)
17,096	Employer's pension contributions and direct payments to pensioners payable in the year	14,982
(144,869)	Balance as at 31st March	(142,880)

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.

2015/16		2016/17
£000		£000
3,066	Balance as at 1st April	3,863
850	New advances	1,470
(53)	Transfer to the Capital Receipts Reserve upon receipt of cash	(3,555)
3,863	Balance as at 31st March	1,778

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.

2015/16		2016/17
£000		£000
6,200	Balance as at 1st April	10,878
4,678	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	3,197
10,878	Balance as at 31st March	14,075

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.

2015/16		2016/17
£000		£000
(3,779)	Balance as at 1st April	(2,546)
3,779	Settlement or cancellation of accrual made at the end of the preceding year	2,546
(2,546)	Amounts accrued at the end of the current year	(2,006)
1,233	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	540
(2,546)	Balance as at 31st March	(2,006)

Notes to the Core Financial Statements

29 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2015/16	2016/17
£000	£000
(3,965) Interest Received	(5,079)
37 Interest Paid	30
(3,928) Net Interest Received	(5,049)

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

2015/16	2016/17
£000	£000
(7,367) Depreciation	(6,995)
13,563 Impairment/Reversals and Downward Valuations	(10,612)
(8,751) Increase/Decrease in Creditors	16,536
2,591 Increase/Decrease in Debtors (net of bad debts)	186
(10) Increase/Decrease in Inventories	(18)
430 Movement in Pension Liability	535
(86,584) Carrying Amount of Non-Current Assets and Non-Current Assets Held-for-Sale, Sold or De-Recognised	(50,379)
530 Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(7,199)
(85,598)	(57,946)

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

2015/16	2016/17
£000	£000
3,809 Proceeds from the Sale of Property, Plant and Equipment and Investment Property	600
30,314 Other Items for which the Cash Effects are Investing or Financing Cash Flows	34,461
34,123	35,061

30 Cash Flow Statement - Investing Activities

2015/16	2016/17
£000	£000
40,619 Purchase of Property, Plant and Equipment and Investment Property	33,566
90,000 Purchase of Short-term and Long-term Investments	110,000
(3,809) Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(600)
(37,000) Proceeds from Short-term and Long-term Investments	(132,500)
(25,704) Other Receipts from Investing Activities	(27,917)
64,106 Net Cash Flows from Investing Activities	(17,451)

31 Cash Flow Statement - Financing Activities

2015/16	2016/17
£000	£000
(24,328) Cash Receipts from Short-term Borrowing	26,066
(9,409) Other Receipts from Financing Activities	(14,670)
1,163 Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases	969
(32,574) Net Cash Flows from Financing Activities	12,365

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.

2015/16 Integrated Community Equipment Services £000		2016/17 Integrated Community Equipment Services £000
	Income	
600	Bromley CCG contribution	600
1,133	London Borough of Bromley contribution	1,186
<u>1,733</u>	Gross Income	<u>1,786</u>
	Expenditure	
1,733	Integrated Community Equipment Service	1,786
<u>1,733</u>	Gross Expenditure	<u>1,786</u>
<u>-</u>	Deficit / (Surplus) for the Year	<u>-</u>

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

2015/16 Mental Health Services £000		2016/17 Mental Health Services £000
	Income	
17,976	Oxleas NHS Foundation Trust contribution	18,951
1,387	London Borough of Bromley contribution	1,372
<u>19,363</u>	Gross Income	<u>20,323</u>
	Expenditure	
19,347	Mental Health Functions	20,210
<u>19,347</u>	Gross Expenditure	<u>20,210</u>
<u>(16)</u>	Deficit / (Surplus) for the Year	<u>(113)</u>

The parties agreed that the underspend on LBB funded expenditure would be split equally. The surplus 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:

2015/16		2016/17
Better Care		Better Care
Fund		Fund
£000		£000
	Income	
19,232	Bromley CCG revenue funding	19,930
942	Disabled Facilities capital grant	1,681
663	Social Care capital grant	-
-	Carry Forward from 2015/16 - Capital	389
-	Carry Forward from 2015/16 - Revenue	381
20,837	Gross Income	22,381
	Expenditure	
18,851	Revenue expenditure	20,154
1,216	Capital expenditure	1,323
20,067	Gross Expenditure	21,477
	Deficit / (Surplus) for the Year	
(381)	Revenue	(157)
(389)	Capital	(747)
(770)		(904)

Notes to the Core Financial Statements

33 Members Allowances

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

2015/16		2016/17
£000		£000
1,005	Allowances	1,003
12	Expenses	12
<u>1,017</u>	Total	<u>1,015</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 2017, the actuary estimated the past service cost in 2016/17 to be zero, (also zero in 2015/16).
- 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 (£755k in 2016/17 and £918k in 2015/16) 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 £2,764k in 2016/17 (£2,889k in 2015/16) 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:

2015/16		2016/17
£000		£000
918	Loss on Curtailments	755
(2,889)	(Gain) on Settlements	(2,764)
297	Other Pension Costs	278
<u>(1,674)</u>		<u>(1,731)</u>

Notes to the Core Financial Statements

35 Officers Remuneration

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

Disclosure of remuneration for senior employees 2016/17	Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Compensation for Loss of Office £	Total Remuneration including Pension Contributions £
Chief Executive - D. Patterson	190,320	-	190,320	-	-	190,320
@Deputy Chief Executive - Executive Director, Education, Care & Health Services	54,083	-	54,083	8,275	-	62,358
Director of Corporate Services	127,605	6,765	134,370	18,711	-	153,081
Director of Finance	133,143	1,375	134,518	10,455	-	144,973
Director of Human Resources	120,793	100	120,893	16,941	-	137,834
*Director of Regeneration & Transformation	70,290	1,225	71,515	5,578	30,000	107,093
Director of Regeneration	98,902	6,731	105,633	13,241	-	118,874
Executive Director, Environmental & Community Services	142,921	3,805	146,726	14,577	-	161,303
Director of Environment	100,188	5,882	106,070	15,329	-	121,399
#Director of Public Health - N. Lemic	163,703	70	163,773	21,799	-	185,572
Director of Health Integration Programme	96,753	8,559	105,312	13,483	-	118,795
Director of Adult Social Care	112,653	100	112,753	17,236	-	129,989
**Interim Director of Children's Services	91,939	-	91,939	10,923	61,193	164,055
Director of Commissioning & Procurement	117,310	4,772	122,082	11,967	-	134,049
Director of Education	107,463	100	107,563	16,442	-	124,005
Director of Housing	95,649	100	95,749	-	-	95,749
***Assistant Director of Strategic & Business Support Services	85,285	3,756	89,041	13,049	-	102,090
	<u>1,909,000</u>	<u>43,340</u>	<u>1,952,340</u>	<u>208,006</u>	<u>91,193</u>	<u>2,251,539</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 remuneration paid to the Council's senior employees is as follows:

Post holder information (Post title)	Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Compensation for Loss of Office £	Total Remuneration including Pension Contributions £
Chief Executive - D. Patterson	188,133	-	188,133	-	-	188,133
Director of Corporate Services	126,090	3,723	129,813	19,292	-	149,105
Director of Finance	131,562	3,725	135,287	20,720	-	156,007
Director of Human Resources	118,371	-	118,371	18,111	-	136,482
Director of Regeneration & Transformation	144,102	4,278	148,380	22,047	-	170,427
Executive Director, Environmental & Community Services	133,824	2,293	136,117	20,473	-	156,590
* Executive Director Education, Care & Health Services - T. Parkin	33,052	-	33,052	4,035	96,000	133,087
# Director of Public Health - N Lemic	150,714	-	150,714	19,941	-	170,655
Assistant Director of Adult Social Care	110,601	-	110,601	16,922	-	127,523
Interim Director of Children's Services	120,265	-	120,265	18,400	-	138,665
Assistant Director of Commissioning	94,890	6,548	101,438	15,125	-	116,563
Director of Education	105,549	-	105,549	16,138	-	121,687
Assistant Director of Housing Needs	81,218	-	81,218	-	-	81,218
Assistant Director of Strategic & Business Support Services	85,173	3,320	88,493	13,031	-	101,524
	1,623,544	23,887	1,647,431	204,235	96,000	1,947,666

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 May 2015.

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:

2015/16			2016/17			
Non-School Employees	School Employees	Total Employees	Annual Remuneration	Non-School Employees	School Employees	Total Employees
37	21	58	£50,000-£54,999	34	18	52
27	26	53	£55,000-£59,999	26	21	47
15	17	32	£60,000-£64,999	20	13	33
9	11	20	£65,000-£69,999	15	8	23
8	1	9	£70,000-£74,999	7	5	12
6	4	10	£75,000-£79,999	1	3	4
6	1	7	£80,000-£84,999	4	5	9
3	-	3	£85,000-£89,999	3	-	3
2	1	3	£90,000-£94,999	2	1	3
2	-	2	£95,000-£99,999	2	-	2
1	2	3	£100,000-£104,999	2	2	4
2	1	3	£105,000-£109,999	4	-	4
1	-	1	£110,000-£114,999	1	1	2
1	-	1	£115,000-£119,999	-	-	-
1	-	1	£120,000-£124,999	3	-	3
2	-	2	£125,000-£129,999	-	-	-
-	-	-	£130,000-£134,999	2	-	2
2	-	2	£135,000-£139,999	-	-	-
-	-	-	£140,000-£144,999	-	-	-
1	-	1	£145,000-£149,999	1	-	1
1	-	1	£150,000-£154,999	1	-	1
-	-	-	£155,000-£159,999	1	-	1
-	-	-	£160,000-£164,999	1	-	1
-	-	-	£165,000-£169,999	-	-	-
-	-	-	£170,000-£174,999	-	-	-
-	1	1	£175,000-£179,999	-	-	-
-	-	-	£180,000-£184,999	1	-	1
1	-	1	£185,000-£189,999	-	1	1
-	-	-	£190,000-£194,999	1	-	1

In order to comply with amendments to the Accounts and Audit Regulations 2003, 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	
	Restated						Restated	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000s	2016/17 £000s
£0 - £20,000	41	28	8	2	49	30	364	215
£20,001 - £40,000	11	9	5	1	16	10	460	316
£40,001 - £60,000	7	1	-	-	7	1	364	45
£60,001 - £80,000	4	2	-	1	4	3	282	206
£80,001 - £100,000	-	-	1	1	1	1	96	99
£100,001 - £150,000	1	-	2	-	3	-	415	-
£150,001 - £200,000	1	-	-	-	1	-	157	-
£250,001 - £300,000	1	1	-	-	1	1	217	258
Total	66	41	16	5	82	46	2,355	1,139

In 2016/17 the total cost of £1,139k (£2,355k in 2015/16) 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

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:

2015/16		2016/17
£000		£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
31	Fees payable to KPMG LLP for the certification of grant claims returns for the year	17
9	Fees payable to PricewaterhouseCoopers LLP (2015/16) and Grant Thornton (2016/17) for Teachers Pension Review	3
	Fees payable to PricewaterhouseCoopers LLP with regard to:	
15	- Investigation work resulting from Electors queries / objections re: 2012/13 and 2013/14 accounts	20
195		180

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 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 2015. 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 2016/17 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Notes
Final DSG for 2016/17 before Academy recoupment			256,581	(a)
Academy figure recouped for 2016/17			(174,844)	(b)
Total DSG after Academy recoupment for 2016/17			----- 81,737	(c)
Plus: Brought forward from 2015/16			3,683	(d)
Less: Carry forward to 2017/18 agreed in advance			-	(e)
Agreed initial budgeted distribution in 2016/17	41,268	44,152	85,420	(f)
In year adjustments	(2,428)	(3,704)	(6,132)	(g)
Final budgeted distribution for 2016/17	38,840	40,448	79,288	(h)
Less Actual central expenditure	38,109	-	38,109	(i)
Less Actual ISB deployed to schools	-	39,556	39,556	(j)
Plus Local Authority contribution for 2016/17	-	-	-	(k)
Carry forward to 2017/18	<u>731</u>	<u>892</u>	<u>1,623</u>	(l)

- (a) Final DSG figure before any amount has been recouped from the Authority excluding the January 2017 early years block adjustment.
- (b) Figure recouped from the Authority in 2016/17 by the DfE for the conversion of maintained schools into Academies.
- (c) Total figure after EFA Academy recoupment for 2016/17.
- (d) Figure brought forward from 2015/16 as agreed with the Department.
- (e) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2017/18 rather than distribute in 2016/17.
- (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 2016/17.
- (j) Amount of ISB actually distributed to schools.
- (k) Any contribution from the Local Authority in 2016/17 which will have the effect of substituting for DSG in funding the Schools Budget.
- (l) Carry forward to 2017/18.

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 2015/16 and 2016/17.

<i>Credited to Taxation and Non Specific Grant Income</i>	2015/16	2016/17
	£000	£000
Revenue Grants:		
Revenue Support Grant	32,971	21,292
Business Rates Related Grant Income	11,777	11,298
New Homes Bonus	5,078	8,362
Transition Grant	-	2,068
Local Services Support Grant	89	-
	<u>49,915</u>	<u>43,020</u>
Total Government Grants	<u>49,915</u>	<u>43,020</u>
Other Capital Grants and Contributions:		
Transport for London	2,991	5,891
Orpington Public Realm	75	-
S106 Schemes	-	1,016
S106 Highways	214	-
Intu Smart Movers	-	2
Total Contributions	<u>3,280</u>	<u>6,909</u>
Total Credited to Taxation and Non Specific Grant Income	<u>53,195</u>	<u>49,929</u>
<i>Credited to Services</i>	2015/16	2016/17
	£000	£000
Revenue Grants:		
Housing Benefit & Council Tax	124,592	119,958
Dedicated Schools Grant	94,395	77,665
Public Health	13,935	15,478
Education Funding Agency	3,154	3,156
Environment Agency Waste4Fuel	-	2,409
Pupil Premium	3,113	1,940
Adult Social Care Implementation Grant	1,849	-
Skills Funding Agency - Adult Education	1,563	1,540
Council Tax Support & Housing Benefits Administration	1,604	1,350
Education Services Grant	1,659	1,274
Step up to Social Work	252	780
Standards Fund	-	745
Troubled Families	661	675
Independent Living Fund	526	666
Universal Infant Free School meals	1,331	651
Discretionary Housing Payments	506	618
Pothole Grant	505	-
Unaccompanied Asylum Seekers	412	448
Transformation Challenge Award	344	-
Home Office - Community Safety	391	402
Youth Justice Board	252	220
SEN Reform	177	201
Other Miscellaneous Grants	1,681	1,563
	<u>252,902</u>	<u>231,739</u>

Notes to the Core Financial Statements

38 Grant Income continued

<i>Credited to Services continued</i>	2015/16 £000	2016/17 £000
Capital Grants:		
Maintenance in Schools	1,452	958
Basic Need	20,635	23,908
Social Care Grant	663	-
Devolved Formula Capital	236	156
Disabled Facilities Grant	942	1,681
Other Capital Grants	-	31
	<u>23,928</u>	<u>26,734</u>
Total Government Grants	<u>276,830</u>	<u>258,473</u>
Other Grants and Contributions:		
Other Grants and Contributions	2,497	569
Section 106 Developers Contributions	732	783
Total Contributions	<u>3,229</u>	<u>1,352</u>
Total Credited to Services	<u>280,059</u>	<u>259,825</u>

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

Current Liabilities

<i>Revenue Grants Creditors and Receipts in Advance</i>	2015/16 £000	2016/17 £000
Dedicated Schools Grant	3,683	1,623
Housing Benefit Grant	2,412	242
Standards Fund Grant	745	-
Preventing Homelessness	240	152
LEP Project	1,209	330
Other Miscellaneous Grants	128	120
Total Government Grants	<u>8,417</u>	<u>2,467</u>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	2,110	1,752
Section 106 Developers Contributions - Capital	8,063	7,980
Total Contributions	<u>10,173</u>	<u>9,732</u>
Total Receipts in Advance	<u>18,590</u>	<u>12,199</u>

Notes to the Core Financial Statements

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 2016/17 is shown in Note 33. During 2016/17, there are no declarable related party transactions with the exception of the following:-

- a) Councillor P. Fortune is an appointed board member on the Affinity Sutton Homes Board, to which the Council paid £155k in 2016/17.
- b) Councillor K. Onslow is employed on a temporary basis for the Royal Borough of Greenwich, to which the Council paid £276k in 2016/17, for a number of services including fraud investigations and insurance services.

Officers

- i) During 2016/17 £10.2m 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 2016/17 a family member of the Executive Director of Environment & Community Services, undertook freelance design work across the Council at a cost of £10k.
- iii) A family member of the Director of Corporate Services is employed by MCCH Society Ltd, to which the Council paid £1.2m in 2016/17, 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 £8k was paid to the Fund (£8k was paid in 2015/16). In 2016/17, £631k was charged to the Fund for expenses incurred in administering the Fund (£588k in 2015/16).

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 2016/17.

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.

	2015/16	2016/17
	£000	£000
Opening Capital Financing Requirement	4,287	3,846
<i>Capital investment</i>		
Property, Plant and Equipment	7,763	13,883
Investment Properties	33,790	26,328
Revenue Expenditure Funded from Capital under Statute	35,525	13,530
	<u>77,078</u>	<u>53,741</u>
<i>Sources of finance</i>		
Capital receipts	3,127	9,880
Government grants and other contributions	34,201	16,239
Sums set aside from revenue:		
Direct revenue contributions	38,879	26,914
Other adjustments	-	312
Finance Leases Repaid/Terminated	1,312	1,139
	<u>77,519</u>	<u>54,484</u>
Movement in Capital Financing Requirement	(441)	(743)
<i>Closing Capital Financing Requirement</i>	3,846	3,103
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,312)	(1,139)
Assets acquired under finance leases	871	396
Increase/(decrease) in Capital Financing Requirement	<u>(441)</u>	<u>(743)</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:

	31st March	31st March
	2016	2017
	£000	£000
Vehicles, Plant and Equipment	3,846	3,103
	<u>3,846</u>	<u>3,103</u>

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

	31st March	31st March
	2016	2017
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	984	826
- non current (later than 1 year)	2,862	2,277
Finance costs payable in future years	1,314	1,307
Minimum lease payments	<u>5,160</u>	<u>4,410</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March	31st March	31st March	31st March
	2016	2017	2016	2017
	£000	£000	£000	£000
Not later than one year	1,286	1,100	984	826
Later than one and less than five years	3,394	3,137	2,503	2,151
Later than five years	480	173	359	126
	<u>5,160</u>	<u>4,410</u>	<u>3,846</u>	<u>3,103</u>

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:

	31st March 2016	31st March 2017
	Restated £000	£000
Not later than one year	188	221
Later than one and less than five years	595	452
Later than five years	917	845
	<u>1,700</u>	<u>1,518</u>

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

	31st March 2016	31st March 2017
	Restated £000	£000
<i>Minimum lease payments</i>		
Central Services to the Public	160	154
Education	236	197
Environment Other	9	9
Highways & Transport Services	99	109
Learning Disabilities & Mental Health	11	11
Parks and Green Space	4	5
Recreation	46	49
	<u>565</u>	<u>534</u>

Operating Leases - Schools as Lessee

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

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

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

	31st March 2016	31st March 2017
	£000	£000
Not later than one year	9	11
Later than one and less than five years	8	13
	<u>17</u>	<u>24</u>

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

	31st March 2016	31st March 2017
	£000	£000
<i>Minimum lease payments</i>		
Education	16	16
	<u>16</u>	<u>16</u>

Notes to the Core Financial Statements

41 Leases continued

Finance Leases - Authority as Lessor

As at 31st March 2017, the Authority holds no finance leases.

Operating Leases - Authority as Lessor

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

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

	31st March 2016	31st March 2017
	£000	£000
Not later than one year	6,697	8,931
Later than one and less than five years	20,513	30,730
Later than five years	239,744	231,457
	<u>266,954</u>	<u>271,118</u>

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

The Net Book Value of these assets was £185m as at 31st March 2017 (£124m as at 31st March 2016). Depreciation, impairment charges and impairment reversals of £0.3m, £2.2m and £0.6m respectively were made in 2016/17.

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

	31st March 2016	31st March 2017
	Restated £000	£000
<i>Minimum lease payments</i>		
Central Services to the Public	619	539
Childrens Social Care	6	6
Environment Other	101	144
Highways and Transport Services	68	67
Learning Disabilities & Mental Health	18	25
Physical, Sensory & Memory Cognition	161	143
Recreation	137	141
Parks and Green Space	387	367
Financing & Investing Income & Expenditure	6,534	8,405
<i>Contingent rents</i>		
Financing & Investing Income & Expenditure	250	331
	<u>8,281</u>	<u>10,168</u>

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. Two 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 2017 was £71.0m (£65.0m to 31st March 2016).

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 £16.7m to 31st March 2017 (£15.9m to 31st March 2016).

There are two Council appointed representatives on the Board of Trustees.

43 Impairment Losses/(Reversals)

During 2016/17 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.

2015/16 £000	2016/17 £000
(13,563) Property, Plant and Equipment	10,075
- Assets Held for Sale	537
(13,563)	10,612

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

2015/16 £000	2016/17 £000
<i>Housing</i>	
300 - Housing Other	(336)
<i>Adult Social Care</i>	
24 - Physical, Sensory & Memory Cognition	(64)
- - Learning, Disabilities & Mental Health	(291)
(312) Education	8,284
(156) Childrens Social Care	-
<i>Environment</i>	
2,774 - Parks and Green Spaces	355
- - Waste Services	109
- - Transport & Highways	(826)
(70) - Environment Other	(164)
<i>Renewal & Recreation</i>	
(15,815) - Recreation	1,965
(391) Central Services to the Public	336
(13,646)	9,368
83 Financing & Investment Income & Expenditure	1,244
(13,563)	10,612

44 Termination Benefits

The Authority terminated the contracts of a number of employees in 2016/17 incurring liabilities of £1,139k (£2,355k in 2015/16 Restated) - see Note 35 for the number of exit packages and total cost per band. The total expenditure in 2016/17 related to 46 employees across all departments of the Authority (82 employees in 2015/16 Restated).

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 2017, include Baillie Gifford, Blackrock, Fidelity, MFS International and Standard Life.

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 2016 and 2017, prepared by the Council's actuary, Mercer.

	2015/16	2016/17
	£000	£000
<u>Comprehensive Income & Expenditure Statement</u>		
Current service cost	13,606	11,062
Settlements	(2,889)	(2,764)
Curtailments	918	755
Administration Costs	363	345
Past service costs	-	-
Total included in Cost of Services	<u>11,998</u>	<u>9,398</u>
<u>Financing & Investment Income & Expenditure</u>		
Net Pensions interest cost	4,668	5,049
Total included in Surplus or Deficit on the Provision of Services	<u>16,666</u>	<u>14,447</u>
<u>Other Benefits Charged to the Comprehensive Income & Expenditure Statement</u>		
Remeasurement of Net Defined Benefit Obligation	(2,535)	(1,454)
<u>Total Post-employment Benefit Charged to the Comprehensive Income & Expenditure Statement</u>	<u>14,131</u>	<u>12,993</u>
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	(16,666)	(14,447)
Employers' contributions and benefits payable direct to pensioners	17,096	14,982
	<u>430</u>	<u>535</u>
Actual return on scheme assets	<u>(12,879)</u>	<u>145,360</u>

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	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Present value of defined benefit obligation	(724,502)	(875,124)	(3,489)	(4,096)
Fair value of plan assets	583,122	736,340	-	-
Net liability from defined benefit obligation	<u>(141,380)</u>	<u>(138,784)</u>	<u>(3,489)</u>	<u>(4,096)</u>

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

	LGPS		Unfunded Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Opening Liability	751,898	724,502	3,843	3,489
Current service cost	13,606	11,062	-	-
Interest cost	24,998	26,266	125	123
Contributions by scheme members	3,624	3,316	-	-
Remeasurement (gains)/losses:				
Experience	-	-	-	-
Financial assumptions	(35,658)	143,369	(121)	842
Demographic assumptions	-	-	-	-
Past service costs	-	-	-	-
Curtailments	918	755	-	-
Settlements	(5,374)	(5,137)	-	-
Benefits paid	(29,510)	(29,009)	(358)	(358)
Closing Liability (Defined Benefit)	<u>724,502</u>	<u>875,124</u>	<u>3,489</u>	<u>4,096</u>

Reconciliation of movement in fair value of Scheme assets:

	LGPS		Unfunded Benefits	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Opening fair value of scheme assets	607,907	583,122	-	-
Interest on plan assets	20,455	21,340	-	-
Remeasurements (assets)	(33,244)	145,665	-	-
Administration Expenses	(363)	(345)	-	-
Contributions by employer	16,738	14,624	358	358
Contributions by scheme members	3,624	3,316	-	-
Settlements	(2,485)	(2,373)	-	-
Benefits paid	(29,510)	(29,009)	(358)	(358)
Closing fair value of scheme assets	<u>583,122</u>	<u>736,340</u>	<u>-</u>	<u>-</u>

In 2016/17, the net liability decreased by some £2m (from £145m to £143m). This was mainly due to remeasurement gains on liabilities being higher than the losses on assets.

The actual return on scheme assets in the year was a gain of £145.4m (loss of £12.8m in 2015/16).

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £879.2m 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 £142.9m. 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 2016 £000	As at 31st March 2017 £000
Equities	422,181	566,982
Government bonds	95,049	102,351
Other bonds	-	-
Other	58,895	61,853
Cash / liquidity	6,997	5,154
	<u>583,122</u>	<u>736,340</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 2017.

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

	As at 31st March 2016	As at 31st March 2017
Longevity at 65 for pensioners retiring today (years):		
Men	23.2	23.3
Women	25.6	26.0
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	25.5	25.9
Women	28.5	28.3
Rate of inflation - CPI	2.0%	2.3%
Rate of increase in salaries	3.5%	3.8%
Rate of increase in pensions	2.0%	2.3%
Rate for discounting scheme liabilities	3.7%	2.5%
Take-up of option to convert annual pension to lump sum	50%	50%

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.

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	879,220
+ 0.1% on rate for discounting scheme liabilities	865,507
+ 0.1% on inflation rate	893,150
+ 0.1% on pay growth	881,075
+1 year on life expectancy	896,552

(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 £16.8m in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 16 years as at 31st March 2017 (also 16 years as at 31st March 2016).

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 2016/17, Bromley paid into the Pension Fund a total contribution of £14.4m (29.6% of total pensionable pay), including a past deficit contribution of £5.9m. This compares to £16.7m (32.5%) and £5.9m in 2015/16. 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 2016/17, Bromley paid £1.9m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 16.5% of teachers' pensionable pay. The figures for 2015/16 were £3.4m and 15.3%. 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 2016/17 and 2015/16.

(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 2016/17, the Authority paid £0.1m (14.4% of pensionable pay) to the NHS scheme in respect of these staff (also £0.2m and 14.3% in 2015/16).

Notes to the Core Financial Statements

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 2016/17 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.
At this stage it is not possible to quantify the impact if any, on the authority and has therefore, been disclosed as a contingent liability within the 2016/17 accounts,.
- 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

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 2016/17 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 in 40 years' time 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

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 2016/17 was approved by Full Council in February 2016 (subsequently revised in September 2016) 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 (£272.3m) 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 2017 that this was likely to materialise.

No breaches of the Council's counterparty criteria occurred during 2016/17 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.

	As at 31st March 2016 £000	As at 31st March 2017 £000
Less than three months	3,914	5,183
Three to six months	820	557
Six months to one year	975	1,610
More than one year	3,022	3,518
	<u>8,731</u>	<u>10,868</u>

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:

Principal Sum Invested as at 31st March 2016 £000		Principal Sum Invested as at 31st March 2017 £000
142,677	Less than one year	139,900
64,386	Between one and two years	55,000
80,759	More than two years	75,202
<u>287,822</u>		<u>270,102</u>

Refinancing and Maturity Risk

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

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

Notes to the Core Financial Statements

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 2016/17 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 (£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 2016, 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).

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	2015/16 £000	2016/17 £000
Income			
Amounts receivable from Council Tax payers	(1)	175,281	181,129
Income collectable from Business Rate payers	(2)	83,500	85,861
Income Collectable from Business Rate Supplement	(3)	2,374	2,382
		<u>261,155</u>	<u>269,372</u>
Expenditure			
Precepts / Demands			
- London Borough of Bromley		128,901	135,683
- Greater London Authority		36,913	34,957
Business Rates	(2)		
- Payments to National Pool			
- Payment to Central Government (CLG)		38,937	41,069
- Payment to Greater London Authority (GLA)		15,575	16,428
- Payment to London Borough of Bromley		23,363	24,642
- Cost of Collection		343	337
Business Rate Supplement	(3)		
- Contribution to GLA		2,365	2,375
- Cost of Collection/Administrative Costs		9	7
Bad and Doubtful Debts / Appeals			
- Write offs		1,417	925
- Provision for Appeals		1,271	2,532
- Increase / (decrease) in bad debt provision		-	(262)
		<u>249,094</u>	<u>258,693</u>
Surplus for the Year		<u>(12,061)</u>	<u>(10,679)</u>
Distribution of Previous Year's Collection Fund Surplus			
- London Borough of Bromley		2,927	4,912
- Greater London Authority		866	1,406
		<u>3,793</u>	<u>6,318</u>
Net Movement on Fund Balance		<u>(8,268)</u>	<u>(4,361)</u>
		£000	£000
Fund Balance			
Balance at 1st April		(4,650)	(12,918)
Net movement for year		(12,061)	(10,679)
Distribution of 2013/14 and 2014/15 Surplus		3,793	6,318
Balance at 31st March - Deficit / (Surplus)		<u>(12,918)</u>	<u>(17,279)</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 2016 £000	Distribution of 2014/15 Surplus in 2016/17 £000	Surplus for 2016/17 £000	Surplus as at 31st March 2017 £000
London Borough of Bromley	(11,313)	4,912	(7,852)	(14,253)
Greater London Authority	(3,056)	1,407	(1,974)	(3,623)
	<u>(14,369)</u>	<u>6,319</u>	<u>(9,826)</u>	<u>(17,876)</u>

The balance of the surplus held at 31st March 2016 will be distributed in 2017/18 and the 2016/17 surplus will be distributed in 2018/19.

Business Rates Balance split into its attributable parts:

	Deficit for 31st March 2016 £000	Distribution of 2014/15 & 2015/16 Deficit in 2015/16 £000	Deficit for 2016/17 £000	Deficit as at 31st March 2017 £000
London Borough of Bromley	435	432	176	179
Greater London Authority	290	288	117	119
Central Government	726	720	293	299
	<u>1,451</u>	<u>1,440</u>	<u>586</u>	<u>597</u>

£1,440k of the total deficit held at 31st March 2016 was distributed in 2016/17 (£720k to Central Government, £432k to London Borough of Bromley and £288k to Greater London Authority). The net deficit as at 31st March 2017 of £597k will be distributed in 2018/19.

Council Tax and Business Rates Net Deficit / (Surplus)	<u><u>(17,279)</u></u>
---	------------------------

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 2017

	Fund 1	Fund 2	TOTAL
	£000	£000	£000
Balance as at 1st April 2016	(276)	(501)	(777)
Movement in year on ex LRB functions:			
Income	(1)	(976)	(977)
Interest earnings on Fund balance	(4)	(11)	(15)
Contribution to Fund			
Expenditure	11	211	222
Distribution (note 1)	1	976	977
Balance as at 31st March 2017	<u>(269)</u>	<u>(301)</u>	<u>(570)</u>

Balance Sheet as at 31st March 2017

2016		2017
£000		£000
	<i>Assets</i>	
	Debtors	541
		<u>541</u>
1,165	Cash	570
<u>1,165</u>		<u>1,111</u>
	<i>Liabilities</i>	
276	Fund 1	269
501	Fund 2	301
<u>388</u>	Creditors	<u>541</u>
<u>1,165</u>		<u>1,111</u>

Notes to accounts

1) *2016/17 Distribution*

Of the £977,000 receipts in 2016/17, £541,046 was not received as at 31 March 2017. This will be distributed in 2017/18 and accounts for the high creditors and debtors.

2) *Fund 1*

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

Fund 2

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

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

PENSION FUND

PENSION FUND ACCOUNT

2015/16		Note	2016/17	
£000	£000		£000	£000
Dealings with members and employers				
Contributions and similar payments				
6,284		5	6,219	
19,088		5	19,450	
1,624		5	1,431	
6,005		5	6,009	
1,778			3,161	
	34,779			36,270
Benefits				
(25,333)			(26,061)	
(5,134)			(4,703)	
(238)			(875)	
	(30,705)			(31,639)
Payments to and on account of leavers				
(92)			(84)	
0		16	(32,387)	
(828)			(2,709)	
	(920)			(35,180)
(3,501)		6		(4,197)
	(347)			(34,746)
Returns on investments				
7,289			8,593	
8			17	
(4,316)			191,512	
	2,981			200,122
	2,634			165,376
	745,375			748,009
	748,009			913,385

PENSION FUND

NET ASSETS STATEMENT

31st March 2016			31st March 2017	
£000	£000		£000	£000
		Investment assets		
			8	
26,809		Equities - UK (quoted)		28,102
371,583		- overseas (quoted)		503,092
	398,392			531,194
173,780		Pooled funds - UK (unitised insurance policies)		221,711
164,020		- UK (open ended investment companies)		180,491
	337,800			402,202
	8,862	Cash deposits held by investment managers		10,192
	1,537	Investment income due		2,193
606		Other investment balances - sales		56
(762)		- purchases		(104)
	(156)			(48)
	746,435	Net investment assets	8	945,733
		Current assets and liabilities		
1,126		Cash		56
989		Current assets - debtors	9	915
(541)		Current liabilities - creditors	9	(33,319)
	1,574			(32,348)
	<u>748,009</u>	Closing net assets		<u>913,385</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 2016/17 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 2017, there were a total of 102 employer organisations in the Bromley Fund, including the Council itself. These are listed below.

Scheduled Bodies

Primary School Academies

Alexandra Infants
Alexandra Junior
Balgowan Primary
Biggin Hill Primary
Burnt Ash Primary
Castlecombe Primary
Chelsfield Primary
Chislehurst CE Primary
Clare House Primary
Crofton Infants
Crofton Junior
Cudham CE Primary
Darrick Wood Infants
Darrick Wood junior
Farnborough Primary
Grays Farm Primary
Green Street Green Primary
Harris Aspire
Harris Crystal Palace
Harris Kent House
Harris Primary Beckenham

Scheduled Bodies

Primary School Academies (cont)

Harris Primary Orpington
Harris Shortlands
Hawes Down Infants School
Hawes Down Junior School
Hayes Primary
Highfield Infants
Highfield Junior
Hillside Primary
Holy Innocents RC Primary
James Dixon Primaru
Keston CE Primary
Langley Park Primary
La Fontaine
Leesons Primary
Manor Oak Primary
Marian Vian Primary School
Mead Road Infant School
Midfield Primary
Mottingham Primary
Oaklands Primary School
Oak Lodge Primary School

Scheduled Bodies

Primary School Academies (cont)

Parish Primary
Perry Hall Primary
Pickhurst Infants
Pickhurst Junior
Pratts Bottom Primary
Raglan Primary
Red Hill Primary
Scotts Park Primary
Stewart Fleming Primary
St.. James RC Primary
St. John's CE Primary
St. Joseph's RC Primary
St. Mark's CE Primary
St. Mary Cray Primary
St. Mary's RC Primary
St. Peter & St. Paul Primary
St. Philomena's RC Primary
St. Vincent's RC Primary
The Highway Primary
Trinity CE Primary
Tubbenden Primary

PENSION FUND

Notes to the Accounts

1 Description of Fund continued

Primary School Academies (co. Secondary School Academies)		Special School/AP Academies
Unicorn Primary School	(cont)	Bromley Trust Academy
Valley Primary	Hayes	Bromley Beacon Academy
Warren Road Primary	Kemnal	Harris Aspire
Wickham Common Primary	Langley Park Boys	
Worsley Bridge Primary	Langley Park Girls	Admitted Bodies
	Newstead Wood	Affinity Sutton
Secondary School Academies	Ravens Wood	Amey
Chislehurst School for Girls	The Priory	Birkin Cleaning Services
Bishop Justus CE	The Ravensbourne	Bromley & Lewisham MIND
Bullers Wood		Bromley Mytime
Charles Darwin	Foundation Schools	Churchill Cleaning (Bromley)
Coopers	St Olave's & St Saviour's	Churchill Cleaning (Beckenham)
Darrick Wood	The Glebe	Certitude
Harris Beckenham		Cushman and Wakefield
Harris Bromley	Scheduled Bodies - Other	Liberata UK
Harris Orpington	Ravensbourne College	The Landscape Group

The following table shows the total membership of the Fund as at 31st March 2017 and 2016.

	2016	2017
Members	6,234	6,076
Pensioners - widows / dependants	711	727
- other	4,373	4,343
Deferred Pensioners	5,287	5,258
Total	16,605	16,404

(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 2016/17, ranged from 2.9% 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 2016/17, employer rates ranged from 19.3% to 29.7% of pensionable pay.

(d) Benefits

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

Service pre 1st April 2008:

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

Service post 31st March 2008:

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

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

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

PENSION FUND

Notes to the Accounts

1 *Description of Fund continued*

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 2016/17 financial year and its position as at 31st March 2017. 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 2016/17, 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 to pay pensions and benefits 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

Pooled investment vehicles are accumulation funds and, as such, the change in market value also includes income, net of withholding tax, which is re-invested in the fund.

(iv) Movement in the net market value of investments

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

(d) Benefits payable

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

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies continued

(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.

(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.

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies continued

(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 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

	2015/16 £000	2016/17 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley - normal	8,778	7,773
- augmentations	1,624	1,431
- deficit funding	5,900	5,900
Scheduled bodies - Foundation Schools	298	334
	16,600	15,438
Other		
Scheduled bodies - normal - academies	7,965	9,508
- normal - colleges	1,509	1,116
Admitted bodies - normal	538	719
- deficit funding	105	109
	26,717	26,890
Member Contributions		
L.B. Bromley part of Fund		
L.B. Bromley	3,572	3,234
Scheduled bodies - Foundation Schools	75	85
	3,647	3,319
Other		
Scheduled bodies - academies	1,970	2,317
- colleges	495	355
Admitted bodies	172	228
	6,284	6,219

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

PENSION FUND

Notes to the Accounts

6 Management Expenses

	2015/16	2016/17
	£000	£000
Administrative costs	531	517
London CIV implementation & service chg	0	100
External audit costs	21	21
Investment management expenses	2,781	3,344
Oversight and governance costs	168	215
	<u>3,501</u>	<u>4,197</u>

7 Investment Management Expenses

	2015/16	2016/17
	£000	£000
Management fees	2,617	2,976
Custody fees	31	162
Transaction costs	133	206
	<u>2,781</u>	<u>3,344</u>

8 Investments

Following a review of the Fund's investment strategy in 2012, contracts were awarded for Diversified Growth (10% of the Fund) from December 2012 and Global Equities (70% of the Fund) from December 2013. The managers as at 31st March 2017 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS.

Fixed income: Baillie Gifford and Fidelity.

Diversified Growth: Baillie Gifford and Standard Life.

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 2016 and 2017 was divided between the Fund managers as follows:

	31st March 2016		31st March 2017	
	£000	%	£000	%
Baillie Gifford - global	247,852	33.27%	335,269	35.53%
- fixed income	51,849	6.96%	56,835	6.02%
- DGF	44,802	6.01%	49,316	5.23%
Fidelity - fixed income	67,377	9.05%	74,340	7.88%
MFS - global	159,238	21.38%	205,919	21.82%
Blackrock - global	145,461	19.53%	193,238	20.48%
Standard Life - DGF	28,319	3.80%	28,473	3.02%
London CIV	0	0.00%	150	0.02%
	<u>744,898</u>	<u>100.00%</u>	<u>943,540</u>	<u>100.00%</u>

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

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

	31st March	31st March
	2016	2017
	£000	£000
Diversified Growth Funds (2)	73,121	77,781
Global Equity Fund (1)	145,461	193,238
Sterling Bond Funds (2)	119,218	131,183
	<u>337,800</u>	<u>402,202</u>

PENSION FUND

Notes to the Accounts

8 *Investments continued*

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

	Value at 31st March 2016 £000	Purchases £000	Sales £000	Change in MV £000	Value at 31st March 2017 £000
Equities	398,392	57,616	(50,552)	125,738	531,194
Pooled investments	337,800	100,944	(100,863)	64,321	402,202
Sub-Total	736,192	158,560	(151,415)	190,059	933,396
Cash deposits	8,862			1,453	10,192
Amounts receivable for sales	606				56
Investment income due	1,537				2,193
Amounts payable for purchases	(762)				(104)
Net investment assets	746,435	158,560	(151,415)	191,512	945,733

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 £206k (£132k in 2015/16). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

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

	31st March 2016		31st March 2017	
	£000	% of total	£000	% of total
Baillie Gifford				
- Sterling Aggregate Plus Bond Fund	45,749	6.14	49,780	5.26
- Diversified Growth Fund	44,802	6.01	49,316	5.21
Standard Life - Global Absolute Return Fund	28,319	3.80	28,473	3.01
Blackrock - Ascent Life Global Equities Fund	145,461	19.53	193,238	20.43
Fidelity - Institutional Aggregate Bond Fund	67,370	9.04	74,340	7.86

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.

	2015/16 £000	2016/17 £000
<u>Debtors (current assets)</u>		
Contributions due from employers and employees	983	911
Other	6	4
	<u>989</u>	<u>915</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	538	928
Transfers out (group) (see also note 16)	0	32,387
Other	3	4
	<u>541</u>	<u>33,319</u>

PENSION FUND

Notes to the Accounts

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 2016/17. 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 15 years.

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

	2013	2016
	% p.a.	% p.a.
<u>Economic assumptions</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	4.95	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).

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 £1,115m as at 31st March 2017 (£929m as at 31st March 2016).

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:

	2016	2017
	% p.a.	% p.a.
Increases in earnings	3.5	3.8
Increases in pensions	2.0	2.3
Investment return - Overall discount rate	3.6	2.5

PENSION FUND

Notes to the Accounts

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 2015/16 and 2016/17 and the total value of AVC Funds as at 31st March 2016 and 2017 is shown below.

	2015/16	2016/17
	£000	£000
AVC contributions		
- to Aviva	74	39
- to Equitable Life *	-	-
Total contributions	74	39

* the total contribution to Equitable Life was less than £500.

	2015/16	2016/17
	£000	£000
Market Value		
- Aviva	1,013	1,054
- Equitable Life	83	68
Total Market Value	1,096	1,122

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 £1,971 was paid to the Chairman of the Sub-Committee in 2015/16, and £1,970 in 2016/17. No other payments were made for meeting attendance.

The Council incurred costs of £631k (£588k in 2014/15) 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 2016/17 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in this note on the next two pages.

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, price risk, currency risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet its forecast cash-flows. The Authority manages these investment risks as part of its overall Pension Fund risk management programme.

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.

PENSION FUND

Notes to the Accounts

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

Market Risk continued

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Authority and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Authority to ensure it is within limits specified in the Fund's investment strategy.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the Fund, i.e. £Sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term, currency rates reflect value in a particular territory and, to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold. The Fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and the Pensions Investment Sub-Committee every quarter.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

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.

PENSION FUND

Notes to the Accounts

14 Nature and extent of risks arising from financial instruments continued

Credit Risk continued

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund held £0.1m of Pension Fund cash under its treasury management arrangements at 31st March 2017 (£1.1m as at 31st March 2016). In practice, the Pension Fund Revenue Account cashflow position was only slightly cash negative for most of the year and, as a result, it was not considered viable to separate out Pension Fund cash from Council cash for investment purposes.

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 2016 and 2017.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Council reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

Summary

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

	Market Risk £000	Other Price Risk £000	Currency Risk £000	Interest Rate Risk £000	Credit Risk £000
UK Equities (quoted)	28,102	28,102	-	-	28,102
Overseas Equities (quoted)	503,092	503,092	503,092	-	503,092
Pooled Investments					
- Diversified Growth Funds *	77,781	77,781	77,781	77,781	77,781
- Global Equity Fund	193,238	193,238	193,238	-	193,238
- Sterling Bond Funds	131,183	-	-	131,183	131,183
Cash and cash equivalents	-	10,144	-	10,144	10,144
	933,396	812,357	774,111	219,108	943,540

* The Diversified Growth Funds invest 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.

PENSION FUND

Notes to the Accounts

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 Transfers out (group)

On 1st August 2016, Bromley College (one of the Fund's scheduled bodies) merged with Greenwich Community College, and had made a request to designate the London Pension Fund Authority (LPFA) as the administering body in place of the London Borough of Bromley. Following an application by the colleges, the Secretary of State for Communities and Local Government directed that the assets and liabilities relating to all scheme members' employment with Bromley College shall transfer to the LPFA.

The liabilities effectively transferred to the LPFA on 1st August 2016, so are not included in the accounts from this date onwards. However, the share of Fund assets had not transferred by 31st March 2017, so the estimated transfer value as at this date of £31.2m, which is based on initial calculations by the Fund's actuary, adjusted for subsequent investment returns, and is shown in the accounts as a current liability.

There is also a similar accrual relating to staff who transferred to GS Plus, with an estimated transfer value of £1.2m.

17 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

Scope of Responsibility

The London Borough of Bromley is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bromley also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromley is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Bromley has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) *Delivering Good Governance in Local Government: Framework*. A copy of the code is on our website at www.bromley.gov.uk or can be obtained from Chief Executive's Department, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6 (1), which requires an authority to conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its 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 2017 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The following summarises the key elements of the systems and processes that comprise Bromley's governance arrangements based upon the six core principles of good governance:

1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area:

Bromley is a member-led, commissioning authority, delivering services through whoever is best placed to provide quality and value for money to our residents. We support residents to manage their lives independently with the minimum of intervention from the Council.

Since 2005 the Council has had an agreed framework to improve the life of all those that visit, live, study, or work in the borough. These objectives were amended in 2013 to reflect our public health and

ANNUAL GOVERNANCE STATEMENT

health and wellbeing agenda as well as our priority to continue to invest in the economic wellbeing of our 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
- Safer Bromley
- Healthy Bromley

Our officer and political structures are all aligned to deliver this vision and it sets the direction and policies which other plans should help to deliver and is shared across the Council in our specific Portfolio messages and our departmental, divisional and team plans.

To support this our Corporate Operating Principles are the operational model for the Council which set out our approach to creating a flexible, responsive organisation that can embrace new ways of working with partners and staff to maintain and improve services to our community:

- **Member-led:** The Council’s resources will be targeted at local priorities as agreed by elected Members
- **Delivering Value for Money:** The Council’s services will be provided by whoever offers customers and council tax payers excellent value for money
- **Supporting Independence:** The Council will enable and encourage citizens to take more responsibility for their own lives, with the most vulnerable being provided with the help they need
- **Efficient and non-bureaucratic:** The Council will seek to reduce interference and bureaucratic control whilst protecting the Borough’s distinctive character

Our Portfolio Plans set out what we aim to deliver in the current year and what our performance targets are, 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 behind 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.

Our achievements over the past year and plans for the future are reported in the Annual Report and Statement of Accounts.

With substantial additional savings to be made over the next 4 years the financial situation continues to drive the future direction and work of the Council.

The Commissioning Team, led by the Director of Commissioning and overseen by the Portfolio Holder for Resources, continue to review all our services to ensure best value for money and to determine who is best placed to deliver high quality services based on local priorities and value for money principles, within a balanced budget.

Following scrutiny through the PDS process, the relevant Portfolio Holder and the Executive will make the final decision on implementation. As part of the process formal consultations are also carried out with staff, including Trade Union and staff representatives, and service users.

ANNUAL GOVERNANCE STATEMENT

2) **Members and Officers working together to achieve a common purpose with clearly defined functions and roles:**

Member/Officer roles are defined in the Constitution which sets out how the Council operates, how decisions are made and the procedures followed to ensure that decision making is efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. This is supplemented by a Member/Officer protocol which governs the relationship between them.

Bromley continues to operate the ‘leader and cabinet’ model whereby the Leader appoints the Executive, and decides Portfolio Holder arrangements and responsibilities and agrees any formal delegation of various powers to the Council’s Chief Officers and their staff.

The Council’s decision making structure is divided between executive and non-executive matters. The Executive has seven Members and is the Council’s main decision making body. It is chaired by the Leader of the Council. It either makes decisions itself or six of its Members, who hold Portfolios, decide on matters relating to specialist areas. The Portfolios cover:

- Care Services (including health)
- Education Children and Families
- Environment
- Public Protection and Safety
- Renewal and Recreation
- Resources

By law the Executive cannot take all Council decisions as some matters have to be decided elsewhere, principally by the Development Control Committee (planning, conservation, highways use and regulation etc.) and the General Purposes and Licensing Committee (electoral issues, staffing matters, licensing matters etc.) and their Sub-Committees.

The Leader of the Council is appointed on a four year term following the Local elections and membership of the Executive and various committees is formally announced at the Council’s Annual Meeting.

The Director of Corporate Services (as Monitoring Officer) is responsible for ensuring the lawfulness and fairness of Council decision making, compliance with codes and protocols, and promoting good governance and high ethical standards.

The Director of Finance (as Section 151 Officer) is responsible for the proper administration of the Council’s financial affairs, preparing the Council’s statement of accounts in accordance with proper practices, keeping proper accounting records and taking reasonable steps to prevent and detect fraud. Bromley’s financial management arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Director of Finance performs the role of Chief Financial Officer.

The Corporate Leadership Team is led by the Chief Executive (and Head of Paid Service) who is responsible and accountable to the Council for all aspects of corporate and operational management.

Bromley remains committed to providing a working environment in which staff can contribute to the success of the Council. Our staff commitment sets out the responsibility we all share in making this happen.

ANNUAL GOVERNANCE STATEMENT

3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:

Bromley has adopted a number of codes and protocols that govern the activities of Members and Officers which are communicated as part of the induction process and made available via the intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

Local authorities have a duty to promote and maintain high standards of conduct. It is mandatory that each local authority adopts a Code of Conduct dealing with the conduct that is expected of Councillors and co-opted members when acting in that capacity.

The Code of Conduct approved by full Council in 2012 requires new Members and co-opted members to register their pecuniary and other interests within 28 days of taking office and when there are any changes. The requirement to register pecuniary interests also extends to a spouse or partner. Any gifts and hospitality with a value of over £25 also need to be registered within 28 days of receipt.

The declarations made by each Councillor are detailed on the 'Your Councillors' page on the Council's website.

The Standards Committee considers complaints about Councillors. The Monitoring Officer must consult with an Independent Person before any decision is taken to investigate an allegation of misconduct by a Councillor, or before a decision is made on action to be taken in respect of that Councillor.

Officers are also subject to Section 117 of the Local Government Act 1972 which means that they are required to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council. In addition they are prohibited from receiving any fee or reward as result of their employment with the Council, other than their agreed remuneration. A reminder is sent out on an annual basis with registers maintained by the Monitoring Officer and individual Directors.

The Council's confidential reporting code 'Raising Concerns' sets out how employees and contractors working for the Council on council premises can report their major concerns about any aspect of the Council's work including concerns about Members of the Council. This is designed to enable people to whistleblow without fear of victimisation, subsequent discrimination or disadvantage. The code is widely publicised via the intranet, posters, internal newsletters, and on the Council's website.

We continue to operate a very successful Fraud Partnership with the London Borough of Greenwich building on our Anti-Fraud and Corruption Strategy. Outcomes are reported to Audit Sub-Committee, and prosecutions publicised in the local press and on the Council's website. Housing Benefit frauds are now investigated by the Single Fraud Investigation Service.

Following a successful bid in obtaining Department for Communities and Local Government funding Bromley launched a fraud App for mobile devices in August 2015 which local residents can use to quickly and efficiently report where they suspect fraud is being committed. It is free, secure, easy to use and completely confidential. It can also be used to provide lots of up-to-date information about different types of fraud and can alert residents to scams. The plan is to roll out the App for use in 38 other boroughs across the country.

4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:

The Director of Corporate Services (as Monitoring Officer) works with the Constitution Improvement Working Group to review and updates the constitutional framework including Rules of Procedure and

ANNUAL GOVERNANCE STATEMENT

Standing Orders (which regulate meetings of the Council) and the Scheme of Delegation (which sets out formal delegation of various powers to the Council's Chief Officers and staff) on a regular basis reporting to full Council. The Working Group met twice during 2016/17.

The Director of Finance (as Section 151 Officer) likewise reviews and updates Financial Regulations, Contract Procedure Rules and the Scheme of Delegation (so far as it relates to financial matters), which are incorporated into the Constitution. Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council.

The scrutiny function provided by the six Policy Development and Scrutiny (PDS) Committees continues to provide constructive challenge leading to better and more robust decisions. The Executive and Resources PDS Committee has an over-arching, co-ordinating role on behalf of the other five PDS Committees. The Committee's principle role is to scrutinise the decisions of the Executive and to hold the Leader of the Council, the Chief Executive and the Resources Portfolio Holder to account.

The Constitution Improvement Working Group produced its fifth report in February 2016 making recommendations on several issues including a change to the way the Council develops policy and scrutinises the working of the Council. Full Council accepted the recommendations and a trial 'select committee' approach was undertaken by the Education Select Committee in 2016/17 and has been continued into 2017/18. Full Council also accepted their recommendation that the Executive and Resources PDS Committee establish a Contracts Sub-Committee with scope to examine contracts and commissioning issues across the Council and this has been actioned in 2016/17.

The Council's Risk Management Strategy is kept under review to reflect current procedures, guidance issued by CIPFA and best practice. This is overseen by the Corporate Risk Management Group providing a strategic overview of risk management, health and safety, business continuity and emergency planning activities to improve efficiency and develop synergies in line with Council priorities. The Group continues to report to Audit Sub-Committee. Each departmental representative acts as risk champion for their area to disseminate risk management information and facilitate the identification and assessment of risks.

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit including fraud and risk. The Committee is independent of the Executive and scrutiny functions.

Internal Audit actively participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

Arrangements are in place for receiving and investigating complaints. Leaflets and forms are available from enquiry points and libraries, and can be accessed on the Council's website. The same form can also be used to make a compliment or suggestion. The public is encouraged to report any problems like anti-social behaviour or a missed bin collection online. The Chief Executive and Director of Corporate Services monitor how complaints are handled within departments.

The Bromley Borough Resilience Forum, a statutory forum, meets quarterly to facilitate co-operation and information sharing at the borough level between key stakeholders in relation to emergency preparedness for major events and incidents. The Forum has a representative that attends the wider Safer Bromley Partnership Strategic Group. Through the Forum and pan-London structures the Partnership regularly has the opportunity to participate in training and exercise events to develop and maintain local multi-agency emergency arrangements.

Within the Council we continue to review and maintain our arrangements to respond to and recover from emergencies affecting the Borough. We also review and maintain our business continuity arrangements

ANNUAL GOVERNANCE STATEMENT

to ensure that critical activities and services continue to operate in the event of disruptive events and emergencies. Our procurement policy requires business continuity plans to be part of any tendering process.

5) Developing the capacity and capability of Members and Officers to be effective:

Corporate training provision is reviewed each year to ensure that the learning and development opportunities on offer reflect the key priorities of the organisation; supporting staff to develop a good mix of skills and knowledge so that they are able to perform effectively in their current job and are able to tackle the many changes facing local government.

Officer training needs are identified as part of the annual Performance Appraisal and Development Scheme and there is a comprehensive training programme for all staff. In parallel a Managers' Toolkit site is maintained on the intranet to provide a depository of policies, procedures, guidance and tools enabling all managers across the Council to work more effectively and efficiently.

There are three main training programmes; Organisational Development (including Commissioning and Contract Management, Finance, People Management), Children's Social Care (including Safeguarding, and Continuing Professional Development) and Adult's Social Care (including the Care Act 2014, Awareness of Medical Conditions, Health and Safety). To complement this face-to-face training many of the topics are now available via the web based Bromley Learning Hub which allows users to develop their skills online at a time and place that suits them. Depending on their duties some Officer training is mandatory.

Specific training for Members targets key policy issues and areas of current interest. This is supported by a dedicated Member Development site on the intranet and an area on the Bromley Learning Hub dedicated to Councillors. During the year the Director of Finance held a Finance seminar to update Members on financial issues affecting the Council and a seminar on welfare reform.

IT training is delivered in partnership with Bromley Adult Education College. Officers also have access to external workshops and seminars via our membership of organisations like CIPFA.

6) Engaging with local people and other stakeholders to ensure robust public accountability

We continue to review how we can improve our channels of communication with all sections of the community and other stakeholders. Increasingly Bromley is using social media sites like Twitter and Facebook to provide information and links to upcoming events. Everyone over the age of 18 can also register for a MyBromley account where residents can manage their council tax, access services, receive alerts and relevant information online. Besides the main Council website Bromley MyLife is the social care and health website. It provides information and advice for people who have care and support needs, their carers and people who are planning for their future needs.

Statistics show that there is a steady increase in visits to our website to view pages and access online services like council tax and waste. Mobile devices or tablets now account for more than half the visits.

Council meetings are held in public and agendas and report packs are made available in advance on the Council website, at the Civic Centre and through local libraries at least 5 working days prior to each meeting. Most meetings start at 7pm and there are some daytime meetings. Members of the public can ask questions at a meeting or a written reply can be sent subject to giving sufficient notice. There is a facility to set up daily email alerts on key words or topics.

ANNUAL GOVERNANCE STATEMENT

The Council held three meetings in November 2016 (two round-table meetings for representatives from residents' associations, and a wider public meeting) as part of the 2017/18 budget consultation. The consultation included an online survey, focusing on resident's priorities, collecting their views on what they felt was most important, and asking for practical ideas for saving and generating money to help secure important front line services. This attracted 2,573 replies. This was supplemented by links to detailed information and graphs about the Council's finances on the main website. Additionally submissions were received from Bromley Youth Council enabling young people to have a say in how local services are organised, and connecting them with local democracy. Consultation papers were also sent to local business representatives for their views and comments. Prior to finalising the 'Schools Budget' the Education Portfolio Holder consulted Headteachers, Governors and the Schools Forum.

As part of continuing development of Bromley's Local Plan, the Draft Local Plan was agreed by the council's Executive in July 2016 for consultation with local residents and the wider community the Council carried out consultations between November and December 2016. These covered draft site allocations for housing and education use, together with the policies to guide development in the borough, and consideration of future planning applications. The Council also consulted on changes to the Council Tax Support Scheme with effect from 1 April 2017 and a Cycling Strategy setting out proposals for cycling in the borough up until 2026.

Departments also use surveys to ensure that services are being delivered efficiently and effectively.

The Council operates a Petition Scheme whereby any person who lives works or studies in the Borough of Bromley can submit a petition. Once a petition has been validated a response will normally be sent back within 10 working days. If petitioners are dissatisfied with the Council's response to a petition they have submitted they can request that the issue be brought to a meeting of the full Council for consideration, provided that the number of verified signatures exceeds the threshold required (500 signatures, or 1,000 signatures for an e-petition.) The lead petitioner or their nominee can address the Council for up to five minutes. All petition responses are published on the Council's website.

Given the increasing numbers of Freedom of Information requests, an online form has been introduced to channel requests to the right departments so that enquiries can be dealt with as quickly and efficiently as possible.

Bromley works in partnership with many local organisations representing the views of residents and the public, private and voluntary sectors.

The Borough Officers' group meets on an informal basis to monitor and direct the work of the main thematic partnerships. The group is chaired by the Leader of the Council and includes representatives from the emergency and health services and the voluntary sector.

The thematic partnerships (Bromley Economic Partnership and Safer Bromley Partnership Strategic Group) hold open meetings and agenda papers and minutes are published on the Council website. The meetings receive reports from other key strategic partnerships and the main partnerships themselves. Terms of reference and governance arrangements are in place. The partnerships are subject to scrutiny by the relevant PDS Committees.

The Children's Trust Stakeholder Conference and the Adult Services Stakeholder Conference involve partner agencies, voluntary and community organisations and service users in shaping business planning and priorities for the future. The theme of Adult Services Stakeholder Conference held in November 2015 was 'Living Well with Dementia in Bromley'. The Children's Trust Stakeholder Conference held in March 2016 focused on 'Working with children and young people to maintain their emotional

ANNUAL GOVERNANCE STATEMENT

wellbeing'. Both bodies report to the Care Services Portfolio Holder and other Portfolio Holders as appropriate, and/or the Health and Wellbeing Board.

Review of Effectiveness

Bromley has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Leadership Team comprising Directors and Assistant Directors within the Authority who are responsible for the development and maintenance of the governance environment. This is supported by the Head of Audit's annual report, the Policy Development and Scrutiny annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

As part of this review the Assistant Directors and Heads of Service, where appropriate, have completed and signed an Assurance Statement in relation to their service areas. In turn each Director has reviewed the effectiveness of key controls, using a detailed checklist, to provide an overall Assurance Statement for their own directorates.

The governance framework and internal control environment encompasses all the organisation's policies, procedures and operations in place. At Bromley this is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The process of maintaining and reviewing the effectiveness of the governance framework, including the system of internal control, includes the following elements:

Council Framework

We continue to operate with a Leader and an Executive. The Leader retains responsibility on all decisions about the Council's executive functions. In practice these are either undertaken by the full Executive or delegated to Portfolio Holders and officers..

The Executive contains the Leader and six Members each responsible for a portfolio. Each Portfolio Holder annually outlines, in a portfolio plan, their aims and what they will be doing towards achieving their goals and their performance targets.

The full Council is responsible for adopting the authority's Constitution and Members' code of conduct and for approving the budget and policy framework within which the Executive operates.

Chief Officers (Directors) are responsible for ensuring that Members are advised of the financial implications of all proposals liaising as necessary with the Director of Finance. In addition they are responsible for promoting sound financial practices in relation to the standards, performance and development of staff in their departments.

Policy Development and Scrutiny Committees

Overview and Scrutiny is an important part of the process of checks and balances in local government and is the principal means of ensuring that the Council and its partners are held to account. Six Policy Development and Scrutiny (PDS) Committees discharge this role as set out in the Local Government Act 2000 and successive legislation. The PDS Committees mirror the Council's Executive portfolios. In addition there are three PDS Sub-Committees and Select Sub Committees:

- Education Children and Families Budget and Performance Sub-Committee
- Health Scrutiny Sub-Committee

ANNUAL GOVERNANCE STATEMENT

- Contracts Sub-Committee

Although they have no decision making powers, PDS Committees and Sub-Committees have key roles in contributing to policy development and scrutinising the decisions of the Executive and individual Portfolio Holders.

PDS Committees monitor the performance of services and functions within their remit, assessing performance against key performance indicators and policy objectives. Concerns are reported to a Portfolio Holder who can then, if necessary, be called to a PDS Committee meeting to account for the performance of his or her Portfolio.

They are also involved in the budget setting process and provide comment and recommendations for the Executive to take account of when formulating the Council's annual budget. Similarly, PDS Committees monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities. In addition PDS Committees can commission groups of Councillors to review an issue or policy so assisting a Portfolio Holder or the Executive to improve a service or local function affecting local people.

More routine decisions can be made without pre decision scrutiny at a PDS meeting where the PDS Committees and Portfolio Holders are in agreement, subject to the proposed decision being emailed to all Members in advance. Any Member may then request that a matter be referred to the relevant PDS Committee before a decision is taken.

The call-in process is a key means by which PDS Committees can hold the Executive to account. Any five Councillors can call-in a decision and prevent it from taking immediate effect until it has been considered by a PDS Committee. The Committee can then interview the Portfolio Holder and Officers and consider whether the decision was appropriate, within the Council's policy framework, and whether it should be reconsidered. If the Committee feels that the decision should have been reversed or altered, it can make a recommendation to the Executive, which then has to reconsider the matter.

The Executive and Resources PDS Committee has an over-arching, coordinating role on behalf of the other five PDS Committees and provides an Annual Report to full Council summarising the work that has been carried out during the year.

The Executive and Resources PDS Committee has a rolling programme where the Leader of the Council, the Resources Portfolio Holder and the Chief Executive each do two presentations a year on a rota basis. The other PDS Committees do not generally do this although the relevant Portfolio Holders and Chief Officers are usually present at all their meetings.

The Committees are supported by the statutory Scrutiny Officer who also provides support and guidance to Members on the functions of overview and scrutiny.

Internal Audit

Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council. Internal Audit operates to defined standards as set out in the Public Sector Internal Audit Standards (PSIAS). The effectiveness of the system of Internal Audit is measured by compliance with this code and peer reviews. Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal control. In March 2016 Internal Audit was independently assessed

ANNUAL GOVERNANCE STATEMENT

under PSIAS' 'Quality Assurance and Improvement Programme', to ensure compliance with their standards. The overall assessment was that the council's internal audit service generally conforms to their requirements.

An Annual Audit Plan is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. In addition all significant weaknesses are reported to Audit Sub-Committee and followed-up until recommendations are implemented. The supporting summaries of audit reports help inform the overall assessment of internal controls.

The Head of Internal Audit is empowered to report any matter of concern directly and independently, to the Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, if necessary.

In his Annual Report to Audit Sub-Committee the Head of Audit confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that there is overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigate the risks. Over the past year there have been audits that highlighted a number of weaknesses in the areas of contract management and monitoring. Some of these weaknesses have resulted in priority one recommendations. The Head of Audit can confirm that these weaknesses will need to be addressed at a corporate level and lessons learnt from the audit findings be dissipated across the Authority. Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management.'

Following the launch of a new Counter Fraud Code Assessment Tool by CIPFA in September 2015 to provide assurance on the adequacy and effectiveness of an organisation's counter fraud arrangements Internal Audit carried out a self-assessment. This evidenced that we were generally compliant with the 68 performance statements.

Internal Audit submits an Annual Fraud Report to Audit Sub-Committee summarising all fraud and investigations undertaken during the year. Audit Sub-Committee has provided assurance to the external auditors that they are satisfied with our fraud arrangements within the Authority.

External Inspections

In their *External Audit Report* for the year ended 31 March 2016, presented to the General Purposes and Licensing Committee on 14 September 2016, the external auditors KPMG LLP reported the following:

- 'We reviewed the Authority's budget setting and monitoring processes and deemed financial monitoring to be appropriate to allow the Authority to make informed decisions. The Council has a history of achieving the budgeted position, and reported underspends in both 2014/15 and 2015/16. Savings and growth pressures have been assessed for the next two years as part of the medium term financial plan and the requirement to set a balanced budget. We completed some brief sensitivity analysis on the assumptions within the medium term financial plan, specifically the effect of the finance settlement worsening.
- 'We reviewed the legal, governance and accounting arrangements in place to govern the management of the BCF. This included reviewing all Health and Wellbeing Board minutes from April 2015 to the date of our audit opinion. We concluded that arrangements were appropriate to allow the authority to manage the BCF in conjunction with Bromley CCG and other relevant partners (where required). We reviewed the signed section 75 agreement in place which sets out

ANNUAL GOVERNANCE STATEMENT

a clear vision for Bromley. Within the local plan for 2015/16 key areas of interdependency are noted to allow the Health and Wellbeing Board to actively manage risks and complete tasks assigned to it in order to improve outcomes for local people.’

- Three internal control deficiencies were reported covering the lack of fixed asset register reconciliation, the use of a designated Pension Fund bank account, and the ability of finance team to self-approve and post journals. The recommendations were accepted and acted upon, with the exception of the Pension Fund bank account that Bromley will continue to review.
- ‘We have reviewed the Annual Governance Statement and confirmed that: — It complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and — It is not misleading or inconsistent with other information We are aware of from our audit of the financial statements’

During the last year the Council has received the following assessments from other inspectorates:

Ofsted – Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board – May 2016

Overall rating for this service: Inadequate

Five of the five key judgements were rated Inadequate.

Bromley’s services for children were inspected by Ofsted in April and May 2016. They were found to be inadequate across all reported categories and the inspection raised serious questions surrounding practice and leadership. In October 2016, a report was published setting out findings of the appointed commissioner of a three-month review considering the extent to which the Council had the leadership and management capacity and capability to drive forward the changes necessary to achieve the required standard for their children and young people.

In addition to the oversight provided by a Commissioner, Bromley has continued to receive monitoring visits from Ofsted throughout the review period. Since December 2016, when the new Deputy Chief Executive took up his post, the Ofsted monitoring visits have recognised continuing progress being made for Bromley’s children. The latest monitoring visit letter recognises *‘momentum in the establishment of and embedding core standards and processes’*. Inspectors concluded that there are continuing improvements in practice and that increased capacity at social work and managerial level, aligned with more active engagement of partners, is a key contributor to the progress seen.

The following improvements were identified by Ofsted:

- Social workers spoken to know their cases well;
- The views of children have been sought and reflected, where appropriate, in plans;
- Direct work with children was evident in cases reviewed;
- Within the cases considered, there is very recent improved practice that is leading to improved outcomes for some children and families;
- Multi-agency information is starting to contribute to strategy discussions, and this is leading to more proportionate, timely and appropriate actions and compliance with statutory guidance;

ANNUAL GOVERNANCE STATEMENT

- Recent improvements to the quality of recording are starting to evidence the voice of the child, and examples were seen of direct work with children that is helping to improve their outcomes;
- A new, permanent and experienced senior management team is having a positive impact and while this has taken time to establish, the result is a more recent acceleration to the pace of change

In addition, the leadership, governance and processes implemented through the 'Roadmap to Excellence' were also identified as making a positive impact. These include the Practice Standards, 'triple lock', the revised thresholds to care, the new 'Atlas' team, the permanence and planning panel, and the additional financial resources provided by the Leader of the Council, the new Lead Member for Children's Services and the Chief Executive.

Ofsted – Further Education and Skills (Bromley Adult Education College) – February 2017

Overall rating for this service: Requires Improvement

Five out of five key judgements were rated Requires Improvement.

Care Quality Commission – Home Care (Home Care provides a reablement service to people living in their own homes) – November 2016

Overall rating for this service: Requires Improvement

Two out of five key judgements were rated Requires Improvement.

Improvements that were required have been made and continue to provide scrutiny and review cases. Going forward the LBB contracts compliance team will review the service in addition to the CQC.

Care Quality Commission – Shared Lives (Shared Lives recruits, trains and supports carers who provide placements for adults within their own family homes in the community) – July 2016

Overall rating for this service: Good

The service continues to perform well and Bromley is looking to grow the service as it enables adults to live in home environments within the community.

HM Inspectorate of Probation – Bromley Youth Offending Service. – February 2017

An inspection was carried out and initial feedback is that the service has improved from poor in 2015 to satisfactory.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Risk Management Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

Significant Governance Issues

Last year we identified the following governance issues:

ANNUAL GOVERNANCE STATEMENT

Governance Issue and Actions	Outcome
<p>1. Capacity to make further budget savings and maintain frontline services. The Council will need to make significant savings/achieve additional income of approximately £24m per annum by 2020/21.</p> <p><i>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.</i></p>	<p>During 2016/17 we continued to make significant savings and our budget for 2017/18 allows us to address increased demands on council services, often for our most vulnerable residents, as well as the additional responsibilities local authorities have to shoulder without any more money from government.</p>

Governance Issue and Actions	Outcome
<p>2. Commissioning and transformation agenda:</p> <p><i>The Commissioning Board will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.</i></p>	<p>The Commissioning Board led by the Director of Commissioning and overseen by the Resources Portfolio Holder meet on a regular basis to review progress. Every decision taken concerning commissioning is taken after scrutiny by a PDS Committee, the relevant Portfolio Holder, and the Executive.</p>
<p>3. Welfare reform agenda: The government continues to reform the welfare system with the first phase of Universal Credit rolled-out to claimants in January 2016. The government is also committed to cutting a further £12bn from welfare spending.</p> <p><i>The resulting impact on Council's services will need to be assessed and reported to the relevant PDS Committees.</i></p>	<p>Council Tax Support Scheme: Following a public consultation the Council agreed in November 2016 to maintain the level of support to 75% of Council Tax Liability for working age claimants for the financial year 2017/18.</p> <p>The Council has been modelling the impact of the Welfare Reform and Work Act 2016 which includes provisions for cuts to tax credits and the benefits cap.</p> <p>Currently Universal Credit is only applicable to single people in Bromley, until May 2018 when it is expected to be rolled out to all claimants.</p>
<p>4. Business rates retention. The authority directly retains 30% of any Business Rates received since April 2013. The intention is for Local Authority's to retain 100% of all rates from April 2019. Failure to collect Business Rates and a reduction in eligible business will have a direct cost to Bromley.</p>	<p>The Council has its contract for the collection of Business Rates and continues to monitor the performance of the contractor and require action where targets are not being met.</p>
<p>5. IR35 New Tax Legislation, which places an increased responsibility on employers to ensure that non-directly contracted temporary staff are procured correctly.</p>	<p>Amendment of the Agency staff contract and introduction of staff procedures to ensure all workers utilised comply with legislation.</p>

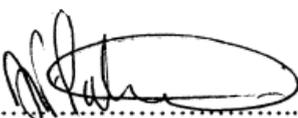
ANNUAL GOVERNANCE STATEMENT

<p>6. Ofsted Inspection: Bromley's services for children were inspected by Ofsted in April and May 2016. They were found to be inadequate across all reported categories and the inspection raised serious questions surrounding practice and leadership</p>	<p>Following publication of the report the Authority has recruited a new Deputy Chief Executive to Oversee Children's and Adults Services and new Leadership Team for Children's Services, new resources have been made available and more active engagement with partners is taking place.</p>
--	---

Any outstanding issues are included in the table below, together with any new governance issues.

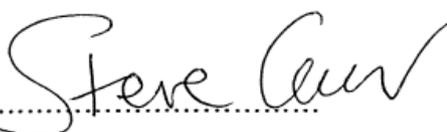
Governance Issue	Actions
<p>Capacity to make further budget savings and maintain frontline services: The Council will need to make significant savings of around £24m per annum by 2020/21.</p>	<p>The Executive is working to balance the budget for 2017/18. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.</p>
<p>Commissioning and transformation agenda</p>	<p>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.</p>

We propose over the coming year to take steps to address the above matters 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.....27.06.17

Signed.....

Leader of the Council

Date.....27.06.2017

GLOSSARY OF TERMS

Accounting Policies

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

Accruals

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

Actuary

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

Actuarial Gains and Losses

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

Agent is where the Council is acting as an intermediary.

Balance Sheet

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

Billing Authority

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

Budget

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

Capital Adjustment Account

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

Capital Charges

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

Capital Expenditure

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

Capital Receipt

The proceeds from the sale of a fixed asset.

Carrying amount

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

Change in Accounting Estimate

Is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.

Collection Fund

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

Community Assets

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

Consistency

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

Contingent

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Support

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

Creditors

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

Current Asset

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

Current Expenditure

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

Current Liability

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

Current Service Cost

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

Curtailments

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

Debtors

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

Deferred Capital Receipts

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

Demand on the Collection Fund

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

Depreciation

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

Earmarked Reserves

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

Employee benefits

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

Events after the reporting period

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

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

Fair Value

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

Fixed Assets

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

Formula Grant

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

Going Concern

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

Greater London Authority

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

Historical Cost

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

Housing Benefit

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

Inventories

Are assets:

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

Investment Property

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

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

Levies

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

Material

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

NNDR - National Non Domestic Rates

Non-Domestic Rates, or Business Rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced on 1 April 2013, the Council keeps a proportion of the business rates paid locally.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Distributable Costs

These include overheads for which no user benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

Non-Operational Assets

Fixed assets held but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

Past Service Cost

The increase in the present value of Pension Fund liabilities arising in the current year from previous years' service. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Pensions Interest Cost

The expected increase during a period in the present value of Pension Fund liabilities which arises because the benefits are due one year closer to settlement.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Post-Employment Benefits

Are employee benefits (other than termination benefits) which are payable after the completion of employment.

Present Value of a Defined Benefit Obligation

Is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Provision

An amount set aside in the accounts for liabilities or losses which are certain or very likely to occur but uncertain as to the amounts involved or the dates on which they will arise.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

Recharges

The collective term for accounting entries representing transfers of (or to cover) costs initially debited elsewhere. They therefore comprise apportionments and charges.

Recoverable Amount

Of an asset is the higher of fair value less costs to sell (i.e. net selling price) and its value in use.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related Party Transaction

Is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

Reserves

Sums set aside to finance future spending for purposes falling outside the definition of a provision. Reserves set aside for stated purposes are known as earmarked reserves. The remainder are unallocated reserves, often described as balances.

Residual Value

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Revaluation Reserve

This reserve records accumulated gains on fixed assets arising from periodic asset revaluations.

Revenue Expenditure

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred that may be capitalised under statutory provisions but that does not add value to the Council's fixed assets.

Revenue Support Grant - RSG

A general grant which replaced rate support grant in 1990-91. Now distributed as part of the Formula Grant.

Ring-Fenced Grants

These grants fund particular services or initiatives considered a national priority, and must be spent on a particular service.

Sales, Fees and Charges

Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities, library fines and planning application fees.

Short-Term Employee Benefits

Are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

Soft Loans

Loans made at less than the prevailing rate of interest and which consequently involve subsidisation of the borrower.

Specific Grants

These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

Statutory Revenue Provision

A prudent amount charged to the revenue account to provide for the repayment of debt.

Tangible Fixed Assets

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Tax Base

The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its council tax, and when central government calculates entitlement to Formula Grant.

Usable Capital Receipts Reserve

This reserve records receipts from fixed asset disposals that are available to finance capital expenditure.

Useful Life

The period over which benefits will be derived from the use of a fixed asset.

VAT

Is an indirect tax levied on most business transactions and on many goods and some services.

- Input Tax is VAT charged on purchases.
- Output Tax is VAT charged in sales.

Report No.
CSD17025

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: 12 September 2017

Non-Urgent

Non-Executive

Non-Key

Title: FEEDBACK ON THE 2017 UK PARLIAMENTARY (GENERAL) ELECTION

Contact Officer: Carol Ling, Electoral Services Manager
Tel: 020 8313 4367 E-mail: carol.ling@bromley.gov.uk
Mark Bowen, Director of Corporate Services
Tel: 020 8313 4355 E-mail: mark.bowen@bromley.gov.uk

Chief Officer: Doug Patterson, Chief Executive/Acting Returning Officer

Ward: N/A

1. Reason for report

To advise Members on the key issues relating to the UK Parliamentary (General) Election held on 8 June 2017, and to give Members the opportunity to comment on the electoral arrangements.

2. **RECOMMENDATION(S)**

Members are asked to note the contents of the report and consider if there are any matters they would like the Returning Officer to take into account when making arrangements for future elections.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not Applicable
-

Corporate Policy

1. Policy Status: Not Applicable
 2. BBB Priority: Excellent Council
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Conducting Elections
 4. Total current budget for this head: Not Applicable
 5. Source of funding: The Cabinet Office funds UK Parliamentary (General) Elections
-

Personnel

1. Number of staff (current and additional): 6 full time, 3 casual staff and approximately 1,250 temporary staff recruited by the Returning Officer for staffing polling stations, opening and verifying postal votes and counting the votes
 2. If from existing staff resources, number of staff hours: Not Applicable
-

Legal

1. Legal Requirement: Statutory RequirementThe Council is required to designate one of its officers as Electoral Registration Officer under section 8 of the Representation of the People Act 1983. The Electoral Registration Officer also acts as Acting Returning Officer for UK Parliamentary Elections (section 28 of the 1983 Act). The Acting Returning Officer is personally liable for the conduct of these elections.
 2. Call-in: Not Applicable:
-

Procurement

1. Summary of Procurement Implications: Not Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): c238,000 registered electors, candidates, agents and staff
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

UK PARLIAMENTARY (GENERAL) ELECTION, 8 June 2017

Background

- 3.1 Under the Fixed-term Parliaments Act 2011, a General Election had not been due until 7 May 2020, but on 18 April 2017 the Prime Minister announced plans to seek a snap General Election on 8 June 2017 (giving just 34 working days to organise).
- 3.2 A motion was passed the next day in the House of Commons, and, with 522 votes 'for' and 13 'against', was ratified by the two-thirds majority required by the Fixed Term Parliaments Act.
- 3.3 On 25 April 2017 the election date was confirmed as 8 June 2017 by Royal Proclamation being issued by HM Queen, and Parliament was dissolved on 3 May 2017.
- 3.4 The election period was interrupted by two major terrorist attacks, the Manchester Arena bombing on 22 May 2017 and the London Bridge attack on 4 June 2017. There were calls for polling day to be postponed. National security became a prominent issue in the final weeks and this directly impacted on our polling and count security arrangements.

Roles and Responsibilities

- 3.5 At a General Election in England and Wales, the Returning Officer (the Mayor) is a largely ceremonial position - receiving the writ and declaring the results.
- 3.6 The administration of this election is the responsibility of the Acting Returning Officer (the Chief Executive). His duties as an Acting Returning Officer are separate from his duties as a local government officer. He is not responsible to the Council, but is directly accountable to the courts as an independent statutory office holder.
- 3.7 The Acting Returning Officer is responsible for delivering the General Election in the three constituencies of Beckenham, Bromley and Chislehurst and Orpington in the London Borough of Bromley.
- 3.8 The three wards of Clock House, Crystal Palace and Penge and Cator form part of the Lewisham West and Penge constituency and are under the responsibility of the Acting Returning Officer of London Borough of Lewisham.
- 3.9 It was agreed that Lewisham would be responsible for administering the nomination process, publishing the statutory election notices, issuing, receipting and verifying the postal votes, and counting the votes; and the Acting Returning Officer would be responsible for issuing the poll cards, and setting up and staffing the polling stations in these three wards.
- 3.10 The writs requiring the General Election to be run in our 3 constituencies were received by the Mayor on Thursday 4 May 2017 and the notice of election was published in each constituency triggering the start of the statutory timetable and giving 25 working days to polling day.

Registering to Vote

- 3.11 Following the introduction of individual electoral registration in June 2014, all applicants must now have their identity verified before their details can appear on the electoral register. They do this by providing their personal identifiers namely their date of birth and their national insurance number. These are checked against DWP records, making the register more secure and more resistant to electoral fraud.

- 3.12 The deadline for registering to vote at this election was Monday 22 May 2017 (12 working days before the election).
- 3.13 Whilst online registration makes it easier and quicker for local residents to engage in the democratic process, it does lead to the potential for high number of applications for registration close to the deadline for the election and for duplicate applications i.e. where an application can be matched to an individual already on the register at the same address. Only individuals not already on the register, needed to register. There was no need to register separately for the General election. National publicity does not always make this clear.
- 3.14 Details of the registration applications received in Bromley are as follows:
- Total number of registration applications received from the day the election was announced (Tuesday 18 April 2017) until the deadline of Monday 22 May 2017 was **22,007** (21,211 online)
 - Total number of registration applications received in the last two days (up until the deadline) was **6,018** (5,819 online)
 - Total number of duplicate applications received was **7,918**

Poll Cards

- 3.15 Poll cards were sent out on Friday 5 May 2017 (the day after the publication of the notice of election) by Royal Mail to some 227,000 registered electors (including polling station voters, postal voters, proxies and postal proxies) giving voters sufficient time to update their registration information or to apply for an absent vote before the relevant deadlines.
- 3.16 A further 12,500 poll cards were issued up to a week or so before polling day, to those residents who registered close to the relevant deadlines.
- 3.17 Notification was received from 16 households (41 electors) that they had received duplicate poll cards (confined to a small area in Beckenham); and a small number of complaints were received from residents who had not received their poll cards.
- 3.18 Details were checked with our supplier but we were assured that all poll cards had been correctly printed and despatched to Royal Mail.

Appointment of Staff

- 3.19 The Acting Returning Officer made some 1,250 appointments to support this election. Whilst many individuals fulfilled different roles, over 800 individuals were appointed with only 155 of these individuals being Bromley Council employees.
- 3.20 The majority of staff who work at polling stations (6am to 10pm) are not Bromley Council employees.
- 3.21 Bromley Council employees are now required to:
- obtain their line manager's consent to undertake this appointment, and
 - take a day's leave or TOIL equivalent (recently introduced)
- 3.22 This has impacted on the recruitment and retention of experienced (Bromley Council) staff and will result in the Acting Returning Officer being increasingly reliant on non-Council staff at future elections.

Absent Voting

- 3.23 **Issue of Postal Votes:** The total number of postal votes issued at the General Election in the borough was 40,553.
- 3.24 The issuing of postal vote packs went smoothly with the first mail out (the bulk of the postal votes – some 36,000 packs) being sent out from the printers by first class post on Tuesday 23 May 2017. This included all those electors with permanent postal votes and those who had applied up until 8 May 2017.
- 3.25 Residents who applied after this date and up to the deadline of Tuesday 23 May 2017 (some 4,000 voters) received their postal vote packs a few days later.
- 3.26 A small number of complaints were received from residents about the non-receipt of their postal vote packs but in most cases replacement postal votes were issued to these people (up to 5pm on polling day).
- 3.27 **Receipt and verification of Postal Votes:** Bromley always has a high take up/return of postal votes and this General Election was no different with some 34,941 (86.16%) packs being returned by 10pm on Thursday 8 June 2017.
- 3.28 The personal identifiers (signature and date of birth) on every returned postal vote statement in each pack were checked and verified against those held on file from the original applications – this is a huge logistical operation requiring suitable accommodation (the Great Hall) for some two weeks before polling day, and is totally dependent on IT systems and staff.
- 3.29 Over 34,000 personal identifiers were checked with 460 postal votes being rejected in accordance with the Electoral Commission Guidance which has been developed by forensic experts from the Forensic Science Service.
- 3.30 The core electoral team (electoral staff and team leaders) undertake the manual checking of those signatures and dates of birth that the IT system requires to be checked visually (most signatures are compared and accepted automatically by the system). These staff have undertaken training to help them make a decision whether to accept or reject a signature.
- 3.31 The Commission's advice is that staff should only reject postal voting statements when they cannot satisfy themselves that the statement has been duly completed with a genuine signature, and that a signature shows 'major and significant differences' before deciding they are not so satisfied.
- 3.32 Once the personal identifiers were verified, the postal ballot papers were placed in ballot boxes, sealed and stored securely before being transported to the count venue on the evening of polling day.
- 3.33 **Proxy Voting:** A total number of 1,808 proxies were appointed at this election with 49 emergency proxies being appointed on polling day.
- 3.34 Absent Voting statistics for each constituency are broken down as follows:

Constituency	Postal Votes Issued	Postal Votes Returned	Turnout (%)	Postal Votes Rejected	Rejected (%)	Proxies
Beckenham	12578	10940	86.98	136	1.24	567
Bromley & Chislehurst	11366	9689	85.25	154	1.59	503
Orpington	12085	10547	87.27	141	1.37	517
Lewisham (3 wards)	4524	3765	83.22	29	0.77	221
TOTAL	40553	34941	86.16	460	1.32	1808

Polling Stations

3.35 The following changes were made to the polling stations used in 2016:

- **New Venue - South Rooms, Holy Trinity Church Rooms** in place of La Fontaine Academy in Bromley Common and Keston ward (following parking and access issues at the Academy)
- **New Venue - Darrick Wood Community Centre** in place of Darrick Wood Infant School in Farnborough and Crofton ward (following various issues at the School and with the Head Teacher)
- **Crofton Infant School** in place of Crofton Junior School in Petts Wood and Knoll ward (at Head Teacher's request)
- **Edgebury Primary School** in place of Mobile Unit opposite Edgebury Primary School in Chislehurst ward (following completion of major building works at the School)
- **Mobile Unit at Bullers Wood School** in place of Bullers Wood School in Bickley ward (at Head Teacher's request due to public examinations taking place)

3.36 In all the above instances a 'note' was put on the poll cards to draw the change to the attention of the voters prior to polling day. In addition to this, notices were displayed at several of the 'old' polling stations (including Darrick Wood Infant School) to remind voters of the change.

3.37 In regard to the two new venues used, initial feedback from polling staff and electors indicates that:

- South Rooms, Holy Trinity Church Rooms – more accessible than La Fontaine Academy with suitable accommodation, ample space to accommodate 2 polling stations and good facilities. *The Acting Returning Officer proposes to use this venue at all future elections*
- Darrick Wood Community Centre – the main room was too small to accommodate 3 polling stations, voters complained that the Centre was not as accessible as Darrick Wood Infant School and the pathway from the car park to the main centre is unsatisfactory (one voter fell and sustained a serious head injury which required hospital treatment). *The Acting Returning Officer proposes to go back to Darrick Wood Infant School at future elections (see below)*

- 3.38 Earlier this year the Head Teacher at Darrick Wood Infant School expressed her concerns about the use of the school as a polling station. Following suggestions, a number of alternative locations were investigated including Darrick Wood Senior School (not available), St Michaels and All Angels Church (not available) and Darrick Wood Community Centre (available).
- 3.39 A site visit of the Community Centre was undertaken (at the beginning of April before the General Election had been announced) to assess its suitability. There were some concerns about the size of the main room but given the issues at Darrick Wood Infant School in 2016, the decision was made to go ahead and use the Community Centre when the General Election was called.
- 3.40 However, to maximise the space available, voters from the 3 polling stations placed their ballot papers in one (the same) ballot box which was placed in a central position in the room used for polling.
- 3.41 Although there were issues on polling day with the space at the Community Centre, the use of one ballot box proved very successful with added benefits at the count including the prevention of ballot papers being put in the 'wrong' ballot box and the subsequent issues with reconciling ballot paper accounts at the count.
- 3.42 The Acting Returning Officer proposes to extend the use of one ballot box across multiple stations at the next election.

Polling Day

- 3.43 Polling day ran smoothly in most polling stations without any major issues being reported to the Acting Returning Officer, although staff reported throughout the day that polling stations were busy and turnout was expected to be high.
- 3.44 Polling finished at 10pm and there were no reported queues at any polling stations in Bromley at close of poll.
- 3.45 Presiding Officers working at polling stations in the constituencies of Beckenham, Bromley & Chislehurst and Orpington returned their sealed ballot boxes and other election materials to the count venue at Kent County Cricket Ground in Beckenham, whilst the Presiding Officers working in the 3 wards of Lewisham West & Penge constituency returned their ballot boxes to the Army Cadet Training Centre in Blackheath.

The Count

- 3.46 **Timing:** The law requires the Acting Returning Officer to take reasonable steps to begin counting the votes (Stage 2) at a General Election as soon as practicable and within 4 hours of the close of poll i.e. an overnight count.
- 3.47 **Venue:** Following the successful use at the 2016 EU Referendum of the Kent County Cricket Ground as a count venue (in preference to a marquee on the Civic Centre site), contact was made with the Kent County Cricket Ground immediately after the announcement of the General Election, and a booking was secured.
- 3.48 **Security:** In light of the recent terrorist attacks security was increased both inside and outside the venue. In order to prevent any unauthorised access, security officers were placed at i) the entrance/roadway to the grounds and ii) all entrances to the main building where the count process was taking place. Access was only allowed to the parking area if individuals had

evidence of a right to be present at the Count. Bag searches were undertaken. All staff, candidates and agents were required to register at the main building by producing their appointment letters, and were given wrist bands. Senior staff, candidates and election agents (not counting agents) were also given coloured lanyards to identify their roles more easily.

- 3.49 **Lessons learnt from 2016:** Parking restrictions were imposed in the roadway outside (Worsley Bridge Road) and parking facilities were made available on site to everyone attending the count. This made the venue more accessible (especially for Presiding Officers returning the ballot boxes), and alleviated complaints from local residents.
- 3.50 Also, in response to some concerns that were raised last year, a review had been undertaken of practices at the count and the following potential improvements were identified:
- Reviewing the layout of the count to ensure that all processes are carried out in clear view of those entitled to attend – Supervisors tables were brought forward so that they were more visible to the Candidates and Agents
 - Providing more information about the count – An Information Pack was produced and distributed/made available to all Candidates and Agents
 - Making available on the night (upon request), copies of the Verification Statements to Candidates and Agents at the end of Stage 1
 - Identifying the Acting Returning Officer's Senior Count Team by wearing bright coloured lanyards
- 3.51 **The Count Processes:** In accordance with guidance issued by the Electoral Commission, arrangements for each constituency have to be structured in such a way as to break down the verification (Stage 1) and counting of votes (Stage 2) into a number of self-contained 'areas' smaller than the constituency, with the totals of these 'areas' being aggregated into a single total for the constituency.
- 3.52 The Acting Returning Officer decided to undertake the verification and count processes in each constituency at ward level (although postal votes could not be identified/sorted down to ward level as they came from anywhere in the constituency, but were 'mixed in' the ward counts) with the results from each ward aggregated to achieve an overall result for the constituency.
- 3.53 The count started in each constituency at 10pm with the postal vote ballot boxes which were already at the venue. The ballot boxes from the polling stations began to arrive shortly after 10.15pm and were all received within about one hour.
- 3.54 Under the election rules, the total number of ballot papers in each ballot box is verified with the number on the ballot paper account submitted by the Presiding Officer at each polling station (or by the Supervisor in charge of the postal vote session) (known as Stage 1). This stage is critical in ensuring the accuracy of the result as it means that when the votes are sorted into votes for each candidate and counted (known as Stage 2), the count total can be compared to the verification total to identify any discrepancies.
- 3.55 **The Results:** The count process was quite straightforward with verification (Stage 1) being concluded and the sorting/counting of votes (Stage 2) being started for all 3 constituencies before 2am on the Friday morning.
- 3.56 The counts proved largely uneventful with the result of the Orpington constituency being declared by the Mayor at about 3am, followed by Bromley and Chislehurst at 3.30am and Beckenham at 4.00am (see Appendix for breakdown of results at ward level in each constituency).

Other Issues:

- 3.57 **Electoral Fraud:** Following the General Election there was some media speculation that individuals (especially students) may have voted twice at these elections.
- 3.58 The Acting Returning Officer has very limited powers to investigate such allegations and is not permitted to access much election material after the election unless it is under a court order or a police investigation. Any such allegations must be reported to and investigated by the local police.
- 3.59 However, the Acting Returning Officer takes any allegation of electoral fraud very seriously and asked his staff to monitor social media for any concerns in regard to double voting, discuss the issue with the Electoral Commission and contact our local election Single Point of Contact (police officer) to check the situation.
- 3.60 The Acting Returning Officer is pleased to advise Members that there is no intelligence of any specific allegations being made in Bromley about double voting or any other electoral fraud.
- 3.61 **Customer Contact Centre:** More than 5,000 front line phone calls to the electoral helpline were dealt with by the Customer Contact Centre (Liberata) during the election period, and with extended opening hours on polling day, this service was very helpful. The Acting Returning Officer proposes to offer the same service at the 2018 Local Council Elections.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

There are no implications arising from this report for vulnerable adults and children.

5. POLICY IMPLICATIONS

Not Applicable

6. FINANCIAL IMPLICATIONS

The funding for the UK Parliamentary (General) Election is met by an allowance from the Cabinet Office in respect of each constituency. Expenditure will be contained within these allowances.

7. PERSONNEL IMPLICATIONS

- 7.1 Some Council employees are recruited by the Returning Officer to help with various duties regarding the conduct of this election. However, a majority of staff are recruited from other sources.
- 7.2 Section 35(6) of the Representation of the People Act 1983 provides that the Council shall place the services of its officers at the disposal of the Returning Officer

8. LEGAL IMPLICATIONS

- 8.1 The Council is required to designate one of its officers as Electoral Registration Officer under section 8 of the Representation of the People Act 1983. The Electoral Registration Officer also acts as Acting Returning Officer for UK Parliamentary Elections (section 28 of the 1983 Act). The Acting Returning Officer is personally liable for the conduct of these elections.
- 8.2 The rules and regulations for the conduct of the UK Parliamentary (General) Election are primarily contained in the Representation of The People Act 1983, 1985 and 2000, the

Representation of the People (England and Wales) Regulations 2001, the Electoral Administration Act 2006 and the Fixed Term Parliament Act 2011.

9. PROCUREMENT IMPLICATIONS

Not Applicable

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	[Title of document and date]

APPENDIX 1: Parliamentary (General) Election - Thursday 8 June 2017

Beckenham Constituency

Party	Name of Candidate	Total	Bromley Common	Copers Cope	Hayes & Coney Hall	Kelsey & Eden Park	Shortlands	West Wickham
LAB	AHMAD Marina Masuma Bin Kabir	15,545	2,505	3,075	2,481	3,032	1,962	2,490
GREEN	FABRICANT Ruth	1,380	215	249	256	224	188	248
LIB DEM	IRELAND Julie Mary	4,073	556	819	620	696	699	683
CON	STEWART Bob	30,632	5,230	4,447	5,971	4,892	4,366	5,726
	Total Number of Valid Votes Cast	51,630	8,506	8,590	9,328	8,844	7,215	9,147
	Rejected Votes							
	A - No official mark	26	0	0	0	26	0	0
	B - Voting for more than one candidate	15	2	1	5	3	4	0
	C - Writing or mark by which voter can be identified	0	0	0	0	0	0	0
	D - Unmarked or void for uncertainty	141	28	31	35	0	35	12
	Total Number of Rejected Votes	182	30	32	40	29	39	12
	Total of Votes at Stage 2	51,812	8,536	8,622	9,368	8,873	7,254	9,159

This page is left intentionally blank

APPENDIX 1: Parliamentary (General) Election - Thursday 8 June 2017

Bromley and Chislehurst Constituency

Party	Name of Candidate	Total	Bickley	Bromley Town	Chislehurst	Cray Valley West	Mottingham	Plaistow
LAB	HYDE Sara	15,585	2,118	3,409	2,064	2,566	2,018	3,410
UKIP	JENNER Emmett	1,383	173	174	201	382	221	232
CON	NEILL Robert James MacGillivray	25,175	4,931	4,123	5,211	3,917	2,714	4,279
GREEN	ROBERTSON Roisin Therese Siobhan	1,150	181	264	187	151	122	245
LIB DEM	WEBBER Sam Dunning	3,369	688	749	611	337	299	685
	Total Number of Valid Votes Cast	46,662	8,091	8,719	8,274	7,353	5,374	8,851
	Rejected Votes							
	A - No official mark	32	20		12			
	B - Voting for more than one candidate	15			5	2	3	5
	C - Writing or mark by which voter can be identified	1	1					
	D - Unmarked or void for uncertainty	71		18	5	21	8	19
	Total Number of Rejected Votes	119	21	18	22	23	11	24
	Total of Votes at Stage 2	46,781	8,112	8,737	8,296	7,376	5,385	8,875

This page is left intentionally blank

APPENDIX 1: Parliamentary (General) Election - Thursday 8 June 2017

Orpington Constituency

Party	Name of Candidate	Total	Biggin Hill	Chelsfield	Cray Valley East	Darwin	Farnborough	Orpington	Petts Wood
LAB	DE GRUCHY Nigel Ronald Anthony	12,301	1,196	1,891	2,319	953	1,874	2,290	1,778
LIB DEM	FEAKES Alex	3,315	276	570	305	283	614	567	700
GREEN	GALLOWAY Tamara Eileen	1,060	102	191	142	95	161	154	215
CON	JOHNSON Jo	31,762	4,204	5,271	3,621	3,126	5,283	4,786	5,471
UKIP	PHILP Brian, John	2,023	324	341	310	192	286	341	229
	Total Number of Valid Votes Cast	50,461	6,102	8,264	6,697	4,649	8,218	8,138	8,393
	Rejected Votes								
	A - No official mark	3					3		
	B - Voting for more than one candidate	14	1	3	1	3	5	1	
	C - Writing or mark by which voter can be identified	0							
	D - Unmarked or void for uncertainty	87	5	12	11	8	9	22	20
	Total Number of Rejected Votes	104	6	15	12	11	17	23	20
	Total of Votes at Stage 2	50,565	6,108	8,279	6,709	4,660	8,235	8,161	8,413

This page is left intentionally blank

Report No.
CSD17130

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: 12 September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: PROPOSED ARRANGEMENTS FOR THE 2018 LOCAL COUNCIL ELECTIONS

Contact Officer: Carol Ling, Electoral Services Manager
Tel: 020 8313 4367 E-mail: carol.ling@bromley.gov.uk
Mark Bowen, Director of Corporate Services
Tel: 020 8313 4355 E-mail: mark.bowen@bromley.gov.uk

Chief Officer: Doug Patterson, Chief Executive/Returning Officer

Ward: N/A

1. Reason for report

- 1.1 To advise Members on the proposed key electoral arrangements in regard to the Local Council Elections to be held on 3 May 2018 and to give Members the opportunity to comment on the proposed electoral arrangements.
-

2. **RECOMMENDATION(S)**

- 2.1 Members are asked to note the contents of the report and consider if there are any matters they would like the Returning Officer to take into account before making his final decision on electoral arrangements.
- .

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not Applicable
-

Corporate Policy

1. Policy Status: Not Applicable
 2. BBB Priority: Excellent Council
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Conducting Elections
 4. Total current budget for this head: Not Applicable
 5. Source of funding: The Council funds Local Council Elections
-

Personnel

1. Number of staff (current and additional): 6 full time, 3 casual staff and approximately 1,250 temporary staff recruited by the Returning Officer for staffing polling stations, opening and verifying postal votes and counting the votes
 2. If from existing staff resources, number of staff hours: Not Applicable
-

Legal

1. Legal Requirement: Statutory Requirement The Council is required to designate one of its officers as Returning Officer for Local Council Elections under the provisions of section 35 of the Representation of the People Act 1983. The Returning Officer is personally responsible for the conduct of elections.
 2. Call-in: Not Applicable:
-

Procurement

1. Summary of Procurement Implications: Not Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): c238,000 registered electors, candidates, agents and staff
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

3. COMMENTARY

LOCAL COUNCIL ELECTIONS, 3 May 2018

Introduction

- 3.1 The next scheduled elections to be held in Bromley are the Local Council Elections on Thursday 3 May 2018.
- 3.2 No other polls are (currently) scheduled for this date – unlike in 2010 (when the Local Council Elections were combined with the Parliamentary Election) and in 2014 (when the Local Council Elections were combined with the European Election).

Roles and Responsibilities

- 3.3 The Council has appointed Doug Patterson, Chief Executive to be the Local Returning Officer (Returning Officer) at Local Council Elections.
- 3.4 The duties of a Returning Officer are separate from his duties as a local government officer, and he is personally liable for the conduct of the elections. While undertaking these duties, the Returning Officer is not accountable to the Council, but is independent and answerable only to the courts.

Changes

- 3.5 Since the last Local Council Elections in 2014, there have been several changes that could have an impact on the successful delivery of these elections:
- The introduction of individual electoral registration
 - Difficulties in recruiting suitable election staff
 - Pressures on budgets

Challenges arising from these changes will be dealt with in more detail below.

Timetable

- 3.6 The election process follows a statutory timetable. The Returning Officer has no discretion to extend or vary any of the dates or deadlines. The key dates for the Local Council Elections in 2018 are as follows:

Publication of notice of election	by Tuesday 27 March 2018
Start of nominations	day after Publication of Notice of Election
EASTER:	Friday 30 March – Monday 2 April 2018
Deadline for nominations	4pm, Friday 6 April 2018
Deadline for registration applications	Tuesday 17 April 2018
Deadline for postal vote applications	5pm, Wednesday 18 April 2018
Deadline for proxy applications	5pm, Wednesday 25 April 2018
POLLING DAY	7am to 10pm, Thursday 3 May 2018
Counting of votes	to be confirmed (see below)

Registration

- 3.7 Individual electoral registration was introduced in June 2014 and although the processes and systems are now well embedded, it does lead to high number of applications for registration close to the deadline for an election and for duplicate applications. This was evidenced at both

the recent 2017 UK Parliamentary (General) Election and the 2016 EU Referendum where significant numbers of applications were received.

- 3.8 The registration deadline for the Local Council Elections is Tuesday 17 April 2018. The Returning Officer will be urging residents (through the Council website, local press releases and social media) to register to vote well before this deadline in an attempt to reduce the last minute applications.
- 3.9 It should also be noted that European Union citizens (marked with a 'G' on the electoral register) can vote at these elections, but Overseas citizens (marked with a 'F' on the electoral register) cannot vote at these elections.

Nomination Process

- 3.10 Nominations for these elections will be accepted by the Returning Officer the day after the publication of the notice of election.
- 3.11 Given the high number of nominations that are usually received at these elections and the short period permitted for delivery, the Returning Officer is proposing to publish the notice (a day earlier than normal) on Monday 26 March 2018 so that nomination papers can be submitted from Tuesday 27 March 2018.
- 3.12 The deadline for receipt of nominations is 4pm Friday 6 April 2018. This date is set by law and cannot be moved or extended for any reason.
- 3.13 In order to ensure that people who want to stand for election receive all the information they need to take part, the Returning Officer will be holding a briefing session for prospective candidates and agents prior to the start of the election process (early March 2018) to provide them with useful and practical information about the nomination process and the elections. All prospective candidates will also have the opportunity to have their nomination papers informally checked prior to formal submission. However, it is for individual prospective candidates to satisfy themselves that they are eligible to stand for election – it is not for the Returning Officer to give any advice in this regard.

Postal Votes

- 3.14 With over 40,000 postal packs being issued at the last poll in 2017 (and over 85% being returned), postal voting continues to form a major and complex logistical part of any election in Bromley but this is especially the case at Local Council Elections with twenty two (22) separate electoral areas to manage.
- 3.15 The bulk of postal vote packs (electors with long term arrangements) will be sent out as early as practicable (about 12 working days before polling day) – however this cannot be until after close of nominations when the candidates are known and the ballot papers can be printed.
- 3.16 Unfortunately there will always be some postal vote packs (electors who apply for postal votes in the last few weeks leading up to the deadline) that cannot be sent out until about 7 working days before the election (subject to the printer's schedule).
- 3.17 The Returning Officer will be urging residents (through the Council website, local press releases and social media) to apply for their postal vote well before the deadline of 5pm on Wednesday 18 April 2018.
- 3.18 Returned postal votes will be stored securely and full audit trails maintained at all times of the process.

- 3.19 There will be a number of postal vote opening sessions held before polling day (prior notice of the dates/times will be given to the candidates and agents), where the personal identifiers (signature and date of birth) on every returned postal vote will be checked by the Returning Officer's staff and verified against those held on file from the original applications. These staff have undertaken regular training (some staff have over 10 years' experience) to help them make a decision whether to accept or reject a signature in accordance with the Electoral Commission's Guidance. These sessions are not open to general viewing but restricted to candidates and agents.
- 3.20 Members are reminded that there is a Code of Conduct covering the handling of postal vote applications and packs (as well as electoral registration, proxy voting and polling stations).

Appointment of Staff

- 3.21 The Returning Officer would like to remind Members that under the provisions of section 35(6) of the Representation of the People Act 1983, the Council has a duty to place the services of its officers at the disposal of the Returning Officer.
- 3.22 At the Local Council Elections, he will be required to appoint some 1,250 staff to support the various election processes. However, the recruitment of staff (especially Presiding Officers and Count Supervisors) is now an extremely challenging process with the Returning Officer being much more reliant on non-Council staff for the following reasons:
- The number of Council employees has decreased
 - There is less scope for Council staff to be released due to service pressures and constraints (only 155 Council staff were appointed at the 2017 General Election)
 - Some Council staff are deterred from working at polling stations as they are now required to take a day's leave or TOIL equivalent to work on the election
- 3.23 It is absolutely essential that the Returning Officer appoints sufficient numbers of suitable staff (both in election skills and knowledge) in the various roles, in order to ensure that these elections are delivered successfully. The Returning Officer is looking at other recruitment sourcing methods ahead of next year's Local Council Elections.

Polling Stations

- 3.24 Following the 2016 EU Referendum a questionnaire was sent to all polling stations (to help us have a clearer picture of facilities and issues at every polling station) and providing an opportunity for schools to suggest an alternative venue for a polling station.
- 3.25 The responses received by the deadline were as follows:

	Number	Responses	Suggested alternative
Schools	38	31	9
Private	71	39	-
TOTAL	109	69	9

- 3.26 The Returning Officer is pleased to report that of the 31 Head teachers who responded to the questionnaire, 22 Head teachers are content with their school being used as a polling station with 9 suggesting alternative venues.

3.27 We started to investigate the suitability of the premises that had been suggested as alternative venues, but the General Election was called at short notice and unfortunately this had an impact on the agenda. However, we were able to change the following for the General Election:

- La Fontaine Academy to South Rooms, Holy Trinity Church (Bromley Common & Keston ward)
- Darrick Wood Infant School to Darrick Wood Community Centre (Farnborough & Crofton ward)

(See report Feedback on the 2017 UK Parliamentary (General) Election for further information)

3.28 We will now continue to investigate the alternative venues suggested by Head teachers of the following schools:

- Green Street Green Primary School (Chelsfield & Pratts Bottom ward)
- Chislehurst CE Primary School (Chislehurst ward)
- Cudham Primary School (Darwin ward)

Where venues are assessed as being suitable and appropriate, the polling station will be changed for the Local Council Elections next year.

3.29 We will also continue to work with Head teachers looking at ways to keep schools open on polling day when desired. This can be achieved where part of the site can be sectioned off appropriately for the polling station. However, in order to maintain the safe keeping of the children, this often involves keeping barriers down making access to the polling station and parking on site for voters more restricted. This has led to numerous complaints being made to polling staff on the day.

3.30 The Returning Officer will remind Head teachers that he is entitled by law to have full access to the polling station and if this cannot be achieved the school should be closed.

3.31 Following the General Election earlier this year, all polling stations have been advised of the date of the Local Council Elections next year (and the dates of scheduled elections up until May 2028) and provisional bookings made (schools are provided with annual reminders of election dates so that they can plan their inset days and notify parents of these arrangements well in advance).

3.32 The Returning Officer proposes to roll out the use of one (common) ballot box at (most) multiple polling stations (if such a box is filled up, another one will be provided). The benefits of doing this are that:

- less space required in multiple polling stations (must be in one room)
- voters cannot put ballot papers in the 'wrong' ballot box in a multiple polling station
- reduces number of Presiding Officers returning ballot box at close of poll
- reduces issues with reconciling ballot paper accounts in multiple polling stations
- enable the process of verifying number of ballot papers in a box with ballot paper account to be quicker

Voter Identification at the Polling Station

3.33 Following Sir Eric Pickles review into electoral fraud, published in August 2016, the Government is now committed to 'legislate to ensure that a form of identification must be presented before voting', and is looking to test options for requiring electors to present a specified form of identity before casting their vote at elections scheduled for May 2018.

- 3.34 The purpose is to trial various types of identity which may include photographic identity and non-photographic identity. Where an elector is unable to present the required form of identification they will be refused a ballot paper and will be unable to vote.
- 3.35 The Returning Officer submitted an expression of interest to be included in piloting the scheme to trial various types of identification. Change will be coming anyway and being a pilot authority will give us additional funding to implement and publicise the changes.
- 3.36 We are now working with the Cabinet Office to agree the forms of identification to be tested (we have indicated that we want to adopt a 'light touch' approach with both photographic and non-photographic forms of identification to be as inclusive as possible), to agree the delivery and evaluation methodologies, consider awareness raising strategy and to ensure success of the pilot schemes.
- 3.37 These pilot schemes will strengthen electoral integrity, enhance public confidence and will help the Cabinet Office identify the best way to deliver and implement the national roll out of voter identification.

The Count

- 3.38 The Returning Officer is personally responsible for the verification and counting of the votes at the Local Council Elections and as such, part of that responsibility is for him to decide on the best location and time for the count.

Where the Count will take place:

- 3.39 The Returning Officer considers that the Kent County Cricket Ground, Beckenham is the only count venue which merits consideration. The space (where the count process takes place), facilities (especially for the disabled) and ancillary rooms are excellent. Feedback received following the recent election has been very positive, with most issues arising in 2016 relating to parking and refreshments being resolved (see report on Feedback on the 2017 UK Parliamentary (General) Election). It is also a more cost effective option than use of a marquee at the Civic Centre.

When the Count will take place:

- 3.40 The Returning Officer is required to make arrangements for the counting of the votes at Local Council Elections 'as soon as practicable after the close of poll' (unlike a General Election when the law requires the count to start within 4 hours of close of poll). His main concern is to ensure that the count is accurate (with all stakeholders having confidence in the results) and timely. It is his decision whether to count the votes on Thursday evening immediately following close of poll (i.e. overnight) or the day after on Friday (i.e. daytime). However, before making his final decision Members views are sought on the timing of the count.
- 3.41 The Local Council Election counts are the most difficult and complex to organise and manage as there are 22 (ward) counts run separately but simultaneously. Results may be close in some wards with a high possibility of re-counts – so staff must count accurately and supervisors must complete paperwork (calculating the result) correctly and in a timely manner.
- 3.42 It is difficult to estimate the time it will take to count the votes based on previous elections, as the last Local Council Elections held in 2014 and 2010 were combined with other elections. The time it takes depends on turnout, the number of split votes (where a voter has **not** used all their votes for candidates of a particular political party), the closeness of the results and the accuracy of staff counting.

3.43 In 2014 the count started on Friday at 8am with the verification of both the Local Council Election ballot papers and the European Election ballot papers (Stage 1); and then (from about 11am onwards) staff went on to sort and count the Local Council Election ballot papers (Stage 2), with the final ward result being declared (after several re-counts) at about 6.30pm more than 10 hours later.

3.44 Whilst there are a number of factors that affect when it is reasonable practicable for the Returning Officer to start the count process (e.g. turnout, number of choices on the ballot papers, count methods etc.), the key factors that he is taking into consideration for next year's Local Council Elections are:

i) The availability and appointment of staff

3.45 The Electoral Commission recommends that Returning Officers should 'wherever possible not use staff who have been on polling duty all day'. Unfortunately, the appointment of suitable (experienced, skilled and knowledgeable) counting staff in sufficient numbers (primarily those in senior roles) is becoming more and more difficult especially when the counting of votes is commenced immediately following the close of poll at 10pm.

3.46 The pool of suitable count staff available to the Returning Officer is declining partly due to the length of time staff are expected to work and the rates of pay on offer; and partly due to less Council staff being available and/or willing to undertake the work. Consequently many key senior election staff take on several roles (most commonly Presiding Officer on the Poll and Supervisor at the Count).

3.47 For a count that finishes at 4am (i.e. an overnight count), key senior staff would have worked for some 22 hours - this does not support an 'accurate and timely' count as staff are more likely to make mistakes which in turn means the count process may be significantly slower.

3.48 The Returning Officer must consider the risks both in terms of process and also in terms of the welfare, health and safety of his staff.

3.49 A daytime count will give the Returning Officer greater access to experienced staff.

ii) The cost of staffing the count

3.50 Staff working on the count will be paid in accordance with the London Councils agreed Scale of Election Fees. This Scale provides for different rates depending if the count is at night or during the day.

3.51 As indicated above, it is difficult to say how long the count process will take as this will depend on a number of factors including turnout, the number of split votes, the closeness of the results and the accuracy of staff counting. However, it is generally accepted that a night count will be longer (when staff are tired and mistakes more likely to happen).

3.52 Taking this into account, the costs of counting during the day are far lower than during the night with significant savings being made, for example a 10 hour night count (£72k) v a 8 hour day count (£40k) – potential savings of £32k

3.53 The Returning Officer is mindful that staff costs must be carefully considered given that the Council will be funding the costs of these elections and the financial challenges we continue to face.

iii) Commencement of term of office and induction of Elected Members

- 3.54 Successful candidates at the Local Council Elections do not take up office until the 4th day after the date of poll – so there is no urgent need for the count to be conducted overnight.
- 3.55 Furthermore, following the practice at the 2010 and 2014 Local Council Elections where the count was the following day, it was found to be far easier and more convenient for both staff and successful candidates to undertake initial Member induction (including photographs) immediately following the declaration of result during the day, rather than having to make arrangements to come back at a later date, following a count overnight.

iv) Checking returned postal votes

- 3.56 Postal ballot papers returned relatively late (e.g. to a polling station or Civic Centre before 10pm) cannot be counted until the signature and date of birth on the postal vote statements have been checked and verified – depending on the numbers received this could delay the progress of an overnight count. Although there were large volumes of late postal votes received at the recent General Election, the process was much more straightforward.
- 3.57 However, because of the nature of the Local Council Elections (i.e. 22 separate electoral areas), the process to deal with the returned postal votes is much more complex. In 2014, the Returning Officer suspended the verifying of postal votes at 1am, and the process was completed later that morning when the count started.

Conclusion

- 3.58 The period of time at which the count takes place must be such that the Returning Officer can resource and conduct a well-run count process from start to finish, ensuring the accuracy of the result. Whilst the combination of the Local Council Elections with other Elections in 2010 and 2014 necessitated a day time count for the Local Council Elections, the Returning Officer is of the view that it worked well on both occasions and did not cause any detriment to either local electors or those standing for election.
- 3.59 On the balance of these factors, the Returning Officer sees merit in commencing the count at the Local Council Elections the next morning (Friday, 4 May) at 8.30am. However, the Returning Officer would welcome Members views on the timing of the count before making a final decision.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

There are no implications arising from this report for vulnerable adults and children.

5. POLICY IMPLICATIONS

Not Applicable

6. FINANCIAL IMPLICATIONS

The cost of the Local Council Elections is met by the Council

7. PERSONNEL IMPLICATIONS

- 7.1 Some Council employees are recruited by the Returning Officer to help with various duties regarding the conduct of this election. However, a majority of staff are recruited from other sources.

7.2 Section 35(6) of the Representation of the People Act 1983 provides that the Council shall place the services of its officers at the disposal of the Returning Officer

8. LEGAL IMPLICATIONS

8.1 The Council is required to designate one of its officers as Returning Officer for Local Council Elections under the provisions of section 35 of the Representation of the People Act 1983. The Returning Officer is personally responsible for the conduct of elections.

8.2 The rules and regulations for the conduct of the Local Council Elections are primarily contained in the Representation of The People Act 1983, 1985 and 2000, the Representation of the People (England and Wales) Regulations 2001, the Electoral Administration Act 2006, the Local Government Act 1972

9. PROCUREMENT IMPLICATIONS

Not Applicable

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	[Title of document and date]

Report No.
CS 18064 ID

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

<Please select>

Decision Maker: **General Purposes and Licensing Committee**

Date: **12th September 2017**

Decision Type: Non-Urgent Non-Executive Non-Key

Title: **LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2016/17**

Contact Officer: Aileen Stamate , HOS Strategic and Business Support Services ECHS
Tel: 020 8313 4753 E-mail: aileen.stamate@bromley.gov.uk

Chief Officer: Mark Bowen Director of Corporate Services
Tel: 020 83134461 E-mail: Mark.Bowen@bromley.gov.uk

Ward: Boroughwide

1. Reason for report

- 1.1 This report informs Members of the GP&L Committee of the Local Government Ombudsman (LGO) annual review letter 2016. It provides a summary of complaints and enquiries received and the decisions made by the LGO about the London Borough of Bromley for the year ending 31 March 2017.
-

2. **RECOMMENDATION(S)**

- 2.1 Members of the General Purposes and Licence Committee are asked to consider and comment on the report.

Corporate Policy

1. Policy Status: Existing policy.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: No cost
 2. Ongoing costs: N/A.
 3. Budget head/performance centre: NA
 4. Total current budget for this head: £NA
 5. Source of funding: NA
-

Staff

1. Number of staff (current and additional): n/a
 2. If from existing staff resources, number of staff hours: NA
-

Legal

1. Legal Requirement: Statutory requirement.
 2. Call-in: Call-in is not applicable.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 1000
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.
2. Summary of Ward Councillors comments:

3. COMMENTARY

- 3.1 The regulatory reform Ombudsman Order 2007 amended the 1974 Act and clarified the powers of the Local Government Ombudsman and the Parliamentary and Health Service Ombudsman. The Local Government Ombudsman has changed its name to reflect social care and is now known as Local Government & Social Care Ombudsman (LG&SCO). The LG&SCO investigates allegations of maladministration caused by injustice to the complainant. Most council services can be investigated including some areas of housing, planning, education, social services, council tax, housing benefit and highways. Registered adult social care services can be investigated regardless of whether there has been council input into the care. The LG&SCO only become involved after a council's complaint procedure has been exhausted.
- 3.2 The Council reviewed its complaint system in October 2016 and the Ombudsman visited at our invitation to scrutinise the processes supporting LG&SCO investigations. The retiring Ombudsman was pleased and satisfied with the matter resolved. The new Ombudsman Michael King has taken the opportunity to reflect on the pre-existing duties placed on all authorities in relation to Ombudsman reports under the Local Government Act 1974. The public report 14 February 2017 in relation to a transitioning young person was fully reported to Executive Committee 24 May 2017.
- 3.3 The Ombudsman has outlined their expectations that investigations are properly communicated to elected Members. There is a significant statutory duty under section 5(2) of the Local Government and Housing Act 1989 that is triggered by findings of fault by the LG&SCO. They have stated they expect this duty to be discharged by the Monitoring Officer through a periodic report to the Council summarising the findings on all upheld complaints over a specific period. A report has been prepared for both Care Services PDS and the Education & Children and Young People select Committee for the complaints annual report published in September.
- 3.4 The LGO annual review letter (Appendix 1) provides a breakdown of the upheld investigations and a compliance rate for implementing LGO recommendations to remedy a fault. In 2016-17, 159 enquiries made resulted in 76 referred back to us to find a solution and 5 were described as either incomplete or invalid and did not meet the LGO criteria for further investigation. A further 28 cases were closed after the LGO made initial enquiries and provided advice in one case.

	Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	other	Total
Enquiries	37	32	6	28	10	9	30	7	0	159
Upheld	18	1	0	2	1	0	10	1	0	33

- 3.5 Of the 55 detailed investigations carried out the LGO, they concluded in 33 cases an element of fault was proven and upheld in part or in full. Consequently, we were requested to apologise on fifteen occasions and make nineteen payments for financial redress. We were also asked to address issues through procedural changes to avoid a repeat of the same mistake.

Investigations by LGO			
Not upheld	Upheld	Uphold rate	Total investigations
22	33	60%	55

3.6 An annual complaints report in relation to housing, education and children services is submitted to Care Services PDS each year and provides information in relation to the complaints received by the Council please see the 2016/17 report at the following link.

<http://cde.bromley.gov.uk/ieListDocuments.aspx?CId=585&MId=6118&Ver=4>

3.7 Financial redress payments to complainants totalled £8,200 with one family receiving just over £6,000.

Non-Applicable Sections:	Financial Personnel Legal and Policy implications
Background Documents: (Access via Contact Officer)	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  London Borough of Bromley.pdf </div> <div style="text-align: center;">  London Borough of Bromley - Decided.xls </div> <div style="text-align: center;">  London Borough of Bromley - Received.x </div> </div>

Report No:
CEO 1631

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENCING COMMITTEE

Date: 12 September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: Teacher Pay Policy – Centrally Based Staff

Contact Officer: Angela Huggett, Head of HR Strategy and Education
Tel: 020 8313 4029 E-mail: angela.huggett @bromley.gov.uk

Chief Officer: Jane Bailey Director of Education
Charles Obazuaye Director Human Resources

Ward: N/A

1. Reason for report

- 1.1 From 1 September 2017 revised arrangements came into force in relation to Teachers' Pay and Conditions through the publication of the statutory 2017 School Teachers' Pay and Conditions Document.
 - 1.2 This report sets out the main changes and proposes a model pay policy (Appendix 1) for all centrally based teachers.
-

2. **RECOMMENDATION(S)**

- 2.1 **That Members note and comment on the report and the attached model pay policy for all centrally based teachers;**
- 2.2 **Agree the model pay policy in respect of Centrally based Teaching staff employed by the Local Authority which provides flexibility for Managers in determining arrangements for Pay and Progression for all Teaching staff consistent with the letter and spirit of the statutory guidance .**

Corporate Policy

1. Policy Status: Existing Policy
 2. BBB Priority: Children and Young People Excellent Council
-

Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Not Applicable
 3. Budget head/performance centre: N/A
 4. Total current budget for this head: N/A
 5. Source of funding: N/A
-

Staff

1. Number of staff (current and additional):

All Teachers and Heads of Service centrally employed in Education Services i.e.

- Specialist Support and Disability Services (The Phoenix Centre)
- Sensory Support Services
- Primary Pupil Support Advisory Team

As at 30 August 2017 this comprised 50 staff (40.13 FTE) employed on Teacher Terms and Conditions of employment.

2. If from existing staff resources, number of staff hours: N/A.
-

Legal

1. Legal Requirement: Statutory Requirement Sections 122 and 127 Education Act 2002
 2. Call-in: Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): N/A
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

- 3.1 The Education Act 2002 gives the Secretary of State power to prescribe pay and conditions and to issue guidance on pay and conditions matters, to which those concerned must have regard.
- 3.2 The statutory requirements for teachers' pay and conditions for maintained schools in England and Wales are set out in the School Teachers' Pay and Conditions Document which is published annually, and schools and local authorities (LAs) must abide by these. LAs and governing bodies are also required to have regard to the statutory guidance issued in conjunction with the document, and in respect of guidance on procedural matters a court or tribunal may take any failure to do so into account in any proceedings.
- 3.3 In accordance with the requirements of the School Teachers' Pay and Conditions Document, the LA as the "relevant body" is required to have in place a pay policy setting out the arrangements for determining pay arrangements for all centrally based teaching staff.
- 3.4 The current pay policy has been revised incorporating the changes as outlined in the School Teachers' Pay and Conditions Document 2017 and is attached to this report at Appendix 1 for consideration and approval.

Background

- 3.5 Each year the School Teachers' Review Body (STRB) is provided with a remit from the Secretary of State to review Teachers' Pay. The remit focuses on specific areas as well as pay trends in general. The school teachers' review body consults with employers and teacher organisations and Unions and reports back to the secretary of state its findings and recommendations. The Secretary of State then determines whether or not to accept the proposals put forward by the review body. A copy of the 27th Review Body full report can be found at the following link <https://www.gov.uk/government/publications/school-teachers-review-body-27th-report-2017>
- 3.6 The Review Body made the following recommendations which were accepted by the Secretary of State:
- A 2% uplift to the minimum and maximum of the main pay range (MPR);
 - A 1% uplift to the minima and maxima of the upper pay range (UPR), the unqualified teacher pay range and the leading practitioner pay range;
 - A 1% uplift to the minima and maxima of the leadership group pay range and all head teacher group pay ranges; and,
 - A 1% uplift to the minima and maxima of the Teaching and Learning Responsibility (TLR) and Special Educational Needs (SEN) allowance ranges.
- The Review Body further commented that it is for school leaders and governing bodies to implement these changes to the national pay framework in accordance with their pay policies and within the funding available.
- 3.7 The DfE carried out extensive consultation with relevant parties and the finalised version of the School Teachers Pay and Conditions Document (SCTP&CD) was laid before Parliament in August 2017 with implementation on the 1st September 2017.

- 3.8 The new pay and conditions document continues to provide flexibility for relevant bodies in relation to reward and performance of staff. Each School and LA is required to determine its own specific pay policy tailored to the needs of the individual school/service.
- 3.9 In reaching its recommendations the review body commented that:

“It is essential that the national pay and allowance framework for teachers attracts high quality graduates to the profession, retains experienced and capable teachers, and motivates and rewards fairly those who take on additional responsibilities and leadership positions. We consider that the evidence supports the case for an uplift to the pay framework which will strengthen the position of teaching in relation to other graduate professions and start to mitigate recruitment and retention pressures.

We noted, and carefully considered, the evidence we received about schools’ financial situations. School leaders and governing bodies will face a range of financial challenges over this Spending Review period, and it is clear that some schools will find it challenging to implement any pay uplift at all. However, pupil achievements are largely dependent on schools maintaining a strong cadre of teachers. This will require school leaders and governing bodies to make best use of their people and give the necessary priority to teachers’ pay within their schools’ budgets. The new teachers’ pay framework introduced by recent reforms has given them additional tools to help with this.

Taking all factors into account, we conclude that action is required now to make the teachers’ pay framework more competitive. In the context of the overall financial situation, we think this should be targeted to support the recruitment and retention of teachers in the early stages of their careers”.

As part of the review cycle HM Treasury provided evidence and emphasised its view that there is an expectation that public sector pay awards should be applied in a targeted manner to support the delivery of public services and to address recruitment and retention measures. It further indicated that whilst some workers could receive more than 1% there should not be an expectation that every worker will receive a 1% pay award.

DfE and Trade Union Perspectives

- 3.10 The LA currently employs Teaching Staff in the following service areas:

- Specialist Support and Disability Services (The Phoenix Centre)
- Sensory Support Services
- Primary Pupil Support Advisory Team

In total as at the 30 August 2017 this comprised 50 staff (40.13FTE) on Teaching terms and conditions of employment.

- 3.11 There is existing provision for each Teacher’s salary to be reviewed annually. In addition the LA already has an appraisal policy in place agreed by Members in autumn 2012.
- 3.12 New Teaching Standards were introduced in 2012 and from September 2014 pay progression for all Teaching staff became directly linked to performance.
- 3.13 Teacher Trade Unions nationally were opposed to several elements of the significant pay changes that were introduced in 2013 and this continues to be their position.

- 3.14 Several of the Trade Unions have issued their own guidance/model pay policies including NAHT & ASCL, NASUWT & NUT.
- 3.15 The NASUWT/NUT have made clear that any policy that does not comply with their checklist regarding pay policies will not be accepted by them. They have stated that acting in any way that is contrary to their policy will put schools at risk of unlawful discrimination.
- 3.16 The Secretary of State has previously sent a letter and advice to schools, and Academies giving the DfE perspective on some of the items in the NUT and NASUWT pay policy checklist.
- 3.17 The Secretary of State at the time indicated that in his view elements of the unions' checklist are unlawful and adoption of the checklist would significantly limit schools' ability to take advantage of the flexibilities now available to them in terms of managing their budgets and rewarding performance. He further stated that: "As now, schools need to have regard to how they set objectives and appraise performance and decisions need to be evidence based. However, making differentiated pay decisions is not in itself unlawful." This advice still stands and applies to Local Authorities as well as schools.

Options

- 3.18 In light of the recommendations of the review body and HM Treasury the Council needs to review its pay policy and determine whether any changes are required.
- 3.19 The 2016 pay policy was previously prepared using guidance and advice from DfE. The current policy provides flexibility for managers in determining arrangements for Teachers' Pay for all Teaching staff including those employed on the leadership range. This includes flexibility regarding starting salaries and progression and is broadly consistent with the current principles applied to those staff employed by the Council on Localised Pay terms and conditions. The policy itself uses a range of reference points for salary purposes.
- 3.20 The Council has to implement the changes required by the SCTP&CD 2017 as this is a statutory requirement however it has discretion regarding those elements which are non-statutory.
- 3.21 One option would be to simply uplift the elements that are statutorily required and leave the remaining elements with any uplift being determined by individual managers linked to an individual's performance.
- 3.22 This would follow the spirit of the review body's recommendations and assist with recruitment and retention at both the top and bottom of the scales however the disadvantage would be that some staff in between these points may not receive any increase at all and over time this could create disproportionate salary differentials.
- 3.23 A further option would be to apply a percentage uplift to all other salary points with the expectation that managers will determine whether any further uplift is required linked to performance reviews.
- 3.24 This approach would be broadly consistent with Localised Pay and Conditions of service and the pay award applied to all Council staff earlier in the year. However this would represent an additional cost that is not statutorily required and would not be in the spirit of the recommendations from the Review Body and the Treasury.

Consultation

- 3.25 Following publication of the Pay and Conditions Document the Council is required to formally consult with Trade Unions to seek their views on the pay policy. This year there are no changes to the policy with the exception of the percentage uplifts to the minimum and maximum of scales and allowances which the Council is statutorily required to apply. It is proposed that Committee apply the statutory percentage uplift to the minimum and maximum of scales as set out in the SCTP&CD with any additional progression assessed objectively against performance criteria and authorised by Head Teacher's/Heads of Service.
- 3.26 In light of this being the only proposed change to the current policy, Trade Unions were contacted to propose a shortening of the 30 day consultation period in order that a report could go to this committee for consideration in September as the Committee does not convene again until November and the pay policy is effective from 1 September each year. Members will wish to note that traditionally the August period is generally a key holiday period and therefore although only two responses were received one from ASCL (Association of School and College Leaders) and one from the NASUWT. ASCL were in agreement with the shortened consultation period and the NASUWT requested a copy of last year's policy for reference purposes. Other Trade Unions may respond at the beginning of September when school's return. Any responses received will be verbally advised to the committee at the meeting.
- 3.27 Members will also wish to note that Agreement with the Trade Unions on the general content of the policy will not be reached due to the position already outlined previously by NASUWT/NUT in terms of adhering to its checklist. This position was also adopted previously by the Council's consultative committee the Joint Teachers' Liaison Committee.

4. POLICY IMPLICATIONS

- 4.1 The model policy is consistent with BBB priorities to provide strategic leadership and support to schools in the Borough to assist and underpin the Government's Education Reform Programme and ensuring the organisation has a workforce of appropriate skills and experience to meet future challenges in delivering local priorities. Various elements of the model policy for teachers are similar or consistent with the key elements of the Council's local terms and conditions of service for all non-teaching staff employed by the authority.

5. FINANCIAL IMPLICATIONS

- 5.1 Any cost implications arising from the application of the policy will need to be met from existing resources. The percentage uplift set out in the SCTP&CD is a statutory requirement and as such the Council has no alternative other than to apply it.

6. LEGAL IMPLICATIONS

- 6.1 Part 8 of The Education Act 2002 deals with the legal status of teachers pay and conditions. Section 122 gives the Secretary of State a power to prescribe pay and conditions for teachers and Section 127 recites that the Secretary of State after due consultation may issue guidance which a local authority and a school governing body shall have regard to in respect of teachers pay.

7. PERSONNEL IMPLICATIONS

- 7.1 As set out in this report.

Non-Applicable Sections:	N/A
Background Documents: (Access via Contact Officer)	

This page is left intentionally blank



**EDUCATION CARE AND HEALTH SERVICES DEPARTMENT PAY POLICY FOR
CENTRALLY BASED TEACHING STAFF**

1 SEPTEMBER 2017

ECHS DEPARTMENT PAY POLICY FOR CENTRALLY BASED TEACHING STAFF

CONTENTS

Item	Title	Page
1.	Opening Statement.....	1
2.	Aims of the LA.....	1
3.	Aims of the Pay Policy	1
4.	Consultation.....	2
5.	Equalities	2
6.	Other LA Personnel Procedures including Appraisal	2
7.	Job Descriptions	3
8.	Personnel Records	4
9.	LA Obligations.....	4
10.	Line Manager/Head of Service Obligations.....	4
11.	Teachers' obligations	5
12.	Differentials.....	5
13.	Discretionary Pay Awards	5
14.	Pay Reviews	5
15.	Safeguarding	6
16.	Pay Appeals Procedure	6
17.	Leadership Group Salaries	6
18.	Acting Allowances.....	9
19.	Classroom Teachers.....	9
20.	Threshold Applications.....	11
21.	Upper Pay Range	13
22.	Leading Practitioner Roles.....	13
23.	Unqualified Teachers	14
24.	Teaching and Learning Responsibility Payments	14
25.	Special Educational Needs Allowances	16
26.	Part-Time Employees	16
27.	Teachers employed on a Short Notice basis	17
28.	Additional Payments	17
29.	Recruitment and Retention Incentive Benefits	18
Appendix 1	Departmental Staffing Structure	
Appendix 2	Model Pay Appeals Procedure	
Appendix 3	Provision of Services to Other Services/School's - Operating Principles and Requirements	

ECHS DEPARTMENT PAY POLICY FOR CENTRALLY BASED TEACHING STAFF

1. OPENING STATEMENT

This policy will be applied to the pay of all Teaching staff employed by the Local Authority in centralised services.

The Local Authority seeks to ensure that all staff are recognised and rewarded for the level of responsibility that they carry, and for the individual contribution that they make to the work of the service.

Within the budget available to it, the Local Authority will endeavour to maintain a local pay policy, which will enable it to recruit, retain and motivate sufficient staff of suitable quality to achieve the aims and objectives of Building a Better Bromley.

The Local Authority will act with integrity, objectivity and honesty, will be open about decisions made and actions taken, and will be prepared to explain its decisions and actions.

2. AIMS OF THE LOCAL AUTHORITY

The aims of the Local Authority will be consistent with the aims and objectives of Building a Better Bromley.

3. AIMS OF THE PAY POLICY

The pay policy set out below is intended to:

- support and promote the LA's ethos, purpose, and development as set out in Building a Better Bromley;
- promote the principle of best value in terms of the LA's management of its resources;
- complement and support the LA's current personnel procedures and frameworks;
- support the aim of ensuring that all LA policies and procedures make a meaningful and sustained contribution to raising levels of achievement at the service;
- demonstrate the LA's commitment to good employment practice by ensuring that all pay-related decisions are made taking full account of the current version of the School Teachers' Pay and Conditions Document, and Building a Better Bromley and all pay related decisions are taken in compliance with the Equality Act 2010, The Employment Rights Act 1996, The Employment Relations Act 1999, The Employment Act 2002, The Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000, The Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002 and the Agency Workers Regulations 2010.
- demonstrate that the LA intends to treat all staff fairly and responsibly.

4. CONSULTATION

This policy will be reviewed annually or whenever significant changes in the School Teachers' Pay and Conditions Document (STP&CD) necessitate review. Consultation with staff and representatives from recognised teacher trade unions will be planned accordingly. Full information relating to vacant posts and responsibilities will be made available to staff.

5. EQUALITIES

The LA seeks to use this pay policy to promote equal opportunities within the LA, both in terms of applying to staff and providing an equal and wide curriculum with enriched learning opportunities. The LA will ensure that staff will not be unlawfully discriminated against in matters related to any of the protected characteristics set out in the Equality Act 2010.

The LA intends for Services to make fair and consistent pay decisions having due regard to LA advice and good practice. The LA will also try to provide appropriate support for all staff, for example good working facilities and sufficient non-contact time for teachers. All members of staff will have the opportunity to have their training and development needs reviewed regularly under the LA's performance management arrangements.

The LA will observe the relevant employment law provisions, notably the Equality Act 2010, EU Working Time Provisions, and health and safety requirements.

EQUALITIES AND PERFORMANCE RELATED PAY

The LA will ensure that its processes are open, transparent and fair. All decisions will be objectively justified. Adjustments will be made to take account of special circumstances, e.g. an absence on maternity or long-term sick leave. The exact adjustments will be made on a case-by-case basis, depending on the individual teacher's circumstances and the service's circumstances.

6. OTHER LA PROCEDURES

The LA pay policy will be considered alongside other LA personnel procedures/policies where there is a direct link between them. Procedures/Policies in this category are set out below.

APPRAISAL

The LA will comply with The Education (School Teachers' Appraisal) (England) Regulations 2012 concerning the appraisal of teachers. Assessment will be based on evidence from a range of sources (see the LA's appraisal policy). Although the service will establish a firm evidence base in relation to the performance of all teachers, there is a responsibility on individual teachers and appraisers to work together. Teachers should also gather any evidence that they deem is appropriate in relation to meeting their objectives, the Teachers' Standards and any other criteria (i.e. application to be paid on Upper Pay Range) so that such evidence can be taken into account at the review.

The Manager/Head of Service will moderate objectives to ensure consistency and fairness; the Manager/Head of Service will also moderate performance assessment and initial pay recommendations to ensure consistency and fairness.

GRIEVANCE

If a member of staff:

- has a grievance or complaint about their salary; or
- asks for a review of any decision regarding their pay;
- s/he must follow the LA's pay appeals procedure (see Appendix 2).

STAFF CAPABILITY: Pay Progression may be withheld if the employee concerned has been subject to formal capability action during the academic year preceding the award and the action is ongoing at the expected date of award. However, Pay Progression may be reinstated retrospectively if the formal capability process is discontinued or if the employee makes sufficient progress to reach a satisfactory level of performance. Reinstatement will occur from when the improvement in performance occurs.

The employee concerned should be formally notified as soon as possible of the possibility of pay progression being withheld. The employee should be offered appropriate support and/or training to help her/him to improve her/his performance within the context of the capability procedure.

RECRUITMENT AND SELECTION: when advertising permanent posts, the service will provide job applicants with appropriate salary and remuneration details as set out in this policy and will seek to reflect the LA's attributes and ethos in all advertising and recruitment material. All requests to recruit to a vacant post on either a temporary or permanent basis must be processed through the Budget Holder/Head of Service for approval and have regard for any special recruitment measures in place.

7. JOB DESCRIPTIONS

The LA's policy on job descriptions is as follows:

- (a) all staff should receive a job description (JD) in accordance with the staffing structure agreed by the Service, which should be subject to annual review. Staff will be consulted over the drawing up of the contents. The task of drafting and finalising job descriptions is delegated to the Manager/Head of Service who will have regard to advice and guidance issued by DfE and to any advice offered by the LA.
- (b) job descriptions will identify key areas of responsibility and will, where appropriate, contain tasks consistent with the Portfolio Plan and Building a Better Bromley. Staff job descriptions will clearly state management responsibilities attached to the post and any associated allowances.

- (c) appropriate differentials will be created and maintained between posts recognising accountability, job weight, and the need to recruit, retain, and motivate sufficient employees of the required quality at all levels.
- (d) where there is a clear and substantial change in duties, a member of staff may request a review of her/his existing job description. Any such request will be considered first by the Line Manager and then by the Head of Service should the member of staff request it.
- (e) all teacher job descriptions will make reference to teachers' statutory conditions of service as set out in the STP&CD.

8. PERSONNEL RECORDS

The LA holds personnel files for all staff. Staff may have access to their personnel and salary records as long as an HR Advisor is present. Every member of staff is entitled to have access to the pay policy.

9. LA OBLIGATIONS

The LA will fulfil its obligations to:

- **Teachers:** as set out in the School Teachers' Pay and Conditions Document (the Document) and the Conditions of Service for School Teachers in England and Wales (commonly known as the 'Burgundy Book').

The LA will need to consider any updated pay policy and assure itself that appropriate arrangements for linking appraisal to pay are in place, can be applied consistently and that pay decisions can be objectively justified.

The LA will consult with staff and Teaching Unions representatives on the appraisal and pay policies

The LA will ensure that it makes funds available to support pay decisions, in accordance with this pay policy and the LA's spending plan/budgetary commitments.

The LA will monitor the outcomes of pay decisions, including the extent to which different groups of teachers may progress at different rates, ensuring the LA's continued compliance with equalities legislation.

10. LINE MANAGER/HEAD OF SERVICE OBLIGATIONS

The Line Manager/Head of Service will:

- ensure that effective appraisal arrangements are in place and that any appraisers have the knowledge and skills to apply procedures fairly;

- establish clear arrangements for linking appraisal to pay progression and consult with staff, departmental and trade union representatives on appraisal and pay policies
- submit pay recommendations to the LA and ensure the LA has sufficient information upon which to make pay decisions;
- ensure that teachers are informed about decisions reached; and that records are kept of recommendations and decisions made.

11. TEACHERS' OBLIGATIONS

A teacher will:

- engage with appraisal; this includes working with their appraiser to ensure that there is a secure evidence base in order for an annual pay determination to be made;
- keep records of their objectives and review them throughout the appraisal process;
- share any evidence they consider relevant with their appraiser;
- ensure they have an annual review of their performance.

12. DIFFERENTIALS

Appropriate differentials will be created and maintained between posts within the service, recognising accountability and job weight, and the LA's need to recruit, retain and motivate sufficient employees of the required quality at all levels.

13. DISCRETIONARY PAY AWARDS

Criteria for the use of pay discretions are set out in this policy and discretionary awards of additional pay will only be made in accordance with these criteria.

14. PAY REVIEWS

Managers, in consultation with Heads of Service will ensure that every teacher's salary is reviewed following a review of their performance against their appraisal objectives in line with the LA's appraisal policy with effect from 1 September and no later than 31 October (except in the case of the Head Teacher where the deadline is 31 December) each year and give them a written statement setting out their salary and any other financial benefits to which they are entitled. Reviews may take place at other times of the year to reflect any changes in circumstances or job description that lead to a change in the basis for calculating an individual's pay. A written statement will be given after any review and will give information about the basis on which it was made. Decisions on the pay of the Head of Service will be communicated by the Director of Education, in writing together with the reasons why decisions have been taken.

15. SAFEGUARDING

Where a pay determination leads or may lead to the start of a period of safeguarding, the LA will give the required notification as soon as possible and no later than one month after the date of the determination.

16. PAY APPEALS PROCEDURE

A member of staff may seek a review of any determination in relation to his/her pay or any other decision taken by the LA (or a committee or individual acting with delegated authority) that affects his/her pay.

The following list, which is not exhaustive, includes the usual reasons for seeking a review of a pay determination:

That the person or committee by whom the decision was made:

- (a) incorrectly applied any provision of the Document;
- (b) failed to have proper regard for statutory guidance;
- (c) failed to take proper account of relevant evidence;
- (d) took account of irrelevant or inaccurate evidence;
- (e) was biased; or
- (f) otherwise unlawfully discriminated against the member of staff.

The arrangements for considering appeals is attached at Appendix 2

The following sections detail the arrangements for pay determinations for all Teaching staff employed at the service. Where appropriate, specific reference is made to the relevant paragraph's of the School Teachers' Pay and Conditions Document (STP&CD).

The LA will agree the budget to be set for pay, including performance pay, and will make appropriate decisions in the light of the LA's financial circumstances ensuring that appropriate funding is allocated for performance pay progression at all levels.

17. LEADERSHIP GROUP SALARIES

Head Teachers, Deputy Head Teachers, and Assistant Head Teachers are all classed as members of the 'leadership group'. They are paid on the Leadership Group Pay range and in accordance with the range for the Group Size of the School.

The LA will have regard to the provisions of the School Teachers' Pay and Conditions Document and will also take account of any other permanent payments, made to staff within the service to ensure that appropriate differentials are created and maintained between posts of differing responsibility and accountability.

HEAD TEACHER PAY

Pay on appointment

For appointments on or after 1 September 2017, the governing body will determine the pay range to be advertised and agree pay on appointment, taking account of the full permanent responsibilities of the role of the head teacher, any challenges that are specific to the role, and all other relevant considerations.

In the case of a new appointment the LA will consider whether the requirements of the post and the extent to which the preferred candidate meets those requirements are such that it would be appropriate to set the starting salary above the minimum of the head teacher group. The LA will ensure that there is appropriate scope within the range to allow for performance- related progress over time.

Pay ranges for Head Teachers will not normally exceed the maximum of the head teacher group. However, the Head Teacher's pay range may exceed the maximum where the LA determines that circumstances specific to the role or candidate warrant a higher than normal payment. The LA will ensure that the maximum of the Head Teacher's pay range and any additional payments made under the provisions of the School Teachers' Pay and Conditions Document does not exceed the maximum of the Head Teacher group by more than 25% other than in exceptional circumstances; and with the agreement of the Director of Education in such circumstances, the LA will seek external independent advice before providing such agreement and support its decision with a business case.

Serving Head Teachers

The LA will determine the salary of a serving Head Teacher in accordance with paragraph 11 of the 2017 Document.

- The LA will review the Head Teacher's pay in accordance with the Document and will consider annually whether or not to increase the salary of the Head Teacher and if it determines to do so, what salary within the relevant pay range where there has been a sustained high quality of performance having regard to the results of the most recent appraisal carried out in accordance with the Appraisal Regulations 2012 and any recommendation on pay progression in the head teacher's most recent appraisal report.
- The LA may determine the head's pay range, within the group range for the school, at any time if it considers it is necessary.
- If the LA makes a determination to change the pay range it will determine the head's pay range within the group range for the school, in accordance with the requirements of the SCTP&CD.

Determination of temporary payments to head teachers

The LA may determine that payments be made to a head teacher for clearly temporary responsibilities or duties that are in addition to the post for which their salary has been determined. In each case the LA will not have previously taken such reason or circumstance into account when determining the head teachers pay range.

The total sum of the temporary payments made to a head teacher in any school year must not exceed 25% of the annual salary which is otherwise payable to the head teacher, and the total sum of salary and other payments made to a head teacher must not exceed 25% above the maximum of the head teacher group, except in wholly exceptional circumstances and with the agreement of the Director of Education. The LA will also seek external independent advice before producing a business case seeking such agreement.

DEPUTY/ASSISTANT HEAD TEACHERS

Pay on appointment

The LA will, when a new appointment needs to be made, determine the pay range to be advertised and agree pay on appointment as follows:

- The LA will determine a pay range in accordance with paragraph 9.2 to 9.4 of the Document, taking account of the role of the deputy/assistant head teacher in accordance with part 7 – The Contractual Framework for Teachers;
- The LA will record its reasons for the determination of the deputy/assistant head pay range.
- The maximum of the deputy or assistant head teacher's pay range will not exceed the maximum of the head teacher group for the school. The pay range for a deputy or assistant head teacher will only overlap the head teacher's pay range in exceptional circumstances.

Serving deputy/assistant head teachers

- The LA will review the deputy/ assistant head teacher's pay in accordance with the Document and will consider annually whether or not to increase the salary of the deputy/assistant head teacher and if it determines to do so, what salary within the relevant pay range where there has been a sustained high quality of performance having regard to the results of the most recent appraisal carried out in accordance with the Appraisal Regulations 2012 and any recommendation on pay progression in the deputy/assistant head teacher's most recent appraisal report.
- the LA will review and, if necessary, re-determine the deputy/assistant head pay range where there has been a significant change in the responsibilities of the serving deputy/assistant head teacher

18. ACTING ALLOWANCES

Acting allowances are payable to teachers who are assigned and carry out the duties of head, deputy head or assistant head in accordance with paragraph 23 of the Document. Except in the case of the Deputy Head, who is contractually obliged to act as the Head in the Head's absence, any member of staff acting up to a higher position should have first agreed to take on the acting duties in question.

The LA will, within a four week period of the commencement of acting duties, determine whether or not the acting postholder will be paid an allowance. In the event of a planned and prolonged absence, an acting allowance will be agreed in advance and paid from the first day of absence.

Any teacher, who carries out the duties of head, deputy head, or assistant head, for a period of four weeks or more, will be paid at an appropriate point of the head's pay range, deputy head range or assistant head range, as determined by the LA. Payment will be backdated to the commencement of the duties.

Should the Deputy Head assume the Head's duties temporarily (s)he will do so without payment only when (s)he has assumed duties in the Head's absence and the period of acting duties does not last for more than four weeks. However, if the Head Teacher position is vacant or the Deputy acts up as the Head for more than four weeks the Deputy should be paid accordingly.

Acting allowances for any position other than a leadership group member, will be decided by the Head Teacher/Manager/Head of Service taking into account the responsibilities of the post, the salary of the person acting up, and the substantive postholder's salary

Please note that the payment of Honoraria to Teachers including Head Teachers is not permitted within the provisions of the School Teachers Pay and Conditions Document.

19. CLASSROOM TEACHERS

Pay on appointment

The LA will determine the starting salary of a vacant classroom teacher post on the main pay range or upper pay range, such as the LA determines, having regard to:

- the requirements of the post;
- any specialist knowledge required for the post;
- the experience required to undertake the specific duties of the post;
- the wider service context.

The LA will, if necessary, use its discretion to award a recruitment incentive benefit to secure the candidate of its choice.

Pay determinations for existing main pay range teachers, effective from 1 September 2017

The LA will follow the provisions of the Document and will consider annually whether or not to increase the salary of the teacher and if it determines to do so, what salary within the relevant pay range, unless the teacher has been notified that their service has been unsatisfactory for the previous academic year. The LA will normally exercise this discretion only in the context of a formal capability procedure. The LA will restore the withheld point at the conclusion of the capability procedure where satisfactory performance has been achieved.

The LA will use reference points. Therefore the pay scale for main pay range teachers is:

Minimum (Reference Point 1)	£26,662
Reference point 2	£27,759
Reference point 3	£29,477
Reference point 4	£31,302
Reference point 5	£33,957
Reference Point 6 (a)	£36,554
Maximum Point 6 (b)	£37,645

Appraisal objectives will become more challenging as the teacher progresses up the main pay range.

To move up the main pay range, one annual point at a time, teachers will need to have made good progress towards all their objectives meeting most of them and have shown that they are competent in all elements of the Teachers' Standards. Where direct teaching is undertaken this should be 'good', as defined by Ofsted. Assessors will need to consider the spirit of the Teachers' standards when assessing the performance of advisers.

Judgments will be properly rooted in evidence. As a teacher moves up the main pay range, this evidence should show:

- an increasing positive impact on pupil progress
- an increasing impact on wider outcomes for pupils
- improvements in specific elements of practice identified to the teacher, e.g. behaviour management or lesson planning
- an increasing contribution to the work of the service
- an increasing impact on the effectiveness of staff and colleagues

Further information, including sources of evidence is contained in the LA's appraisal policy.

The LA will be advised by the Head Teacher in making all such decisions. Any increase (i.e. no movement, one point, more than one point) will be clearly attributable to the performance of the teacher in question. The LA will be able to justify its decisions.

20. THRESHOLD APPLICATIONS

APPLICATIONS TO BE PAID ON THE UPPER PAY RANGE

Any qualified teacher can apply to be paid on the Upper Pay Range. If a teacher is simultaneously employed at another school/service(s), they may submit separate applications if they wish to apply to be paid on the UPR in that service(s). The LA will not be bound by any pay decision made by another service where it is not the employer.

All applications should include the results of the two most recent appraisals, under the Appraisal Regulations 2012, in the service, including any recommendation on pay. Where such information is not applicable or available, e.g. those returning from maternity or sickness absence, a written statement and summary of evidence designed to demonstrate that the applicant has met the assessment criteria must be submitted by the applicant.

In order for the assessment to be robust and transparent, it will be an evidence-based process only. Teachers therefore should ensure that they build a mainly paper evidence base to support their application. Those teachers who are not subject to the Appraisal Regulations 2012, or who have been absent, through sickness, disability or maternity, may cite written evidence from a 3 year period before the date of application in support of their application.

Process:

One application may be submitted annually. The closing date for applications is normally 31st December each year; however, exceptions will be made in particular circumstances, e.g. those teachers who are on maternity leave or who are currently on sick leave. The process for applications is:

- Complete the service's application form;
- Submit the application form and supporting evidence to the Head Teacher by the cut-off date of 31st December.
- The teacher will receive notification of the name of the assessor of their application within 5 working days;
- The assessor will assess the application, which will include a recommendation to the Head Teacher or to the LA;
- The application, evidence and recommendation will be passed to the Head Teacher for moderation purposes, if the Head Teacher is not the assessor;
- The LA will make the final decision, advised by the Head Teacher;

- Teachers will receive written notification of the outcome of their application by 31st March. Where the application is unsuccessful, the written notification will include the areas where it was felt that the teacher's performance did not satisfy the relevant criteria set out in this policy (see 'Assessment' below).
- If requested, oral feedback which will be provided by the assessor. Oral feedback will be given within 10 working days of the date of notification of the outcome of the application. Feedback will be given in a positive and encouraging environment and will include advice and support on areas for improvement in order to meet the relevant criteria.
- Successful applicants will move to the minimum of the UPR on 1 September of the following year.
- Unsuccessful applicants can appeal the decision. The appeals process is set out at the back of this pay policy.

Assessment:

The teacher will be required to meet the criteria set out in paragraph 15.2 of the Document, namely that:

- the teacher is highly competent in all elements of the relevant standards; and
- the teacher's achievements and contribution to the service are substantial and sustained.

In this LA, this means:

“highly competent”: the teacher's performance is assessed as having excellent depth and breadth of knowledge, skill and understanding of the Teachers' Standards in the particular role they are fulfilling and the context in which they are working.

“substantial”: the teacher's achievements and contribution to the service are significant, not just in raising standards of teaching and learning in their own classroom, or with their own groups of children, but also in making a significant wider contribution to service improvement, which impacts on pupil progress and the effectiveness of staff and colleagues.

“sustained”: the teacher must have had two consecutive successful appraisal reports in the service and have made good progress towards their objectives during this period (see exceptions, e.g. maternity/sick leave, in the introduction to this section). They will have been expected to have shown that their teaching expertise has grown over the relevant period and is consistently good to outstanding.

Assessors will need to consider the spirit of the Teachers' standards when assessing the performance of advisers.

Further information, including information on sources of evidence is contained within the LA's appraisal policy.

21. UPPER PAY RANGE

Pay determinations effective from 1 September 2017

The LA will determine and will consider annually whether there should be any movement for Teacher's on the Upper Pay Range. In making such a determination, it will take into account:

- the criteria set out in paragraph 15.2 of the Document 2017;
- the evidence base, which should show that the teacher has had a successful appraisal and has made good progress towards all of their objectives meeting most of them;
- evidence that the teacher has maintained the criteria set out in paragraph 15.2, namely that the teacher is highly competent in all elements of the relevant standards; and that the teacher's achievements and contribution to the service are substantial and sustained. The meaning of these criteria is set out in the section of this policy entitled, "Applications to be paid on the Upper Pay Range".

Pay progression on the Upper Pay Range will be clearly attributable to the performance of the individual teacher. The LA will be able to objectively justify its decisions.

Further information, including sources of evidence is contained within the LA's appraisal policy.

The LA will be advised by the Head Teacher/Head of Service in making all such decisions.

22. LEADING PRACTITIONER ROLES

It is not the intention of the LA to create a leading practitioner role at this time but the LA will review its position from time to time.

The LA will take account of paragraph 16 of the Document when determining the role of leading practitioner in the service. Additional duties will be set out in the job description of the leading practitioner and the LA will establish the pay range for each leading practitioner post in accordance with paragraph 16 of the Document; and the section 3 guidance.

23. UNQUALIFIED TEACHERS

Pay on appointment

The LA will pay any unqualified teacher in accordance with paragraph 17 of the Document. The LA will determine where a newly appointed unqualified teacher will enter the range, having regard to any qualifications or experience s/he may have, which it considers to be of value. The LA will consider whether it wishes to pay an additional allowance, in accordance with paragraph 22.

Pay determinations effective from 1 September 2017

The LA will consider annually whether or not to increase the salary of an Unqualified Teacher and if it determines to do so, what salary within the relevant pay range. In order to progress up the unqualified teacher range, unqualified teachers will need to show that they have made good progress towards all of their objectives meeting most of them.

Judgments will be properly rooted in evidence. As unqualified teachers move up the range, this evidence should show:

- an improvement in teaching skills
- an increasing positive impact on pupil progress
- an increasing impact on wider outcomes for pupils
- improvements in specific elements of practice identified to the teacher
- an increasing contribution to the work of the service
- an increasing impact on the effectiveness of staff and colleagues

Information on sources of evidence is contained within the LA's appraisal policy. The LA will be advised by the Head Teacher/Head of Service in making all such decisions. Pay progression on the unqualified teacher range will be clearly attributable to the performance of the individual teacher. The LA will be able to objectively justify its decisions.

24. TEACHING AND LEARNING RESPONSIBILITY PAYMENTS

The LA may award a TLR to a classroom teacher in accordance with paragraph 20 of the Document and the section 3 guidance. TLR 1 or 2 will be for clearly defined and sustained additional responsibility in the context of the service's staffing structure for the purpose of ensuring the continued delivery of high quality teaching and learning. All job descriptions will be regularly reviewed and will make clear, if applicable, the responsibility or package of responsibilities for which a TLR is awarded, taking into account the criterion and factors set out below and in accordance with the document.

The award may be while the teacher remains in the same post or occupies another post in the temporary absence of the post-holder.

Factors

Before awarding a TLR, the LA must be satisfied that the teacher's duties include a significant responsibility that is not required of all classroom teachers, and that -

- (a) is focused on teaching and learning;
- (b) requires the exercise of a teacher's professional skills and judgement;
- (c) requires the teacher to lead, manage and develop a subject or curriculum area; or to lead and manage pupil development across the curriculum;
- (d) has an impact on the educational progress of pupils other than the teacher's assigned classes or groups of pupils; and
- (e) involves leading, developing and enhancing the teaching practice of other staff.

Before awarding a TLR1, the LA must be satisfied that the significant responsibility referred to in the previous paragraph includes in addition line management responsibility for a **significant** number of people.

The values of TLRs must fall within the ranges set out in the STP&CD. If the LA awards TLRs of different values to two or more teachers, the minimum difference in value between each award of a TLR1 is £1,500 and between each award of a TLR2 is £1,500.

A teacher may not hold more than one TLR of any value, but a TLR could be based on a job description that itemises several different areas of significant responsibility.

A TLR is a payment integral to a post in the service's staffing structure and therefore may only be held by two or more people when job-sharing that post.

TLRs awarded to part-time teachers must be paid pro-rata at the same proportion as the teacher's part-time contract.

TLRs will be awarded to the holders of the posts indicated in the service's staffing structure.

The values of the TLRs to be awarded are set out below:

TLR1s will be awarded to the following value:

- TLR 1 (a) £7,699
- TLR 1 (b) £9,137
- TLR 1 (c) £13,027

TLR2s will be awarded to the following values:

- TLR 2 (a) £2,667
- TLR 2 (b) £4,155
- TLR 2 (c) £6,515

The LA may award a TLR3 of between £529 to £2,630 for clearly time-limited school improvement projects, or one-off externally driven responsibilities as set out in paragraph 20.3. The LA will set out in writing to the teacher the duration of the fixed term, and the amount of the award will be paid in monthly instalments. No safeguarding will apply in relation to an award of a TLR3.

25. SPECIAL EDUCATIONAL NEEDS ALLOWANCE

The LA will award an SEN spot value allowance on a range of between £2,106 and £4,158 to any classroom teacher who meets the criteria as set out in paragraph 21 of the Document.

When deciding on the amount of the allowance to be paid, the LA will take into account the structure of the service's SEN provision, whether any mandatory qualifications are required for the post, the qualifications or expertise of the teacher relevant to the post; and the relative demands of the post. The LA will also establish differential values in relation to SEN roles in the service in order to reflect significant differences in the nature and challenge of the work entailed so that the different payment levels can be objectively justified. The LA will take account the section 3 guidance within the document.

The LA has agreed the following Spot Payment levels for SEN duties:

£2,106

£4,158

26. PART-TIME EMPLOYEES

Teachers employed on an ongoing basis at the service but who work less than a full working week are deemed to be part-time.

The LA will apply the provisions of the Document in relation to part-time teachers' pay and working time, in accordance with paragraph 41, and the section 3 guidance.

The LA is responsible for ensuring that part-time teachers have a clear statement of the sessions and hours they will be required to work. The LA will ensure that all teachers employed on a part-time basis are provided with a written agreed statement which sets out the expectations of the service, and the part-time teacher, regarding the deployment of directed time both within and beyond the school day in accordance with the professional duties as stated in the STP&CD.

Calculation of Salary

Part-time teachers will be paid the pro rata percentage of the appropriate full-time equivalent salary. The same percentage will be applied to any allowances awarded to a part-time teacher.

Any additional hours such a teacher may agree to work from time to time at the request of the Head Teacher (or in the case where the part-time teacher is a Head Teacher, the relevant body), will also be paid at the same rate.

The LA will use its best endeavours to ensure that all part-time employees are treated no less favourably than a full-time comparator.

27. TEACHERS EMPLOYED ON A SHORT NOTICE BASIS

Teachers employed on a day-to-day or other short notice basis will be paid in accordance with paragraph 42 of the Document on a daily basis calculated on the assumption that a full working year consists of 195 days, periods of employment for less than a day being calculated pro rata.

Teachers who work less than a full day will be hourly paid and will have their salary calculated as an annual amount which will then be divided by 195, then divided again by 6 to arrive at the hourly rate.

Teachers should be paid for all the hours they are required to be on the school premises. Consideration should be made for non-contact time.

A short notice teacher who is employed by the same authority throughout a period of 12 months beginning in August or September must not be paid more in respect of that period than he would have received had he been in regular employment throughout the period.

28. ADDITIONAL PAYMENTS

In accordance with paragraph 26 of the Document and the section 3 guidance, the LA may make payments as they see fit to a teacher, in respect of:

- continuing professional development undertaken outside the school day;
- activities relating to the provision of initial teacher training as part of the ordinary conduct of the service;
- participation in out-of-school hours learning activity agreed between the teacher and the Head Teacher;
- additional responsibilities and activities due to, or in respect of, the provisions of services relating to the raising of educational standards to one or more additional services/schools.

The LA will make additional payments to teachers in accordance with the provisions of paragraph 26 of the Document where advised by the Head Teacher/Head of Service.

Payment will be calculated on a daily basis at 1/195th of the teacher's actual salary.

29. RECRUITMENT AND RETENTION INCENTIVE BENEFITS

The LA can award lump sum payments, periodic payments, or provide other financial assistance, support or benefits for a recruitment or retention incentive (paragraph 27 of the Document and the section 3 guidance).

The LA will consider exercising its powers under paragraph 27 of the Document where it considers it is appropriate to do so in order to recruit or retain relevant staff. It will make clear at the outset, in writing, the expected duration of any such incentive or benefit, and the review date after which they may be withdrawn.

The LA will, nevertheless, conduct an annual formal review of all such awards and keep clear records of decisions made including any justification for extension of such an award.

Head Teachers, Deputy Head Teachers and Assistant Head Teachers may not be awarded a recruitment or retention payment.

PAY POLICY APPENDICES

Appendix 1 (Insert a link to the Department's or Service's staffing structure)

Appendix 2 Model Pay Appeals Procedure

Appendix 3 Provision of Services to Other Services/Schools – Operating Principles and Requirements'

The Local Authority approved this policy on the date below.

Signed: _____ Date: _____

MODEL PAY APPEALS PROCEDURE

The School Teachers' Pay and Conditions Document ("the Document") requires schools and local authorities to have a pay policy in place that sets out the basis on which teachers' pay is determined and the procedures for handling appeals.

As part of the overall appraisal process, a pay recommendation is made by the appraiser/reviewer (normally the line manager) and discussed with the teacher at the Review Meeting prior to being submitted to the LA. Written details of and the reasons for the pay recommendation will be given to the teacher.

At this particular stage of the pay determination process, if the teacher wishes to better understand the rationale for the pay recommendation or bring any further evidence to the attention of the appraiser/reviewer, they should be given the opportunity to do so before the final pay recommendation is drafted in the appraisal report. The nature of any subsequent appraisal and pay discussion will be informal and therefore representation (on either side) is not necessary nor would it be appropriate. At the conclusion of any further discussion, the pay recommendation may be adjusted or it may remain the same; the appraisal report will be updated to reflect the discussion.

If a teacher believes that the final pay recommendation falls short of their expectations and they wish to seek a further review of the information that affects their pay, they may wish to formally appeal against the decision, utilising the formal Appeal Hearing Procedure. Appeal Hearings against pay decisions must satisfy the dispute resolution requirements of employment law (i.e. Part 4 of the Trade Union and Labour Relations (Consolidation) Act, 1992) and the ACAS Code of Practice.

APPEAL HEARING PROCEDURE

It is the intention that the Appeals Procedure will be dealt with promptly, thoroughly and impartially.

PAY APPEALS PROCEDURE

Appeals

The arrangements for considering appeals are as follows:

A teacher may seek a review of any determination in relation to his/her pay or any other decision taken by the LA that affects his pay.

The following list includes the usual reasons for seeking a review of a pay determination;

That the LA or person by whom the decision was made:

- (a) incorrectly applied any provision of the Document;
- (b) failed to have proper regard for statutory guidance;
- (c) failed to take proper account of relevant evidence;

- (d) took account of irrelevant or inaccurate evidence;
- (e) was biased; or
- (f) otherwise unlawfully discriminated against the teacher.

The order of proceedings is as follows:

1. The teacher receives written confirmation of the pay determination and where applicable the basis on which the decision was made.
2. If the teacher is not satisfied, he/she should seek to resolve this by discussing the matter informally with the decision-maker within ten working days of the decision.
3. Where this is not possible, or where the teacher continues to be dissatisfied, he/she may follow a formal appeal process.
4. The teacher should set down in writing the grounds for questioning the pay decision and send it to the Director of Education, within ten working days of the notification of the decision being appealed against or of the outcome of the discussion referred to above.

For any formal hearing or appeal the teacher is entitled to be accompanied by a colleague or union representative. Each step and action of this process must be taken without unreasonable delay. The timing and location of the formal meeting must be reasonable. The formal meeting must allow both parties to explain their cases.

5. The LA or the person who made the determination should provide a hearing within ten working days of receipt of the written grounds for questioning the pay decision to consider this and give the teacher an opportunity to make representations in person. Following the hearing the employee should be informed in writing of the decision and the right to appeal.
6. Any appeal should be heard by the Deputy Chief Executive & Executive Director Education, Care and Health Services or his/her representative normally within 20 working days of the receipt of the written appeal notification. The teacher will be given the opportunity to make representations in person. The decision of the Deputy Chief Executive & Executive Director Education, Care and Health Services or his/her representative will be given in writing, and where the appeal is rejected will include a note of the evidence considered and the reasons for the decision.

Guidance

- When a teacher feels that a pay decision is incorrect or unjust, they may appeal against that decision, especially when there is new evidence to consider.
- Teachers / Head Teachers/Head of Service should put their appeal in writing to either the Head Teacher/Head of Service or the LA; their appeal should include sufficient details of its basis.
- Appeals should be heard without unreasonable delay and at an agreed date, time and place.

- Employees have a statutory right to be accompanied at any stage of an appeal hearing by a companion who may be either a work colleague or a trade union representative.

The Modified Procedure

There will be no entitlement to invoke the appeal procedure in relation to a pay decision if the Teacher/Head Teacher/Head of Service has left the employment of the service.

Where a Teacher/Head Teacher/Head of Service has, whilst employed at the service, lodged an appeal against a pay decision but has then subsequently left the service's employment before any appeal hearing is held, the following steps will be observed:

1. The Teacher/Head Teacher/Head of Service must have set out details of their appeal in writing;
2. The Teacher/Head Teacher/Head of Service must have sent a copy of their appeal to the Director of Education. The Director of Education will consult with relevant service personnel and provide the teacher with an appropriate written response on behalf of the LA.

**PROVISION OF SERVICES TO OTHER SERVICES/SCHOOLS –
OPERATING PRINCIPLES AND REQUIREMENTS**

- a. Any services provided by the Head Teacher of one service/school to another service/school must be authorised formally by the LA and where the work extends over more than a 12 month period, the agreement of the LA must be formally reviewed annually, or sooner if appropriate. The LA should also agree arrangements for terminating such work.
- b. Before such work is undertaken, the LA and the Head Teacher/Head of Service must take into account:
 - the needs of the service and its pupils;
 - the benefits that the activity would bring to the service;
 - the impact of any absence on other staff, including their workload; and
 - the workload and work-life balance of all the individuals concerned.
- c. In particular, before reaching a view the LA should satisfy itself that these matters have been fully considered within the service's leadership team.
- d. Arrangements for payment for external work, including personal remuneration, must be clearly stated and formally incorporated into a protocol by the LA and decisions duly minuted.
- e. The Head Teacher/Head of Service and LA should monitor the operation of the arrangements and their impact on staff and pupils and take action where arrangements prove to be unsatisfactory.
- f. The disposition of any payment, including personal remuneration, for external services must be agreed in advance in accordance with the determinations of the LA. The terms of such an agreement must be set out in a memorandum signed by the LA and the Head Teacher and any other members of staff involved.
- g. Any income derived from external sources for the work of a service's staff should accrue to the service. The LA should decide whether it would be appropriate for individual members of staff to receive additional remuneration for these activities, and if so, determine the appropriate amount.
- h. The LA should ensure that any expenses incurred by the individual as a result of taking on additional work are reimbursed, unless they are accounted for elsewhere.

Report No.
FSD17068

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: 12th September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND PROCUREMENT STRATEGY FOR THE APPOINTMENT OF AN ACTUARY

Contact Officer: James Mullender, Principal Accountant
Tel: 020 8313 4292 E-mail: james.mullender@bromley.gov.uk

Chief Officer: Director of Finance

Ward: All Wards

1. Reason for report

The Council's current contract with Mercer Ltd for the provision of actuarial services is due to expire on 31st March 2018. It is proposed to re-tender the contract for a period of six years, with an option to extend for a further period of three years. With a potential nine year contract term, the total value of the contract is estimated to be approximately £1,080k (based on estimated activity levels) and, in accordance with the Council's Contract Procedure Rules, the approval of the General Purposes and Licensing Committee is therefore required to enable the procurement process to commence.

2. **RECOMMENDATIONS**

2.1. **The General Purposes and Licensing Committee is requested to:**

- (a) **consider the contents of the report and any informal comments from the Chairman and Vice-Chairman of Pensions Investment Sub-Committee;**
- (b) **agree that the contract for the Council's actuary be tendered using an open OJEU process;**
- (c) **agree that the contract length will be for a period of six years with the option to extend for a further period of three years;**
- (d) **delegate authority to the Pensions Investment Sub-Committee to award the contract following the tender process; and**

(e) delegate authority to the Director of Finance to approve the optional three year extension in consultation with the Chairman of Pensions Investment Sub-Committee.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
-

Corporate Policy

1. Policy Status: Existing Policy: The Council is the administering authority of the London Borough of Bromley Pension Fund, which is operated under the provisions of the Local Government Pensions Scheme (LGPS) Regulations. The regulations require the Pension Fund to appoint an appropriately qualified actuary
 2. BBB Priority: Excellent Council
-

Financial

1. Cost of proposal: Estimated Cost £1,080k gross, £450k net cost
 2. Ongoing costs: Recurring Cost £120k per annum gross, £50k per annum net cost to Pension Fund
 3. Budget head/performance centre: Pension Fund
 4. Total current budget for this head: £43k budget (after recovery of £80k from providers)
 5. Source of funding: Employer and employee pension contributions and Pension Fund investment returns
-

Personnel

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory Requirement. Local Government Pension Scheme (LGPS) Regulations 2013, Public Service Pensions Act 2013.
 2. Call-in: Not Applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 6,159 current employees; 5,121 pensioners; 5,337 deferred pensioners; 103 employers as at 31st July 2017
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1. The Council's contract for the provision of actuarial services has been delivered by Mercer Ltd since January 2013 following a tender exercise, and was due to expire in March 2017. As the 2016 actuarial valuation had not been fully completed at that time, as well as several other one-off pieces of work still being in process, the contract was extended to March 2018 by the Director of Finance under delegated authority.

3.2. The main elements of the service include:

- Triennial valuations (the next one will be carried out in 2019/20; effective from 1st April 2020).
- Annual IAS19 and FRS101/102 accounting schedules for the Council and scheduled/admitted bodies.
- Academy conversion reports/employer admission reports and bond reviews etc.
- Ad-hoc specific commissioning related work/analysis including group transfer calculations and employer termination calculations.
- General and specialist actuarial advice.

3.3. Over recent years the level of actuarial work (and pensions administration work in general) has increased significantly, mainly as a result of schools converting to academy status, the Council's commissioning programme, and various regulatory changes.

3.4. It is proposed to seek tenders for a period of six years from 1st April 2018 to 31st March 2024, with an option to extend for a further period of three years. This would allow the contract to cover the 2019 and 2022 triennial valuations, and if the optional extension was exercised then this would also cover the 2025 valuation.

3.5. As the total contract value is in excess of the EU threshold, the process must comply with the EU Public Procurement Rules. There are two options available that would comply with this requirement, which are summarised below:

3.6. **The National LGPS Frameworks (let by Norfolk County Council)**

3.6.1. The Actuarial, Benefit and Governance Consultancy Services Framework was launched in 2016 by the National LGPS Frameworks (which were launched in 2012), and consists of four lots: Actuarial Services, Benefits Consultancy, Governance Consultancy and Consultancy to Support Specialist Projects.

3.6.2. The evaluation criteria for the Actuarial, Benefit and Governance Consultancy Services Framework only provides for a maximum price weighting of 20-40% depending upon the lot, and also have fixed element/activity weightings within that. This is in contrast to the Council's standard weighting of 60% for price. There is also a one-off joining fee of up to £5k, depending upon the number of lots used, as well as a requirement to use the framework documentation.

3.7. **An OJEU tender process**

3.7.1. Alternatively, the contract could be tendered using a tender process advertised in the Official Journal of the European Union (OJEU) which would allow the Council to set its own conditions and evaluation criteria. Given that there are only four well established potential providers (see paragraph 6.1 below), there is no benefit in/need for a pre-qualification process, so the tender could use the open process.

3.8. Although there can be benefits to using a framework agreement, such as reduced administrative work, this is not expected to be of much benefit as there are only four potential providers. In addition, when this contract was last tendered in 2012, the costs under another

framework were considerably higher. In light of this, and the concern over the framework price evaluation method and weighting, it is proposed that the contract be tendered using an open process including advertising the opportunity in the OJEU and on Contracts Finder.

3.9. Pricing Strategy

3.9.1. As a result of the fluctuating levels of actuarial work in recent years, officers have considered the option of requesting tenderers to price the tender on a retainer basis, which would remain fixed for the duration, irrespective of activity levels, and would provide certainty that costs would not increase above that fixed level.

3.9.2. However, activity levels could be lower than anticipated, which would result in the fixed fee being higher than an activity based pricing structure. In addition, should activity increase significantly above that estimated in the tender specification, the provider could contend that the estimated activity levels provided were too low and challenge the fixed fee. As a result, it is intended that the tenderers will be asked to provide unit prices for the various activities which will be combined with the estimated activity levels to provide a total tender price for evaluation.

4. SERVICE PROFILE / DATA ANALYSIS

4.1. A summary of the estimated activity levels for the first six years of the contract period is attached as Appendix 2.

5. CUSTOMER PROFILE

5.1. The Council's Pension Fund makes payments to 5,121 pensioners and widows/dependants, and receives contributions from 6,159 active employees and 103 employers. In addition, there are 5,337 deferred pensioners (all figures as at 31st July 2017).

6. MARKET CONSIDERATIONS

6.1. There are currently only four actuaries providing a full actuarial service to Local Government Pension Scheme administering authorities: Mercer, Barnett Waddingham, Hymans Robertson and Aon Hewitt.

7. STAKEHOLDER CONSULTATION

7.1. This is a corporate Council contract that does not materially affect the way services are provided to our stakeholders. No formal consultation is required in advance of a tendering exercise.

7.2. Should the tendering exercise result in a change of actuary, the Council's pensions administration provider, Liberata, will need to be fully engaged in the transfer.

7.3. Members of the Pensions Investment Sub-Committee are the trustees of the Pension Fund, and will be consulted through the tendering and award process.

8. SUSTAINABILITY / IMPACT ASSESSMENTS

8.1. This proposal has been judged to have little or no impact on local people and communities.

9. OUTLINE PROCUREMENT STRATEGY & CONTRACTING PROPOSALS

9.1. Estimated Contract Value

9.1.1. The total gross contract value is estimated to be £1,080k, £630k of which will be recovered from providers/employers, leaving a net cost of £450k to be met from the Pension Fund.

9.1.2. The estimated values above are based on historic data, as the costs for a single year will vary depending upon whether the triennial valuation process is carried out in that year.

9.1.3. It should be noted that the actual costs could vary by potentially significant amounts dependent upon various factors outside of the contract manager's control, such as:

- Volume of complex commissioning proposals requiring specialist advice prior to tender or contract award.
- Volume of services commissioned externally (either new services, or a change of provider) resulting in new admitted bodies within the fund.
- Volume of group transfer calculations required.
- Changes to legal or regulatory requirements resulting in additional work/analysis etc.

9.1.4. A number of the costs included in the overall contract such as the annual accounting schedules, academy conversion/employer admission reports are recharged to the individual providers/employers.

9.2. **Other Associated Costs**

9.2.1. The tendering exercise will be carried out within existing resources at no additional cost.

9.2.2. Should the outcome of the tender result in a change of actuary, there will be some resource implications associated with the transfer, however it is expected that this would also be contained within existing resources.

9.3. **Proposed Contract Period**

9.3.1. It is proposed that the contract will be for a period of six years, with an option to extend for a further period of three years, with authority to agree the extension delegated to the Director of Finance in consultation with the Chairman of Pensions Investment Sub-Committee.

9.4. **Procurement Project Plan**

9.4.1. Given the limited number of potential providers, it is intended that the contract is tendered using an open process, including advertising the tender in the OJEU and on Contract Finder.

9.4.2. The invitation to tender will require tenderers to complete a pricing schedule based on estimated activity levels, and to answer a range of questions on service provision (quality, experience, resources, ability/willingness to comply with Council requirements etc).

9.4.3. It is proposed that the tender will be evaluated on the basis of 60% pricing and 40% quality and will be carried out using the Council's standard CIPFA evaluation model.

9.4.4. The quality criteria have yet to be finalised, but are likely to include areas such as:

- Resources assigned to/supporting the contract
- Actuarial approach & research
- Processes & systems
- Availability of further technical/specialist resources
- Example triennial valuation report and accounting schedules
- Additional services offered/innovation
- Interview/presentation

- 9.4.5. The Council includes a minimum quality threshold element within its quality evaluation to ensure the proper consideration of these matters, within the cost/quality ratio employed during the tender evaluation process.
- 9.4.6. Due to the interrelated nature of the services to be provided, it is considered that there would be no benefit in splitting the service into different lots to be tendered, and it could even be detrimental if different actuaries were carrying out different elements of the work.
- 9.4.7. The Council's Contract Procedure Rules require that the General Purposes and Licensing Committee be formally consulted on the intended action and contracting arrangements relating to the Pension Fund (with the exception of the appointment of Investment Managers and Advisers, which rests with the Pensions Investment Sub-Committee), following any recommendations from Pensions Investment Sub-Committee.
- 9.4.8. It is expected that the new contract will be awarded at the start of March 2018 as set out in the draft summary timetable attached at Appendix 1.

10. POLICY CONSIDERATIONS

- 10.1. Regulation 62 of The Local Government Pension Scheme Regulations 2013 requires administering authorities to obtain "an actuarial valuation of the assets and liabilities of each of its pension funds as at 31st March 2016 and on 31st March in every third year afterwards". The Regulations include various other requirements that would entail the services of an actuary. The Council is the administering authority of the London Borough of Bromley Pension Scheme.

11. COMMISSIONING & PROCUREMENT CONSIDERATIONS

- 11.1. The value of the activity is above the EU Services Threshold and therefore the Council needs to identify a "compliant" route for the placement of the service, and the Open Process would seem an appropriate arrangement to make use of in the circumstances identified.

12. FINANCIAL CONSIDERATIONS

- 12.1. The 2017/18 gross budget for actuarial services is £123k, of which £80k is budgeted to be recovered from providers/employers, leaving a net cost of £43k which is charged to the Pension Fund.
- 12.2. Based on average activity levels, the estimated gross cost over the three year triennial valuation cycle is £120k per annum, and £50k net of provider/employer recharges. Over the potential nine year contract term, the estimated total gross cost is £1,080k, with a net cost of £450k.
- 12.3. As the costs of this contract (net of recovery from providers/employers) are charged to the Pension Fund, there will be no direct impact on the Council's revenue budget.

13. LEGAL CONSIDERATIONS

- 13.1. The service is subject to the application of the Public Contracts Regulations 2015 (Regulations) and as the proposed contract value exceeds the relevant threshold will need to be procured in full compliance with the Regulations.
- 13.2. Tendering the contract competitively in compliance with the Regulations will also ensure compliance with competition requirements in Rule 8 of the Council's Contract Procedure Rules.
- 13.3. Consideration must also be given to the Public Services (Social Value) Act 2012 which places a requirement, at the pre-procurement stage, to consider how what is to be procured may

improve social, environmental and economic wellbeing of the relevant area, how they might secure any such improvement and to consider the need to consult; that the strategy maximises best value.

Non-Applicable Sections:	Personnel Considerations, Impact on Vulnerable Adults and Children
Background Documents: (Access via Contact Officer)	

Draft Procurement Timetable

Activity	Date
Approval to commence tendering	12 th September 2017
Issue of OJEU contract notice	25 th September 2017
Receipt of tenders	10 th November 2017
<i>Evaluation and review process</i>	
Identification of final bidder	1 st December 2017
Pensions Investment Sub-Committee decision to award	20 th February 2018
<i>Standstill / Call-in Period</i>	
Contract Award	5 th March 2018

Estimated Activity Levels 2018/19 to 2023/24 *

Activity	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
Triennial valuations including employer schedules, bond reviews, attendance at committee meetings etc	1			1		
IAS19 & FRS101/102 schedules	100	105	110	110	110	110
Academy conversion reports	4	2	0	0	0	0
Employer admission reports	5	5	5	5	5	5
Bond reviews	3	3	3	3	3	3
Ad-hoc specialist advice (hours)	**					
Helpline annual fee	1	1	1	1	1	1
Attendance at LBB meetings (officer and committee)	4	4	4	4	4	4

* The above activity levels are indicative only and will be refined prior to the tender

** Mercer will be required to provide historic data on the number of ad-hoc hours provided to inform the estimated levels for the tender

Report No.
ES17068

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: Tuesday 12 September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: LICENSING ACT 2003 - LICENSABLE ACTIVITIES

Contact Officer: Paul Lehane, Head of Food Safety, Occupational Safety and Licensing
Tel: 020 8313 4216 E-mail: Paul.Lehane@bromley.gov.uk

Chief Officer: Executive Director of Environment & Community Services

Ward: (All Wards);

1. Reason for report

To update Members on what activities are licensable under the Licensing Act 2003 following recent changes to the law

2. **RECOMMENDATION(S)**

Members are asked to note this report

Impact on Vulnerable Adults and Children

1. Summary of Impact: Licensing of premises under the Licensing Act 2003 provides for the protection of children from harm.
-

Corporate Policy

1. Policy Status: Existing Policy: The Council adopted a Statement of Licensing Policy under the Licensing Act 2003 for the period 2016 to 2021. Members of the Licensing Sub Committee use this policy as a framework when making decisions on individual applications.
 2. BBB Priority: Children and Young People Excellent Council Safe Bromley Vibrant, Thriving Town Centres Healthy Bromley Regeneration:
-

Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Public Protection and Safety Policy Budget
 4. Total current budget for this head: £1.963m
 5. Source of funding: Existing Revenue Budget 2017 / 2018
-

Personnel

1. Number of staff (current and additional): Licensing team – Two licensing Officers and 3.5 fte admin support
 2. If from existing staff resources, number of staff hours: Not applicable
-

Legal

1. Legal Requirement: Statutory Requirement: The Council is the 'Licensing Authority' under the Licensing Act 2003 and is responsible for the grant, variation, renewal, refusal of licences and their enforcement. The Council has published a statement of its Licensing Policy for 2016 to 2021.
 2. Call-in: Not Applicable:
-

Procurement

1. Summary of Procurement Implications: Not applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The Council licences approx. 900 premises for the sale of alcohol, issues about 1000 TENs a year and has over 3000 personal licence holders
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1 The Licensing Act 2003 controls various activities that require a licence. They are the sale or supply of alcohol, late night refreshment and the provision of regulated entertainment.

3.2 Sale or Supply of Alcohol.

Alcohol is covered by the Act where it is either sold by retail or supplied by a club to its members. There are no exemptions and the sale or supply can only be undertaken through a licence.

The wholesale supply of alcohol is not licensable.

3.3 Late Night Refreshment

Where hot food or drink is sold between 23.00 and 05.00 a licence is required, except

- From a recognised club,
- To a guest of a hotel, guest house, lodging, or hostel
- To an employee,
- From a vending machine
- Where the food or drink is free of charge
- Provided by a registered charity

3.4 Regulated Entertainment

This is the area that has been subject to most change since the Act came in to force in 2005. The original provisions of the act have been changed by the Live Music Act 2012 and Deregulation Act 2015.

Currently the following are licensable forms of entertainment

- Plays
- Films
- Indoor sporting events
- Boxing or wrestling
- Live music
- Recorded music
- Performance of dance

Exemptions from Licensing

The following are exempt from licensing when the relevant conditions are met.

3.5 Healthcare providers, local authorities and schools

All entertainment provided by healthcare providers, local authorities and schools is exempt from licensing if it meets certain requirements. These are

- a. it takes place at a hospital, on premises where the council has an interest or by a school
- b. the premises are not domestic
- c. the entertainment takes place between 8am and 11pm on the same day, and
- d. the entertainment is not of a sexual nature.

3.6 Community Premises

The provision of live music or recorded music at community premises is exempt so long as the premises do not have an alcohol licence and it takes place with an audience of less than 500 between 8am and 11pm.

3.7 Alcohol Licenced Premises

The performance of live music and recorded music is exempt in licenced premises when it is open for the sale of alcohol, and if amplified has an audience of less than 500 people and takes place between 8am and 11pm.

3.8 Live Music in Workplaces

Live music is exempt when it takes place in a workplace and has an audience of less than 500 and takes place between 8am and 11pm.

3.9 Live Un-amplified music

Live music is exempt if it is un-amplified and takes place anywhere between 8am and 11pm.

3.10 Circuses

Entertainment forming part of a circus does not require a licence.

3.11 Certain types of Wrestling

Greco-Roman or freestyle wrestling is exempt if it takes place wholly within a building between 8am and 11pm with an audience of less than 1000.

3.12 Plays

Exempt for audiences of under 500 and when the play is staged between 8am and 11pm.

3.13 Films

Exempt in community premises for audiences under 500 people taking place between 8am and 11pm on the same day and is not for profit. Film exhibitions for the purposes of advertisement, information, education or used in museums and galleries are also exempt.

3.14 Indoor sporting events

Exempt for audiences of under 1000 people and when the event takes place between 8am and 11pm

3.15 Performance of dance

Exempt for audiences of under 500 people and when the event takes place between 8am and 11pm.

3.16 Other Exemptions

- Music which is incidental to other activities
- Use of TV or radio receivers
- Religious services or places of worship
- Garden fêtes
- Morris dancing

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 One of the four statutory licensing objectives relates to the protection of children from harm. When a licence is in force children using the premises should be protected through appropriate conditions. However this Objective cannot be relied upon where the activity is exempt and a licence is not required.

5. POLICY IMPLICATIONS

5.1 The Council is the Licensing Authority under the Licensing Act 2003 and has published a Statement of Licensing Policy for 2016 to 2021.

6. LEGAL IMPLICATIONS

6.1 The Licensing Act 2003 sets out what types of activity require a licence. This report summarises these legal provisions. When determining whether a licence is required reference should always be made to the statutory provisions.

Non-Applicable Sections:	FINANCIAL / PERSONNEL & PROCUREMENT IMPLICATIONS
Background Documents: (Access via Contact Officer)	Licensing Act 2003. Pattersons Licensing Acts 2017

Report No.
ES17069

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: Tuesday 12 September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: LICENSING UPDATE - SEPTEMBER 2017

Contact Officer: Paul Lehane, Head of Food Safety, Occupational Safety and Licensing
Tel: 020 8313 4216 E-mail: Paul.Lehane@bromley.gov.uk

Chief Officer: Executive Director of Environment & Community Services

Ward: (All Wards);

1. Reason for report

To update Members on decisions made by the Licensing Sub Committee between 14 June and 24 August 2017,

2. **RECOMMENDATION(S)**

Members are asked to note the report.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Licensing of premises under the Licensing Act 2003 provides for the protection of children from harm and the Gambling Act 2005 aims to protect children and vulnerable adults from harm or exploitation.
-

Corporate Policy

1. Policy Status: Existing Policy: The Council adopted a Statement of Licensing Policy under the Licensing Act 2003 for the period 2016 to 2021. We also adopted a policy in relation to the Gambling Act 2005 covering 2016-2019. Members of the Licensing Sub Committee use these policies as a framework when making decisions on individual applications.
 2. BBB Priority: Children and Young People Excellent Council Safe Bromley Supporting Independence Vibrant, Thriving Town Centres Healthy Bromley Regeneration:
-

Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Public Protection and Safety Portfolio Budget
 4. Total current budget for this head: £1.963m
 5. Source of funding: Existing Revenue Budget 2017 / 2018
-

Personnel

1. Number of staff (current and additional): Licensing Team – Two licensing officers and 3.5 fte admin.
 2. If from existing staff resources, number of staff hours: Not applicable
-

Legal

1. Legal Requirement: Statutory Requirement: The Council is the 'Licensing Authority' under the Licensing Act 2003 and is responsible for the grant, variation, renewal, refusal of licences and their enforcement. The Council has published a statement of its Licensing Policy for 2016 to 2021.
 2. Call-in: Not Applicable:
-

Procurement

1. Summary of Procurement Implications: Not applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Estimated number of users/beneficiaries (current and projected): The Council licences approx. 900 premises for the

sale of alcohol, issues about 1000 TENs a year, has over 3000 personal licence holders and 50 Gambling premises,

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

- 3.1. Decisions made by Licensing Sub committees between 14 June and 24 August 2017.
- 3.2 The General Purposes and Licensing Committee (GP&L) are responsible for overseeing a wide range of licensing and permitting schemes. Officers have delegated authority to deal with non-contentious applications, but where relevant representations are received against any application, or where an application may be refused or subject to conditions it must be referred to a licensing subcommittee for a public hearing and determination.
- 3.3 General Purposes and Licensing committee delegate the responsibility for determining individual applications to a Sub Committee. Subcommittees are made up from any three Members of the GP&L Committee.

Since 14 June 2017 licensing subcommittee has determined 4 applications

Langtry's /Bridge Bar High Street Beckenham. Application for a Temporary Event Notice

- 3.4 The application for a TEN (Temporary Event Notice) was heard on 14 June 2017. The TEN sought to extend the operation of the club from 02.00 to 04.00 on 18 June 2017.
- 3.5 The Metropolitan Police objected to the TEN. They were concerned that the longer hours would lead to an increase in drunkenness and that that it would be detrimental to the licensing objectives.
- 3.6 The Sub Committee consisting of Cllrs Nicholas Bennett JP (Chairman), and Cllrs Kim Botting and Mary Cooke allowed the TEN to continue--iving the following reasons.
- 3.7 This is an application for a single Temporary Event Notice at the premises for an additional 2 hours opening beyond the current 2am limit for the cessation of licensable activities. The Metropolitan Police objected on the ground that the operating of the premises in accordance with the Temporary Event Notice would undermine the Crime and Disorder objective.
- 3.8 The Police highlighted the likely impact on the incidence of violent crime and disorder of a venue emptying after customers had been drinking alcohol for an additional 2 hours. Reference was also made by the police to crime statistics in the area known as the Beckenham Triangle, in which the premises are situated.
- 3.9 Police agreed that the premises were well run, but that, notwithstanding this, the fact remained that an extra 2 hours of drinking time was likely to fuel trouble, particularly in an area where public transport options are limited and police resources are very stretched.
- 3.10 The licence holder's representative confirmed that this is a single application, which follows other TENS in April and May, to which police objections were withdrawn. The April Temporary Event in particular was identical to the current proposal, and, after the withdrawal of police objections, had gone ahead without incident. The sub-committee's attention was drawn to the steps proposed (including the adoption of all current licence conditions) in order to mitigate the impact on the Crime and Disorder objective. It was confirmed that there would be no entry after 1am, in order to avoid migration problems. In addition, a letter of support from a local taxi company was produced, detailing arrangements to be in place at the time of the event to aid dispersal of customers, and confirmation that customers leaving in the early hours would be channelled out of the premises via the door which does not open onto the main trouble point of the High Street.

3.11 In the circumstances, the sub-committee decided that it was fair and proportionate to allow the Temporary Event to proceed as the licence holder had demonstrated that they had taken sufficient steps to mitigate any adverse effect on the Crime and Disorder objective.

The Application to vary the premises licence for Langtry's / Bridge Bar

3.12 This application to extend the hours of operation for the club from 02.00 to 04.00 on Friday and Saturday nights was determined by Cllrs Nicholas Bennett JP (Chairman) and Cllr Rideout QPM CVO and Cllr Theresa Te on 27 July 2017

51 objections were received from local residents and the police.

3.13 The subcommittee granted the application to 03.00 and added the following conditions

- On any night that the premises trades beyond 2am it shall have no fewer than 8 SIA registered door supervisors working at the venue, who shall remain on duty until 30 minutes after the venue closes.
- There shall be no off-sales from the venue, and no drinks may be taken outside by customers.
- The venue shall not offer cut price alcohol promotions.
- The upper and lower floors of the premises shall be closed sequentially, at least 30 minutes apart from each other.
- No customers under the age of 21 shall be admitted to the premises.
- Save for emergency egress, all exits after 2.30am shall be through the station park entrance.
- Following closure of the premises, all security staff shall be deployed to marshal the vicinity in hi-vis jackets to promote a quiet and rapid dispersal of customers.
- Following close of the premises, it will remove any empty vessels from the station car park.
- The premises shall maintain a dedicated telephone line which residents can call at any time up to half an hour after closing time of the premises.
- The premises licence holder shall hold a meeting with the local community at least quarterly. Details of the meeting shall be provided to local residents association and shall be clearly displayed at both entrances to the premises.

Jamaica Basic Schools Foundation. Crystal Palace Park

3.14 The application for a 1 day Premises Licence for a charity fun day in Crystal Palace Park, including live and recorded music and the sale of alcohol was heard on 27 July 2017 by Cllr Nicholas Bennett JP (Chairman) and Cllrs Charles Rideout QPM CVO and Alan Collins.

3.15 The event has been run successfully for about 10 years in Crystal Palace Park but last year more people attended than were anticipated and there were policing issues.

- 3.16 Having heard the applicant's case and the objections the panel decided to refuse the application and gave the following reasons;

the sub-committee carefully considered the application and felt that the applicant had not put in place sufficient measures for an event which may be attended by up to 7000 people, to promote the four licensing objectives. The sub-committee was concerned that the organisers of the event had not learnt from the problems encountered in 2016 which led to the police closing the event early. Despite advice from the Council over the course of many months, dating back to December 2016, the applicant had not put in place measures necessary for the application to be granted. In particular well thought out plans for the protection of public safety, the protection of children from harm, prevention of public nuisance and crime and disorder were not in place. The sub-committee therefore felt that their decision was reasonable and proportionate taking all the circumstances into account.

**Two Ten High St Beckenham – application to vary the Premises Licence.
10 August 2017**

- 3.17 The premises at Two Ten High St. Beckenham was granted a licence on 16 November 2016 following an unopposed application. Very soon after this the Council started to receive complaints about the premises from local residents. Licensing Officers and colleagues from the Public Health Complaints Team investigated and among other things it was found that the premises were operating outside the terms of their licence. They were licenced to operate as a restaurant with alcohol being sold ancillary to food but most customers were not eating and were drinking in the rear garden whilst smoking shisha pipes. As a consequence an application was made to vary the licence on 10 January 2017.
- 3.18 This was due to be heard by the Licensing Sub Committee on 5 April but adjourned to 26 April to be heard after an application by the Police to Review the licence. The Review was brought for the failures to comply with the licence conditions identified following the residents' complaints.
- 3.19 On 26 April the Subcommittee heard the Review application and decided to suspend the licence for 3 months and remove the DPS from the licence. In light of this the application to vary the licence was adjourned to 10 August 2017.
- 3.20 The variation sought to permit the sale of alcohol throughout the premises, adding the first floor and the garden terrace to the existing ground floor area. They also wanted to add the ability to screen films and for shisha customers in the garden terrace to be able to consume alcohol without having to have a meal.
- 3.21 The Subcommittee consisting of Cllrs Owen (Chairman), David Livett and Michael Turner agreed to allow a partial variation.

Screening of films.

Sunday to Thursday midday to midnight. Fridays and Saturdays midday to 01.00 the following day

Live music

Sunday to Thursday midday to midnight. Fridays and Saturdays midday to 01.00 the following day

Recorded music

Sunday to Thursday midday to midnight. Fridays and Saturdays midday to 01.00 the following day

Late night Refreshment

Sunday to Thursday 23.00 to midnight. Fridays and Saturdays 23.00 to 01.00 the following day

Supply of Alcohol

Sunday to Thursday midday to 23.40. Fridays and Saturdays midday to 00.40 the following day

The premises would remain open to the public Sunday to Thursday 09.00 to midnight. Fridays and Saturdays 09.00 to 01.00 the following day

The licence conditions were amended

- (i) The following conditions shall also be added to the licence further to the prevention of public nuisance objective.

All doors and windows shall be kept shut during regulated entertainment except to allow access and egress.

A noise limiting device shall be fitted. All external regulated entertainment must be channelled through the device. The maximum noise levels will be set by the London Borough of Bromley's Environmental Health Service and will be reviewed from time to time as appropriate. The premises licence holder or nominated person will be responsible for engaging the services of a sound engineer or similar to assist with the setting and sealing of the equipment.

The handling of kegs, bottles, cleaning equipment, bottle disposal and similar items externally off the premises shall not take place before 07.00 hours or after 22.00 hours.

The delivery of goods and the collection of waste are restricted to between the hours of 07.00 hours and 22.00 hours.

There shall be no new admission of the public after 00.30 hours following any Friday or Saturday night.

On Friday and Saturday nights all music to the external area shall be turned down at midnight and turned off completely at 00.50 hours.

Only customers over the age of 21 shall be admitted to the garden dining area after 21.00 hours on a Friday or Saturday

Free bottled water will be offered to customers leaving the venue after 00.30 hours following a Friday or Saturday

Crime prevention signage relevant to the operational policies of the premises shall be displayed in a prominent position, for example relating to CCTV recording, drugs policy, management reserve the right to refuse entry. The signage will include a reference to a policy whereby any person who causes a nuisance either on the premises or upon leaving may risk refusal of admission in the future

The licence holder shall ensure that they liaise with a local taxi company to provide vehicles from the venue on a priority basis. Staff will enquire if customers require a taxi.

Risk Assessments will be carried out for any privately booked functions, televised sporting events or any other special occasion and appropriate measures will be taken to negate any risk. The risk assessments will be kept in a log and this must be available to Police or Council Officers on request.

All shisha tobacco will be removed at 00.50 hours following a Friday or Saturday to aid dispersal.

(ii) The existing conditions shall be amended as follows:

General conditions: The first 'general' condition is amended to read this premises is licenced to operate as a traditional restaurant. The second 'general' condition is amended to read the premises shall consist of a restaurant on the ground floor, first floor and an external garden area as shown on the amended reference plan. The licenced area shall not include the first floor roof terrace.

Condition 13 on the premises licence is to be replaced with the following:
The premises licence holder or nominated person shall ensure that suitable signage is positioned at exits to request the co-operation of patrons to make as little noise as possible when leaving the premises.

The remaining conditions on the licence shall remain in full effect. For the avoidance of doubt condition 12 shall remain in full force and it will not be possible for customers who wish to smoke tobacco (shisha or otherwise) to do so if they are not taking or have taken a substantial table meal.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 Under the Licensing Act 2003 there are four licensing objectives, one of which is 'the protection of children from harm'. Vulnerable adults and children are given protection under the Gambling Act 2005 through the licensing objective of "protecting children and other vulnerable adults from being harmed or exploited by gambling. In making decisions Members must promote these objectives.

5. POLICY IMPLICATIONS

5.1 The Council is required to prepare statements of licensing policy under both the Licensing Act 2003 for alcohol, regulated entertainment and late night refreshment, and under the Gambling Act 2005.

6. FINANCIAL IMPLICATIONS

6.1 Decisions by Members sitting on a Licensing Sub Committee can be challenged by way of an appeal to the Magistrates Court, or exceptionally to the High Court. This carries a potential risk of legal costs but these cannot be quantified.

7. LEGAL IMPLICATIONS

7.1 Members are exercising a quasi-judicial administrative function when determining applications as a Licensing sub Committee. Hearings are open to the public and must be fair. In making decisions Members need to be mindful of the legal requirements relating to the

particular licensing regime, official guidance and the Councils own policies. Decisions can be formally challenged.

This page is left intentionally blank

Report No.
CSD17121

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: Tuesday 12 September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: INDUCTION ARRANGEMENTS FOR NEW MEMBERS IN 2018

Contact Officer: Graham Walton, Democratic Services Manager
Tel: 0208 461 7743 E-mail: graham.walton@bromley.gov.uk

Chief Officer: Mark Bowen, Director of Corporate Services

Ward: N/A

1. Reason for report

- 1.1 This report summarises the initial plans for Member Induction after the 2018 local elections, including induction arrangements and Member IT. The plans are at an early stage and it would be useful to have Member's views on the proposals. It is intended that a survey will be carried out seeking Members' views on the Induction Programme which will be used to make the final proposals as useful and effective as possible.

2. **RECOMMENDATION**

Members' comments are requested on the plans for Member Induction in 2018.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not Applicable
-

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Democratic Representation – Training Expenses
 4. Total current budget for this head: £1,320 (2017/18)
 5. Source of funding: Revenue budget
-

Personnel

1. Number of staff (current and additional): 8 (6.87fte) in Democratic Services
 2. If from existing staff resources, number of staff hours: Not applicable
-

Legal

1. Legal Requirement: None
 2. Call-in: Not Applicable: This report does not involve an executive decision.
-

Procurement

1. Summary of Procurement Implications: Not applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not applicable
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

- 3.1 This report aims to give Members an early opportunity to feed comments into preparation for the election of a new Council in May 2018, and in particular the options for the induction programme and for provision of IT equipment and support.

Administration following the Election

- 3.2 On being elected, new (and returning) Members will be given a “welcome pack” of basic information and required to complete the following forms –

- Acceptance of office
- General Information (contact details etc)
- Payroll details
- Declaration of interest (which must be completed within 28 days.)
- Declaration of party group membership.

A professional photographer is also employed to take high quality photographs of all Members which are then used on the Council website for the next four years and for Council identity badges.

- 3.3 At the 2010 and 2014 local elections the count was carried out the following day, which made the follow up actions much easier and more convenient than if the count was carried out overnight. If the count is held overnight it may be more practical to have these photographs taken at a later date – possibly in conjunction with another Induction event when the majority of Members are likely to be present.
- 3.4 Members’ views are sought on the timing of the photograph session, in particular what arrangements should be made if the count is held overnight.

Induction Training

- 3.5 Attendance data, where it has been retained, for the 2014 Induction Programme is set out in Appendix A. This shows that attendance was good for the early sessions, but declined as the programme progressed. The full 2014 Induction programme is attached as Appendix B. It is intended that a broadly similar approach will be taken in 2018 of slotting induction sessions between evenings when meetings are scheduled. In addition, Committees and Sub-Committees may want to include tailored training sessions alongside, or as part of, their first meetings. The programme will probably extend into July, but thereafter it is proposed that there will be a programme of occasional Member development sessions throughout the year.
- 3.6 The Induction Programme will focus initially on a general introduction to the Council and core issues such as Member support, the Code of Conduct and standards, Members’ casework, budgets and finance, commissioning and corporate priorities. The programme will then move onto a second phase covering introductions to particular portfolios/departments/services, and training aimed at particular committees such as licensing and planning. In most cases, the sessions will be provided in-house and led by senior officers. In addition, it is proposed that there will be visits and tours to facilities such as the Customer Service Centre at the Civic Centre and the Central Depot. In parallel, there may need to be specific IT training (see below). Although the programme will be aimed at new Members, it is intended that it will also be useful for returning Members, and that experienced Members will have the opportunity to make contributions and interact with new Members.

3.7 Member's views are requested about the content of the Induction Programme, and whether there are any potential gaps – any issues that have not been considered previously but that Members would find helpful. Subjects offered by other authorities include charring skills, time management, personal resilience, personal safety, community engagement, reading skills, public speaking, data protection and freedom of information, community engagement and social media. In 2014, the programme and the individual sessions received good feedback from Members, but it would be particularly useful to have the views of Members now, informed by several years of service.

Member IT

3.8 Under the current Member IT regime, agreed by full Council in early 2014, all Members are offered the following –

- A Council iPad which can be used for Council email and reading committee papers on the Modern.gov app.
- Access to the Council's systems via citrix from a Member's own laptop or PC.
- Either a basic Council mobile phone or a £10 per month allowance to cover use of the Member's personal phone for Council business.

3.9 While the introduction of the iPad has been welcomed and appreciated by some Members, particularly for mobile access to emails, it is also acknowledged that a tablet device has limitations, has not freed Members from paper agendas and is not liked by some Members. Under the direction of Cllr Graham Arthur, Portfolio Holder for Resources, BT, the Council's IT support contractor, has carried out research into appropriate solutions for 2018 based on engagement with Members earlier this year, as well as consideration of the current position and the IT facilities offered by other authorities. BT reached the following conclusions –

- ICT provision must include a capability for Members to obtain paper based copy (i.e. that paper agendas should continue to be available for those who need them.)
- The iPad (or any equivalent device) should include MS Office tools (Outlook, Word, Excel) mitigating the security risks associated with workarounds, where documents are forwarded to personal equipment.
- Provision of a smartphone with integrated mail would be useful, but is not currently viewed as essential.
- The existing security controls are appropriate and there is no evidence that these are inhibiting Members' ability to work with their ICT equipment.
- Future ICT should be able to facilitate virtual meetings (both internal and public facing) and greater interaction with partner organisations.
- Windows should be the preferred platform, but with Apple available as an alternative.
- The deficiencies of the current iPad should be addressed and 2 in 1 Microsoft devices investigated as a potential alternative.
- Training, How to guides and FAQ should be refreshed (particular concerns are wireless printing and use of personal ICT to access LBB core systems via Citrix).

- A clear delivery and communications plan is required.

3.9 The headline recommendation is that, subject to further investigation, Members should be offered a choice in 2018 of either an enhanced iPad with Office 365 capability or a Windows 2 in 1 tablet. These recommendations will be worked up into a final package with consideration of the exact hardware and software requirements, but Member's initial views are sought.

Non-Applicable Sections:	Impact on vulnerable adults and children/Policy/Financial/Personnel/Legal/Procurement
Background Documents: (Access via Contact Officer)	Members ICT Review Report - BT

Attendance at Induction events - 2014

Date	Subject	New Members (19)	Returning Members (41)	Total (60)
27/5/14	Chief Executive's welcome/Democratic Services & Member Support/Standards	18	8	26
29/5/14	Commissioning/ Customer Services/Constitution	17	6	23
9/6/14	Environment and Community Services	12	7	19
18/6/14	Children's Services	6	3	9
19/6/14	Environment Tour	9	0	9
23/6/14	Adult's Services	10	6	16
24/6/14	Human Resources/Public Health	6	2	8
8/7/14	Voluntary Sector	4	1	5

(Attendance data is not available for other sessions)

COUNCILLOR INDUCTION TIMETABLE 2014

Thursday 22 May	ELECTION DAY
Friday 23 May	LOCAL ELECTION COUNT <ul style="list-style-type: none"> • Signing in • Photographs • Basic information <i>(P11 from 1pm)</i>

Monday 26 May	BANK HOLIDAY
Tuesday 27 May	<i>(I-pad collection 2.30-6.45pm – CR5)</i> INDUCTION SESSION 1 (Corporate – Chief Exec’s Welcome/Standards/Member Support) (7pm) <i>(Council Chamber)</i>
Wednesday 28 May	<i>(I-pad collection 5-7pm – CR3)</i> Group meetings
Thursday 29 May	<i>(I-pad collection 8am-7pm – CR3)</i> INDUCTION SESSION 2 (Corporate – Improvement and Commissioning, Customer Services, Constitution) (7pm) <i>(Council Chamber)</i>
Friday 30 May	

Monday 2 June	Group meetings
Tuesday 3 June	Retiring Members Reception (6.30pm)
Wednesday 4 June	COUNCIL (6pm Hon. Aldermen) (6.30pm AGM)
Thursday 5 June	Plans 1 (7pm)/E&R PDS (7pm)
Friday 6 June	

Monday 9 June	INDUCTION SESSION 3 (Environment & Community Services) (7pm) <i>(Cttee Room 1)</i>
Tuesday 10 June	General Purposes & Licensing Cttee (7pm) Executive (7pm)
Wednesday 11 June	
Thursday 12 June	INDUCTION SESSION 4 (Finance) (7pm) <i>(Cttee Room 1)</i>
Friday 13 June	

Monday 16 June	Group meetings
Tuesday 17 June	PP&S PDS (7pm)
Wednesday 18 June	INDUCTION SESSION 5 (Children's Services) (7pm) (Cttee Room 1)
	LDFAP (7pm)
Thursday 19 June	Environment Tour (11am – 2.30pm)
	Plans 2 (7pm)
Friday 20 June	

Monday 23 June	INDUCTION SESSION 6 (Adult Social Care, Housing & Health) (7pm) (Cttee Rm 1)
	R&R PDS (7pm)
Tuesday 24 June	Education Budget PDS (7pm)
	INDUCTION SESSION 7 (Public Health/HR) (7pm) (Cttee Room 1)
Wednesday 25 June	Audit Sub (7.30pm)
Thursday 26 June	Care Services PDS (7pm)
Friday 27 June	

Monday 30 June	INDUCTION SESSION 8 (Regeneration and Planning) (7pm) (Cttee Room 1)
Tuesday 1 July	SACRE (6.30pm)/Environment PDS (7.30pm)
Wednesday 2 July	I-Pad Training (6.30pm) (Cttee Room 6)
	Education PDS (7pm)
Thursday 3 July	I-Pad Training (4pm) (Cttee Room 3)
	Plans 3 (7pm)
Friday 4 July	

Monday 7 July	INDUCTION SESSION 9 (Pensions Investment) (7pm) (Cttee Room 1)
Tuesday 8 July	INDUCTION SESSION 10 (Voluntary Sector) (6.45pm) (<u>Community House, South St</u>)
	E&R PDS (7pm)
Wednesday 9 July	Development Control Cttee (7.30pm)
Thursday 10 July	
Friday 11 July	

(Visits to the Customer Service Centre are available on Mondays, Tuesdays, Thursdays and Fridays)

Report No.
CSD17120

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: GENERAL PURPOSES AND LICENSING COMMITTEE

Date: Tuesday 12 September 2017

Decision Type: Non-Urgent Non-Executive Non-Key

Title: WORK PROGRAMME 2017/18

Contact Officer: Graham Walton, Democratic Services Manager
Tel: 0208 461 7743 E-mail: graham.walton@bromley.gov.uk

Chief Officer: Mark Bowen, Director of Corporate Services

Ward: N/A

1. Reason for report

- 1.1 This report summarises the Committee's role and sets out the Committee's work programme for the 2017/18 Council year.
-

2. **RECOMMENDATION**

Members are requested to consider their work programme for the 2017/18 Council year.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Not Applicable
-

Corporate Policy

1. Policy Status: Not Applicable:
 2. BBB Priority: Excellent Council:
-

Financial

1. Cost of proposal: No Cost:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: Democratic Services
 4. Total current budget for this head: £343,810
 5. Source of funding: 2017/18 revenue budget
-

Personnel

1. Number of staff (current and additional): 8 (6.87fte)
 2. If from existing staff resources, number of staff hours: Not applicable
-

Legal

1. Legal Requirement: Statutory Requirement: The Committee is responsible for non-executive functions as required by the 3 Local Government Act 2000.
 2. Call-in: Not Applicable: This report does not involve an executive decision.
-

Procurement

1. Summary of Procurement Implications: Not applicable
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Not applicable
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

- 3.1 Bromley Council operates under a “Leader and Executive” constitutional model, with most decision making functions resting with the Executive. However, there are a number of functions which the Executive is prohibited from dealing with, for which Committees need to be appointed. In Bromley, the majority of these “non-executive” functions are the responsibility of Development Control Committee for town planning and related functions, and this Committee for most other non-executive functions, including licensing.
- 3.2 General Purposes and Licensing Committee fulfils the role of Licensing Committee under the 2003 Licensing Act, but also deals with a range of other non-executive functions that cannot be dealt with by the Executive or do not fall within the terms of reference of Development Control Committee. It therefore has a range of varied and sometimes unrelated responsibilities, including finance matters relating to audit and pensions, human resources, complaints, elections and Member appointments.
- 3.3 Unlike PDS Committees, the General Purposes and Licensing Committee has decision-making powers, many of which are delegated to a number of sub-committees. These sub-committees also have decision-making powers within their own terms of reference, and in most cases their minutes are reported up to the parent committee for information.
- 3.4 The Committee has six scheduled meetings in the year, including this one. These are summarised in appendix 1, with the reports anticipated at each meeting.

Non-Applicable Sections:	Impact on vulnerable adults and children/Policy/Financial/Personnel/Legal/Procurement
Background Documents: (Access via Contact Officer)	None

General Purposes and Licensing Committee

Work Programme 2017/18

23rd May 2017

Outside Bodies
Work Programme

11th July 2017

Review of Outside Bodies
Pensions Forfeiture Scheme
Licensing Update
Work Programme

12th September 2017

HR Key Issues Presentation
Audit of Financial Statements
Procurement Strategy for Appointment of an Actuary
2017 General Election/2018 Local Election
Complaints – Annual Ombudsman Letter
Teachers Pay
Induction/Training for New Members in 2018
Licensing Update
Licensing Act 2003 Licensable Activities
Work Programme

28th November 2017

Outside Bodies
Licensing Update
Crime Prevention Strategy and Licensing
Work Programme

31st January 2018

Pay Award 2018
Pay Policy Statement 2018/19
Members Allowances 2018/19
Executive Assistants Reports 2017/18
Programme of Meetings 2018/19
Risk Registers and Health and Safety Review
Appointment of an Actuary
Licensing Update
Work Programme

20th March 2018

Licensing Update
Work Programme

PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 16 May 2017

Present

Councillor Keith Onslow (Chairman)
Councillor Russell Mellor (Vice-Chairman)
Councillors Eric Bosshard, Simon Fawthrop, David Livett and
Teresa Te

Also Present

Brian Toms, Employer Representative – Local Pension
Board
Jane Harding, Employer Representative – Local Pension
Board
Alick Stevenson, AllenbridgeEpic Investment Advisers

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies were received from Cllr Richard Williams.

Apologies were also received from Lesley Rickards, Local Pension Board
(Member Representative).

2 DECLARATIONS OF INTEREST

There were no declarations (other than those declared at previous meetings
of the Sub-Committee).

3 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 5TH APRIL 2017

The minutes were agreed. In so doing thanks were conveyed to Cllr Teresa
Te for her work in chairing the Sub-Committee during 2016-17.

4 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

There were no questions.

5 PENSION FUND PERFORMANCE Q4 2016/17

Report FSD17041

Details were provided of the Fund's investment performance for the fourth
quarter 2016/17. Additional detail was provided in an appended report from
the Fund's external advisers, AllenbridgeEpic and Baillie Gifford provided

commentary on its performance and view of the economic outlook. Information on general financial and membership trends of the Pension Fund was also outlined along with summarised information on early retirements.

The market value of the Fund ended the March quarter at £943.8m and had fallen slightly to £943.0m as at 30th April 2017. The total fund return for the fourth quarter was 5.7% against a 4.5% benchmark. This compares to an estimated average of 3.7% across LGPS funds for the quarter based on initial figures from PIRC.

Report FSD17041 also advised that officers were currently liaising with relevant contractors for the Extra Care Housing contract and the proposed Libraries contract in relation to obtaining admitted body status with the L B Bromley Fund. Further updates would be provided in future quarterly performance reports.

A provisional net surplus of £5.6m was achieved during 2016/17 (mainly due to investment income of £7.5m) and total membership numbers rose by 733. The net surplus of £5.6m includes £7.5m investment income, which is currently reinvested in the fund. As such, the Fund had an estimated £1.9m cash deficit for the year in cash-flow terms – cash-flow being one of the main drivers for the recent asset allocation review.

Overall, the fourth quarter was considered good by Allenbridge and significant returns were achieved. Although performance had fallen a little at the end of April the position was understood to have recovered. There had been no major issues in the quarter.

In view of the intention to sell all holdings in Diversified Growth Funds there seemed little point in having Standard Life address the Sub-Committee at its meeting on 19th September 2017. Accordingly, the Sub-Committee agreed that an invitation for Standard Life to attend the meeting was no longer necessary.

A share of the Fund assets relating to Bromley College (now part of London South East Colleges) would be transferred to the Local Pensions Partnership as a result of the College leaving the Fund. A Member suggested that proceeds from the DGF disposal be considered first for funding the transfer. However, much depended on the position of markets at the time of transfer and the market should therefore be reviewed the time to decide what assets to sell to generate the cash needed. Another Member supported use of DGF funds unless there was a good case not to do so. However, it was indicated that (at this stage) it was best not to be too rigid in selling DGFs to fund the transfer. The proportions of the Fund's asset allocation would change and any final decision on funding the transfer would be subject to consideration by the Director of Finance, following the advice of Allenbridge, in consultation with the Chairman and Vice-Chairman of the Sub-Committee.

A Member also highlighted the level of employer contribution being paid to the Fund which he felt was unsustainable for the future. The scenario was

replicated nationally and there were a number of unfunded pension liabilities in the UK. The situation was such that it was necessary to lobby government on the problem for action to be taken. The Member suggested that the matter should be raised with the Government to address the unsustainable position for local government pension funds. The Chairman confirmed that he would write to Government on this issue. The Director highlighted that the Council's concerns are consistently raised in responses to consultation on pension matters and the Leader had met the Special Adviser to the Secretary of State for Communities and Local Government where the matter was raised. It had also been raised with the local M.Ps to seek to influence Government policy on such matters. Another issue of concern related to TUPE and the protection of staff pension liabilities when outsourcing work. This was off-putting to some tenderers and it was agreed that this would form part of the response to Government following the general election.

RESOLVED that the contents of the report be noted.

6 PENSION FUND - INVESTMENT REPORT

Quarterly reports from Fund Managers had been circulated to Sub-Committee Members and Members of the Local Pension Board with the meeting agenda pack.

A representative from Baillie Gifford attended the meeting reporting on the performance of its portfolio in Global Equities, Diversified Growth Funds and Fixed Interest. Net figures were provided throughout the presentation.

The total portfolio had a valuation of £456,520,316 at 15th May 2017 with previous valuations at 31st March 2016 and 31st March 2017 comprising £344,642,947 and £441,459,809 respectively. Against market developments (e.g. equity markets continuing to perform, a growing economic confidence in Europe, growth by technology companies and a loose monetary policy) and world regional and sector returns in various categories of stock, Baillie Gifford provided details of investment returns to 31st March 2017 with a strong performance from technology stock. U.S. industrial names also performed well. A number of healthcare holdings had, however, detracted from performance. Under the new U.S. administration deregulation was proceeding so providing a fiscal boost. In the U.K. an 18% fall in the value of sterling following the referendum benefitted companies and provided a good trading climate.

The presentation outlined the focus of Baillie Gifford's 2017 research agenda for Global Equities. This covered the improving U.S. economic position and a particular focus on interest rate rises, tax cuts, infrastructure spending and regulatory change. It was anticipated the Federal Reserve could increase interest rates. Technology platforms also featured in Baillie Gifford's research (e.g. capital light business models, strong network effects, stakeholder engagement and emergent areas) as did a focus on re-emerging markets with improving governance and new trade routes (e.g. structural reform focusing on China, India, Brazil and South Korea with expanded trade routes along the

old “Silk Road”). Further Baillie Gifford research focussed on healthcare demands and looking at areas such as harnessing new technologies and delivering better care at lower cost – the sector was also considered well positioned for regulatory change.

For Diversified Growth, the portfolio achieved a 5.5% p.a. net return to 31st March 2017 since initial investment in December 2012. This was slightly ahead of target at 4% (Base Rate + 3.5%). Investments making a significant contribution to DGF performance included: Listed Equities (equity markets were strong as the global growth outlook improved); High Yield Credit (benefitted from a continued search for yield in a low interest rate environment), Active Currency (selected overweight positions in emerging market currencies and a strengthening U.S. dollar helping to generate positive returns); and Emerging Market Bonds (supported by a combination of strong global growth and strengthening emerging market currencies along with progress on structural reforms and a stabilisation of commodity prices). Asset class weightings for the DGF portfolio were also outlined along with Baillie Gifford’s views that global growth expectations are rising, that monetary policy is likely to tighten, that several asset classes are at or above Baillie Gifford’s estimate of fair value; and that market volatility may create opportunities. In regard to stock selection, a Member suggested it more likely for stocks in India and China to grow rather than in Europe; he felt that developed markets were not growing so well and emerging market stocks were exciting.

Given the intention to pay more cash due to the Fund’s cash deficit position and to move investments away from DGF, a Member sought the representative’s thoughts for the future and how it might be possible to achieve the necessary returns without an excessive element of risk. As the Fund would be paying pensions into the next century the representative considered it necessary to continue with some global equities and also acknowledged the Sub-Committee’s proposal to replace DGF with assets providing a similar return for income. Baillie Gifford did not have a Multi-Asset Income Fund product.

7 OUTLINE PROCUREMENT PROCESS FOR FUND MANAGER APPOINTMENTS

Report FSD17042

Members considered a recommended approach for implementing the Pension Fund Asset Allocation Strategy agreed at the Sub-Committee’s previous meeting on 5th April 2017 i.e. no allocation to Diversified Growth Funds, reducing allocations to Global Equities and Fixed Interest, and introducing income generating allocations to Multi Asset Income (MAI) Funds and Property.

Report FSD17042 summarised the current and revised strategic allocations as:

	Current strategic allocation	Actual allocation 31/03/17	Revised strategic allocation	
	%	%	%	£m*
Global Equities	70	77.9	60	566.3
Fixed Interest	20	13.9	15	141.6
Diversified Growth Fund	10	8.2	0	0
Multi-Asset Income Fund**			16.8	158.5
Property**			8.2	77.4
				943.8

* Indicative allocation based on total fund value as at 31st March 2017
** Allocation to property to equal actual DGF total value as at point of transfer, with the balance to adjust the allocation to MAI

AllenbridgeEpic had been appointed to manage Fund Manager procurement for the new mandates and a brief Allenbridge report and indicative timeline for the MAI Funds was appended to Report FSD17042. Two Managers were proposed for the MAI Funds to increase diversification and aid performance appraisal.

For Property Funds, Report FSD17042 proposed to initially manage £50m in a pooled property fund with the remaining balance (around £27m based on fund values at 30th March 2017) being managed directly.

For both MAI funds and a pooled property fund a two-stage restricted tender process would be used advertised in the Official Journal of the European Union (OJEU). For both allocations it was proposed to delegate the Director of Finance (in consultation with the Chairman and Vice-Chairman) with authority to agree a shortlist of Fund Managers (to be recommended by AllenbridgeEpic) who would be invited to submit a tender following the PQQ process.

To implement the revised strategy it would be necessary to sell the Diversified Growth Funds and some 18% of assets in Global Equities (based on values at 31st March 2017). A decision on which Global Equities assets to sell was proposed for a later meeting.

The Chairman explained that procurement documentation would include a requirement for the submission of tenders based on 80% quality and 20% price (rather than 70% quality and 30% price). This would convey a particular focus on quality when selecting the Fund Managers. It was intended to complete the procurement process by the end of the calendar year with decisions to be made at the Sub-Committee's meeting on 21st November 2017 and at a special Sub-Committee meeting initially proposed for 12th December 2017.

It was proposed that the allocation be amended to 5% Property and 20% MAI; direct investment in property (approximately £27m) would not then be

necessary and the total property element could be managed in a pooled fund (value of some £50m).

A Member also reminded that the MAI funds were not to be weighted with derivatives; neither should the funds rely upon foreign exchange conditions for returns. Members were assured that PQQ documentation would highlight the need to limit use of derivatives. Stocks in futures could also be excluded if necessary. As the volume of MAI assets increased so the level of derivatives would reduce and derivatives would not be used for profit. On foreign exchange conditions, MAI investments could be hedged back to sterling.

Members agreed the recommendations in Report FSD17042 subject to the property allocation being in the range of £50m; having more than one Fund Manager for the MAI assets; having diversification; and having a minimal use of derivatives. Members also agreed that the Sub-Committee's meeting on 21st November 2017 would select Fund Managers for the MAI allocation and Fund Managers for Property would be selected at a special Sub-Committee meeting on 12th December 2017 (*Democratic Services Note: subsequently changed to 14th December 2017*). Careful consideration would be given to timetabling for both meetings.

More generally, Members discussed a preferred start time for future meetings of the Sub-Committee i.e. 7pm or 7.30pm. A vote confirmed that opinion was equally divided and it was agreed to consider the matter again at the Sub-Committee's next meeting.

RESOLVED that:

- (1) the contents of the report be noted;**
- (2) the proposed actions and indicative time-frames attached at Appendix 1 to Report FSD17042 be noted;**
- (3) the allocation to Property comprise a value of approximately £50m managed through a pooled fund;**
- (4) mandates be tendered for two Multi Asset Income Funds, and one Property Fund;**
- (5) the Director of Finance, in consultation with the Chairman and Vice-Chairman, be delegated authority to select the shortlist of managers to be invited to submit a tender following the PQQ process; and**
- (6) a Special Meeting of the Sub-Committee be held on 12th December 2017 (*Democratic Services Note: subsequently changed to 14th December 2017*) to award the Property pooled fund mandate (paragraph 3.3.3 of Report FSD17042).**

The Meeting ended at 8.58 pm

Chairman

This page is left intentionally blank

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 21 June 2017

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor William Huntington-Thresher (Vice-Chairman)
Councillors Ian Dunn, Peter Fortune and Tony Owen

Also Present:

Luis Remedios, Head of Audit (until 22/6/17)
David Hogan, Head of Audit (replacing Mr Remedios)
John Bosley, Contract Manager (Waste and Refuse)
Dan Jones, Director of Environment
Charles Obazuaye, Director of HR
Garry Warner, Head of Highway Network Management
Deepali Choudhary, Principal Auditor
Linda Pilkington, Principal Auditor

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Collins.

The Chairman welcomed Mr David Hogan, the new Head of Audit, to the meeting.

2 DECLARATIONS OF INTEREST

Councillor Peter Fortune declared that his wife was a teacher at an academy trust in Bromley.

Councillor Tony Owen declared that his daughter was a teacher at an academy trust in Bromley.

Councillor Neil Reddin declared that his children attended academies in the Borough and that his wife was a member of two school governing bodies.

3 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 4TH APRIL 2017

The minutes of the meeting held on 4th April 2017 were agreed as a correct record.

4 QUESTIONS FROM COUNCILLORS AND MEMBERS OF THE PUBLIC

No questions were received.

5 MATTERS OUTSTANDING (NOT INCLUDING EXEMPT INFORMATION) FROM THE MEETING HELD ON 4TH APRIL 2017
Report CSD17085

Members considered the Part 1 (Public) Matters Arising report. In relation to Minute 33 (Annual Internal Audit Plan 2017-2018), Mr Hogan confirmed that he was currently undertaking a review of the adequacy of resources within the Audit Team and further information would be available at the end of July 2017.

Concerning Minute 34 (Internal Audit Progress Report), the Chairman confirmed that the recent General Election had delayed progress on the letter to MPs. The letter would now be drafted and sent to Bromley MPs and the relevant Minister within the next week.

It was agreed that the matters outstanding from Minute 37/1 (Register of Staff Interests) were no longer considered to be exempt. The update from the Director of Human Resources would now be considered in Part 1 of the meeting.

The Director of HR provided an update to the Sub-Committee on the progress of returns for the Register of Staff Business Interests. A document providing a breakdown by department of non-completion was tabled. The Director of HR reported that the return rate was more encouraging than it had previously been. There were now only 40 forms outstanding from across the Council and staff within HR had been “chasing, encouraging and cajoling” in order to increase the return rate. The return rate was considered to be good but the target was a 100% return rate. The Sub-Committee were informed that not every member of staff was required to complete a declaration of business interest form. Every Senior Officer was required to complete a declaration and the requirement for other staff was dependent on their role and responsibilities.

In response to a question from the Chairman the Director of HR confirmed that there was no specific sanction for non-compliance. However, disciplinary action could be taken against a member of staff if the disciplinary issues were in anyway linked to the non-disclosure. HR impressed upon staff that completion of the Register of Business Interests was for their own protection. The Director of HR confirmed that the majority of staff interests would not be in conflict with the organisation.

The Sub-Committee noted that one particular area where more vigilance was required was that of agency staff, contractors and staff not directly employed

by the Council. These groups of staff were not as easy for HR to monitor as they were not direct employees. The Head of Audit confirmed that there were concerns around the robustness of references sought by agencies in relation to agency staff. The Director of HR reported that the Council's current contractor had been tightening up their procedures in recent years. As a result of the pressure to bring staff into the Council it was often necessary to undertake a risk assessment and make a judgement about the need to wait for references and further enhanced DBS checks.

6 QUESTIONS ON THE AUDIT REPORTS PUBLISHED ON THE WEB

No questions had been received concerning the internal audit reports that had been published on the web.

7 ANNUAL AUDIT REPORT Report FSD 17049

The Annual Audit report was presented by the Head of Audit who reported that this year the Director of Corporate Services had contributed to the Annual Governance Statement. One of the main areas for concern this year was contract monitoring issues.

The report was primarily for Member information and was intended to assist the Council in meeting the financial management and internal control requirements of the Accounts and Audit Regulations 2015. Part of the overall arrangements required the Chief Executive and the Leader to sign an Annual Governance Statement.

Included in the report were highlights of the performance of the Internal Audit function, a summary of the audits undertaken and an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

Members noted that schools that were audited were included within the report.

The Committee were reminded that Internal Audit's main objective was to assist management and Members in minimising risks, maintaining high standards and continuously improving service delivery through independent appraisal, review and advice. The report outlined the methodology employed to achieve these objectives.

The audit reviews looked at the controls in place and assessed how effective these were, together with associated risks. The Committee were informed that whilst it was Internal Audit's aim to complete the 2016/17 plan, this had been adjusted as a result of unexpected levels of unplanned activity including fraud and investigative work. To redress some of the shortfall, internal audit had bought in to the internal audit service of Mazars through the Framework Agreement operated by LB Croydon. Mazars undertook six audits from the audit plan--totalling 67 days

Internal Audit completed the majority of high risk audit reviews scheduled in 2016/17 and received positive feedback from the client departments with an overall average of over 4 out of 5 for the audit satisfaction surveys. Overall, after allowing for a number of audits that were either postponed or cancelled due to management requests/organisational change, ad hoc investigations and sickness, Internal Audit had completed about 80% of the Plan against the annual performance indicator requirement of 90%. There were seven audits where work was still in progress.

The Committee was advised that during 2015/2016, 862 audit days had been undertaken, and this included fraud and investigative work as well as mainstream audit work.

All internal work resulted in a formal report to management. Final reports were agreed with clients prior to being released and were followed up systematically in the following financial year; unless there were priority one recommendations which would be followed up within six months. All audit reports (apart from follow ups and investigations) included an opinion from internal audit based on their findings.

The report explained the four different assurance levels that were provided post audit, these were:

- Full Assurance
- Substantial Assurance
- Limited Assurance
- No Assurance

The Committee were notified that audits had been undertaken on 8 schools that were still maintained by Bromley, and that these audits had resulted in 41 recommendations.

For clarity, it was noted that there were follow up reviews for 6 schools that had been audited in 2015/16; of the 22 recommendations raised, 21 were fully implemented and 1 partially implemented and therefore re-recommended.

The main internal audit issues in 2016/17 related to contract management and monitoring, and it had been decided that a major focus of the 2017/18 plan would be to audit contract monitoring controls.

With reference to the Annual Governance Statement, the Head of Audit confirmed that adequate action plans had been agreed for all areas of identified weaknesses and Internal Audit would continue to apply close scrutiny to ensure that all current priority control weaknesses were addressed by management.

The Risk Management process had been reviewed as a result of the Ofsted report into LBB Children's Services in 2016. The various procedures put in place as a result were explained to the Committee.

Following a request from the Executive and Resources PDS Committee Zurich had been commissioned to carry out a check and challenge process on the risk registers for the three Directorates.

The control issues that had been highlighted in the audit reports were divided into the following categories:

- Organisational – the controls that provide the framework under which the system of other controls can operate effectively and efficiently.
- Financial – the system of controls that ensures the accuracy and adequacy of financial data and safeguards the organisation against possible loss due to fraud or error.
- Operational – the system of controls that ensures the efficiency and effectiveness of operations, ensures the organisation's objectives are met (and services delivered) and also safeguards the organisation against any reputational damage or other loss.
- Compliance controls – the system of controls that ensures that the organisation complies with all relevant legislation, best practice guidance and internal policies with respect to the conduct of the business.

The Portfolio Holder for Education Children and Families requested that in future a further breakdown of the number of audit days for schools be broken down to enable an analysis of the implications of the acadamisation agenda.

With reference to the Annual Governance Statement, a Member suggested that within the Statement it should be reflected that one of the Policy Development and Scrutiny (PDS) Committees had become a Select Committee. With reference to the Inspection of the Bromley Youth Offending Service by HM Inspectorate of Probation, the Portfolio Holder for Education Children and Families confirmed that the report was no longer subject to Purdah.

RESOLVED that the Annual Governance Statement be noted and approved.

8 INTERNAL AUDIT PROGRESS REPORT Report FSD17051

The Head of Audit presented the Internal Audit Progress Report which was intended to inform Members of recent audit activity across the Council and to provide updates on matters arising from the previous Audit Sub-Committee meetings.

The Sub-Committee noted the latest list of outstanding priority one recommendations attached at Appendix A of the report. A Member suggested that in the interests of transparency, in future, all the reports with Priority 1 recommendations should be named in part 1 of the agenda.

In relation to the Priority 1 recommendation concerning St Paul's Cray CE Primary School, the Head of Audit reported that a number of other issues had been picked up during the audit process which were being addressed. The Sub-Committee was advised that the recommendation pertaining to cash handling at St Paul's Cray CE Primary School remained open.

The Sub-Committee were informed that a school had received an overpayment of relief on NNDR (National Non Domestic Rates) of £103,499 as the date on which it converted to an Academy had been miscalculated. This money had now been reimbursed to the Council.

Members were updated concerning the liability of businesses to pay the Community Infrastructure Levy (CIL). There had been two priority one recommendations made in the original audit relating to the identification of CIL liable cases and the need for spot checks. It had been estimated in the previous audit that 48 cases had been identified where CIL liability had not been recorded. The Committee were briefed that the number of original assessments for liability subsequently fell to 41 and 3 of these had made payments totalling £8,126. Another 14 cases had CIL liability orders issued, totalling £79,655.

There had been a priority 1 recommendation for management to run a report from UNIFORM to identify planning applications made since 1 April 2015 where CIL liability had not been assessed and recorded. This recommendation was now regarded as implemented.

There had been a second priority 1 recommendation regarding CIL spot check visits, and this was also regarded as implemented.

Members were provided with an update following the previous audit on the Learning Disabilities Service where there had been three priority one recommendations relating to Assessments, Care and Support Plans and Service Agreements. It was noted that the recommendation relating to Assessments remained outstanding. The recommendations concerning care and support plans and service level agreements would be looked at in a future audit.

Concerning document retention and storage, Members were reminded that previously there had been two priority one recommendations relating to contract monitoring and invoice checking and also cumulative expenditure and also the requirement to undertake a comprehensive review of documents in storage. The former recommendation was considered to be implemented, whilst the latter recommendation was still open. A Member stressed the need to ensure that the costs for retrieval and return were not a disincentive to review documents that were held in storage. It was recognised that there would need to be a review of all the information held in storage in light of the new Data Protection legislation.

Members were updated concerning the audit of corporate waivers. It was still the aim to set up a fully audited corporate waiver register, possibly in an

electronic form that would enhance the audit trail, and audit controls. This matter was ongoing and would be reported back to the Committee at the November meeting.

There had been some slippage in meeting the targets of the 2016/2017 audit plan for a variety of reasons, and the Committee were informed of additional work that internal audit had undertaken outside of the audit plan.

Members were notified that 10 further internal audit reports had just been published, and this meant that 176 had been published to date.

Members approved the nomination of Deepali Choudhary, (Principal Auditor) as Auditor of the Year. This was for an outstanding piece of work in carrying out an audit of the Waste Contract, which was the biggest contract held by the Council.

The Head of Audit updated Members concerning the number of cases of suspected housing benefit fraud that had been referred by Bromley to the SFIS (Single Fraud Investigation Service). Members were still concerned at the lack of prosecutions undertaken by the SFIS, and had previously resolved to write to the DWP, expressing LBB's concerns over this. This letter had not yet been written due to the snap general election, and new ministerial appointments that may be made. However, it was still the intention of the Sub-Committee that the letter be drafted. The Chairman suggested that the concerns of the Sub-Committee surrounding delays in bringing prosecutions should also be included in the letter sent to the DWP.

The Sub-Committee were briefed that LBB were still successfully prosecuting for council tax support fraud.

In relation to training, the Head of Audit reported that there had been some problems with the link on the Bromley Learning Hub. Once the problems had been remedied the training would be relaunched and advertised amongst staff.

RESOLVED: That

- 1. The progress report and matters arising be noted;**
- 2. The Internal Audit report be noted;**
- 3. The list of Internal Audit Reports publicised on the web be noted;**
- 4. The nomination of Deepali Choudhary as Auditor of the Year be approved;**
- 5. The latest cases referred to the DWP be noted;**

6. The letter to the minister for the DWP to express LBB's concerns at the lack of prosecution for housing benefit fraud should still be drafted; and

7. The update on risks, together with actions taken to improve the risk register be noted.

9 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the press and public be excluded during consideration of the items of business listed below as it was likely in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present, there would be disclosure to them of exempt information.

10 EXEMPT MINUTES OF THE MEETING HELD ON 4th APRIL 2017

The exempt minutes of the meeting held on 4th April 2017 were agreed as a correct record.

**11 MATTERS ARISING FROM THE PREVIOUS MEETING-EXEMPT INFORMATION
Report CSD17086**

The Matters Arising report (Exempt Information) was noted.

**12 ANNUAL FRAUD & INVESTIGATION REPORT
Report FSD17050**

The report was presented by the Head of Audit and summarised all fraud and investigations undertaken for 2016/17.

The report provided a summary of all the allegations of fraud that had been received, investigations of matters not fraud related but breach of financial regulations/procedures, results of the fraud partnership with the Royal Borough of Greenwich and findings from the National Fraud Initiative (NFI) data match exercise. The report also referred to other matters such as major investigations, individual cases of interest, summary of the fraud register, proactive exercises and LBB's self- assessment of counter fraud measures arrangements against CIPFA's (Chartered Institute of Public Finance and Accountancy) Counter Fraud Code of Practice.

**13 FRAUD & INVESTIGATION
Report FSD17052**

The Committee considered a report informing Members of recent Internal Audit activity on fraud and investigations across the Council and providing an update on matters arising from previous meetings of the Audit Sub-Committee.

The Chairman reported that this was the last meeting that the current Head of Audit, Mr Luis Remedios, would attend. The Chairman thanked Mr Remedios for the support he had provided to Bromley and the Audit Sub-Committee. The Sub-Committee wished Mr Remedios well for the future. In response, Mr Remedios thanked the Sub-Committee for the challenge it had provided over the years and the work that had been done to increase the profile of audit.

The Meeting ended at 9.05 pm

Chairman

This page is left intentionally blank

APPEALS SUB-COMMITTEE

Minutes of the meeting held at 1.00 pm on 10 July 2017

Present:

Councillors Councillor Vanessa Allen, Councillor Nicholas Bennett J.P. and Councillor Ian F. Payne

1 APPOINTMENT OF CHAIRMAN

Councillor Nicholas Bennett was appointed Chairman.

2 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

There were no apologies for absence.

3 DECLARATIONS OF INTEREST

There were no additional declarations of interest.

4 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000

5 GRIEVANCE APPEAL MS D.A

In accordance with the Council's established Grievance Procedures, the Sub-Committee considered an appeal in relation to a formal grievance submitted by an employee.

The Meeting ended at 4.05 pm

Chairman

This page is left intentionally blank

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is left intentionally blank

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is left intentionally blank