

**2015/16**  
**Annual Report**  
**and**  
**Statement**  
**of Accounts**

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

Challenging economic times still lie ahead and we must continue to find efficiencies over the next four years as well as look for more opportunities to raise income. We believed Bromley had a particularly harsh reduction in Government funding for the year and our efforts to make our case resulted in some one-off transitional funding from central government, but we still had to make substantial savings.

Rest assured we continue to scrutinise every Council service and activity to ensure they are delivered by those best able to offer good value for money, while we do everything we can to ensure the long term stability of the Council's finances as we move towards more self-sufficiency. 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.

This approach also ensures we can go on 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 2015-16, where we highlight our achievements over the past year and outline plans for the future.

Among others, our achievements include:

- A new cinema opened in Orpington with other improvements
- Infrastructure and investment plans for Biggin Hill and Cray business corridor
- Continuing to work on development in Bromley Town Centre
- Expansion of the Glades Shopping Centre providing a café society lifestyle
- Progressing improvements to Beckenham, Penge and Orpington and working with businesses to empower them to further improve our town centres
- Supported a successful ballot to establish a Business Improvement District in Bromley
- Formally established the Biggin Hill Memorial Trust to oversee the development of the Biggin Hill Memorial Museum
- Appointed specialists to work with the Crystal Palace Park Management Board to develop a Regeneration Plan for Crystal Palace Park
- Agreed a development partner for Chislehurst Library
- Finished the delivery of the Local Shopping Parades Initiative effecting improvement in 10 shopping parades across the Borough
- Expanding and engaging with Bromley's unique Friends initiative, including more than 1,000 Street Friends, more than 5,000 Snow Friends and Co-ordinators and organising 36 clean up events
- Completed the invest-to-save street lighting project, which involved replacing 7,000 lamp columns and 16,000 street lanterns with energy efficient LED lighting
- Established a new structure of Neighbourhood Management to streamline and reduce duplication in how street services are delivered
- Received more than 255 calls to Trading Standards Rapid Response number resulting in immediate responses to 54 consumers, saving vulnerable residents more than £233,000
- Strengthen the quality of school governance by setting the strategic direction and promoting school improvement through the role of Local Authority Governors
- Completed 45 school enlargement projects since the inception of the Basic Need Programme to improve and expand Bromley schools and support the provision of sufficient school places

- Piloted the Single Integrated Pathway into SEND services with 509 Education, Health and Care Plans currently in place of which 470 were finalised in 2015. A further 141 transitions are currently in progress
- Provided clearer information and advice to the carers of people with dementia by developing and extending the Bromley MyLife website and developing a dementia hub for the future
- Focused on preventing homelessness by working in partnership to maximise and make the best use of the supply of affordable housing. This included successfully diverting over 86% of households approaching in housing need
- Focused on the promotion of emotional health and wellbeing in young people through the self-harm prevention strategy and through Bromley Children's Trust Stakeholder Conference; explored with 60 individuals who work with children and young people, how we can together maximise the success of young people in all fields of later life
- Maximised the effectiveness of the NHS Health Checks programme by ensuring that individuals at high risk of diabetes who require intensive lifestyle interventions to reduce the risk are managed appropriately

So focussing on the future, challenging times mean we have to do things differently and take more responsibility and accountability within families and communities to make sure those who need our services most get the help they need.

Working with our partners to attract business to the Borough, we are actively seeking to secure a multi-million pound investment into high tech industrial and aviation business opportunities in Biggin Hill and supporting investments in the growth areas of the Cray Valley Business Corridor. We are also working towards transforming the old Town Hall into a boutique hotel as well as improving the street scene in Beckenham and Penge.

The future of our children and young people is very important to us and we have put them at the core of our priorities for the future. We must make sure 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. We are starting out on the journey to integrate health and social care to provide the benefits of a more joined up approach to the challenges we face in social care into the future. Meanwhile our Friends Groups go from strength to strength so help keep our borough clean, tidy and safe.

Our commitment to Building a Better Bromley is as strong as ever and we will be launching our updated 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 you and our partners to keep this borough a fantastic place to live, work and visit.

Stephen Carr  
Leader  
Bromley Council

## **BUILDING A BETTER BROMLEY**

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. This was amended in 2013 to reflect our public health and 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 eight key priority areas as follows:

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

Our officer and political structures are all aligned to deliver this vision, and a summary of how we are doing is given below.

### **A Quality Environment**

Environment Portfolio services affect the daily lives of all Bromley residents and many compare favourably with those of other councils. Our aim is to maintain the consistently high service standards residents rightly expect from street cleaning, waste collection, highways and parks management and that these services also provide value-for-money. This is especially important given being a ‘clean and green’ borough is key to why people choose to live or work in Bromley.

#### **During 2015-16 we have:**

- Encouraged greater community engagement through: Street Friends (1,154); Snow Friends/Co-ordinators (4,639/408); and organising 36 community clean-up events
- Issued 217 FPNs for street littering and dealing with 44 fly-tipping, 32 drug abuse, and 15 illegal traveller incursion incidents through our enforcement contractor
- Supported multi-agency operations (e.g. with the police), including 12 Operation Crystal and three fly-tipping ‘stop and search’ operations
- Achieved high levels of resident satisfaction regarding the cleanliness of our streets (69%), neighbourhoods (79%), and town centres (89%)
- Achieved a high recycling rate with more than 47% of Bromley’s household waste being recycled and only 27% being sent to landfill
- Increased the number of garden waste collection service customers to more than 18,400 (up from 16,100 at the end of 2014/15) while still only using four collection vehicles
- Rolled-out revised paper collection service with projected savings achieved
- Completed works at Waldo Road Waste Transfer Station, including new shutters to control odour and new bays to improve recycle segregation
- Prepared for the next waste contract by exploring the activity of neighbouring boroughs including providers, costs, collection methods, and disposal and reprocessing facilities
- Outsourced Parks, Greenspace & Countryside service and novated certain contracts to The Landscape Group, which now provides a Fully Managed Service
- Developed the ‘Parks, Greenspace & Countryside Strategy’ and ‘Events & Activities Strategy’ (Landscape Group in consultation with LB Bromley)
- Developed ‘Parks & Greenspace Action Plan’ (TLG in consultation with LBB)
- Initiated the ‘Tree Friends’ scheme and adopted the LBB Arboricultural Strategy 2016-2020

- Completed the invest-to-save street lighting project, which involved replacing 7,000 lamp columns and 16,000 street lanterns with energy efficient LED lighting
- Produced Local Flood Risk Management Strategy & Action Plan, which sets the various roles and responsibilities involved in improving flood resilience in a six year plan
- Delivered a major programme of resurfacing works on principal roads, including 19 ‘priority 1’ carriage way and 23 footway schemes on time and within budget
- Issued more than 500 Fixed Penalty Notices to utilities for permit-related issues and more than 4,500 ‘Defect Notices’ in respect of poor reinstatement following highways works
- Reviewed the scope for road safety reduction measures at 20 sites and completed six schemes, with orders being placed for a further four
- Provided cycle training to more than 1,600 children and 350 adults
- Facilitated and submitted travel plans from 99 schools to Transport for London
- Received the Partnership Working award from British Parking Association for the LB Bromley / Bexley Shared Parking Service
- Prepared tender documentation for Joint LB Bromley / Bexley Parking Contract
- Coordinated Environment Matters, the anti-fly-tipping campaign, materials for new Neighbourhood Management system, and ensured consistency of key messages
- Produced 2015/18 Environment Portfolio Plan, regular performance and risk management data, and Contract Monitoring Summaries of all the Portfolio’s £50k plus contracts

**Now we plan to:**

- Establish the new Neighbourhood Management approach to our Streetscene and Greenspaces through use of commissioned services and improved communications with residents, Members and key stakeholders
- Develop a three-year Street Care Plan, with a Member Working Group, to join-up policy and resources in respect of education, enforcement and operations by Autumn 2016
- Continue to engage with the community (Residents’ Associations, Street, Tree, Snow Friends and other volunteer groups) to improve the streetscene, including identifying problem hotspots and organising clean-ups
- Produce a Street Friends’ Toolkit (Autumn) to complement the 2015 Tree Friends’ Toolkit
- Develop options for integrating services on expiry of the current waste collection and disposal contract (2019) to maximise economies of scale and harmonise collection and disposal methodologies for all elements of the waste stream
- Increase Green Garden Waste Collection Service customer numbers to 20,000 (from 18,400) and introduce the option to pay by Direct Debit
- Following the trial waste treatment at the Southwark MBT waste processing plant, evaluate the financial and environmental benefits of formalising this disposal option
- Maintain the quality, appearance and cleanliness of parks, open spaces and the countryside provided by The Landscape Group (TLG) and monitored through the Council’s new Neighbourhood Management teams
- Raise public awareness about Parks, Greenspace & Countryside (PG&C), including through the development of a dedicated website (summer 2016) providing on-line information e.g. for booking events in parks, and environmental classes at the Bromley Environmental Education Centre at High Elms etc
- Implement TLG’s new Events and Activities Strategy (2015-19) to promote and support public use of parks and green spaces, especially for community events and activities
- Integrate all highways management functions (planned and reactive works) within one highways team to provide a single point of contact and improve service effectiveness
- Investigate potential capital investment opportunities to reduce revenue expenditure on reactive and planned highways maintenance by improving the condition of the highway asset
- Implement the new Department of Transport Code of Practice to deliver a risk-based approach to maintaining highway assets e.g. roads, street lighting, and highway structures

- Deliver the Action Plan set out in the new Local Flood Risk Strategy
- Look to decrease congestion and address journey times on priority routes, including at key junctions on the major road corridors across the borough
- Ensure parking is readily available across the borough especially near town centres, local shopping parades, railway stations and hospitals and that it balances the needs of residents, visitors and commuters
- Continue implementing the Council's accident reduction programme in key locations and implement the road safety education programme in schools and the wider community
- Communicate service changes directly and consistently to residents and businesses
- Ensure compliance with the Council's governance and procurement rules, and continue to achieve demanding service objectives and value-for-money when tendering contracts
- Ensure that Contract Monitoring Summaries are kept up-to-date for all Environment Portfolio contracts with a total contract value of >£50k

### **Regenerating our Borough and Vibrant, Thriving Town Centres**

We are setting out our vision for developing the borough over the next 15 years in our Local Plan, guiding the development of town centres and built up areas whilst preserving our Green Belt and Metropolitan Open land. Our aim is for our borough to remain a thriving, vibrant place, to ensure our town centres are successful and competitive through a combination of sensitive planning and major private sector investment so our borough remains a place where people choose to live, work and shop.

#### **During 2015-16 we have:**

- Supported a successful ballot to establish a Business Improvement District in Bromley, giving local businesses direct say about the management of their town centre
- Formally established the Biggin Hill Memorial Museum Trust to oversee the development of plan (including business planning) for Biggin Hill Memorial Museum and appointed architects who have completed design works to RIBA Stage 2
- Secured funding from Housing Zone to support the development of Churchill Place (Site G)
- Appointed specialists to work with the Crystal Palace Park Management Board to develop a Regeneration Plan for Crystal Palace Park
- Delivered a programme of business support funded by the New Homes Bonus in Orpington
- Agreed a development partner for Chislehurst Library
- Finished the delivery of the Local Shopping Parades Initiative effecting improvements in 10 shopping parades across the borough

#### **Now we plan to:**

- Attract private sector investment to increase the vitality of our town centres. For example, in Bromley we will secure a development partner to deliver a residential led mixed use scheme at Churchill Place, in Chislehurst we will work with our development partner to bring forward a mixed development proposal to deliver retail and residential opportunities and a new library, and we will work with a developer to bring forward industrial development in the Cray Valley Business Corridor
- Attract further external funding to bring about long term benefits to public spaces and local infrastructure. This includes public realm and town centre improvement schemes in Bromley, Beckenham, and Penge, and working with Network Rail in Bromley to consider options for both Bromley North and Bromley South stations to increase capacity
- Explore different approaches to management of cultural assets and recreational services to sustain their future, working with communities. We will undertake feasibility studies for Business Improvement Districts in Beckenham and Penge, giving businesses control over decisions affecting their town centres. We will also undertake business planning to

support the creation of a community-led governance model for Crystal Palace Park and will work with the community to explore options for community management at community libraries

- Encourage new developments to support economic growth in the borough's key business areas. For example, at Biggin Hill we will develop a capacity masterplan to determine what steps to take to generate business growth. We will undertake business planning for an Aviation Training and Enterprise Centre adjacent to Biggin Hill Airport, and we will progress plans for Biggin Hill Memorial Museum, using monies secured from the Treasury and section 106 to lever in additional grant funding
- Secure the quality of our borough and identify regeneration potential by consulting on and submitting the new Local Plan to the Secretary of State for consideration

### **Supporting our children and young people**

We work closely with our partners to secure the best possible future for all children and young people in the borough, including a clear focus on supporting the most vulnerable children and young people in our community.

#### **During 2015-16 we have:**

- Strengthened the quality of school governance (setting strategic direction and promoting school improvement) through the role of Local Authority Governors
- Seen 550 delegates (a 50% increase) attend the annual Bromley Governors' Conference supporting schools to provide the best quality education for all Bromley Children
- Raised awareness of over 80 Governors in the duty to safeguard children against the dangers of exploitation from extremism through PREVENT training
- Designed and developed primary and secondary school enlargement options to meet current and forecast demand for all on time applicants
- Since inception, completed 45 projects within the Basic Need Programme to improve and expand Bromley schools and support the provision of sufficient school places. The mix of permanent expansion and 'bulge' classes enabled 91% of Primary school applicants and 85% of Secondary school applicants to receive their first or second choice of education establishment
- Continue to develop local provision and partnerships to enable young people with more complex Special Educational Needs and Disabilities to live, learn and work in the local community
- Enabled young people with more complex Learning Disabilities to live, learn and work in their own community by working in partnership with Bromley College to support students through their college life; contribute to, and achieve the outcomes of, their Education, Health and Care Plans
- 85 pupils are on track to become independent travellers opening up opportunities to participate in further and higher education, work experience/employment opportunities by August 2016
- Ensure a smooth transition to the new Special Educational Needs and Disabilities Framework through the provision of an integrated pathway for children and young people, and their families
- Piloted the Single integrated Pathway into SEND services with 509 Education, Health and Care Plans currently in place of which 470 were finalised in 2015. A further 141 transitions are currently in progress
- In partnership with the third sector, parents and children, developed the Local Offer to maximise opportunities for children and young people to access short break provision within their local community
- Focus on the prevention of abuse of vulnerable children and young people, ensuring those at risk of missing from home and care, or sexual exploitation, continue to be identified and supported

- Department of Health funded six week period of publicity in the Bromley area carried out with the focus of the campaign to encourage the public to report suspected and known instances of child abuse and neglect

**Now we plan to:**

- Ensure the best possible future for the children and young people of Bromley, with a clear focus on supporting the most vulnerable through:
  - Safeguarding children and young people within the community
  - Maximising the health and wellbeing of children, young people and their families
  - Promoting educational opportunities through a choice of high quality provision in all areas, including early years and those with Special Educational Needs

**Supporting Independence**

We work closely with our partners to support residents of the borough to manage their own lives with the minimum of interference from the Council, and when they need the Council's support it is provided efficiently, representing value for money, and free from unnecessary bureaucracy and delays.

**During 2015-16 we have:**

- Provided clearer information and advice to the carers of people with dementia by developing and extending the Bromley MyLife website to support people to '*live well with dementia*'
- Developed the Bromley MyLife 'Living Well with Dementia' section to support people with dementia and their carers to make informed choices about their lives. New pages include 'Things to do and places to go', and 'What is Dementia?' Since its launch, the enhanced section of the website has received 3,064 unique visitors viewing 4,974 pages
- Support adults who are unable to protect themselves from the risk of, or experience of, abuse and neglect, enhancing quality of life, wellbeing and safety
- Delivered a comprehensive training programme to health and social care staff from a range of multi agencies enabling them to detect, report and investigate incidents of suspected and actual abuse. Provided public awareness sessions regarding rogue trading and scams to residents of Bromley
- Work with health partners to expand existing winter resilience arrangements to meet the needs of the local population throughout the year and to develop high quality models of best practice to support effective integration
- Effectively supported hospital discharges and prevented readmissions through the 'Winter Resilience' programme. Strengthened, through the establishment of the integrated 'Transfer of Care' Bureau, integrated seven day working between Health and Social Care at the Princess Royal University Hospital (PRUH) resulting in an increase in planned discharges
- Ensure that the voice of service users and carers is routinely sought (developing/changing services) and that when we receive feedback, it is reviewed and integrated into plans where appropriate, together with the outcomes from Healthwatch
- Adult Stakeholder engagement supported the development of a new joint 5 year Carers' Strategy which was formally approved in March 2016
- The Children's Social Care Service User Engagement Framework, implemented in early 2015, has strengthened engagement with children, young people, their parents and carers. Since its inception, 457 feedback forms and 95 responses to the pilot annual survey have been received, ensuring that the views of service users and carers are heard and considered when commissioning services
- Improve the wellbeing of individuals at all stages of the care and support process through the continued development of a high quality, responsive workforce

- A comprehensive programme of Care Act training has been rolled out to front line staff
- Professional relationships with voluntary providers and the community continue to be developed increasing the knowledge base of services on offer
- Promote excellent customer service for those who experience our services
- We continually strive to ensure that everybody receives the right level of assistance whether that be information, advice, or support appropriate to their need
- Developed the range of information available through Bromley MyLife, including improved information for Foster Care, Adoption and Dementia enabling people to exercise more choice and control over their lives, and the provision of tailored information about people's eligibility for support means they can make informed choices at the right time and place for them
- Focus on preventing homelessness by working in partnership to maximise and best use of the supply of affordable housing, minimising social care needs of vulnerable families
- Focused on preventing homelessness by working in partnership to maximise and make the best use of the supply of affordable housing. This included successfully diverting over 86% of households approaching in housing need

**Now we plan to:**

- Enhance the quality of life for people with care and support needs and ensure that those whose circumstances make them vulnerable are protected from avoidable harm
- Through working with partners, ensure the provision of high quality locally relevant information and advice about care and support need to enable choice and control
- In line with the Care Act, focus on wellbeing and prevention with our Health partners, jointly commissioning community services and providing co-ordinated management of patients with long term conditions
- Assist people experiencing housing difficulties with advice and support aimed at maintaining or securing a home and avoiding crisis

**Safer Bromley**

As a lead member of the Safer Bromley Partnership, we work closely with other local organisations to deliver services that impact on residents' safety, health and wellbeing. We want local people to feel, as well as be safe, as they go about their day-to-day lives.

**During 2015-16 we have:**

- Received over 255 calls to our Trading Standards Rapid Response number, resulting in immediate responses to 54 consumers, which saved vulnerable consumers over £233,000
- Intervened to safeguard a vulnerable adult who had 'gifted' his £350,000 house to a rogue trader to pay for property repairs: the perpetrator was convicted of fraud and the property returned to the owner
- Developed a new training programme to raise awareness of scams and doorstep crime to safeguarding practitioners, which received excellent feedback; the impact of this is such that 47 referrals were received from banks (a 75% increase on the previous year); 32 from social services (60% increase), and 76 intelligence reports were received from the Police
- Carried out 65 audit visits relating to under-age sales, which generated a programme of 87 test purchases by an under-age volunteer, and 71 attempts by an 18-year-old volunteer to test compliance with the age verification system. There was 89.6% overall compliance, which represented a continued improvement over the previous four years
- Conducted 47 enforcement actions against problem traders, and instigated legal proceedings against seven rogue traders
- Continued to tackle anti-social behaviour through the delivery of targeted, intelligence-led operations with the Police (Operation Crystal), resulting in a reduction in complaints

of anti-social behaviour of 33.1%, compared with the previous year, and a reduction in fly-tipping tonnage of 69.73%

- Continued to run the Bromley Mentoring Initiative, providing 146 mentoring relationships, and recruiting 58 new mentors
- Offered 100% of domestic violence victims the support of an advocate after reporting to the Police
- Provided support for the Safer Bromley Partnership Board
- Targeted night-time anti-social behaviour problem areas through a joint Council-Police initiative to tackle alcohol-related nuisance, crime and disorder, which resulted in the Purple Flag award for Beckenham
- Oversaw the adoption of the Licensing Policy for the Licensing Act 2003 and Gambling Act 2005
- Supported the Home Office recommendations regarding the gangs review, with Growing Against Violence diversion being implemented in selected schools within the designated gangs area, and the preparation of an additional diversion activity, Challenger Troop, with Portfolio Holder funding
- Inspected 100% of Risk Category A premises and 73% of Risk B to ensure food safety standards were met
- Investigated 35 accident reports, 101 health and safety complaints, 256 food safety complaints; issued 18 improvement and 9 prohibition health and safety notices, and 42 food safety notices
- Provided 660 packages containing CCTV footage and evidence for the Police for use in enforcement
- Produced 26 reports for contaminated land

**Now we plan to:**

- Continue to tackle anti-social behaviour through the delivery of targeted intelligence-led operations with Police (Operation Crystal)
- Continue to support young people to remain in education, employment and training, through our mentoring service
- Continue to ensure all victims of domestic violence involved in criminal Court procedures are offered the support of an advocate
- Continue to provide support for the Safer Bromley Partnership Board
- Target night-time crime and disorder in high-risk licensed premises through four joint operations with the Police (Operation Budgie)
- Update the rest centre plan, as part of Emergency Planning, and review arrangements for establishing rest centres, survivor reception centres, and family reception centres, with staff and volunteers recruited and trained as necessary
- Continue to take action against rogue traders, particularly those who target the vulnerable, through preventative and enforcement activity with banks and adult safeguarding partners
- Continue to provide a rapid response service to all victims of doorstep crimes and scams
- Continue to tackle the sale of age-restricted products, particularly alcohol and tobacco, through test purchase operations
- Undertake four targeted operations to ensure businesses abide by licence conditions
- Continue to inspect 100% of high-risk food businesses (Zero and 1 FHRS scores) to ensure food safety standards are met
- Continue to investigate significant complaints, accident reports and other notifications
- Establish a close working partnership with the Orpington and Bromley BID Teams in order to support local licenced businesses
- Continue to work proactively with the community to reduce noise nuisance
- Continue to provide the CCTV monitoring service for town centres and other key areas
- Continue to develop a computerised system for producing contaminated land reports

- Depending on the result of the new lease negotiations, analyse and expand the current noise plan for Biggin Hill

**Now we plan to:**

- Continue to work closely with partners to ensure Bromley remains, and is known to be, one of the safest boroughs in London
- Strive to reduce levels of crime and antisocial behaviour, including through CCTV monitoring and implementing the Community Safety Strategy
- Encourage community engagement to assist in making the borough a safer place
- Continue to protect the elderly and vulnerable from scams and doorstep crime
- Protect consumers through licensing, regulating businesses, and taking appropriate enforcement action

**Healthy Bromley**

With health providers we focus on areas identified within the Health and Wellbeing Strategy to improve health and deliver public health outcomes. In this we are working to integrate health priorities in all our Building a Better Bromley priorities and ensure effective community engagement through Bromley Healthwatch, to help shape health and social care services

**During 2015-16 we have:**

- Improved prevention of cardiovascular disease through the monitoring and review of the NHS Health Checks programme and evaluation and review of the diabetes prevention project
- Maximised the effectiveness of the NHS Health Checks programme by ensuring that individuals at high risk of diabetes who require intensive lifestyle interventions to reduce the risk are managed appropriately
- Focused on the promotion of emotional health and wellbeing in young people through the self-harm prevention strategy
- Through the Bromley Children's Trust Stakeholder Conference explored, with over 60 individuals who work with children and young people, how partnership working could maximise the success of young people in all fields of later life and maintain their emotional wellbeing

**Now we plan to:**

- Work with health partners and focus on areas identified within the Health and Wellbeing Strategy in improving health and delivering Public Health outcomes
- Ensure that health and wellbeing priorities are integrated within all areas of the Building a Better Bromley framework
- To work with our partners, stakeholders and the public to take responsibility for themselves and their health and well-being by adopting healthier lifestyles. This will ensure less reliance on public services

## **DEVELOPMENT CONTROL COMMITTEE 2015/16**

During the year, the Committee progressed a number of major proposals. Permission was granted for a change of use of the Old Town Hall in Bromley to a high quality hotel, with associated residential development on the adjacent car park site. Schemes now under construction include the new Harris Academy Primary and Secondary Schools in Beckenham and the redevelopment of Orpington Police Station with a mixed use building including a medical centre.

The Development Control Committee and Bromley's Planning staff continue to be among the busiest in the country:

- Dealing with over 3000 planning applications
- Investigating over 800 alleged breaches of planning control and serving enforcement notices, breach of condition notices and planning contravention notices
- Making new tree preservation orders bringing the borough total to over 2600
- Handling almost 300 appeals against refusals of planning applications and enforcement notices
- Encouraging good design through the Advisory Panel for Conservation Areas (which met and advised on around 250 applications in conservation areas)
- Alongside the role as collecting authority for the Mayor's Community Infrastructure Levy, implemented the CIL regulations and latest amendments
- Made representations including at Examination to the Mayor's Minor Alternations to the London Plan
- Progressed the preparation of the Borough's Local Plan with the Draft Site Allocations, Further policies and designations document in autumn 2015, updating evidence
- Preparation and publication of Bromley's Five Year Housing Land Supply Paper
- Preparation and publication of Bromley's Authority Monitoring Report 14/15
- Agreeing a revised Local Development Scheme for the preparation of the Local Plan and a local Bromley Community Infrastructure Levy

The Committee has progressed the development of the Local Plan and considered and responded to the Government's continuing proposed planning reforms, and has considered the responses to Government and London-wide planning policy and related matters.

## **COUNCIL MEETINGS**

Around 200 meetings were held during 2015/16, most of which were open to the public and media. The full Council met on 7 occasions (including the annual meeting).

Copies of the agenda and reports for meetings are available on the Council website ([www.bromley.gov.uk](http://www.bromley.gov.uk)), at the Civic Centre and through local libraries at least five working days prior to each meeting. If you want to know more about a particular item on an agenda you can ring the contact officer shown on each report or the Council's Democratic Services Team on (020) 8461 7743. Dates of meetings are advertised on the Council website and on posters in libraries.

### Public speaking

Council meetings set aside 15 minutes at the start of each ordinary meeting so that members of the public can ask questions. The Democratic Services Team must receive notice of a question by 5pm on the fourth working day before the meeting – this deadline is set out on each agenda. Questions must be about something the Council can influence, should be no longer than 50 words and be asked in person at the meeting – otherwise, a written reply can be sent. An opportunity to ask a supplementary question in response to the reply is given at the meeting.

The Development Control Committee and Plans Sub-Committees operate a separate procedure that allows the public to speak on planning applications, contravention reports and tree preservation orders. People wishing to use this procedure must have already written to the Council expressing their views on the matter and need to register their wish to speak by telephoning the Democratic Services Team by 10am on the working day before the day of the meeting.

### Contacting your Councillor

There are 60 Councillors representing 22 Wards in the Borough. Each Ward has between one and three Councillors.

If there is a topic of concern or interest that you would like to take up with your Ward Councillor or Councillors, their name, address, email and telephone number are available on the Council website and from the Council's Main Enquiry Desk (020 8464 3333).

Further information about the Council and Committee meetings, public speaking and the names and addresses of Councillors is on the Council and Democracy pages of the Bromley Council's web site at [www.bromley.gov.uk](http://www.bromley.gov.uk).

## GETTING IT RIGHT

Providing services to our community in a helpful and efficient way is our aim but things can sometimes go wrong. When they do, our intention is to put them right as soon as possible and learn from the mistakes. We welcome complaints and suggestions from people who use our services so we can learn and improve what we do. If someone has difficulties making a complaint and requires support, we will assist them to do so, to ensure they are not disadvantaged. We are committed to encouraging those who are unhappy to raise concerns and we will not treat anyone unfairly when they do so.

We offer easy and fair access to people to give us their comments in person, by phone and in writing and our on-line complaint form is easy to use.

Complaints are usually investigated by the manager responsible for providing the service. They will try to sort out any problem as quickly as possible as many mistakes and misunderstandings can often be sorted out on the spot. If this isn't possible and the issue is complicated, we may need longer to respond and will aim to reply within twenty working days.

We are keen to resolve any problems ourselves but, if a complainant is dissatisfied with our responses and wants their complaint investigated independently, they can ask the Local Government Ombudsman to investigate. For more information, visit their website at [www.lgo.org.uk](http://www.lgo.org.uk) or telephone 0300 061 0614.

Further information about our complaints procedure is available on our website.

# ENVIRONMENTAL REPORT

## Background

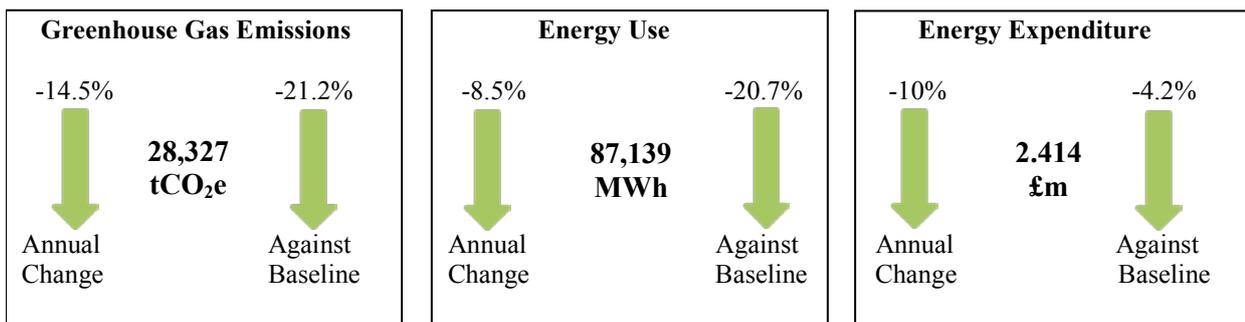
Efficient use of natural resources leads to financial efficiency, which is why the Council has presented environmental and related financial information in its Annual Report since 2010/11. This environmental report describes the Council’s use of resources and environmental impacts as an organisation, rather than being an environmental assessment of our service delivery or a state of environment report for the borough.

The 2015/16 HM Treasury guidance ([Public sector annual reports: sustainability reporting guidance](#)) details minimum reporting requirements for central government bodies and its agencies. Although local government is not bound to produce such reports, the Treasury’s rules constitute best practice and are part of a growing trend. For instance, LSE Main Market listed companies are annually required [to report](#) on their Greenhouse Gas (GHG) emissions. More generally, local authorities are required to [submit annual reports](#) on their GHG Emissions to the government – and that data is the basis of this environmental report.

We are still living in challenging economic times and the Council needs to continue to make significant savings to balance its budget. It therefore makes sense to evaluate resource efficiency’s role in making the Council more financially efficient and contributing to longer-term financial sustainability. Of course, taking action to reduce energy, water, paper or waste not only releases financial resources for front-line services but also directly benefits the environment, and this activity is driven by the Council’s second five-year [Carbon Management Programme](#). Some activity, such as in relation to schools, is partly outside the Council’s direct control but can still be influenced through, say, the provision of environmental information. And more broadly, the Council can influence suppliers through its Sustainable Procurement Policy - for instance by considering whole-life costing as part of achieving value-for-money during the procurement process.

Failing to take action to control resource use and overheads presents a real risk to both the Council’s finances and reputation. Equally, scrutinising data and taking timely and effective action can create opportunities for even greater improvement and efficiency. This will become increasingly important as the Council reduces in size. Plainly there should be similar, if not greater, improvements in carbon efficiency relative to spend and employee numbers and this is already being evidenced. This report seeks to be transparent in setting out the Council’s performance – both good and bad – in reducing its environmental impacts and costs: more detailed information may be found in the Council’s [Greenhouse Gas Emissions: 2015/16 Performance Report](#).

## Performance Summary



The above data shows how the Council’s energy use (which comprises >90% of the measured impacts) relates to its GHG emissions and financial costs – compared with last year (2014/15) and the 2012/13 baseline.

The data shows that in 2015/16 energy use fell by 8.5% compared with 2014/15 and 20.7% against the 2012/13 baseline. This resulted in the Council’s energy costs and GHG emissions decreasing - both annually and against baseline. The reduction in GHG emissions clearly related to lower energy use but was also partly due to a change in ‘emissions factors’. These are used to calculate GHG emissions in relation to various energy sources and activities and the factors were lower in 2015/16 compared with 2014/15 – chiefly because the carbon intensity of electricity generation reduced as more renewables came on-stream and there was less reliance on coal-fired power stations due to the mild winter.

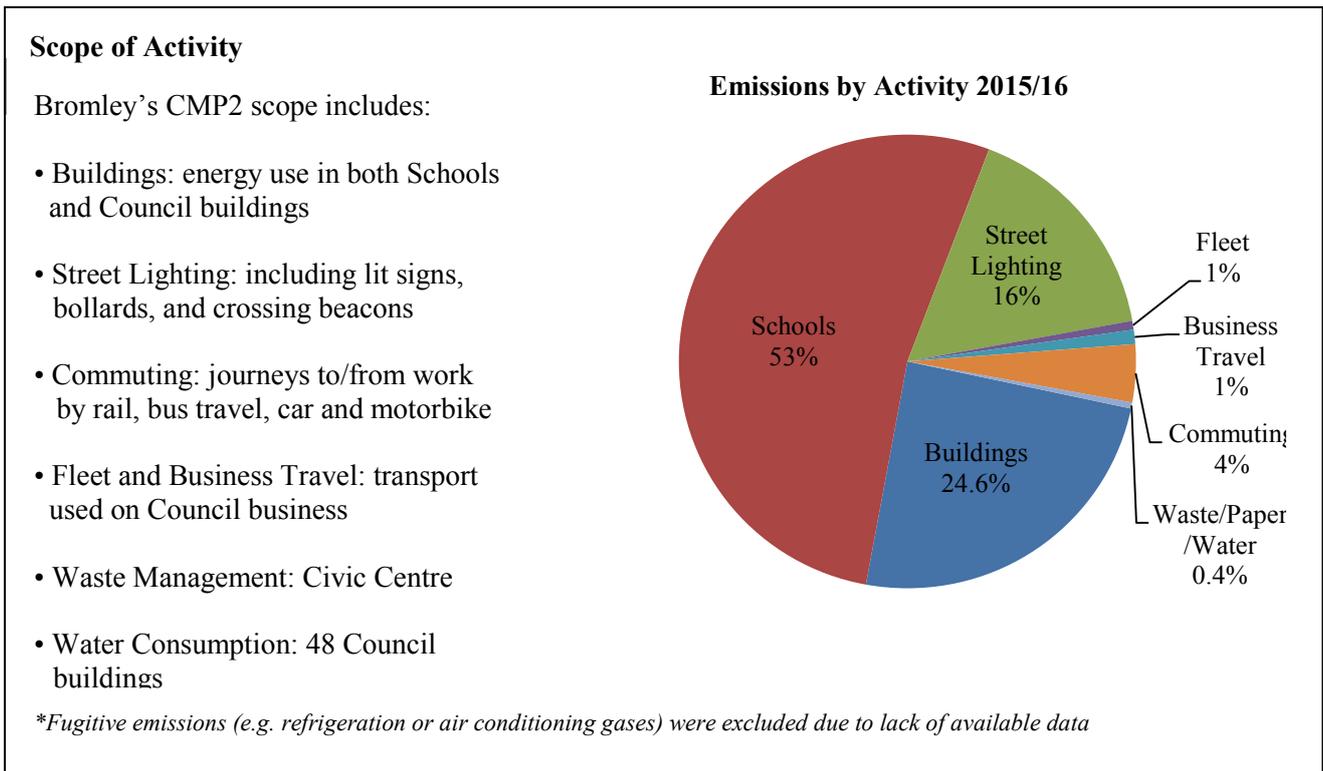
Clearly had no action been taken to reduce energy consumption, as delivered through the Council’s Carbon Management Programme, both the financial cost and GHG emissions would have been significantly greater.

## Carbon Management Programme

The information in this report is derived from the Council’s second Carbon Management Programme (CMP), which is designed to reduce energy consumption, costs and carbon emissions – measured in terms of tCO<sub>2</sub>e (tonnes of carbon dioxide equivalent – a metric for comparing the relative impact of six Greenhouse Gases). Although the Council has many programmes designed to improve service performance, the CMP is the main initiative specifically designed to reduce the Council’s environmental impacts and costs.

The CMP’s first phase (CMP1) ran from 2008/09 – 2012/13 and resulted in a 14% reduction (5,275 tCO<sub>2</sub>e) in the Council’s GHG emissions.

A second five-year phase (CMP2) commenced in 2013/14, with an ambition to drive down GHG emissions by a further 15% by 2017/18. This report sets out the programme’s third year (2015/16) data and compares progress with 2014/15 and against baseline (2012/13). The programme remains on track to deliver its carbon reduction ambition by 2017/18.



## Measuring Carbon Intensity

Carbon intensity provides a measure of how efficiently emissions are being generated relative to chosen metrics. Each metric has strengths and weaknesses but two are considered here to show our carbon efficiency:

- expenditure (tonnes CO<sub>2</sub>e per £1 million net expenditure, excluding schools), with a low figure indicating carbon efficiency from a financial point of view
- employees (tonnes CO<sub>2</sub>e per full-time employee, for Council operational buildings), again with a low figure indicating carbon efficiency from a staffing point of view

Carbon intensity relative to expenditure fell by 24% against baseline and reduced by 12% compared with 2014/15. This shows that the Council is becoming more carbon-efficient in relation to its spend.

Carbon intensity relative to staff numbers increased by 11% against baseline due to the fact that energy consumption and operational building stock has yet to decrease in line with the reduction in staff numbers. However, there are signs that this is now being addressed with a better ratio of staff to building space - resulting in an annual 4% decrease in employee-based carbon intensity compared with 2014/15.

## Performance Assessment

The table below sets out the programme's performance during its first three years (and 2012/13 baseline data).

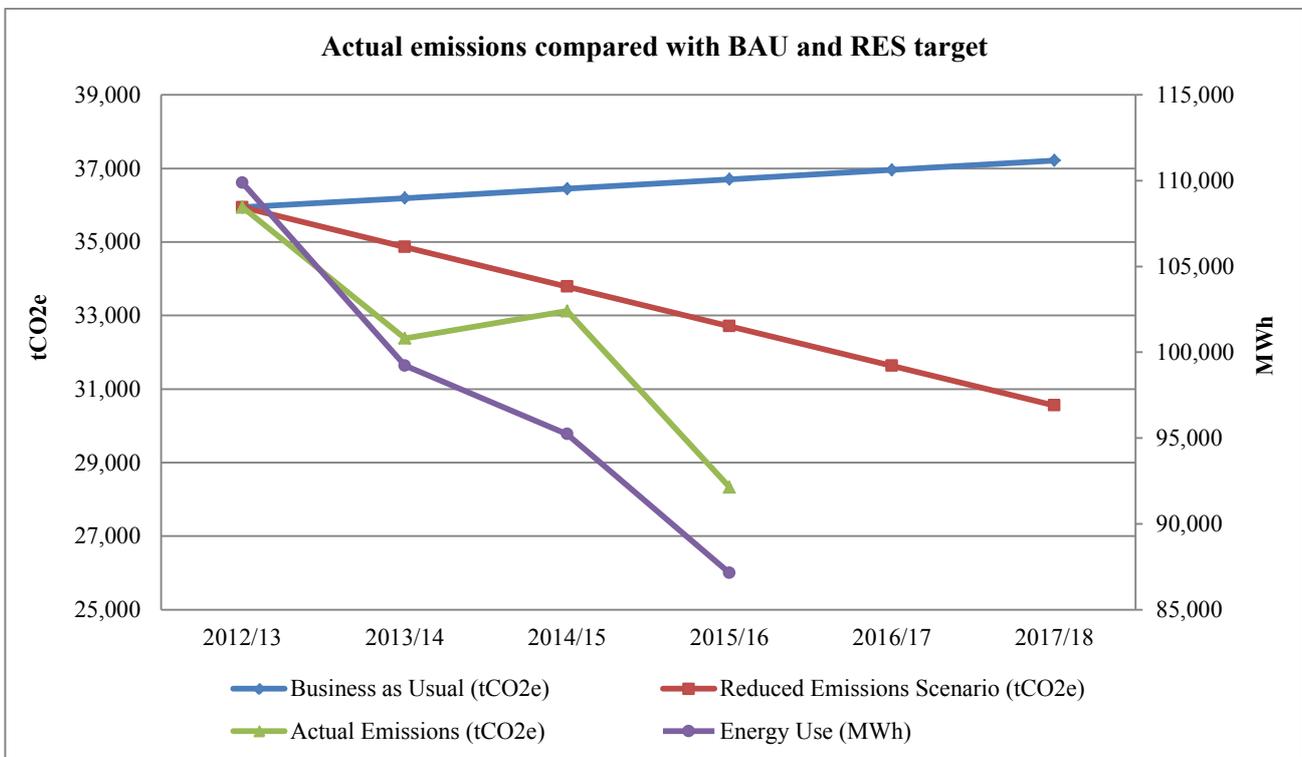
Impacts	CMP 2			
	2012/13	2013/14	2014/15	2015/16
Greenhouse Gas Emissions (tCO <sub>2</sub> e)	35,941	32,378	33,123	28,327
Net Portfolio Expenditure (£,000)	182,212	195,892	195,474	189,603
Carbon Intensity (tCO <sub>2</sub> e / £m expenditure)	197	165	169	149
Carbon Intensity (tCO <sub>2</sub> e/ full time employee)	4.4	4.6	5.1	4.9
Electricity Use (buildings) (MWh)	27,255	26,490	26,143	23,892
Electricity Use (street lighting) (MWh)	13,464	12,680	11,493	9,240
Gas Consumption* (buildings) (MWh)	66,826	57,804	55,651	53,637
Total Energy Expenditure (elec. & gas, street lighting, transport fuel & heating oil) (£,000)	2,521	2,632	2,689	2,414
Civic Centre Waste Disposal (landfill/incineration) (tonnes)	93	80	80	80
Civic Centre Waste Expenditure (landfill/incineration costs) (£)	8,875	8,127	8,514	8,611
Civic Centre Water Consumption (m <sup>3</sup> )	14,415	17,066	13,973	13,208
Civic Centre Water Expenditure (£)	28,918	36,534	30,988	29,593

\* gas consumption figures have been re-calculated for previous years due to improved data collection

The graph below shows two modelled scenarios: 'Business as Usual' where no action is taken to reduce carbon emissions (resulting in emissions rising to more than 37,000 tCO<sub>2</sub>e over five years) and a 'Reduced Emissions Scenario' our ambition to reduce emissions by 3% per annum to 30,550 tCO<sub>2</sub>e by 2017/18.

During 2015/16 energy use (which accounts for the majority of reported emissions) fell significantly compared with baseline and 2014/15, which shows progress. In 2015/16, total emissions decreased to 28,327 tCO<sub>2</sub>e, equating to an annual reduction of 14%, and a 21% reduction compared with the 2012/13 baseline.

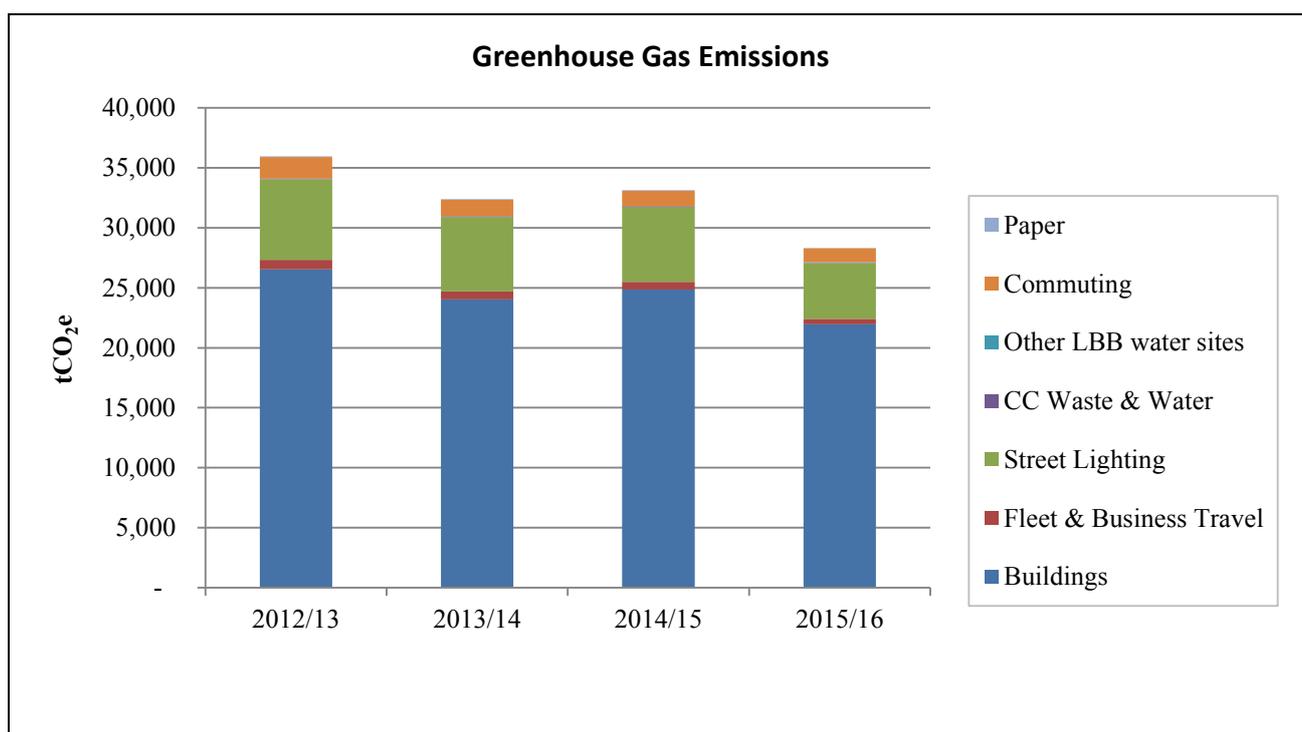
### CMP2: Our Target and Progress to Date



## Sustainability Report

The following sections show progress since 2012/13, including information on: GHG emissions arising from gas, electricity and fuel use; waste arisings (Civic Centre only); and water use. Information on climate change adaptation, biodiversity, stakeholder engagement, procurement and governance is also included, illustrating the broader links between Council operational activity and environmental quality and impacts.

Greenhouse Gas Emissions		CMP 2			
		2012/13	2013/14	2014/15	2015/16
Non-financial indicator (tCO <sub>2</sub> e)	Buildings	26,539	24,039	24,867	21,947
	Fleet/Business Travel	802	666	635	466
	Street Lighting	6,683	6,132	6,178	4,624
	Water/Waste (Civic Centre)	24	26	23	22
	Water (other sites)	45	53	46	54
	Commuting	1,794	1,402	1,323	1,167
	Paper	54	60	51	47
	<b>GHG Emissions</b>	<b>35,941</b>	<b>32,378</b>	<b>33,123</b>	<b>28,327</b>
Energy use (MWh)	Electricity (inc. Street Lighting)	40,719	39,170	37,637	33,133
	Gas	67,013	58,038	55,720	53,638
	Heating Oil	2,140	2,015	1,875	368
	<b>Energy Use</b>	<b>109,872</b>	<b>99,223</b>	<b>95,232</b>	<b>87,139</b>
Financial indicators (£,000)	Energy (exc. schools)	2,521	2,632	2,689	2,414
	Business Travel	846	785	720	633



### Performance Commentary

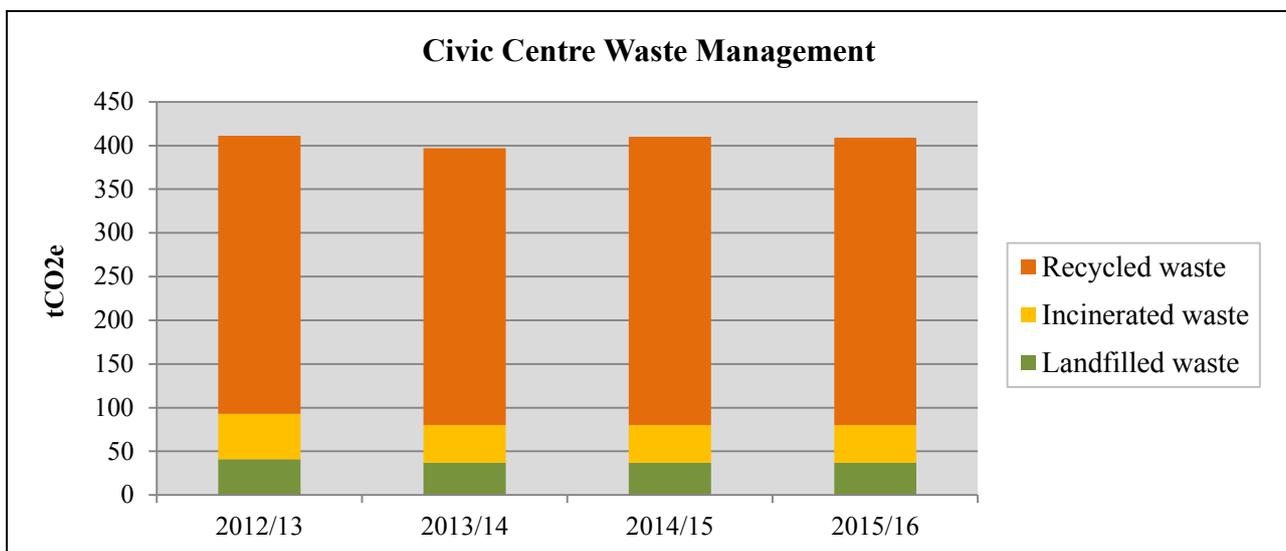
2015/16 emissions have fallen by 21% compared with the 2012/13 baseline and 14% since 2014/15. This significant reduction is due to a number of factors including:

- Buildings emissions (inc. schools) fell by 17% against baseline and 12% compared with 2014/15
- Street Lighting emissions fell by 30% against baseline and 25% compared with last year due to the benefits of the new energy efficient LED lighting
- Commuting emissions fell by 12% since last year, mainly due to a 10% reduction in staff numbers
- Fleet / Business travel has fallen by 44% compared with 2014/15, reflecting the Passenger Transport Service being outsourced and reduced gritter fleet use due to a milder than average winter.

## Waste Disposal & Water Consumption

This section deals with Civic Centre waste disposal – rather than borough-wide waste management which is reported elsewhere – and water use at 48 operational property sites, including the Civic Centre.

Waste (Civic Centre Only)		CMP 2			
		2012/13	2013/14	2014/15	2015/16
<b>Non-financial indicator (t)</b>	Recycled waste	318	317	331	329
	Landfilled waste	41	37	37	37
	Incinerated waste	52	43	43	43
	<b>Total waste collected</b>	<b>411</b>	<b>397</b>	<b>411</b>	<b>409</b>
<b>Financial Indicator (£)</b>	Cost of landfilled waste	5,003	4,837	5,224	5,265
	Cost of incineration	3,872	3,290	3,290	3,346
	<b>Total disposal cost</b>	<b>8,875</b>	<b>8,127</b>	<b>8,514</b>	<b>8,611</b>
<b>Emissions (tCO<sub>2</sub>e)</b>	Landfilled waste	1.1	0.9	0.9	0.9
	Incinerated waste	8.2	7.4	7.4	7.4



### Performance Commentary

The chart above shows Civic Centre waste tonnages, which have always been approximately 400tpa. Total waste decreased by 0.5% during 2015/16. Waste tonnages sent to landfill or incineration are converted, using emissions factors, and equalled 7.4 tCO<sub>2</sub>e in 2015/16. In 2015/16, energy was recovered from the 43t of waste incinerated at South East London Combined Heat and Power – which generated 21,500 kWh of electricity. The Council's main controllable impacts relate to office waste and how it is treated. The key challenges are to reduce waste arisings and to increase the amount of recycling (especially office paper). Waste management options accord with the waste hierarchy's preference for incineration with energy recovery over landfill (which is less environmental and incurs significant amounts of landfill tax).

### Finite Resource Consumption: Water

The Council records water consumption data on its energy management system to identify demand management opportunities, billing errors, leaks, metering issues, and abatement opportunities. The baseline data (2012/13) covered 59 sites, which reduced to 52 sites in 2013/14. Water use data is currently (2015/16) captured from 48 operational (i.e. non-school) buildings. This downward trend is due to site closures (e.g. public toilets) and may be expected to continue in future as the Council reduces the size of its operational property portfolio. Consumption is currently at a slightly higher level to the baseline year at approximately 66,330 m<sup>3</sup> and carbon emissions are approximately 68 tCO<sub>2</sub>e, mainly due to more accurate data acquisition.

## **Climate Change Adaptation**

The Government sets carbon budgets to limit the amount of greenhouse gases produced and has recently adopted its 5<sup>th</sup> [carbon budget](#). Irrespective of this national requirement to reduce emissions, action is needed to adapt to our changing climate and the [National Adaptation Programme](#) (NAP) is designed to ensure the UK is prepared for severe weather such as heat waves, droughts, floods or snow. The NAP states “Local Government plays a central role in leading and supporting local places to become more resilient to a range of future risks and to be prepared for the opportunities from a changing climate”. The NAP and the GLA’s [Climate Change Adaptation Strategy](#) recognise that cities, with their high population densities and linked critical infrastructure, are especially vulnerable and that a regional response is required to complement local action. The London Climate Change Partnership continues to provide practical advice to help decision-makers address resilience issues affecting the London boroughs, such as infrastructure, local economy, public health and service provision. For its part, the Council will endeavour to keep the borough moving and safe during adverse weather and continue to increase local resilience as set out in LB Bromley’s (August 2015) [Local Flood Risk Strategy & Action Plan](#) and the annual Winter Service policy and associated action plan.

## **Biodiversity and Natural Environment**

‘A Quality Environment’ is one of the Council’s Building a Better Bromley priorities and there is a clear focus on Enhancing Bromley’s Parks & Green Spaces – set out in Outcome 3 of the [2016/19 Environment Portfolio Plan](#). Council expenditure directly affects biodiversity through the management of more than 150 parks and open spaces. In particular, the Fully Managed Parks Service delivers a range of contracted services and works in partnership with the volunteer community – including securing external funding for improvements which helps maintain a quality local environment. The Council’s oversight of the borough’s natural capital is set out in the following Council policy documents: [Bromley Biodiversity Plan 2015-20](#), [Tree Management Strategy 2016-20](#), and [Parks, Greenspace and Countryside Strategy 2015-19](#).

## **Stakeholder Engagement**

The Council continues to engage in stakeholder dialogue regarding key sustainability issues including the many Friends Groups which help care for Bromley’s environment. Indeed, ensuring the Council engages with residents on environmental issues is one of the key reasons for including environmental information in this Annual Report. The Council also engages through the Environment Matters newsletter. Importantly, the Council seeks to be transparent in its environmental reporting and publishes an annual [Greenhouse Gas Emissions Report](#) to ensure residents can understand progress and access our data. The Council’s [Environment Portfolio Plan 2016-19](#) – although chiefly service-related – also offers an opportunity to engage on sustainability issues, as does the activity of the Bromley Sustainable Schools Forum. Professional engagement is also important and the Council partners with organisations such as London Energy Project to add objectivity, achieve value-for-money in our energy procurement, and improve resource management.

## **Sustainable Procurement**

Sustainable Procurement concerns ensuring the Council meets its needs for services, works and supplies in a way which achieves value-for-money on a ‘whole life cost’ basis - generating benefits for the organisation, residents and local economy as well as minimising environmental impacts. For instance, the recent Multi-storey Car Park LED lighting programme has annually reduced energy consumption by 55%, energy costs by £55k, and GHG emissions by 250t. The Council spends approximately £190 million each year with some 3,000 suppliers and each transaction will have associated environmental and social effects. In addition, Bromley’s Procurement Strategy includes a sustainable procurement policy and whole-life costing is incorporated into the Council’s Contract Procedure Rules. Council guidance to officers writing Gateway Reviews, prior to tendering contracts, identifies the need to address sustainability / impact assessments and consider the requirements in the Public Services (Social Value) Act 2012 in identifying how the proposal might improve the economic, social and environmental well-being of the relevant area.

## **Governance**

The activity in this report – aligning our environmental and financial stewardship – takes place within the Council’s ambition to be seen as excellent in the eyes of local people, including ‘scrutinising everything we do and how we do it to provide efficient services’. The 2016/19 Environment Portfolio Plan supports this ambition in terms of delivering a ‘Quality Environment’ and effectively defines the Council’s environment policy in the short to mid-term. In addition to Member scrutiny of the Portfolio Plans through the Policy Development & Scrutiny committee system, senior officers provide strategic oversight in respect of carbon and environmental management activity to ensure the objectives continue to align with those of the Council.

## APPROVAL OF THE STATEMENT OF ACCOUNTS

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I hereby confirm that the Statement of Accounts for the year ending 31st March 2016, as signed by the Director of Finance on the 14th September 2016, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 14th September 2016.

Councillor Tim Stevens  
Chairman of the General Purposes and Licensing Committee  
14th September 2016

# NARRATIVE REPORT

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This Narrative Report (a change in requirements for 2015/16 replacing 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 2015/16.

## ***Introduction to Bromley***

Bromley is the largest of the 33 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 2014) is 321,300 and there are 231,493 people on the electoral roll. In 2015/16 the total number of 'Band D equivalent properties' was estimated at 125,130 and the number of business properties at 7,366.

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
- Safer Bromley
- Healthy Bromley

Our officer and political structures are all aligned to deliver this vision through our portfolio plans. Summary information about what we have achieved in 2015/16 and what we plan to do going forward is provided in the accompanying annual report.

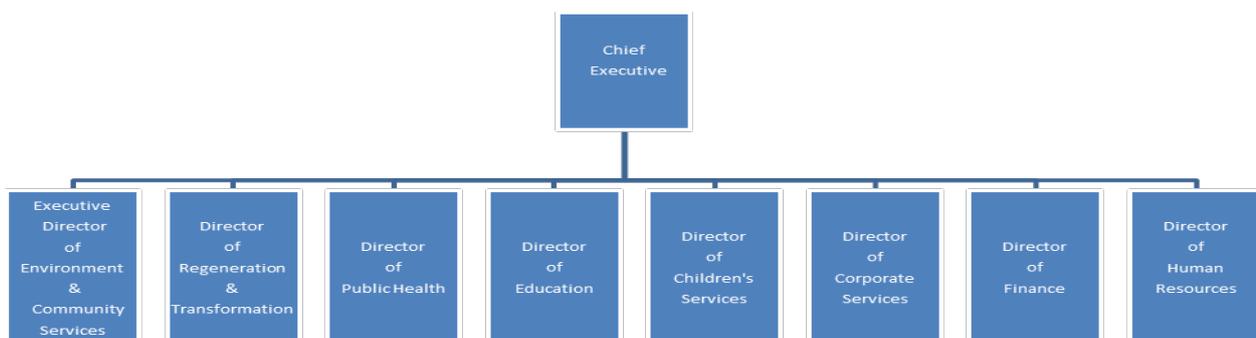
## **Council Structure**

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.

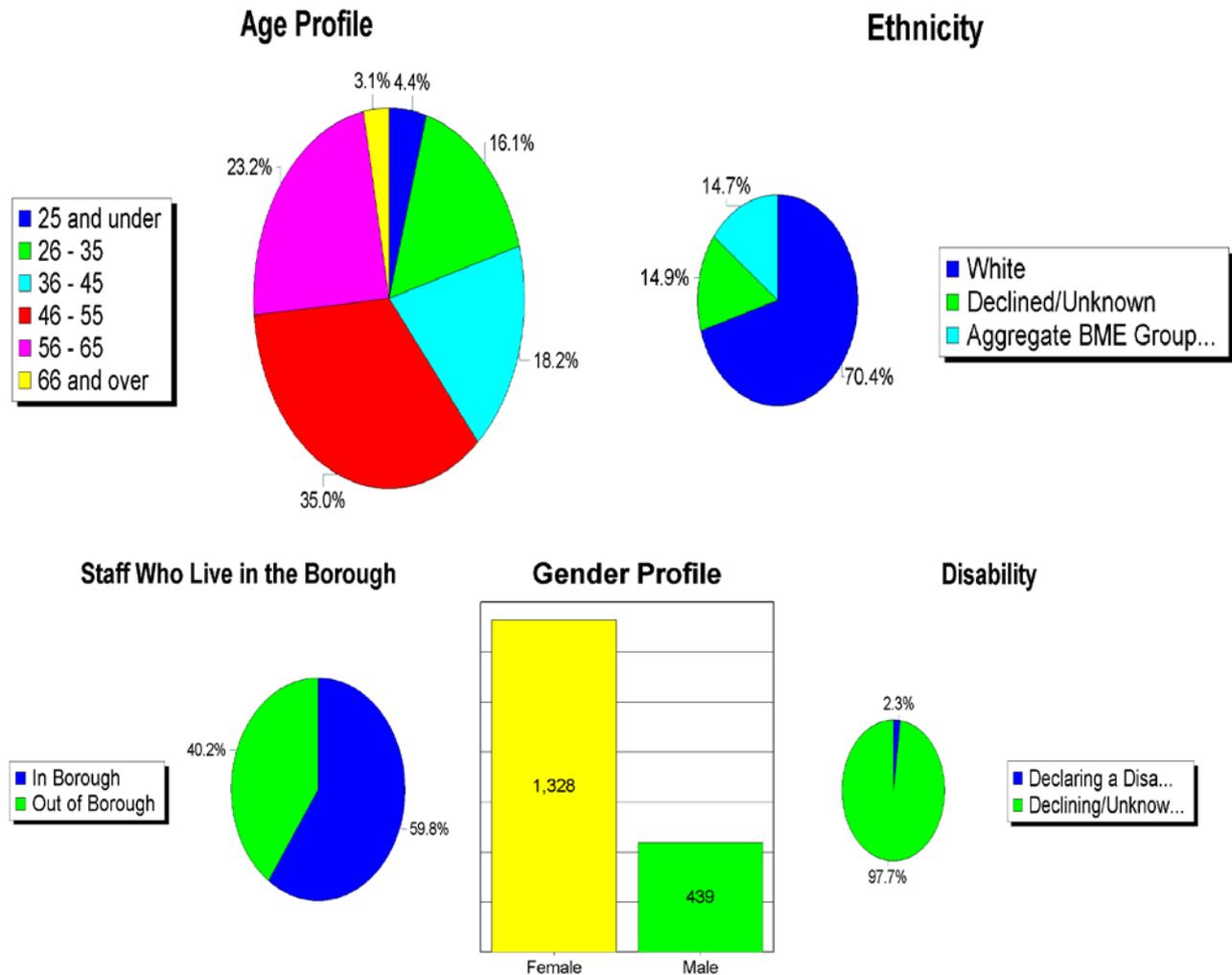


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## Bromley Workforce

The Council employs 1,767 people on full and part-time contracts equating to a full-time equivalent of 1,447. The make-up of the workforce is as follows:



## Explanation of the Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. This sets out the Council's income and expenditure for the year and its financial position at 31<sup>st</sup> March. The format and content is prescribed in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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

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## Core Financial Statements:

Movement in Reserves Statement – this statement provides a summary of the changes to the Council’s financial reserves over the course of the financial year. Reserves are divided into ‘usable reserves’ (i.e. those that can be used to fund expenditure or reduce local taxation) and ‘unusable’ reserves which cannot. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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 regulations and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet - a position statement setting out the total assets, liabilities and reserves of the Council at the year end, excluding the Pension Fund and Former LRB Funds.

Cash Flow Statement - summarises the total movement on the Council’s cash and cash equivalents during the reporting period. Cash equivalents are assets which may readily be converted into cash. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating (from day to day operations), investing (relating to future service delivery) and financing activities (such as repayment of borrowing and other long term liabilities).

## Supplementary Statements:

The Collection Fund – this statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund and summarises the collection of Council Tax and Business Rates and the redistribution of some of this income to the Greater London Authority (GLA) and Central Government.

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

Pension Fund – shows the contributions made to the Fund and the benefits paid to pensioners in 2015/16. The Net Asset Statement sets out the position of the Fund as at 31<sup>st</sup> March 2016. The Council’s Pension Fund is part of the Local Government Pension Scheme (LGPS).

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## *Financial Performance in 2015/16*

### **Revenue Expenditure**

The 2015/16 outturn position is summarised in the table below:

	Budget £m	Actual £m	Variation £m
Net expenditure on Bromley's Services	205.50	185.58	(19.92)
Funded by:			
Grants, Council Tax and Business Rates	(203.83)	(205.10)	(1.27)
Carry Forwards from 2014/15	(1.67)	-	1.67
Increase in General Reserves	-	(19.52)	(19.52)
Contribution from General Reserves to Growth Fund	-	19.52	19.52
Variation in General Reserves	-	-	-

The 2016/17 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 '2016/17 Council Tax' report to the Executive in February.

The 2015/16 outturn identifies underspends from prior year adjustments, departmental expenditure and the Council's central contingency sum. In addition, there are savings from the early achievement of 2016/17 budget savings and changes to the treasury management strategy to improve investment returns. 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 2015/16 were reported to the Council's Executive on the 15<sup>th</sup> June 2016 and are available through <http://sharepoint.bromley.gov.uk/default.aspx>.

### **Capital Expenditure**

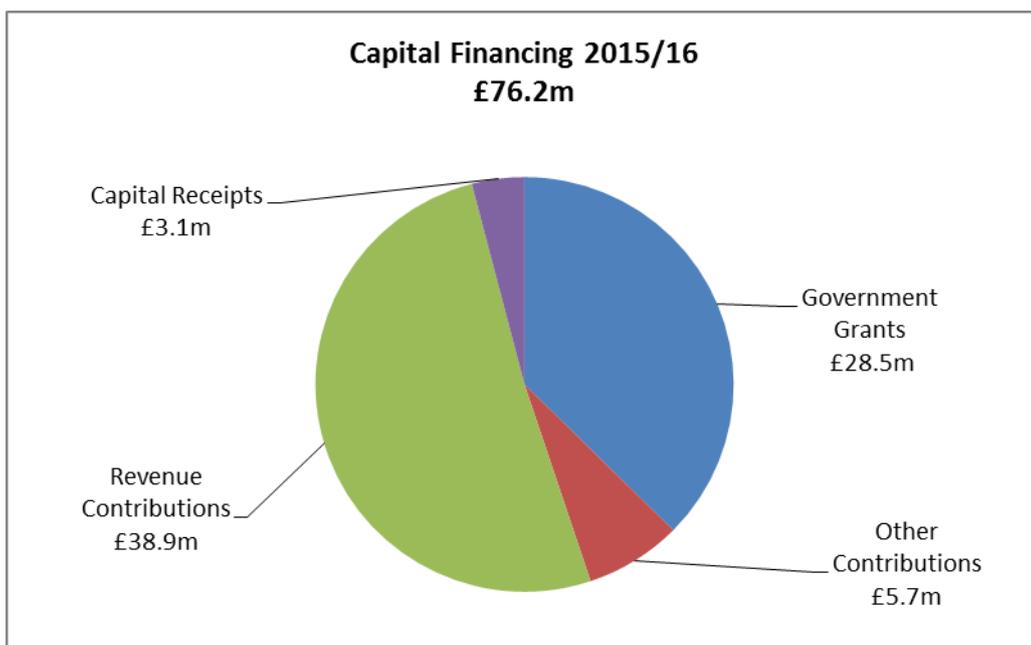
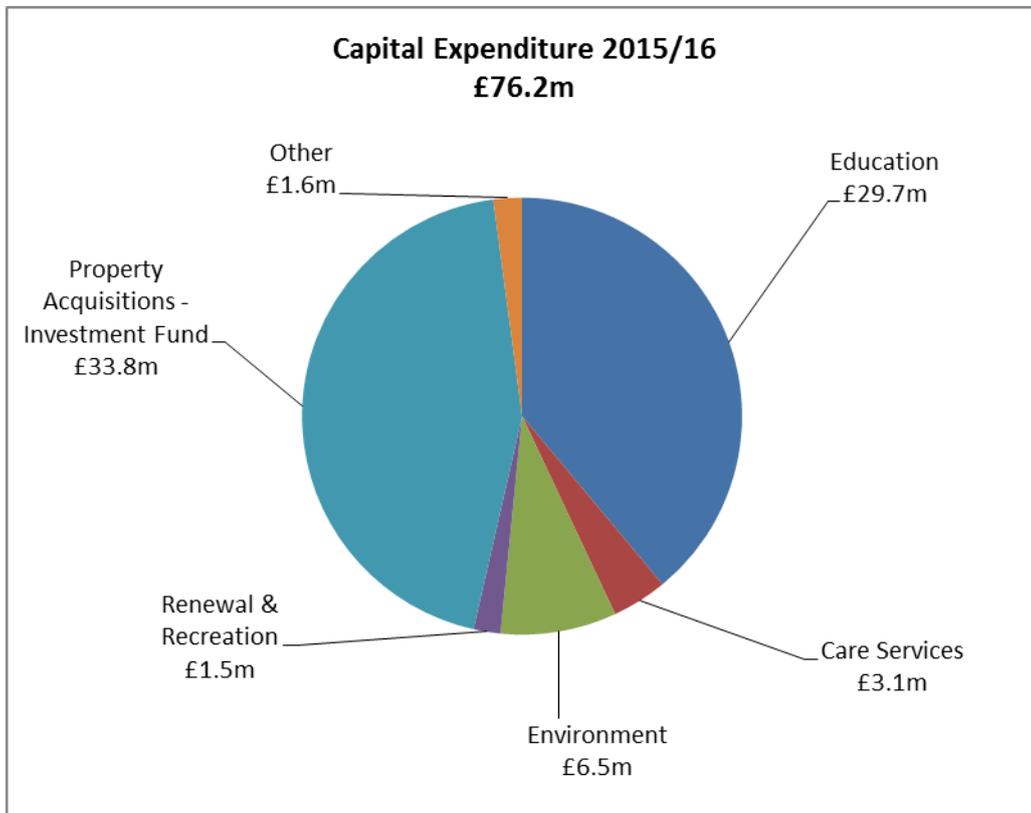
Capital expenditure totalled £76.2m compared with the final approved estimate of £81.3m. Capital expenditure was fully financed from Government grants, other external contributions, revenue contributions and capital receipts without recourse to general reserves.

The Council generated new capital receipts of £3.9m in 2015/16 and, during the year, £3.1m 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 15th June 2016 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

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## **Investments**

At the year end, the Council held significant investments totalling £287.8m (principal sum) and £24.4m short term, temporary borrowing. These investments generated net income of £4.3m in 2015/16 to support the revenue budget. The investments represent the Council's general and earmarked reserves, provisions and net working capital.

## **Pension Fund**

During 2015/16 the net assets of the Pension Fund increased by £2.6m (0.4%). 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 15 year period from 1<sup>st</sup> April 2014.

## ***Accounting Changes***

In 2016/17, the Authority will be required to recognise the Highways Network Asset (HNA). In doing so, it will replace items of infrastructure (eg. roads, bridges, etc.) currently shown in the balance sheet at depreciated historic cost and replace them with the HNA which will be valued using depreciated replacement cost. This change will be material leading to a substantial increase in the value of the net assets reported. Accounting standards normally require that changes are made retrospectively to the previous year's accounts. However, in this case, the change will be prospective. Work has been undertaken to ensure that the relevant data is available for use in 2016/17.

## ***Corporate Risks***

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

- Government funding reductions and financial uncertainty;
- Unfunded transfer of responsibilities;
- Welfare reform and impact on service pressures;
- Demographic pressures (increasing numbers/increased demand for services);
- 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).

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

The draft 2015/16 budget and MTFS to 2018/19 was approved by Executive on 14<sup>th</sup> January 2015 and set the framework for the Council to address the significant financial challenges not only for 2015/16 but going forward into future years.

The MTFS has been updated to reflect the provisional four year funding settlement announced in December 2015 and to take account of the latest forecasts on inflation, interest rates, pension costs, service demands and other cost pressures.

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Although there are significant funding cuts still facing local government, the Chancellor repeated the aims of devolution as part of the 2015 Spending Review and Autumn Statement. This includes ‘transforming local government, enabling it to be self-sufficient by the end of Parliament’. The Government views new flexibilities such as future growth forecasts from business rates being fully devolved by 2020, scope to raise additional council tax income through a precept to specifically fund adult social care as well as existing freedom to raise council tax up to the referendum limit as methods which can significantly mitigate against the impact of grant reductions.

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 2010. Despite this, considerable challenges remain over the remainder of the MTF5 and we still face a budget gap of over £20m per annum by 2019/20. 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**

With the full devolution of business rates by the end of the spending review period it remains essential to explore opportunities to increase the council’s business rate base through economic development as well as 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 from early 2017.
- New Homes Bonus - continuation of utilising this key source of funding for investment opportunities that generate ongoing income.
- 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

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## *Economic Climate*

The 2015 Spending Review and Autumn Statement identified that public sector net borrowing is expected to be £73.5bn which is planned to move to a surplus of £10.1bn from 2019/20. The fiscal squeeze will continue and with ongoing protection of health, overseas aid, education and more recently police and other security services, the disproportionate cuts in direct funding to local government will continue over 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 until 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 a 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.

Even with an improvement in the UK economy 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 until at least 2020. 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.

# AUDITORS' REPORT

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

We have audited the financial statements of the London Borough of Bromley for the year ended 31 March 2016 on pages 14 to 109. 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 2015/16.

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 2016 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 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016 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 2015/16.

# AUDITORS' REPORT

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## 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 110 to 122 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- 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; or
- 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; or
- 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 the London Borough of Bromley's arrangements for securing economy, efficiency and effectiveness in the 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 2015, as to whether the London Borough of Bromley had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Bromley put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we

# AUDITORS' REPORT

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undertook such work as we considered necessary to form a view on whether, in all significant respects, the 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 children's services as 'inadequate' and a report from HM Inspectorate of Probation rating Youth Offending Teams as 'poor' overall. The Ofsted report made reference to the fact that strategic leaders did not have a comprehensive understanding of services being provided, and noted that there had been a significant deterioration in 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. The HMIP report noted that reoffending and custody rates had risen. This was partly driven by a lack of partnership working in place which was worsening the outcomes for children, particularly Looked After Children, and the separation of strategic and operational management was not working effectively.

### Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, with the exception of the matter(s) reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### Delay in certification of completion of the audit

#### Due to work on the WGA Return not being completed by the 14 September 2016

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

#### Due to matters brought to the previous auditor's attention by a local authority elector

Furthermore we cannot formally conclude on the audit and issue an audit certificate until the previous auditor has completed consideration of matters brought to his attention by a local authority elector relating to 2012/13. 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 2016

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## *The Authority's Responsibilities*

The Authority is required:

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

## *The Director of Finance Responsibilities*

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

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

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

The Director of Finance has also:

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

## *Director of Finance*

I certify that the accounts set out on pages 14 to 109 give a true and fair view of the financial position of the Authority as at 31st March 2016 and of its income and expenditure for the year ended 31st March 2016.

Peter Turner  
Director of Finance  
14th September 2016

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year 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 reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase/(Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Notes
<b>Balance at 31st March 2014</b>	<b>20,000</b>	<b>109,788</b>	<b>21,987</b>	<b>23,699</b>	<b>175,474</b>	<b>555,911</b>	<b>731,385</b>	
<b>Movement in Reserves during 2014/15</b>								
Surplus or Deficit on the provision of services	(38,951)	-	-	-	(38,951)	-	(38,951)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	(26,241)	(26,241)	
<b>Total Comprehensive Income and Expenditure</b>	<b>(38,951)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,951)</b>	<b>(26,241)</b>	<b>(65,192)</b>	
Adjustments between accounting basis & funding basis under regulations	40,224	-	6,863	(1,090)	45,997	(45,997)	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>1,273</b>	<b>-</b>	<b>6,863</b>	<b>(1,090)</b>	<b>7,046</b>	<b>(72,238)</b>	<b>(65,192)</b>	
Transfers to Earmarked Reserves	(1,273)	1,273	-	-	-	-	-	8
<b>Increase / (Decrease) in 2014/15</b>	<b>-</b>	<b>1,273</b>	<b>6,863</b>	<b>(1,090)</b>	<b>7,046</b>	<b>(72,238)</b>	<b>(65,192)</b>	
<b>Balance at 31st March 2015</b>	<b>20,000</b>	<b>111,061</b>	<b>28,850</b>	<b>22,609</b>	<b>182,520</b>	<b>483,673</b>	<b>666,193</b>	

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Notes
<b>Balance at 31st March 2015</b>	<b>20,000</b>	<b>111,061</b>	<b>28,850</b>	<b>22,609</b>	<b>182,520</b>	<b>483,673</b>	<b>666,193</b>	
<b>Movement in Reserves during 2015/16</b>								
Surplus or Deficit on the provision of services	(42,315)	-	-	-	(42,315)	-	(42,315)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	18,384	<b>18,384</b>	
<b>Total Comprehensive Income and Expenditure</b>	<b>(42,315)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,315)</b>	<b>18,384</b>	<b>(23,931)</b>	
Adjustments between accounting basis & funding basis under regulations	32,950	-	733	(3,887)	<b>29,796</b>	(29,796)	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(9,365)</b>	<b>-</b>	<b>733</b>	<b>(3,887)</b>	<b>(12,519)</b>	<b>(11,412)</b>	<b>(23,931)</b>	
Transfers from Earmarked Reserves	9,365	(9,365)	-	-	-	-	-	8
<b>Increase / (Decrease) in 2015/16</b>	<b>-</b>	<b>(9,365)</b>	<b>733</b>	<b>(3,887)</b>	<b>(12,519)</b>	<b>(11,412)</b>	<b>(23,931)</b>	
<b>Balance at 31st March 2016</b>	<b>20,000</b>	<b>101,696</b>	<b>29,583</b>	<b>18,722</b>	<b>170,001</b>	<b>472,261</b>	<b>642,262</b>	

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2014/15			2015/16			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	Notes	£000	£000	£000
5,618	(4,093)	1,525		6,029	(2,722)	3,307
27,591	(1,958)	25,633		5,994	(3,053)	2,941
31,090	(6,133)	24,957		31,995	(6,515)	25,480
5,006	(2,699)	2,307		5,400	(2,739)	2,661
191,734	(143,156)	48,578		190,468	(140,862)	49,606
37,605	(17,069)	20,536		35,038	(15,803)	19,235
147,516	(137,855)	9,661		147,390	(138,542)	8,848
100,188	(32,120)	68,068		104,886	(42,874)	62,012
13,837	(13,133)	704		14,621	(14,139)	482
4,772	-	4,772		4,928	-	4,928
(2,960)	-	(2,960)		(1,674)	-	(1,674)
<b>561,997</b>	<b>(358,216)</b>	<b>203,781</b>		<b>545,075</b>	<b>(367,249)</b>	<b>177,826</b>
56,560	(1,619)	54,941	9	84,204	(894)	83,310
5,730	(8,925)	(3,195)	10	5,561	(11,319)	(5,758)
-	(216,576)	(216,576)	11	-	(213,063)	(213,063)
<b>624,287</b>	<b>(585,336)</b>	<b>38,951</b>		<b>634,840</b>	<b>(592,525)</b>	<b>42,315</b>
		(9,311)	26			(23,464)
		26,593	26			8,964
		(1,213)	26			(1,349)
		10,172	45			(2,535)
		<b>26,241</b>				<b>(18,384)</b>
		<b>65,192</b>				<b>23,931</b>

## BALANCE SHEET

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

<b>31st March 2015 £000</b>		<b>Notes</b>	<b>31st March 2016 £000</b>
523,287	Property, Plant and Equipment	<b>12</b>	458,881
1,017	Heritage Assets	<b>13</b>	1,017
96,724	Investment Property	<b>14</b>	132,123
196,473	Long Term Investments	<b>15</b>	145,145
3,506	Long Term Debtors	<b>15</b>	879
<b>821,007</b>	<b>Long Term Assets</b>		<b>738,045</b>
38,908	Short Term Investments	<b>15</b>	145,397
8,306	Assets Held for Sale (<1yr)	<b>16</b>	14,438
224	Inventories	<b>17</b>	214
19,970	Short Term Debtors	<b>19</b>	24,666
22,323	Cash and Cash Equivalents - Investments	<b>15</b>	-
<b>89,731</b>	<b>Current Assets</b>		<b>184,715</b>
2,658	Cash and Cash Equivalents	<b>20</b>	2,707
2,364	Short Term Borrowing	<b>21</b>	26,692
10,962	Provisions	<b>22</b>	12,891
56,237	Short Term Creditors	<b>23</b>	71,887
14,860	Grants Receipts in Advance - Revenue	<b>37</b>	10,527
6,447	Grants Receipts in Advance - Capital	<b>37</b>	8,063
<b>93,528</b>	<b>Current Liabilities</b>		<b>132,767</b>
151,017	Other Long Term Liabilities	<b>24</b>	147,731
<b>151,017</b>	<b>Long Term Liabilities</b>		<b>147,731</b>
<b>666,193</b>	<b>Net Assets</b>		<b>642,262</b>
182,520	Usable Reserves	<b>25</b>	170,001
483,673	Unusable Reserves	<b>26</b>	472,261
<b>666,193</b>	<b>Total Reserves</b>		<b>642,262</b>

## CASH FLOW STATEMENT

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The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

<b>2014/15</b>		<b>Notes</b>	<b>2015/16</b>
<b>£000</b>			<b>£000</b>
38,951	Net Deficit on the Provision of Services		42,315
(78,069)	Adjustments to Net Deficit on the Provision of Services for Non-Cash Movements	<b>27</b>	(85,598)
23,798	Adjustments for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	<b>27</b>	34,123
<u>(15,320)</u>	Net Cash Flows from Operating Activities		<u>(9,160)</u>
71,681	Investing Activities	<b>28</b>	64,106
<u>(11,182)</u>	Financing Activities	<b>29</b>	<u>(32,574)</u>
45,179	Net (Increase) or Decrease in Cash and Cash Equivalents		22,372
(64,844)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(19,665)
<u>(19,665)</u>	Cash and Cash Equivalents at the End of the Reporting Period	<b>20</b>	<u>2,707</u>

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies**

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) 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 2015/16 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 19).
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. As at 31st March 2016 there were no cash equivalent figures on the Balance Sheet. As at 31st March 2015, there was a total of £22.3m of cash investments in instant access AAA-rated Money Market Funds and other short-term accessible accounts.

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

# Notes to the Core Financial Statements

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

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

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

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

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

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

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

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

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

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

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

### **7 Employee Benefits**

#### *Benefits Payable During Employment*

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

#### *Termination Benefits*

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

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

## 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 2015/16, this discount rate was 3.7% compared to 3.4% in 2014/15. The higher the discount rate, the lower the value placed on liabilities, so this contributed to the total movement in the overall Pension Reserve deficit during 2015/16 (a decrease of £3m). Movements in the Pensions Reserve balance are explained in more detail in Note 45.

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

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

#### a) Service Cost comprising:

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

# Notes to the Core Financial Statements

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## 1 *Statement of Accounting Policies continued*

### 7 *Employee Benefits continued*

#### b) Net interest cost:

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

#### c) Remeasurements comprising:

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

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

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

#### *Discretionary Benefits*

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

## 8 *Events After the Balance Sheet Date*

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

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

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

## 9 *Fair Value Measurement*

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

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

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

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

## Notes to the Core Financial Statements

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

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

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

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

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

□ Level 3 – unobservable inputs for the asset or liability.

#### **10 Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. In addition, the Council has identified a number of contractual arrangements that contain finance leases in respect of vehicles and plant. Details of these are provided in Note 41.

#### **11 Financial Assets**

Financial assets are classified as either:

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

Full details are given in Note 15 to the Core Financial Statements.

##### *Loans and Receivables*

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

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

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

## Notes to the Core Financial Statements

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### 1 *Statement of Accounting Policies continued*

#### 11 *Financial Assets cont.*

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

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

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- □ other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- □ Level 3 inputs – unobservable inputs for the asset.

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

#### 12 *Government Grants and Contributions*

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

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

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

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

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

# Notes to the Core Financial Statements

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

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

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

### **13 Heritage Assets**

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

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

The Council has identified assets and valuations where possible, but, in some cases, it has not been possible to carry out or obtain valuations for a number of heritage assets. The Code permits non-disclosure of heritage assets in the financial statements where it would not be practicable to obtain a valuation for the assets at a cost that would be commensurate with the benefits to users of the financial statements. The Council has taken the view that it would not be practicable to obtain valuations of its war memorials and a number of other assets and they are not, therefore, recognised on the Balance Sheet. Further details are included in Note 49.

The Authority's heritage assets included on the Balance Sheet mainly comprise civic regalia and Bromley Museum art collections and are shown in more detail in Note 49. The items have indeterminate lives and are not, therefore, depreciated. They are also valued infrequently, due to their relatively low value in relation to the Authority's overall asset base and the high cost of valuing a diverse set of assets without comparative values.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment and any impairment is recognised and measured in accordance with the Council's general policy on impairment (see accounting policy 17). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment and disposal proceeds are disclosed separately in the notes to the financial statements (see accounting policy 17).

### **14 Inventories**

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

### **15 Investment properties**

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

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

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

# Notes to the Core Financial Statements

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## 1 *Statement of Accounting Policies continued*

### 16 *Leases*

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

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

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

#### The Authority as Lessee

##### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

##### *Operating Leases*

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

#### The Council as Lessor

##### *Finance Leases*

As at 31st March 2016, the Authority holds no finance leases as lessor.

##### *Operating Leases*

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

# Notes to the Core Financial Statements

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

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

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (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 2015 under the responsibility of Heather Hosking BSc FRICS, Head of Strategic Property.

Assets are initially measured at cost, comprising:

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

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

# Notes to the Core Financial Statements

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

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

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

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

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

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

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

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

#### *Impairment*

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

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

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

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

#### *Depreciation*

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

Depreciation is calculated on the following basis:

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

# Notes to the Core Financial Statements

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## *1 Statement of Accounting Policies continued*

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

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

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

#### *Disposals*

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

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

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

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

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

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

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

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

# Notes to the Core Financial Statements

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

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

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

The Council has not entered into any PFI schemes but it has entered into a service concession arrangement, which grants to another company or organisation the right to provide services on behalf of the Council, using infrastructure assets owned by the Council or the contractor. Further details of this are provided in Note 42.

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

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

### **20 Provisions**

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

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

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

Details of all provisions are set out in Note 22.

### **21 Contingent Liabilities**

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

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

### **22 Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts (Note 47) where it is probable that there will be an inflow of economic benefits or service potential.

# Notes to the Core Financial Statements

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

### **23 Reserves**

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

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

Details of Bromley's revenue reserves are set out in the Movement in Reserves Statement and in Note 8.

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.

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

#### ***27 Accounting for Council Tax***

The collection of Council Tax is in substance an agency arrangement. The cash collected by the Authority from Council Tax debtors belongs proportionately to the billing Authority and the Greater London Authority (GLA). There will therefore be a debtor/creditor position between the billing Authority and the GLA as the net cash paid to them in the year is not the share of cash collected from Council Tax payers.

The Code confirms that Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year.

#### ***28 Accounting for NNDR***

Following the introduction of Business Rate Localisation, with effect from 1st April 2013, local authorities are responsible for collecting and distributing income from the business rates they collect rather than simply acting in an agency capacity for the DCLG NNDR Pool as they had done until 31st March 2013.

The Council will continue to maintain balances for NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records. However, for the final accounts purposes, NNDR transactions and balances are allocated between the Council, the GLA and Central Government.

#### ***29 Local Authority Schools***

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 has introduced a number of changes in accounting policies which are due to be implemented on 1st April 2016. The new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosures of involvements in other entities.

#### *1 Amendment to IAS 1 Presentation of Financial Statements - Disclosure Initiative*

This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles:

- IFRS 11 Joint arrangements (accounting for acquisitions of interest in joint operations)
- IAS 16 Property, Plant, Equipment and IAS 38 Intangible Assets (clarification of acceptable methods of depreciation and amortisation)
- IAS 19 Employee Benefits (Defined Benefit plans- employee contributions)
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

These amendments are minor and are not expected to have a material effect on the Council's Statement of Accounts. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

## Notes to the Core Financial Statements

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### 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- a) There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities or reduce levels of service provision.
- b) 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 2015 was £3,846k.
- 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 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).

### 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 2016 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.

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

#### 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 is 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, the net liability reduced slightly to £145m, 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.

#### Arrears

##### *Uncertainties*

At 31st March 2016, the Authority had a balance of sundry debtors of £6,165k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 21% (£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 2015/16, thirteen of the Council's Primary Schools adopted academy status (7 in 2014/15) and one of its Special Schools. As a result Property, Plant & Equipment values, totalling £82.8m (£55.1m in 2014/15), 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 £72.8m has been posted in 2015/16 to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (see Note 9), with a corresponding reduction to long-term assets (property, plant & equipment - see Note 12).

Accumulated revaluation gains of £8.0m (£14.7m in 2014/15) have been transferred from the Revaluation Reserve to the Capital Adjustment Account (both included in figures in Note 26) and, in order to ensure that the total "loss" does not impact on the General Fund, the debit of £72.8m 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 14th September 2016. 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.

### 7 *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 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

### 7 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
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
<b><i>Pensions Costs transferred to/(from) the Pensions Reserve</i></b>				
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)
<b>C Tax and NDR transfers to/(from) the Collection Fund</b>				
Holiday Pay transferred to/(from) the Accumulated Absence Reserve	1,233	-	-	(1,233)
<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)</b>				
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
<b>Total Adjustments to Revenue Resources</b>	<b>(77,649)</b>	<b>-</b>	<b>-</b>	<b>77,649</b>
<b>Adjustments between Revenue and Capital Resources</b>				
<b><i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i></b>				
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)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>44,699</b>	<b>(3,807)</b>	<b>-</b>	<b>(40,892)</b>
<b>Adjustment to Capital Resources</b>				
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
<b>Total Adjustment to Capital Resources</b>	<b>-</b>	<b>3,074</b>	<b>3,887</b>	<b>(6,961)</b>
<b>Total Adjustments</b>	<b>(32,950)</b>	<b>(733)</b>	<b>3,887</b>	<b>29,796</b>

## Notes to the Core Financial Statements

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

<b>2014/15 Comparative Figures</b>	<b>Usable Reserves</b>			<b>Movement</b>
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:</b>				
<b><i>Pensions Costs transferred to/(from) the Pensions Reserve</i></b>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	(15,614)	-	-	15,614
Employer's pension contributions and direct payments to pensioners payable in the year	17,578	-	-	(17,578)
<b>C Tax and NDR transfers to/(from) the Collection Fund</b>				
Holiday Pay transferred to/(from) the Accumulated Absence Reserve	16	-	-	(16)
<b>Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)</b>				
Depreciation and impairment of non-current assets	(23,584)	-	-	23,584
Movements in the fair value of investment properties	2,525	-	-	(2,525)
Capital grants & contributions applied	16,726	-	-	(16,726)
Revenue expenditure funded from capital under statute	(17,559)	-	-	17,559
Non-current assets written off on disposal or sale	(62,167)	-	-	62,167
<b>Total Adjustments to Revenue Resources</b>	<b>(81,177)</b>	<b>-</b>	<b>-</b>	<b>81,177</b>
<b>Adjustments between Revenue and Capital Resources</b>				
<b><i>Transfers of non-current asset sale proceeds from revenue to the Capital Receipts Reserve</i></b>				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7,072	(7,072)	-	-
Transfer of deferred sale proceeds	1,577	-	-	(1,577)
Payments to the government housing receipts pool	(4)	4	-	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,083	-	-	(1,083)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	31,225	-	-	(31,225)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>40,953</b>	<b>(7,068)</b>	<b>-</b>	<b>(33,885)</b>
<b>Adjustment to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure	-	1,432	-	(1,432)
Application of capital grants to finance capital expenditure	-	-	1,090	(1,090)
Cash payments in relation to Deferred Capital Receipts	-	(1,227)	-	1,227
<b>Total Adjustment to Capital Resources</b>	<b>-</b>	<b>205</b>	<b>1,090</b>	<b>(1,295)</b>
<b>Total Adjustments</b>	<b>(40,224)</b>	<b>(6,863)</b>	<b>1,090</b>	<b>45,997</b>

## Notes to the Core Financial Statements

### 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2014/15 and 2015/16.

	<b>Balance at 31st March 2015 £000</b>	<b>Transfers Out 2015/16 £000</b>	<b>Transfers In 2015/16 £000</b>	<b>Balance at 31st March 2016 £000</b>
<b>2015/16</b>				
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
	<b>111,061</b>	<b>47,280</b>	<b>37,915</b>	<b>101,696</b>

## Notes to the Core Financial Statements

### 8 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 2013/14 and 2014/15.

	<b>Balance at 31st March 2014 £000</b>	<b>Transfers Out 2014/15 £000</b>	<b>Transfers In 2014/15 £000</b>	<b>Balance at 31st March 2015 £000</b>
Balances Held by Schools	6,767	2,967	744	4,544
Insurance Fund	2,981	958	865	2,888
LPSA Reward Grant Investment Fund	296	65	-	231
LAA Reward Grant Investment Fund	750	-	-	750
Technology Fund	1,801	-	23	1,824
Reserve for Potential Redundancy Costs	115	-	1	116
Public Halls Fund	8	1	-	7
Town Centre Improvement Fund	66	-	-	66
Ex Glaxo Land Maintenance	183	7	3	179
Building Control Charging Account	68	68	131	131
Grant Related Expenditure	2,352	2,000	2,021	2,373
Investment to Community Fund	655	31	-	624
Works to Property	100	-	-	100
Investment Fund	51,193	32,818	15,295	33,670
Invest to Save	15,975	4,193	1,561	13,343
Bromley Welcare	29	-	-	29
One-off Member Initiatives	1,162	124	-	1,038
Interest Rate Risk Reserve	1,185	1,185	-	-
Infrastructure Investment Fund	2,000	-	-	2,000
Provision for Impact of Recession	1,500	1,500	-	-
Commissioning Authority Programme	99	13	-	86
Health & Social Care - Promise Programme	5,953	-	-	5,953
Housing Strategy Trading Account	29	29	14	14
Community Right to Bid & Challenge	30	-	16	46
Glades Refurbishment	572	475	-	97
Winter Pressures	1,542	-	-	1,542
Impact of Winter Damage - Potholes & Highways	1,000	1,000	-	-
Provision for Emergency Flood Damage	100	100	-	-
Refurbishment of War Memorials	25	9	-	16
Key Health & Social Care Initiatives	1,700	-	-	1,700
Integration of Health & Social Care Initiatives	1,937	228	-	1,709
Cheyne Woods & Cyphers Gate	192	5	-	187
Healthy Bromley Fund	2,670	105	1,250	3,815
Transformation Fund	4,753	429	2	4,326
Future Repairs of High Street Properties	-	-	7	7
Collection Fund Surplus Set Aside	-	-	2,964	2,964
Parallel Fund	-	-	2,866	2,866
Growth Fund	-	-	10,000	10,000
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	23
Business Rate Risk Reserve	-	-	1,200	1,200
	<b>109,788</b>	<b>48,310</b>	<b>49,583</b>	<b>111,061</b>

## Notes to the Core Financial Statements

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### 8 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.

### *8 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.
- Interest Rate Risk Reserve - funding set aside to partly mitigate against the risk of further reductions in investment income in light of increasing uncertainty about future investment returns. In 2014/15, the balance on this fund (£1,185k) was transferred to the Parallel Fund.
- 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.
- Provision for Impact of the Recession - monies set aside as a provision for impact of the recession. In 2014/15, the balance on this fund (£1,500k) was transferred to the Parallel Fund.
- 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.
- Impact of Winter Damage Potholes & Highways - a reserve established to meet additional maintenance costs following damage caused to the Borough's highways network during the 2013/14 winter.
- Provision for Emergency Flood Damage - a reserve set up to meet costs of the clean-up operation associated with flooding across the Borough following heavy rainfall in the early months of 2014.
- 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 2015/16.
- 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.

## Notes to the Core Financial Statements

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

- 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.
- 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.

## Notes to the Core Financial Statements

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### 9 Other Operating Expenditure

2014/15	2015/16
£000	£000
1,423 Levies	1,427
4 Payments to Government Housing Capital Receipts Pool	2
(1,577) Other Income	(850)
(42) Distribution of former LRB Balances	(44)
38 Contribution to former LRB Balances	-
55,095 Losses on the Disposal of Non-Current Assets *	82,775
<b>54,941 Total</b>	<b>83,310</b>

\* The charge of £82.8m in 2015/16 (£55.1m in 2014/15) 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 one special school. Further details are provided in the Exceptional Items note (Note 5).

### 10 Financing and Investment Income and Expenditure

2014/15	2015/16
£000	£000
674 Interest Payable and Similar Charges	806
5,675 Net Interest on the Net Defined Benefit Liability	4,668
(3,993) Interest Receivable and Similar Income	(4,722)
(5,551) (Income)/Expenditure in Relation to Investment Properties and changes in their fair value	(6,510)
<b>(3,195) Total</b>	<b>(5,758)</b>

### 11 Taxation and Non Specific Grant Income

2014/15	2015/16
£000	£000
(130,352) Council Tax Income	(135,302)
(23,419) Business Rates Income	(24,566)
(59,681) Non-Ringfenced Government grants	(49,915)
(3,124) Capital Grants and Contributions	(3,280)
<b>(216,576) Total</b>	<b>(213,063)</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment

#### Movements on Balances

	Land & Buildings Vehicles, Plant, Furniture & Equipment £000	£000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2015/16</b>							
<b>Cost or Valuation</b>							
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)
<b>As at 31st March 2016</b>	<b>533,094</b>	<b>32,251</b>	<b>134,637</b>	<b>2,494</b>	<b>13,583</b>	<b>16,518</b>	<b>732,577</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
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
<b>As at 31st March 2016</b>	<b>(208,621)</b>	<b>(14,286)</b>	<b>(40,081)</b>	<b>(1,292)</b>	<b>(9,416)</b>	<b>-</b>	<b>(273,696)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2016</b>	<b>324,473</b>	<b>17,965</b>	<b>94,556</b>	<b>1,202</b>	<b>4,167</b>	<b>16,518</b>	<b>458,881</b>
<b>As at 31st March 2015</b>	<b>390,925</b>	<b>20,797</b>	<b>92,285</b>	<b>1,285</b>	<b>1,908</b>	<b>16,087</b>	<b>523,287</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment continued

#### Movements on Balances

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2014/15</b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2014	645,737	34,389	121,312	2,494	15,081	15,183	834,196
Additions	1,795	2,866	7,553	-	-	904	13,118
Revaluation increases recognised in Revaluation Reserve	7,226	-	-	-	-	-	7,226
Other Movements	-	159	-	-	-	-	159
Derecognition - disposals	(54,513)	(2,321)	-	-	-	-	(56,834)
Assets reclassified to Investment Properties	-	-	-	-	-	-	-
Other Assets reclassified	2,500	-	-	-	(2,500)	-	-
Assets reclassified to Assets Held for Sale	(225)	-	-	-	(1,972)	-	(2,197)
<b>As at 31st March 2015</b>	<b>602,520</b>	<b>35,093</b>	<b>128,865</b>	<b>2,494</b>	<b>10,609</b>	<b>16,087</b>	<b>795,668</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2014	(171,736)	(11,585)	(33,255)	(1,126)	(6,339)	-	(224,041)
Depreciation charge	(3,568)	(1,150)	(3,325)	(83)	(11)	-	(8,137)
Impairment losses recognised in Revaluation Reserve	(24,149)	-	-	-	(2,326)	-	(26,475)
Impairment (losses)/reversals recognised in Deficit on Provision of Services	(13,831)	(1,561)	-	-	(25)	-	(15,417)
Derecognition - disposals	1,689	-	-	-	-	-	1,689
<b>As at 31st March 2015</b>	<b>(211,595)</b>	<b>(14,296)</b>	<b>(36,580)</b>	<b>(1,209)</b>	<b>(8,701)</b>	<b>-</b>	<b>(272,381)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2015</b>	<b>390,925</b>	<b>20,797</b>	<b>92,285</b>	<b>1,285</b>	<b>1,908</b>	<b>16,087</b>	<b>523,287</b>
<b>As at 31st March 2014</b>	<b>474,001</b>	<b>22,804</b>	<b>88,057</b>	<b>1,368</b>	<b>8,742</b>	<b>15,183</b>	<b>610,155</b>

## Notes to the Core Financial Statements

### 12 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 2016, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £8.7m. This mainly comprised commitments relating to works at schools funded by Basic Need grant (£4.2m), the expansion of The Glebe School (£2.2m) and the refurbishment of Beacon House (£1.4m). Commitments at 31st March 2015 totalled £23.5m.

#### (iii) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years. In 2015/16, all valuations were carried out by Wilks, Head and Eve. Up to and including 2011/12, all valuations were carried out internally.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

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

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant, & Equipment £000
<b>Carried at Historical Cost as at:</b>							
<b>31st March 2016</b>	-	33,475	94,556	1,202	-	16,518	145,751
<b>Valued at Current Value as at:</b>							
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)
31st March 2012	(52,087)	(3,941)	-	-	(577)	-	(56,605)
<b>Total Assets at Current Value</b>	<b>324,473</b>	<b>(15,510)</b>	<b>-</b>	<b>-</b>	<b>4,167</b>	<b>-</b>	<b>313,130</b>
<b>Total Property, Plant &amp; Equipment</b>							
<b>31st March 2016</b>	<b>324,473</b>	<b>17,965</b>	<b>94,556</b>	<b>1,202</b>	<b>4,167</b>	<b>16,518</b>	<b>458,881</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment continued

Property, Plant & Equipment and Investment Properties owned by the Council include the following:

	Number as at 31st March 2015	Number as at 31st March 2016	Range of estimated useful lives (Years)
<b>Operational Buildings</b>			
Civic Centre	1	1	40
Other Offices	4	3	40
Primary Schools	29	19	38-41
Special Schools/Units	5	5	37-41
Social Services - Homes & Day Centres	12	12	38-46
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	7	7	40
Libraries	15	14	38-43
Golf Courses	3	3	38-39
Churchill Theatre	1	1	42
Cemetery chapels	6	6	42-43
Surface Car Parks	22	22	n/a
Multi-Storey Car Parks	3	3	53-55
Public Conveniences	9	7	39-40
<b>Operational Equipment</b>			
Vehicles & Plant			
- owned	22	34	1-11
- held under finance leases	97	60	1-7
<b>Infrastructure Assets</b>			
Road (kilometres)	886.0	904.2	15-40
<b>Community Assets</b>			
Parks and Open Spaces (hectares)	1,262.7	1,262.7	n/a
<b>Surplus Properties</b>	18	17	n/a
<b>Investment Properties</b>			
Agricultural Properties	16	15	n/a
Biggin Hill Airport	1	1	n/a
Other Investment Properties	149	155	n/a

## Notes to the Core Financial Statements

### 13 Heritage Assets

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

	<b>Mayoral Regalia £000</b>	<b>Art Works £000</b>	<b>Total Assets £000</b>
<b>Cost or Valuation</b>			
1st April 2014	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2015</b>	<u>673</u>	<u>344</u>	<u>1,017</u>
<b>Cost or Valuation</b>			
1st April 2015	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2016</b>	<u>673</u>	<u>344</u>	<u>1,017</u>

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

### 14 Investment Property

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

<b>2014/15 £000</b>	<b>2015/16 £000</b>
(4,932) Rental Income from Investment Property	(6,596)
1,881 Direct Operating Expenses arising from Investment Property	1,695
<u><b>(3,051) Net gain</b></u>	<u><b>(4,901)</b></u>

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

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

<b>2014/15 £000</b>	<b>2015/16 £000</b>
71,548 Balance at Start of Year	96,724
22,651 Purchases	33,790
2,525 Net Gains/(Losses) from Fair Value Adjustments	1,609
<u><b>96,724 Balance at End of Year</b></u>	<u><b>132,123</b></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 12.

## Notes to the Core Financial Statements

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### 14 Investment Property continued

Details of the authority's investment properties as at 31st March 2016 and 2015 are as follows:

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
5,651 Residential (market rental) properties	6,066
1,205 Office units	1,244
3,208 Airport	3,394
3,282 Agricultural	3,355
81,960 Commercial units	116,571
1,418 Other	1,493
<b>96,724 Balance at End of Year</b>	<b>132,123</b>

There were no transfers between levels during 2015/16.

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

### 15 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 five such investments as at 31st March 2016, the gain (loss as at 31st March 2015) on which is recorded in the Available for Sale Reserve (Note 26).

#### 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 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
<b>Investments</b>				
<i>Loans and Receivables</i>				
- Banks	35,000	65,000	100,895	15,274
- Local Authorities	33,000	55,500	33,157	17,522
<i>Available for Sale</i>				
- Property Fund	25,376	15,062	323	131
- Diversified Growth Funds	10,383	10,593	383	615
- Certificates of Deposit	41,386	50,318	10,639	5,366
<i>Cash and Cash Equivalents</i>				
- Money Market Funds and other short-term liquid deposits				22,323
<b>Total Investments</b>	<b>145,145</b>	<b>196,473</b>	<b>145,397</b>	<b>61,231</b>
<b>Borrowing</b>				
- Local Authorities			(24,400)	
<b>Total included in borrowings</b>	<b>-</b>	<b>-</b>	<b>(24,400)</b>	<b>-</b>

In accordance with the requirements of the Code, accruals for investment interest income due during the year but not received as at 31st March are included with short term investments in the Balance Sheet. The balances as at 31st March 2016 include a total principal sum of £287,822k and total accrued interest of £2,720k (£255,774k and £1,930k as at 31st March 2015).

## Notes to the Core Financial Statements

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### 15 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:

	<b>31st March 2015</b>		<b>31st March 2016</b>	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets</b>				
Investments less than 1 year	61,231	61,231	145,397	145,397
Investments greater than 1 year	196,473	197,996	145,145	146,222
<b>Total Financial Assets</b>	<b>257,704</b>	<b>259,227</b>	<b>290,542</b>	<b>291,619</b>
<b>Financial Liabilities:</b>				
Borrowing less than 1 year	-	-	24,400	24,400
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>24,400</b>	<b>24,400</b>

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

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

The fair value of trade and other receivables is taken to be the invoiced or billed amount. Short term debtors and creditors are carried on the balance sheet at cost as this is a fair approximation of their value.



## Notes to the Core Financial Statements

### 16 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.

2014/15 £000	2015/16 £000
11,403	8,306
<b>Balance outstanding at start of year</b>	
Assets newly classified/(declassified) as held for sale:	
2,197	4,469
(118)	-
(30)	-
1,926	5,472
(7,072)	(3,809)
<b>8,306</b>	<b>14,438</b>
<b>Balance outstanding at year-end</b>	

### 17 Inventories

	Road Salt		Other Consumables		Total	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
<b>Balance outstanding at start of year</b>	<b>209</b>	<b>255</b>	<b>15</b>	<b>17</b>	<b>224</b>	<b>272</b>
Purchases	37	36	63	-	100	36
Usage/Payment/Transfers during the year	(36)	(82)	(74)	(2)	(110)	(84)
<b>Balance outstanding at year-end</b>	<b>210</b>	<b>209</b>	<b>4</b>	<b>15</b>	<b>214</b>	<b>224</b>

### 18 Construction Contracts

Details of capital schemes in progress and outstanding commitments as at the balance sheet date are provided in Note 12.

## Notes to the Core Financial Statements

### 19 Short - Term Debtors

Restated 31st March 2015 Net £000		Gross £000	Allowance for Bad Debts £000	31st March 2016 Net £000
	<i>Debtors</i>			
4,421	Central Government Bodies	3,571	-	3,571
1,733	Other Local Authorities	1,374	-	1,374
968	NHS Bodies	1,153	-	1,153
108	Public Corporations and Trading Funds	49	-	49
1,072	Council Tax	11,318	10,398	920
293	NNDR	583	271	312
9,512	Other Entities and Individuals	33,753	18,172	15,581
18,107		51,801	28,841	22,960
1,863	<i>Payments in Advance</i>			1,706
19,970				24,666

### 20 Cash and Cash Equivalents

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

2014/15 £000		2015/16 £000
30	Cash held by the Authority	22
(2,688)	Bank Current Accounts	(2,729)
22,323	Short-term Deposits with Money Market Funds*	-
19,665	<b>Total Cash and Cash Equivalents</b>	<b>(2,707)</b>

\* Short-term investments that meet the Code's definition of cash equivalents are also referred to in Note 15 (a).

## Notes to the Core Financial Statements

### 21 Financial Liabilities

#### Short Term Borrowing (Temporary Loans)

	Balance as at 31st March 2015 £000	Loans Raised £000	Loans Repaid £000	Balance as at 31st March 2016 £000
Pension Fund	1,006	121	-	1,127
Former LRB Fund	1,358	-	193	1,165
Temporary Borrowing	-	24,400	-	24,400
	<b>2,364</b>	<b>24,521</b>	<b>193</b>	<b>26,692</b>

### 22 Provisions

	Outstanding Legal Cases (a) £000	Injury & Damage Compensation Claims (b) £000	Other Provisions (c) £000	Total £000
Balance at 1 April 2015	106	1,667	9,189	10,962
Additional Provisions made in year	186	873	3,091	4,150
Amounts used in year	48	927	921	1,896
Unused amounts reversed in year	-	-	325	325
Balance at 31st March 2016	<b>244</b>	<b>1,613</b>	<b>11,034</b>	<b>12,891</b>

(a) Outstanding Legal Cases: the Council made provision for the financial implications arising from a number of legal cases totalling £244k.

(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 2016 (365 claims with a total estimate of £1,613k).

(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 2015/16 and a sum of £628k has been carried forward into 2016/17.

Provision of £2,135k 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 £1,429k has been made.

A provision of £663k 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

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### 23 Short - Term Creditors

<b>31st March 2015 £000</b>	<b>Creditors</b>	<b>31st March 2016 £000</b>
2,768	Central Government Bodies	2,306
1,912	Other Local Authorities	2,767
2,205	NHS Bodies	2,543
1,824	Council Tax	1,972
3,639	Council Tax Precepts (GLA)	4,328
2,564	NNDR Central Government	3,990
881	NNDR GLA	1,389
496	NNDR LBB	461
32,671	Other Entities and Individuals	42,149
48,960		61,905
	<b>Receipts in Advance</b>	
-	Central Government Bodies	1,879
-	Other Local Authorities	2
982	NHS Bodies	1,198
2,959	Council Tax	2,861
583	NNDR LBB	279
2,753	Other Entities and Individuals	3,763
7,277		9,982
<b>56,237</b>		<b>71,887</b>

### 24 Other Long Term Liabilities

<b>31st March 2015 £000</b>		<b>31st March 2016 £000</b>
147,834	Liability relating to Defined Benefit Pension Scheme #	144,869
3,183	Liability relating to Finance Leases *	2,862
<b>151,017</b>		<b>147,731</b>

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

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

## Notes to the Core Financial Statements

### 25 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in Note 8.

### 26 Unusable Reserves

<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
60,681 Revaluation Reserve	63,979
973 Available for Sale Financial Instruments Reserve	2,322
564,366 Capital Adjustment Account	538,634
(147,834) Pensions Reserve	(144,869)
3,066 Deferred Capital Receipts Reserve	3,863
6,200 Collection Fund Adjustment Account	10,878
(3,779) Accumulated Absences Account	(2,546)
<b>483,673 Total Unusable Reserves</b>	<b>472,261</b>

#### Revaluation Reserve

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

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

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
96,962 <b>Balance as at 1st April</b>		60,681
9,152 Upward revaluation of assets	23,459	
(26,593) Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(8,964)	
(17,441) Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services		14,495
(18,840) Accumulated losses on assets sold or scrapped	(11,197)	
(18,840) Amount written off to Capital Adjustment Account		(11,197)
<b>60,681 Balance as at 31st March</b>		<b>63,979</b>

#### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains and losses made by the Authority arising from movements in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. A negative balance is shown when available for sale investments are revalued downwards or impaired and a positive balance is shown when investments are revalued upwards or are disposed of and the gains are realised.

<b>2014/15 £000</b>		<b>2015/16 £000</b>
(240) <b>Balance as at 1st April</b>		973
1,213 Upward / (Downward) revaluation of investments not charged to the Surplus/Deficit on the Provision of Services		1,349
<b>973 Balance as at 31st March</b>		<b>2,322</b>

## Notes to the Core Financial Statements

### 26 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>594,596</b>	<b>Balance as at 1st April</b>	<b>564,366</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>	
(23,584)	Charges for depreciation and impairment of non-current assets	6,196
(17,559)	Revenue expenditure funded from capital under statute	(35,525)
(43,327)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(75,387)
		<hr/>
(84,470)	Net written out amount of the cost of non-current assets consumed in the year	(104,716)
	<i>Capital financing applied in the year:</i>	
1,432	Use of Capital Receipts Reserve to finance new capital expenditure	3,127
16,726	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	30,314
1,090	Application of grants to capital financing from the Capital Grants Unapplied Account	3,887
159	Other Movements	5
1,083	Statutory provision for capital financing charged against the General Fund	1,163
31,225	Capital expenditure charged against the General Fund balance	38,879
		<hr/>
51,715		77,375
2,525	Movements in market value of Investment Properties debited or credited to CI&E Statement	1,609
		<hr/>
<b>564,366</b>	<b>Balance as at 31st March</b>	<b>538,634</b>

## Notes to the Core Financial Statements

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### 26 Unusable Reserves continued

#### Pensions Reserve

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

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
(139,626) <b>Balance as at 1st April</b>	(147,834)
(10,172) Actuarial gains or (losses) on pensions assets and liabilities	2,535
(15,614) 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	(16,666)
17,578 Employer's pension contributions and direct payments to pensioners payable in the year	17,096
<b>(147,834) Balance as at 31st March</b>	<b>(144,869)</b>

#### Deferred Capital Receipts Reserve

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

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
2,716 <b>Balance as at 1st April</b>	3,066
1,577 New advances	850
(1,227) Transfer to the Capital Receipts Reserve upon receipt of cash	(53)
<b>3,066 Balance as at 31st March</b>	<b>3,863</b>

## Notes to the Core Financial Statements

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### 26 Unusable Reserves continued

#### Collection Fund Adjustment Account

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
5,298	<b>Balance as at 1st April</b>	6,200
902	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	4,678
<b>6,200</b>	<b>Balance as at 31st March</b>	<b>10,878</b>

#### Accumulated Absences Account

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
(3,795)	<b>Balance as at 1st April</b>	(3,779)
3,795	Settlement or cancellation of accrual made at the end of the preceding year	3,779
(3,779)	Amounts accrued at the end of the current year	(2,546)
16	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	1,233
<b>(3,779)</b>	<b>Balance as at 31st March</b>	<b>(2,546)</b>

## Notes to the Core Financial Statements

### 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
(2,951) Interest Received	(3,965)
37 Interest Paid	37
<u>(2,914) Net Interest Received</u>	<u>(3,928)</u>

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

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
(8,137) Depreciation	(7,367)
(15,447) Impairment/Reversals and Downward Valuations	13,563
4,821 Increase/Decrease in Creditors	(8,751)
(1,295) Increase/Decrease in Debtors (net of bad debts)	2,591
(48) Increase/Decrease in Inventories	(10)
1,964 Movement in Pension Liability	430
(62,167) Carrying Amount of Non-Current Assets and Non-Current Assets Held-for-Sale, Sold or De-Recognised	(86,584)
2,240 Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	530
<u>(78,069)</u>	<u>(85,598)</u>

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

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
7,072 Proceeds from the Sale of Property, Plant and Equipment and Investment Property	3,809
16,726 Other Items for which the Cash Effects are Investing or Financing Cash Flows	30,314
<u>23,798</u>	<u>34,123</u>

### 28 Cash Flow Statement - Investing Activities

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
34,529 Purchase of Property, Plant and Equipment and Investment Property	40,619
246,500 Purchase of Short-term and Long-term Investments	90,000
(7,072) Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(3,809)
(192,069) Proceeds from Short-term and Long-term Investments	(37,000)
(10,207) Other Receipts from Investing Activities	(25,704)
<u>71,681 Net Cash Flows from Investing Activities</u>	<u>64,106</u>

### 29 Cash Flow Statement - Financing Activities

<b>2014/15</b>	<b>2015/16</b>
<b>£000</b>	<b>£000</b>
(36) Cash Receipts from Short-term Borrowing	(24,328)
(12,229) Other Receipts from Financing Activities	(9,409)
1,083 Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases	1,163
<u>(11,182) Net Cash Flows from Financing Activities</u>	<u>(32,574)</u>

## Notes to the Core Financial Statements

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### *30 Amounts Reported for Resource Allocation Decisions*

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions taken about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- . charges relating to capital expenditure are reversed through the General Fund whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement and reversed via the Movement in Reserves Statement.
- . the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.
- . capital expenditure charged to the General Fund within Portfolio budgets is reflected in the Movement in Reserves Statement and not within the Cost of Services.
- . contributions to and from earmarked reserves are reflected within the Movement in Reserves Statement and are not included within the Cost of Services.

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continued

<b>Portfolio Income and Expenditure</b>	<b>Care Services</b>	<b>Public Protection and Safety</b>	<b>Education</b>	<b>Environment</b>	<b>Renewal and Recreation</b>	<b>Resources</b>	<b>Central Items</b>	<b>Total</b>
<b>2015/16 Reported to Executive</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges & Other Service Income	(50,962)	(368)	(12,931)	(22,595)	(4,122)	(11,352)	-	(102,330)
Government Grants & Contributions	(147,428)	(389)	(127,820)	(1,528)	(973)	(1,136)	26,372	(252,902)
<b>Total Income</b>	<b>(198,390)</b>	<b>(757)</b>	<b>(140,751)</b>	<b>(24,123)</b>	<b>(5,095)</b>	<b>(12,488)</b>	<b>26,372</b>	<b>(355,232)</b>
Employee Expenses	34,569	2,409	57,796	6,590	7,935	16,313	(2,656)	122,956
Other Service Expenses	259,775	1,492	65,679	49,730	5,279	32,358	1,891	416,204
Support Service & Other Recharges	9,213	(967)	4,883	739	2,248	(19,238)	-	(3,122)
Depreciation and Impairment	3,568	240	31,602	7,793	(13,817)	906	(30,292)	-
Capital Expenditure charged to the General Fund	-	-	1,590	1,920	1,202	200	-	4,912
<b>Total Expenditure</b>	<b>307,125</b>	<b>3,174</b>	<b>161,550</b>	<b>66,772</b>	<b>2,847</b>	<b>30,539</b>	<b>(31,057)</b>	<b>540,950</b>
<b>Net Expenditure</b>	<b>108,735</b>	<b>2,417</b>	<b>20,799</b>	<b>42,649</b>	<b>(2,248)</b>	<b>18,051</b>	<b>(4,685)</b>	<b>185,718</b>

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continued

Portfolio Income and Expenditure	Care Services £000	Public Protection and Safety £000	Education £000	Environment £000	Renewal and Recreation £000	Resources £000	Central Items £000	Total £000
<b>2014/15 Comparative Figures Reported to Executive</b>								
Fees, Charges & Other Service Income	(40,822)	(477)	(16,948)	(24,856)	(3,985)	(10,109)	-	(97,197)
Government Grants & Contributions	(146,698)	(371)	(125,013)	(3,547)	(58)	(1,763)	13,602	(263,848)
<b>Total Income</b>	(187,520)	(848)	(141,961)	(28,403)	(4,043)	(11,872)	13,602	(361,045)
Employee Expenses	35,527	2,647	70,502	7,507	7,767	15,537	820	140,307
Other Service Expenses	254,850	1,620	65,793	48,552	5,148	33,158	1,513	410,634
Support Service & Other Recharges	11,619	(1,059)	4,527	479	2,090	(20,577)	-	(2,921)
Depreciation and Impairment	3,103	-	18,555	8,281	10,816	1,666	(42,421)	-
Capital Expenditure charged to the General Fund	625	-	2,966	4,172	625	186	-	8,574
<b>Total Expenditure</b>	305,724	3,208	162,343	68,991	26,446	29,970	(40,088)	556,594
<b>Net Expenditure</b>	<b>118,204</b>	<b>2,360</b>	<b>20,382</b>	<b>40,588</b>	<b>22,403</b>	<b>18,098</b>	<b>(26,486)</b>	<b>195,549</b>

## Notes to the Core Financial Statements

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### *30 Amounts Reported for Resource Allocation Decisions continued*

#### **Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.**

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Net Expenditure in the Portfolio Analysis	195,549	185,718
Net Expenditure of Services and Support Services not included in the Analysis	19,802	987
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	(6,684)	(7,400)
	<u>208,667</u>	<u>179,305</u>
Deduct Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(4,886)	(1,479)
Cost of Services in the Comprehensive Income and Expenditure Statement	<u><b>203,781</b></u>	<u><b>177,826</b></u>

# Notes to the Core Financial Statements

## 30 Amounts Reported for Resource Allocation Decisions continued

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	<b>2015/16</b>	<b>Portfolio Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts Reported to Management</b>	<b>Amounts not included in CI &amp; E</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Corporate of Amounts</b>	<b>Total</b>
		<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, Charges & Other Service Income		(102,330)	-	-	12,288	2,730	(87,312)	(894)	(88,206)
Interest and Investment Income		-	-	-	-	-	-	(11,319)	(11,319)
Income from Council Tax		-	-	-	-	-	-	(135,302)	(135,302)
Business Rates Income		-	-	-	-	-	-	(24,566)	(24,566)
Government Grants and Contributions		(252,902)	(26,372)	(663)	-	-	(279,937)	(53,195)	(333,132)
<b>Total Income</b>		<b>(355,232)</b>	<b>(26,372)</b>	<b>(663)</b>	<b>12,288</b>	<b>2,730</b>	<b>(367,249)</b>	<b>(225,276)</b>	<b>(592,525)</b>
Employee Expenses		122,956	2,656	(6,529)	(18)	(9,974)	109,091	-	109,091
Other Service Expenses		416,204	(3,330)	(233)	(8,213)	(19,717)	384,711	-	384,711
Capital Expenditure charged to the General Fund		4,912	-	-	(4,912)	-	-	-	-
Support Service Recharges		(3,122)	-	-	(624)	26,961	23,215	-	23,215
Depreciation & Impairment		-	28,033	25	-	-	28,058	-	28,058
Interest and Investment Expenditure		-	-	-	-	-	-	893	893
Precepts & Levies		-	-	-	-	-	-	1,427	1,427
Payments to Housing Capital Receipts Pool		-	-	-	-	-	-	2	2
Gain or Loss on Disposal of Non Current Assets		-	-	-	-	-	-	82,775	82,775
Net Interest on the Net Defined Liability		-	-	-	-	-	-	4,668	4,668
<b>Total Expenditure</b>		<b>540,950</b>	<b>27,359</b>	<b>(6,737)</b>	<b>(13,767)</b>	<b>(2,730)</b>	<b>545,075</b>	<b>89,765</b>	<b>634,840</b>
<b>Deficit on the Provision of Services</b>		<b>185,718</b>	<b>987</b>	<b>(7,400)</b>	<b>(1,479)</b>	<b>-</b>	<b>177,826</b>	<b>(135,511)</b>	<b>42,315</b>

30 Amounts Reported for Resource Allocation Decisions continued

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

<b>2014/15 Comparative Figures</b>	<b>Portfolio Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts Reported to Management for Decision Making</b>	<b>Amounts not included in CI &amp; E Cost of Services</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Cost Corporate of Amounts</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, Charges & Other Service Income	(97,197)	-	-	14,337	2,094	(80,766)	(1,619)	(82,385)
Interest and Investment Income	-	-	-	-	-	-	(8,925)	(8,925)
Income from Council Tax	-	-	-	-	-	-	(130,352)	(130,352)
Business Rates Income	-	-	-	-	-	-	(23,419)	(23,419)
Government Grants and Contributions	(263,848)	(13,602)	-	-	-	(277,450)	(62,805)	(340,255)
<b>Total Income</b>	<b>(361,045)</b>	<b>(13,602)</b>	<b>-</b>	<b>14,337</b>	<b>2,094</b>	<b>(358,216)</b>	<b>(227,120)</b>	<b>(585,336)</b>
Employee Expenses	140,307	(820)	(6,423)	(10)	(10,709)	122,345	-	122,345
Other Service Expenses	410,634	(5,424)	(308)	(10,011)	(18,879)	376,012	38	376,050
Capital Expenditure charged to the General Fund	8,574	-	-	(8,574)	-	-	-	-
Support Service Recharges	(2,921)	-	-	(628)	27,494	23,945	-	23,945
Depreciation & Impairment	-	39,648	47	-	-	39,695	-	39,695
Interest and Investment Expenditure	-	-	-	-	-	-	55	55
Precepts & Levies	-	-	-	-	-	-	1,423	1,423
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	4	4
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	-	55,095	55,095
Net Interest on the Net Defined Liability	-	-	-	-	-	-	5,675	5,675
<b>Total Expenditure</b>	<b>556,594</b>	<b>33,404</b>	<b>(6,684)</b>	<b>(19,223)</b>	<b>(2,094)</b>	<b>561,997</b>	<b>62,290</b>	<b>624,287</b>
<b>Deficit on the Provision of Services</b>	<b>195,549</b>	<b>19,802</b>	<b>(6,684)</b>	<b>(4,886)</b>	<b>-</b>	<b>203,781</b>	<b>(164,830)</b>	<b>38,951</b>

## Notes to the Core Financial Statements

### 31 Pooled Budgets

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

<b>2014/15 Integrated Community Equipment Services £000</b>		<b>2015/16 Integrated Community Equipment Services £000</b>
	<b>Income</b>	
600	Bromley CCG contribution	600
958	London Borough of Bromley contribution	1,133
<u>1,558</u>	<b>Gross Income</b>	<u>1,733</u>
	<b>Expenditure</b>	
1,558	Integrated Community Equipment Service	1,733
<u>1,558</u>	<b>Gross Expenditure</b>	<u>1,733</u>
<u>-</u>	<b>Deficit / (Surplus) for the Year</b>	<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.

<b>2014/15 Mental Health Services £000</b>		<b>2015/16 Mental Health Services £000</b>
	<b>Income</b>	
18,219	Oxleas NHS Foundation Trust contribution	17,976
1,394	London Borough of Bromley contribution	1,387
<u>19,613</u>	<b>Gross Income</b>	<u>19,363</u>
	<b>Expenditure</b>	
19,571	Mental Health Functions	19,347
<u>19,571</u>	<b>Gross Expenditure</b>	<u>19,347</u>
<u>(42)</u>	<b>Deficit / (Surplus) for the Year</b>	<u>(16)</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

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### 31 Pooled Budgets continued

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

<b>2014/15 Better Care Fund £000</b>		<b>2015/16 Better Care Fund £000</b>
	<b>Income</b>	
-	Bromley CCG revenue funding	19,232
-	Disabled Facilities capital grant	942
-	Social Care capital grant	663
-	<b>Gross Income</b>	<b>20,837</b>
	<b>Expenditure</b>	
-	Revenue expenditure	18,851
-	Capital expenditure	1,216
-	<b>Gross Expenditure</b>	<b>20,067</b>
	<b>Deficit / (Surplus) for the Year</b>	
-	Revenue	(381)
-	Capital	(389)
-		<b>(770)</b>

## Notes to the Core Financial Statements

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### 32 Members Allowances

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
999	Allowances	1,005
14	Expenses	12
<u>1,013</u>	Total	<u>1,017</u>

### 33 Non Distributed Costs

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

- Past Service Costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs. In the IAS 19 valuation as at 31st March 2016, the actuary estimated the past service cost in 2015/16 to be zero, (also zero in 2014/15).
- 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 (£918k in 2015/16 and £260k in 2014/15) 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 £2,889k in 2015/16 (£3,497k in 2014/15) has arisen as a result of the adoption of academy status by a number of Bromley schools).

The following charges have been posted to Non Distributed Costs:

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
260	Loss on Curtailments	918
(3,497)	(Gain) on Settlements	(2,889)
277	Other Pension Costs	297
<u>(2,960)</u>		<u>(1,674)</u>

## Notes to the Core Financial Statements

### 34 Officers Remuneration

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

<b>Disclosure of remuneration for senior employees 2014/15 (Restated)</b>	Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Compensation for Loss of Office £	Total Remuneration including Pension Contributions £
Post holder information (Post title)						
Chief Executive - D. Patterson	182,561	-	182,561	-	-	182,561
Director of Corporate Services	124,593	3,674	128,267	19,063	-	147,330
Director of Finance	126,849	4,335	131,184	20,003	-	151,187
Director of Human Resources	118,467	-	118,467	17,896	-	136,363
Director of Regeneration & Transformation	142,392	4,420	146,812	21,786	-	168,598
Executive Director, Environmental & Community Services	132,232	5,438	137,670	20,230	-	157,900
Executive Director Education, Care & Health Services - T. Parkin	155,417	-	155,417	23,779	-	179,196
# Director of Public Health	149,568	-	149,568	19,361	-	168,929
	<b>1,132,079</b>	<b>17,867</b>	<b>1,149,946</b>	<b>142,118</b>	<b>-</b>	<b>1,292,064</b>

<b>Disclosure of remuneration for senior employees 2015/16</b>	Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Compensation for Loss of Office £	Total Remuneration including Pension Contributions £
Post holder information (Post title)						
Chief Executive - D. Patterson	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
	<b>1,623,544</b>	<b>23,887</b>	<b>1,647,431</b>	<b>204,235</b>	<b>96,000</b>	<b>1,947,666</b>

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

\*Post Holder left the employment of the Council in May 2015.

## Notes to the Core Financial Statements

### 34 Officers Remuneration continued

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

2014/15 (Restated)			2015/16			
Non-School Employees	School Employees	Total Employees	Annual Remuneration	Non-School Employees	School Employees	Total Employees
40	38	78	£50,000-£54,999	37	21	58
32	26	58	£55,000-£59,999	27	26	53
14	18	32	£60,000-£64,999	15	17	32
12	10	22	£65,000-£69,999	9	11	20
8	10	18	£70,000-£74,999	8	1	9
8	1	9	£75,000-£79,999	6	4	10
3	2	5	£80,000-£84,999	6	1	7
3	-	3	£85,000-£89,999	3	-	3
3	-	3	£90,000-£94,999	2	1	3
2	2	4	£95,000-£99,999	2	-	2
2	1	3	£100,000-£104,999	1	2	3
1	-	1	£105,000-£109,999	2	1	3
-	-	-	£110,000-£114,999	1	-	1
2	-	2	£115,000-£119,999	1	-	1
-	-	-	£120,000-£124,999	1	-	1
1	-	1	£125,000-£129,999	2	-	2
1	-	1	£130,000-£134,999	-	-	-
1	-	1	£135,000-£139,999	2	-	2
-	-	-	£140,000-£144,999	-	-	-
2	-	2	£145,000-£149,999	1	-	1
-	-	-	£150,000-£154,999	1	-	1
1	-	1	£155,000-£159,999	-	-	-
-	-	-	£160,000-£164,999	-	-	-
-	-	-	£165,000-£169,999	-	-	-
-	-	-	£170,000-£174,999	-	-	-
-	-	-	£175,000-£179,999	-	1	1
1	1	2	£180,000-£184,999	-	-	-
-	-	-	£185,000-£189,999	1	-	1
-	-	-	£190,000-£194,999	-	-	-

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

### 34 Officers Remuneration continued

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £000s	2015/16 £000s
£0 - £20,000	5	77	9	8	14	85	111	493
£20,001 - £40,000	-	16	1	5	1	21	24	597
£40,001 - £60,000	2	7	1	-	3	7	151	364
£60,001 - £80,000	-	3	-	-	-	3	-	213
£80,001 - £100,000	-	-	1	1	1	1	81	96
£100,001 - £150,000	-	1	1	2	1	3	106	412
£150,001 - £200,000	-	1	-	-	-	1	-	151
£200,001 - £250,000	-	1	-	-	-	1	-	217
<b>Total</b>	<b>7</b>	<b>106</b>	<b>13</b>	<b>16</b>	<b>20</b>	<b>122</b>	<b>473</b>	<b>2,543</b>

In 2015/16 the total cost of £2,543k (£473k in 2014/15) in the table above consists of exit packages agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

## Notes to the Core Financial Statements

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### 35 External Audit Costs

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

2014/15 £000		2015/16 £000
	Fees payable to PricewaterhouseCoopers LLP (2014/15) and KPMG LLP (2015/16) with regard to:	
161	- External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts)	119
14	- Investigation work resulting from Electors queries / objections re: 2012/13 and 2013/14 accounts	15
21	- Pension Fund audit fee	21
20	Fees payable to PricewaterhouseCoopers LLP (2014/15) and KPMG LLP (2015/16) for the certification of grant claims and returns for the year	31
	Fees payable to PricewaterhouseCoopers LLP for work not covered under the Audit Commission contract:	
9	- Teachers Pension Review	9
	Fees payable to and receivable from the Audit Commission in respect of:	
4	- NFI fee	-
(37)	- Other one-off rebates from the Audit Commission	-
<b>192</b>		<b>195</b>

## Notes to the Core Financial Statements

### 36 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education 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 2014. 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 2015/16 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Notes
Final DSG for 2015/16 before Academy recoupment			251,642	(a)
Academy figure recouped for 2015/16			(160,057)	(b)
Total DSG after Academy recoupment for 2015/16			91,585	(c)
Plus: Brought forward from 2014/15			9,886	(d)
Less: Carry forward to 2016/17 agreed in advance			-	(e)
Agreed initial budgeted distribution in 2015/16	43,897	57,574	101,471	(f)
In year adjustments	(1,530)	(1,863)	(3,393)	(g)
<b>Final budgeted distribution for 2015/16</b>	<b>42,367</b>	<b>55,711</b>	<b>98,078</b>	<b>(h)</b>
Less Actual central expenditure	39,411	-	39,411	(i)
Less Actual ISB deployed to schools	-	54,984	54,984	(j)
Plus Local Authority contribution for 2015/16	-	-	-	(k)
Carry forward to 2016/17	<u>2,956</u>	<u>727</u>	<u>3,683</u>	<b>(l)</b>

- (a) Final DSG figure before any amount has been recouped from the Authority excluding the January 2016 early years block adjustment.
- (b) Figure recouped from the Authority in 2015/16 by the DfE for the conversion of maintained schools into Academies.
- (c) Total figure after EFA Academy recoupment for 2015/16
- (d) Figure brought forward from 2014/15 as agreed with the Department.
- (e) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2016/17 rather than distribute in 2015/16.
- (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 2015/16.
- (j) Amount of ISB actually distributed to schools.
- (k) Any contribution from the Local Authority in 2015/16 which will have the effect of substituting for DSG in funding the Schools Budget.
- (l) Carry forward to 2016/17.

## Notes to the Core Financial Statements

### 37 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15 and 2015/16.

<i>Credited to Taxation and Non Specific Grant Income</i>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Revenue Support Grant	42,031	32,971
Local Services Support Grant	144	89
New Homes Bonus	5,038	5,078
Business Rates Related Grant Income	11,086	11,777
Council Tax Freeze Grant	1,382	-
	<u>59,681</u>	<u>49,915</u>
<b>Total Government Grants</b>	<b><u>59,681</u></b>	<b><u>49,915</u></b>
Other Capital Grants and Contributions:		
Transport for London	3,124	2,991
Orpington Public Realm	-	75
S106 Highways	-	214
<b>Total Contributions</b>	<b><u>3,124</u></b>	<b><u>3,280</u></b>
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b><u>62,805</u></b>	<b><u>53,195</u></b>
<i>Credited to Services</i>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Housing Benefit & Council Tax	125,729	124,592
Dedicated Schools Grant	103,146	94,395
Public Health	12,954	13,935
Education Funding Agency	3,295	3,154
Pupil Premium	4,400	3,113
Adult Social Care Implementation Grant	-	1,849
Education Services Grant	2,419	1,659
Skills Funding Agency - Adult Education	1,974	1,563
Council Tax & Housing Benefits Administration	1,879	1,604
Universal Infant Free School meals	1,268	1,331
Welfare Fund - Programme and Administration Funding	1,045	8
Troubled Families	895	661
Independent Living Fund	-	526
Discretionary Housing Payments	665	506
Pothole Grant	-	505
Unaccompanied Asylum Seekers	465	412
Transformation Challenge Award	-	344
Step up to Social Work	419	252
Home Office - Community Safety	402	391
SEN Reform	382	177
Youth Justice Board	298	252
Adoption Support	273	119
SEND Implementation	259	-
Other Miscellaneous Grants	1,603	1,554
	<u>263,770</u>	<u>252,902</u>

## Notes to the Core Financial Statements

### 37 Grant Income continued

<i>Credited to Services continued</i>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Capital Grants:		
Maintenance in Schools	1,809	1,452
Basic Need	4,991	20,635
Social Care Grant	653	663
Devolved Formula Capital	286	236
Universal Free School Meals	387	-
Other Capital Grants	762	942
	<u>8,888</u>	<u>23,928</u>
<b>Total Government Grants</b>	<b><u>272,658</u></b>	<b><u>276,830</u></b>
Other Grants and Contributions:		
Other Grants and Contributions	3,811	2,497
Section 106 Developers Contributions	981	732
<b>Total Contributions</b>	<b><u>4,792</u></b>	<b><u>3,229</u></b>
<b>Total Credited to Services</b>	<b><u>277,450</u></b>	<b><u>280,059</u></b>

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

#### Current Liabilities

<i>Revenue Grants Creditors and Receipts in Advance</i>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Dedicated Schools Grant	9,886	3,683
Housing Benefit Grant	1,911	2,412
Standards Fund Grant	745	745
Preventing Homelessness	-	240
LEP Project	-	1,209
Pothole Grant	505	-
Other Miscellaneous Grants	46	128
<b>Total Government Grants</b>	<b><u>13,093</u></b>	<b><u>8,417</u></b>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	1,767	2,110
Section 106 Developers Contributions - Capital	6,447	8,063
<b>Total Contributions</b>	<b><u>8,214</u></b>	<b><u>10,173</u></b>
<b>Total Receipts in Advance</b>	<b><u>21,307</u></b>	<b><u>18,590</u></b>

### **38 Related Party Transactions**

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

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from UK government departments are set out in the subjective analysis in note 30 on reporting for resource allocation decisions. Grant receipts outstanding at 31st March 2016 are shown in Note 37.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2015/16 is shown in Note 32. During 2015/16, there are no declarable related party transactions with the exception of the following:-

- a) Councillor P. Fortune is an appointed board member and Councillor W. Huntington-Thresher was an appointed board member on Broomleigh Housing Association (Affinity Homes Group) until August 2015, to which the Council paid £130k in 2015/16.
- b) Councillor P. Fookes was a Trustee of Age Concern, Penge and Anerley until February 2016, to which the Council paid £147k in 2015/16.
- c) Councillor Mrs E. Harmer is a Trustee of CarePlus, Bromley to which the Council paid £5.0k in 2015/16.

#### **Officers**

During 2015/16 £11.0m was paid to Liberata in payment for services in relation to the Council's exchequer contract. Liberata employs two family members of the Director of Finance, neither in a role that is specifically related to the Bromley contract.

#### **Other Public Bodies**

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

#### **Pension Fund**

During the financial year, the average monthly cash balance of the Pension Fund was slightly positive and, as a result, interest of £8,279k was paid to the Fund (£6,862k was paid in 2014/15). In 2015/16, £588k was charged to the Fund for expenses incurred in administering the Fund (£533k in 2014/15).

## Notes to the Core Financial Statements

### 39 Section 106 Receipts

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (e.g. provision of affordable housing, healthcare facilities & secondary school places). The sums are restricted to being spent only in accordance with the agreement concluded with the developer. Unused monies are reflected in the balance sheet as a receipt in advance. The major balances of Section 106 receipts held by the Council during the year were as follows:

<b>31st March</b>		<b>Income</b>	<b>Expenditure</b>	<b>Transfers (to)</b>	<b>31st March</b>
<b>2015</b>	<b>Service</b>	<b>£000</b>	<b>£000</b>	<b>/from Capital</b>	<b>2016</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Revenue</u></b>					
680	Highway Improvement Works	-	11	(295)	374
45	Road Safety Schemes	-	-	-	45
121	Local Economy & Town Centres	82	77	-	126
53	Parking	23	-	-	76
847	Healthcare Services	357	35	-	1,169
11	Community Facilities (to be transferred to capital)	-	1	-	10
10	Other	300	-	-	310
1,767		762	124	(295)	2,110
<b><u>Capital</u></b>					
1,591	Education	1,210	-	-	2,801
4,856	Housing	934	609	-	5,181
-	Highway Improvement Works	-	214	295	81
6,447		2,144	823	295	8,063
<b>8,214</b>		<b>2,906</b>	<b>947</b>	<b>-</b>	<b>10,173</b>

## Notes to the Core Financial Statements

### 40 Capital Expenditure and Capital Financing

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

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	2,565	4,287
<i>Capital investment</i>		
Property, Plant and Equipment	13,118	7,763
Investment Properties	22,651	33,790
Revenue Expenditure Funded from Capital under Statute	17,559	35,525
	<u>53,328</u>	<u>77,078</u>
<i>Sources of finance</i>		
Capital receipts	1,432	3,127
Government grants and other contributions	17,816	34,201
Sums set aside from revenue:		
Direct revenue contributions	31,225	38,879
Finance Leases Repaid/Terminated	1,133	1,312
	<u>51,606</u>	<u>77,519</u>
Movement in Capital Financing Requirement	1,722	(441)
<i>Closing Capital Financing Requirement</i>	4,287	3,846
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,133)	(1,312)
Assets acquired under finance leases	2,855	871
Increase/(decrease) in Capital Financing Requirement	<u>1,722</u>	<u>(441)</u>

## Notes to the Core Financial Statements

### 41 Leases

#### Finance Leases - Authority as Lessee

The Authority has entered into a number of contractual arrangements that include embedded leases that have been classified as finance leases. The most significant of these relate to the refuse collection vehicles and plant included in the Refuse Collection contract. The useful life of these vehicles has typically been assumed to be 7 years. The arrangements for other vehicles, primarily in the gully and street cleansing contracts, have also been classified as finance leases and 7 years has also typically been assumed as the useful life for these items.

Items of equipment leased by schools, mainly photocopiers, have also been classified as finance leases. A typical useful life of 5 years has been assumed for these.

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
Vehicles, Plant and Equipment	4,287	3,846
	<b>4,287</b>	<b>3,846</b>

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	1,104	984
- non current (later than 1 year)	3,183	2,862
Finance costs payable in future years	1,479	1,314
Minimum lease payments	<b>5,766</b>	<b>5,160</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
Not later than one year	1,484	1,286	1,104	984
Later than one and less than five years	3,446	3,394	2,582	2,503
Later than five years	836	480	601	359
	<b>5,766</b>	<b>5,160</b>	<b>4,287</b>	<b>3,846</b>

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

## Notes to the Core Financial Statements

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### 41 Leases continued

#### Operating Leases - Authority as Lessee

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

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
Not later than one year	264	414
Later than one and less than five years	575	1,403
Later than five years	506	2,823
	<b><u>1,345</u></b>	<b><u>4,640</u></b>

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
<i>Minimum lease payments</i>		
Adult Social Care	189	171
Children's and Education Services	226	236
Cultural and Related Services	50	49
Environmental and Regulatory Services	9	9
Highways & Transport Services	66	99
	<b><u>540</u></b>	<b><u>564</u></b>

#### Operating Leases - Schools as Lessee

Schools have entered into operating leases in the main, to acquire photocopiers and telephone systems. Typically operating leases are in place for 3 to 5 years, depending on the asset.

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
Not later than one year	25	9
Later than one and less than five years	23	8
	<b><u>48</u></b>	<b><u>17</u></b>

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
<i>Minimum lease payments</i>		
Children's and Education Services	38	16
	<b><u>38</u></b>	<b><u>16</u></b>

## Notes to the Core Financial Statements

### 41 Leases continued

#### Finance Leases - Authority as Lessor

As at 31st March 2016, the Authority holds no finance leases.

#### Operating Leases - Authority as Lessor

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

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
Not later than one year	6,333	6,697
Later than one and less than five years	20,954	20,513
Later than five years	227,865	239,744
	<u>255,152</u>	<u>266,954</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 £124m as at 31st March 2016 (£146m as at 31st March 2015). Depreciation, impairment charges and impairment reversals of £0.4m, £0.2m and £1.3m respectively were made in 2015/16.

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

	<b>31st March 2015 £000</b>	<b>31st March 2016 £000</b>
<i>Minimum lease payments</i>		
Cultural and Related Services	428	525
Environmental and Regulatory Services	194	191
Children's and Education Services	6	6
Highways and Transport Services	64	68
Adult Social Care	431	356
Central Services to the Public	311	442
Financing & Investing Income & Expenditure	4,644	6,443
<i>Contingent rents</i>		
Environmental and Regulatory Services	119	130
Financing & Investing Income & Expenditure	266	120
	<u>6,463</u>	<u>8,281</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 12.

The total cost of this contract to 31st March 2016 was £65.0m (£59.3m to 31st March 2015).

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

## Notes to the Core Financial Statements

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### 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 12.

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 £15.9m to 31st March 2016 (£15.1m to 31st March 2015).

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

### 43 Impairment Losses/(Reversals)

During 2015/16 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.

2014/15 £000	2015/16 £000
15,417 Property, Plant and Equipment	(13,563)
30 Assets Held for Sale	-
<u>15,447</u>	<u>(13,563)</u>

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

2014/15 £000	2015/16 £000
(149) Central Services to the Public	(232)
9,142 Cultural and Related Services	(15,827)
1,335 Environmental and Regulatory Services	2,704
- Planning Services	(9)
4,291 Children's and Education Services	(502)
- Highways and Transport Services	(25)
- Housing Services	275
803 Adult Social Care	(3)
- Public Health	(2)
- Corporate and Democratic Core	(25)
<u>15,422</u>	<u>(13,646)</u>
25 Financing & Investment Income & Expenditure	83
<u>15,447</u>	<u>(13,563)</u>

### 44 Termination Benefits

The Authority terminated the contracts of a number of employees in 2015/16 incurring liabilities of £2,543k (£473k in 2014/15) - see Note 34 for the number of exit packages and total cost per band. The total expenditure in 2015/16 related to 122 employees across all departments of the Authority (20 employees in 2014/15).

## 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 2016, 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 2015 and 2016, prepared by the Council's actuary, Mercer.

	2014/15	2015/16
	<b>£000</b>	<b>£000</b>
<u>Comprehensive Income &amp; Expenditure Statement</u>		
Current service cost	12,773	13,606
Settlements	(3,497)	(2,889)
Curtailments	260	918
Administration Costs	403	363
Past service costs	-	-
Total included in Cost of Services	<u>9,939</u>	<u>11,998</u>
<u>Financing &amp; Investment Income &amp; Expenditure</u>		
Net Pensions interest cost	5,675	4,668
Total included in Surplus or Deficit on the Provision of Services	<u>15,614</u>	<u>16,666</u>
<u>Other Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</u>		
Remeasurement of Net Defined Benefit Obligation	10,172	(2,535)
<u>Total Post-employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</u>	<u>25,786</u>	<u>14,131</u>
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	(15,614)	(16,666)
Employers' contributions and benefits payable direct to pensioners	17,578	17,096
	<u>1,964</u>	<u>430</u>
Actual return on scheme assets	<u>82,690</u>	<u>(12,879)</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	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Present value of defined benefit obligation	(751,898)	(724,502)	(3,843)	(3,489)
Fair value of plan assets	607,907	583,122	-	-
Net liability from defined benefit obligation	<u>(143,991)</u>	<u>(141,380)</u>	<u>(3,843)</u>	<u>(3,489)</u>

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

	LGPS		Unfunded Benefits	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening Liability	665,728	751,898	3,789	3,843
Current service cost	12,773	13,606	-	-
Interest cost	28,733	24,998	159	125
Contributions by scheme members	4,020	3,624	-	-
Remeasurement (gains)/losses:				
Experience	-	-	-	-
Financial assumptions	69,392	(35,658)	253	(121)
Demographic assumptions	-	-	-	-
Past service costs	-	-	-	-
Curtailments	260	918	-	-
Settlements	(6,776)	(5,374)	-	-
Benefits paid	(22,232)	(29,510)	(358)	(358)
Closing Liability (Defined Benefit)	<u>751,898</u>	<u>724,502</u>	<u>3,843</u>	<u>3,489</u>

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

	LGPS		Unfunded Benefits	
	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000
Opening fair value of scheme assets	529,891	607,907	-	-
Interest on plan assets	23,217	20,455	-	-
Remeasurements (assets)	59,473	(33,244)	-	-
Administration Expenses	(403)	(363)	-	-
Contributions by employer	17,220	16,738	358	358
Contributions by scheme members	4,020	3,624	-	-
Settlements	(3,279)	(2,485)	-	-
Benefits paid	(22,232)	(29,510)	(358)	(358)
Closing fair value of scheme assets	<u>607,907</u>	<u>583,122</u>	<u>-</u>	<u>-</u>

In 2015/16, the net liability decreased by some £3m (from £148m to £145m). 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 loss of £12,789k (gain of £82,690k gain in 2014/15).

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £727,991k 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 £144,869k. 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 15 year period, as assessed by the scheme actuary in the last full valuation of the fund as at 31st March 2013.

## 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 2015 £000	As at 31st March 2016 £000
Equities	438,302	422,181
Government bonds	-	95,049
Other bonds	102,128	-
Other	63,222	58,895
Cash / liquidity	4,255	6,997
	<u>607,907</u>	<u>583,122</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 2013 and latest estimates for for the Fund as at 31st March 2016.

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

	As at 31st March 2015	As at 31st March 2016
Longevity at 65 for pensioners retiring today (years):		
Men	23.1	23.2
Women	25.5	25.6
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	25.4	25.5
Women	28.4	28.5
Rate of inflation - CPI	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.4%	3.7%
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

	<b>Change of +/- 1% £000</b>
IAS 19 Liability figure	727,991
+ 0.1% on rate for discounting scheme liabilities	716,511
+ 0.1% on inflation rate	739,655
+ 0.1% on pay growth	729,974
+1 year on life expectancy	742,252

### (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 2013, the Authority agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years. Funding levels are monitored and the next triennial valuation is due to be completed as at 31st March 2016.

The actuary has estimated a total authority contribution of £15.3m in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 16 years as at 31st March 2016 (also 16 years as at 31st March 2015).

### (g) Bromley Employees

In 2015/16, Bromley paid into the Pension Fund a total contribution of £16.7m (32.5% of total pensionable pay), including a past deficit contribution of £5.9m. This compares to £16.9m (29.8%) and £5.9m in 2014/15. 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 2013/14 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 12 years. The employer and past-deficit contributions from 2015/16 were set by the actuary in the most recent triennial valuation of the Fund (as at 31st March 2013) with the aim of achieving a 100% funding level over 15 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 2015/16, Bromley paid £3.4m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 15.3% of teachers' pensionable pay. The figures for 2014/15 were £3.6m and 14.1%. 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 2015/16 and 2014/15.

### (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 2015/16, the Authority paid £0.2m (14.3% of pensionable pay) to the NHS scheme in respect of these staff (also £0.2m and 14.0% in 2014/15).

## Notes to the Core Financial Statements

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

Contingent liabilities are dependent upon the outcome of uncertain events and, consequently, cannot be quantified at the balance sheet date. For 2015/16 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 regarding a proposal to consolidate a number of assessments on to a single local rating list. The transfer could potentially affect Bromley's rates income from rates retention and if the proposal is accepted the Authority could incur potential losses of £786k dating back to 2010/11. There is no indication at this stage as to whether the proposal will be accepted or rejected and therefore it has been disclosed as a contingent liability within the 2015/16 accounts.
- 6) 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 2015/16 accounts,.

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

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 2015/16 there is one contingent asset 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.

### 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 15) 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 2015/16 was approved by Full Council in February 2015 (subsequently revised in October 2015) 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 (£290.5m) 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 2016 that this was likely to materialise. Deposit protection arrangements, specifically the HM Treasury Credit Guarantee Scheme, will limit any losses that might arise.

No breaches of the Council's counterparty criteria occurred during 2015/16 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

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

#### **Credit Risk (cont)**

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

	<b>As at 31st March 2015 £000</b>	<b>As at 31st March 2016 £000</b>
Less than three months	4,401	3,914
Three to six months	749	820
Six months to one year	909	975
More than one year	3,023	3,022
	<u>9,082</u>	<u>8,731</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:

<b>Principal Sum Invested as at 31st March 2015 £000</b>		<b>Principal Sum Invested as at 31st March 2016 £000</b>
59,301	Less than one year	142,677
107,818	Between one and two years	64,386
88,655	More than two years	80,759
<u>255,774</u>		<u>287,822</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.

### 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 2015/16 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 (£25m) 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

Other than its Pension Fund investments, the Council does not invest in equity shares, joint ventures or in local industry. It is consequently not exposed to losses arising from movements in share prices.

##### 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.

##### 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 13.

#### **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	2014/15 £000	2015/16 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	170,000	175,281
Income collectable from Business Rate payers	(2)	83,307	83,500
Income Collectable from Business Rate Supplement	(3)	2,348	2,374
		<u>255,655</u>	<u>261,155</u>
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		125,440	128,901
- Greater London Authority		37,133	36,913
Business Rates	(2)		
- Payments to National Pool			
- Payment to Central Government (CLG)		40,774	38,937
- Payment to Greater London Authority (GLA)		16,310	15,575
- Payment to London Borough of Bromley		24,465	23,363
Deferral Scheme		(498)	-
- Cost of Collection		347	343
Business Rate Supplement	(3)		
- Contribution to GLA		2,337	2,365
- Cost of Collection/Administrative Costs		11	9
Bad and Doubtful Debts / Appeals			
- Write offs		1,109	1,417
- Provision for Appeals		5,395	1,271
		<u>252,823</u>	<u>249,094</u>
<b>Surplus for the Year</b>		<u>(2,832)</u>	<u>(12,061)</u>
Distribution of Previous Year's Collection Fund Surplus			
- London Borough of Bromley		2,964	2,927
- Greater London Authority		889	866
		<u>3,853</u>	<u>3,793</u>
<b>Net Movement on Fund Balance</b>		<u>1,021</u>	<u>(8,268)</u>
		<b>£000</b>	<b>£000</b>
<b>Fund Balance</b>			
Balance at 1st April		(5,671)	(4,650)
Net movement for year		(2,832)	(12,061)
Distribution of 2012/13 and 2013/14 Surplus		3,853	3,793
Balance at 31st March - Deficit / (Surplus)		<u>(4,650)</u>	<u>(12,918)</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:*

	<b>Surplus as at 31st March 2015 £000</b>	<b>Distribution of 2013/14 Surplus in 2015/16 £000</b>	<b>Surplus for 2015/16 £000</b>	<b>Surplus as at 31st March 2016 £000</b>
London Borough of Bromley	(7,839)	2,927	(6,401)	(11,313)
Greater London Authority	(2,273)	866	(1,649)	(3,056)
	<u>(10,112)</u>	<u>3,793</u>	<u>(8,050)</u>	<u>(14,369)</u>

The balance of the surplus held at 31st March 2015 will be distributed in 2016/17 and the 2015/16 surplus will be distributed in 2017/18.

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

	<b>Deficit for 31st March 2015 £000</b>	<b>Distribution of 2013/14 &amp; 2014/15 Deficit in 2015/16 £000</b>	<b>Deficit for 31st March 2016 £000</b>	<b>Deficit as at 31st March 2016 £000</b>
London Borough of Bromley	1,639	1,573	369	435
Greater London Authority	1,092	1,048	246	290
Central Government	2,731	2,621	616	726
	<u>5,462</u>	<u>5,242</u>	<u>1,231</u>	<u>1,451</u>

£5,242k of the total deficit held at 31st March 2015 was distributed in 2015/16 (£2,621k to Central Government, £1,573k to London Borough of Bromley and £1,048k to Greater London Authority). The net deficit as at 31st March 2016 of £1,451k will be distributed in 2016/17.

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

(12,918)

# THE COLLECTION FUND

## Notes to the Accounts

### 1 Council Tax Base

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

<b>Band</b>	<b>Number of Properties</b>	<b>Multiplier</b>	<b>Band D Equivalent Dwellings</b>
A	919	6/9	613
B	5,570	7/9	4,332
C	19,399	8/9	17,243
D	28,353	9/9	28,353
E	25,578	11/9	31,262
F	16,396	13/9	23,684
G	12,557	15/9	20,929
H	1,352	18/9	2,703
			<hr/>
			129,119
Allowance for MOD properties, changes in exemptions, discounts and number of properties			(977)
			<hr/>
			128,142
Estimated Collection Rate			97.65%
			<hr/>
Council Tax Base 2015/16			<hr/> <hr/> 125,130

### 2 Business Rates

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

The total non-domestic rateable value at 31st December 2013 was assessed by the Government's District Valuer as £213,526,047. The national non-domestic multiplier for the year was 49.3p. The income collectable for the year of £83.5m is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory relief's as well as the part year effect of properties falling out / brought into rating during the year.

### 3 Business Rate Supplements

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities "to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development". The BRS only applies to businesses with a rateable value of more than £55,000. The BRS multiplier for the year was 2 pence in the pound. The income collectable for the year was £2.4m net of reliefs on the same basis and same percentage rate as for NNDR.

## FORMER LRB FUND

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

### *Movement for year ending 31st March 2016*

	<b>Fund 1</b>	<b>Fund 2</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April 2015	( 275)	( 713)	( 988)
Movement in year on ex LRB functions:			
Income	( 1)	( 949)	( 950)
Interest earnings on Fund balance	( 4)	( 14)	( 18)
Contribution to Fund			
Expenditure	3	226	229
Distribution (note 1)	1	949	950
Balance as at 31st March 2016	<u>( 276)</u>	<u>( 501)</u>	<u>( 777)</u>

### *Balance Sheet as at 31st March 2016*

<b>2015</b>		<b>2016</b>
<b>£000</b>		<b>£000</b>
	<i>Assets</i>	
	Debtors	
<u>1,358</u>	Cash	<u>1,165</u>
<u>1,358</u>		<u>1,165</u>
	<i>Liabilities</i>	
275	Fund 1	276
713	Fund 2	501
<u>370</u>	Creditors	<u>388</u>
<u>1,358</u>		<u>1,165</u>

### *Notes to accounts*

#### 1) *2015/16 Distribution*

Of the £949,000 receipts in 2015/16, £387,987 was received on 31 March 2016. This was distributed in 2016/17 and accounts for the high creditor provision.

#### 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

2014/15		PENSION FUND ACCOUNT		Note	2015/16	
£000	£000				£000	£000
		<b>Dealings with members and employers</b>				
		<b>Contributions and similar payments</b>				
6,106		Contributions - from members		5	6,284	
17,941		- from employers - normal		5	19,088	
931		- augmentations		5	1,624	
6,001		- deficit funding		5	6,005	
2,896		Transfers in from other pension funds (individual)			1,778	
	33,875					34,779
		<b>Benefits</b>				
(24,470)		Pensions			(25,333)	
(4,300)		Lump sum benefits - retirement			(5,134)	
(177)		- death			(238)	
	(28,947)					(30,705)
		<b>Payments to and on account of leavers</b>				
(88)		Refunds of contributions			(92)	
(3,277)		Transfers out (individual)			(828)	
	(3,365)					(920)
	(685)	<b>Administrative expenses</b>		6		(884)
	878	<b>Net (withdrawal) / addition from dealings with Fund members</b>				2,270
		<b>Returns on investments</b>				
6,867		Investment income		7	7,297	
111,822		Change in market value			(4,316)	
(2,495)		Investment management expenses		8	(2,617)	
	116,194	Net return on investments				364
	117,072	<b>Net Fund increase during year</b>				2,634
	628,303	Opening net assets				745,375
	<u>745,375</u>	<b>Closing net assets</b>				<u>748,009</u>
<b>31st March 2015 NET ASSETS STATEMENT</b>					<b>31st March 2016</b>	
£000	£000				£000	£000
		<b>Investment assets</b>				
				9		
32,127		Equities - UK (quoted)			26,809	
361,510		- overseas (quoted)			371,583	
	393,637					398,392
	343,854	Pooled investment vehicles (managed funds - non-property)				337,800
	6,472	Cash deposits held by investment managers				8,862
480		Other investment balances - sales			606	
(1,560)		- purchases			(762)	
	(1,080)					(156)
	742,883	Net investment assets		9		744,898
		<b>Current assets and liabilities</b>				
1,006		Cash			1,126	
2,104		Current assets - debtors		10	2,526	
(618)		Current liabilities - creditors		10	(541)	
	2,492					3,111
	<u>745,375</u>	<b>Closing net assets</b>				<u>748,009</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 12.

# 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 2015/16 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 staff who transferred to Bromley in April 2013 are also not included as they remain members of the NHS Pension Fund, administered by the Department for Health.

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

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009.
- The LGPS Regulations 2013 (effective from 1st April 2014).

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 2016, there were a total of 89 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  
Cudham CE Primary  
Castlecombe Primary  
Chislehurst CE Primary  
Crofton Infants  
Crofton Junior  
Darrick Wood Infants  
Farnborough Primary  
Grays Farm Primary  
Green Street Green Primary  
Harris Aspire  
Harris Crystal Palace  
Harris Kent House  
Harris Shortlands  
Hawes Down Infants School  
Hawes Down Junior School  
Hayes Primary  
Highfield Infants  
Highfield Junior  
Hillside Primary  
Holy Innocents RC Primary  
Keston CE Primary  
La Fontaine

#### **Scheduled Bodies**

##### **Primary School Academies (cont)**

Leesons Primary  
Marian Vian Primary School  
Manor Oak Primary  
Mead Road Infant School  
Midfield Primary  
Mottingham Primary  
Oaklands Primary School  
Oak Lodge Primary School  
Parish Primary  
Perry Hall Primary  
Pickhurst Infants  
Pickhurst Junior  
Princes Plain Primary  
Raglan 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  
Tubbenden Primary  
Unicorn Primary School

#### **Scheduled Bodies**

##### **Primary School Academies (cont)**

Valley Primary  
Warren Road Primary  
Wickham Common Primary  
Worsley Bridge Primary School

##### **Foundation Schools**

St Olave's & St Saviour's  
The Glebe

##### **Secondary School Academies**

Beaverwood  
Bishop Justus CE  
Bullers Wood  
Charles Darwin  
Coopers  
Darrick Wood  
Harris Beckenham  
Harris Bromley  
Hayes  
Kemnal  
Langley Park Boys  
Langley Park Girls  
Newstead Wood  
Ravens Wood  
The Priory  
The Ravensbourne

# PENSION FUND

## Notes to the Accounts

### 1 Description of Fund continued

<i>Special School/AP Academies</i>	<i>Admitted Bodies</i>	<i>Admitted Bodies</i>
Bromley Trust Academy	Affinity Sutton	Liberata UK
Beacon Academy	Bromley & Lewisham MIND	Certitude
<i>Scheduled Bodies - Other</i>	Bromley Mytime	The Landscape Group
Bromley & Orpington Colleges		
Ravensbourne College		

The following table shows the total membership of the Fund as at 31st March 2016 and 2015.

	<b>2015</b>	<b>2016</b>
Members	5,782	6,234
Pensioners - widows / dependants	700	711
- other	4,248	4,373
Deferred Pensioners	5,066	5,287
Total	<u>15,796</u>	<u>16,605</u>

#### (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 2015/16, ranged from 5.5% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations, the rates for 2015/16 being set by the most recent valuation as at 31st March 2013. In 2015/16, employer rates ranged from 12.9% to 28.3% of pensionable pay.

#### (d) Benefits

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

Service pre 1st April 2008:

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

Service post 31st March 2008:

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

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

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

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

### 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position as at 31st March 2016. 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 2015/16, 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 actuarial present value of promised retirement benefits, valued on the basis of International Accounting Standard (IAS) 19, for the fund is disclosed in Note 12 of these accounts and that for the London Borough of Bromley is disclosed in Note 45 to the main statements.

# PENSION FUND

## Notes to the Accounts

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### 3 Summary of Significant Accounting Policies

#### (a) Contribution income

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

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

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

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

#### (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.

#### (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

Equities traded through the Stock Exchange Electronic Trading Service are valued on the basis of the latest traded price. Other quoted securities are valued at their closing bid price. Pooled investment vehicles are valued at either the bid price where a bid price exists or on the single unit price provided by the investment managers.

#### (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.

# PENSION FUND

## Notes to the Accounts

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### 3 Summary of Significant Accounting Policies continued

#### (j) Cash

Cash comprises cash investments placed by the Fund managers and cash held internally by the Fund.

#### (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.

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

#### (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 2009, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 13.

### 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 11. 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

	2014/15 £000	2015/16 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	9,740	8,778
- augmentations	931	1,624
- deficit funding	5,900	5,900
Scheduled bodies - Foundation Schools	350	298
	<u>16,921</u>	<u>16,600</u>
Other		
Scheduled bodies - normal - academies	6,338	7,965
- normal - colleges	1,274	1,509
Admitted bodies - normal	239	538
- deficit funding	101	105
	<u>24,873</u>	<u>26,717</u>
Member Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	3,928	3,572
Scheduled bodies - Foundation Schools	87	75
	<u>4,015</u>	<u>3,647</u>
Other		
Scheduled bodies - academies	1,587	1,970
- colleges	426	495
Admitted bodies	78	172
	<u>6,106</u>	<u>6,284</u>

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

## PENSION FUND

Notes to the Accounts

### 6 Administrative Expenses

	2014/15 £000	2015/16 £000
Audit fee	21	21
Bank charges	40	164
Advice & other costs	90	111
Internal recharges	534	588
	685	884

### 7 Investment Income

	2014/15 £000	2015/16 £000
Dividends from equities	6,849	7,277
Interest on securities	18	20
	6,867	7,297

### 8 Investment Management Expenses

	2014/15 £000	2015/16 £000
Baillie Gifford - global equities	764	854
- fixed income	145	153
- Diversified Growth Fund	248	241
Fidelity - fixed income	150	83
MFS - global equities	595	656
Blackrock - global equities	397	425
Standard Life - Diversified Growth Fund	196	205
	2,495	2,617

### 9 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 2016 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS.

Fixed income: Baillie Gifford and Fidelity.

Diversified Growth: Baillie Gifford and Standard Life.

The bid value of the Fund as at 31st March 2015 and 2016 was divided between the Fund managers as follows:

	31st March 2015		31st March 2016	
	£000	%	£000	%
Baillie Gifford - global	248,249	33.42%	247,852	33.27%
- fixed income	51,574	6.94%	51,849	6.96%
- DGF	45,464	6.12%	44,802	6.01%
Fidelity - fixed income	66,614	8.97%	67,377	9.05%
MFS - global	150,773	20.30%	159,238	21.38%
Blackrock - global	150,533	20.26%	145,461	19.53%
Standard Life -DGF	29,676	3.99%	28,319	3.80%
	742,883	100.00%	744,898	100.00%

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 2015 £000	31st March 2016 £000
Diversified Growth Funds (2)	75,140	73,121
Global Equity Fund (1)	150,533	145,461
Sterling Bond Funds (2)	118,181	119,218
	343,854	337,800

## PENSION FUND

### Notes to the Accounts

#### 9 Investments continued

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

	Value at 31st March 2015 £000	Purchases £000	Sales £000	Change in MV £000	Value at 31st March 2016 £000
Equities	393,637	57,459	(54,539)	1,835	398,392
Pooled investments	343,854	6,097	(6,000)	(6,151)	337,800
Sub-Total	737,491	63,556	(60,539)	(4,316)	736,192
Cash	6,472				8,862
Other investment balances	(1,080)				(156)
Total	742,883	63,556	(60,539)	(4,316)	744,898

Total purchases and sales in 2014/15 were £119,289k and £110,481k respectively.

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 £132k (£115k in 2014/15). 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 2015		31st March 2016	
	£000	% of total Fund	£000	% of total Fund
Baillie Gifford				
- Sterling Aggregate Plus Bond Fund	51,574	6.95	45,749	6.14
- Diversified Growth Fund	45,464	6.13	44,802	6.01
Standard Life - Global Absolute Return Fund	29,676	4.00	28,319	3.80
Blackrock - Ascent Life Global Equities Fund	150,533	20.29	145,461	19.53
Fidelity - Institutional Aggregate Bond Fund	66,607	8.98	67,370	9.04

#### 10 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.

	2014/15 £000	2015/16 £000
<u>Debtors (current assets)</u>		
Contributions due from employers and employees	790	983
Investment income	1,271	1,537
Other	43	6
	<u>2,104</u>	<u>2,526</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	618	538
Other	0	3
	<u>618</u>	<u>541</u>

#### 11 Actuarial Position

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The Fund's former actuary, Barnett Waddingham LLP, carried out a full valuation of the Fund at 31st March 2010, when its solvency level was calculated at 84%. The 2010 actuarial valuation set the level of employer contributions required to attain 100% solvency within 12 years. It set employer rates for the years ending 31st March 2012, 2013 and 2014 at an average of 14.7% and specified that lump sum past-deficit contributions of £5.5m, £5.8m and £6.1m should be made in those three years.

## PENSION FUND

Notes to the Accounts

### 11 Actuarial Position continued

The most recent full valuation of the Fund (as at 31st March 2013) was carried out by Mercer Ltd, the Fund's actuary since January 2013 during 2013/14. This calculated a new deficit position (82% funded) and set a common employer contribution rate of 15.3% and an annual lump sum past-deficit contribution of £5.9m from 1st April 2014 until 31st March 2017 with the aim of recovering that deficit over 15 years.

A significant number of schools adopted academy status during 2014/15 and 2015/16 and more are expected to follow in 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 2010 and 2013 valuations.

	2010	2013
	% p.a.	% p.a.
<u>Economic assumptions</u>		
Increases in earnings - long term	5.0	4.1
- short term (3 years)	n/a	1.0
General Inflation	3.5	2.6
Increases in pensions	3.0	2.6
Investment return - Overall discount rate	7.2	5.6
<u>Mortality assumptions</u>	Years	Years
Life expectancy - male aged 65 now	21.3	22.9
- at 65 for male aged 45 now	22.2	25.1
- female aged 65 now	24.3	25.3
- at 65 for female aged 45 now	25.3	28.2

### 12 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. We are 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 £929m as at 31st March 2016 (£938m as at 31st March 2015).

The demographic assumptions used in the IAS 26 report were the same as those used for the 2013 full valuation (see Note 11) and the following financial assumptions were used:

	2015	2016
	% p.a.	% p.a.
Increases in earnings *	3.5	3.5
Increases in pensions	2.0	2.0
Investment return - Overall discount rate	3.3	3.6

\* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

### 13 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 2009, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2014/15 and 2015/16 and the total value of AVC Funds as at 31st March 2015 and 2016 is shown below.

	2014/15	2015/16
	£000	£000
AVC contributions		
- to Aviva	90	74
- to Equitable Life *	-	-
<b>Total contributions</b>	<b>90</b>	<b>74</b>

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

	2014/15	2015/16
	£000	£000
Market Value		
- Aviva	987	1,013
- Equitable Life	91	83
<b>Total Market Value</b>	<b>1,078</b>	<b>1,096</b>

# PENSION FUND

## Notes to the Accounts

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### 14 *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. the year. A special responsibility allowance of £1,971 was paid to the Chairman of the Sub-Committee in both 2014/15 and 2015/16. No other payments were made for meeting attendance.

The Council incurred costs of £588k (£534k 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.

### 15 *Nature and extent of risks arising from financial instruments*

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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.

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.

# PENSION FUND

## Notes to the Accounts

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

#### 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.

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 £1.1m of Pension Fund cash under its treasury management arrangements at 31st March 2016 (£1.2m as at 31st March 2015). In practice, the Pension Fund Revenue Account cashflow position was broadly cash neutral for most of the year and, as a result, it was not considered viable to separate out Pension Fund cash from Council cash 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 2015 and 2016.

#### Interest rate risk

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

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

## PENSION FUND

### Notes to the Accounts

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

##### Summary

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

	<b>Market Risk £000</b>	<b>Other Price Risk £000</b>	<b>Currency Risk £000</b>	<b>Interest Rate Risk £000</b>	<b>Credit Risk £000</b>
UK Equities (quoted)	26,809	26,809	-	-	26,809
Overseas Equities (quoted)	371,583	371,583	371,583	-	371,583
Pooled Investments					
- Diversified Growth Funds *	73,121	73,121	73,121	73,121	73,121
- Global Equity Fund	145,461	145,461	145,461	-	145,461
- Sterling Bond Funds	119,218	-	-	119,218	119,218
Cash and cash equivalents	-	8,706	-	8,706	8,706
	<b>736,192</b>	<b>625,680</b>	<b>590,165</b>	<b>201,045</b>	<b>744,898</b>

\* 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.

#### 16 *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 Sterling Bond Funds and Global Equities Fund 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 which are held within the Diversified Growth Funds and so the valuation of the Diversified Growth Funds are considered to be level 3 valuations.

# ANNUAL GOVERNANCE STATEMENT

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## 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](http://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 the 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 2016 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

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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 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 Regeneration and Transformation 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.

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### 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
- 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 appointment of the Leader of the Council 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.

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### **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 financial and other interests within 28 days of taking office and when there are any changes. The requirement to register financial 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.

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

The Director of Corporate Services (as Monitoring Officer) reviews and updates the constitutional framework including Rules of Procedure and 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 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

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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 will be undertaken by the Education PDS Committee in 2016/17. 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.

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.

Zurich Municipal conducted a review of our risk management activities during the year with the aim of improving reporting structures and aligning departmental and corporate risk registers. Their recommendations have been adopted.

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.

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.

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.

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.

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

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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 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 including a presentation on Bromley Clinical Commissioning Group finance. The Director of Finance also organised a Pension seminar which included representatives from one of our Pension Fund managers.

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 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.

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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.

The Council held three meetings in November and December 2015 (two round-table meetings for representatives from residents' associations, and a wider public meeting) as part of the 2016/17 budget consultation under the title 'Bromley Council's Budget 2016/17 - Your Views'. 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 2,514 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 the continuing development of Bromley's Local Plan the Council carried out three consultations during the year. These covered draft site allocations and designations, changes to the Council's Statement of Community Involvement and proposals for local green space. The Council also consulted on changes to the Council Tax Support Scheme with effect from 1 April 2016 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 Chief Executive 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.

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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 the 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 wellbeing'. Both bodies report to the Care Services Portfolio Holder, 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 personally controls all decisions about the Council's executive functions. He can then choose whether to make all decisions personally, or to make arrangements for others to do so.

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

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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 two PDS Sub-Committees:

- Education Budget Sub-Committee
- Health Scrutiny 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 formal scrutiny 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.

Only one call-in has been made during 2015/16 which reflects an emphasis given to pre-decision scrutiny leading to better and more robust decisions which are less likely to be challenged.

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.

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## 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 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 Director of Corporate Services, Director of Finance, Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, as appropriate.

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 and investigations that highlighted a number of weaknesses in the areas of supervision/monitoring, document control and updated procedures. Some of these weaknesses have resulted in priority one recommendations. The Head of Audit can confirm that adequate action plans have been agreed for all areas of identified weakness and 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 *Report to those charged with governance* for the year ended 31 March 2015, presented to the General Purposes and Licensing Committee on 17 September 2015, the external auditors PricewaterhouseCoopers LLP reported the following:

- 'The Authority has set out a financial strategy from 2015/16 to 2018/19. There is a notable 'budget gap' in the financial forecast up until 2018/19 as reported to the Executive in February 2015 (cumulative budget gap of £52m in 2018/19). We are aware the Authority is in the process of determining actions to reduce the Authority's medium term 'budget gap. We have made recommendations as part of our Value for Money duties to management to continue to ensure actions are underway.'

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- ‘Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of the Statement of Accounts and our review of the Annual Governance Statement.’
  - Six internal control deficiencies were reported covering an out of date bank mandate; timeliness of staff submitted overtime; gross internal area and use of Uniform; use of a Pension Fund bank account; pension joiners to the pension scheme administration system, and Statement of Investment Principles - investment manager cash. The recommendations were accepted and acted upon, with the exception of the Pension Fund bank account that Bromley will continue to review.
- ‘We reviewed the Annual Governance Statement to consider whether it complied with the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.’

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

### **Full Joint Inspection led by HM Inspectorate of Probation – Youth Offending Work in Bromley – May 2015**

Four out of six key judgements were rated poor, one unsatisfactory and one satisfactory.

Following publication of the report the Authority has taken a number of actions to deliver the required service improvement including the creation of a single strengthened Youth Offending Service Management Board, chaired by the Chief Executive, and the development of an Improvement Plan.

The report was considered at a Joint Meeting of Care Services, Education, and Public Protection and Safety PDS Committees in July 2015. Since then four progress reports on the Improvement Plan have been presented to Education PDS Committee.

### **Care Quality Commission – 118 Widmore Road (provides a respite accommodation service for people with learning difficulties) – July 2015**

Overall rating for this service: Good

Subsequent year end events:

### **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 - June 2016**

An Ofsted inspection of the above Service has recently been concluded. Their report published in late June 2016 stated that in five key areas the Service was inadequate. Bromley Council has acted swiftly to rectify concerns and an Improvement Plan has been drawn up awaiting Executive approval on the 14<sup>th</sup> September 2016.

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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

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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:

Governance Issue and <i>Actions</i>	Outcome
<p>1. Capacity to make further budget savings and maintain frontline services. The Council will need to make significant savings of approximately £50m over the next four years.</p> <p><i>The Executive is working to balance the budget for 2016/17. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.</i></p>	<p>During 2015/16 we continued to make significant savings and our budget for 2016/17 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>
<p>2. Commissioning and transformation agenda:</p> <p><i>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.</i></p>	<p>The Commissioning Team led by the Director Regeneration and Transformation and overseen by the Resources Portfolio Holder meet on a weekly 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 now expected to be rolled-out to claimants by March 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 December 2015 to reduce the level of support to 75% of Council Tax Liability for working age claimants for the financial year 2016/17.</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.</p>
<p>4. The implementation of the Care Act 2014 from 1st April 2015 places very significant new responsibilities on the Council with regard to both those who may qualify for services but also for those who care for them. The 'cap on care costs' will be implemented from April 2016.</p> <p><i>The modelling of potential risks has been subject to considerable scrutiny. Until changes are implemented we will not know exactly what new pressures we will see. Online Care Act training is mandatory for all Education, Care and Health Services staff.</i></p>	<p>The Government announced in July 2015 that the 'cap on care costs' which was due to be introduced in April 2016 has now been delayed until April 2020.</p>

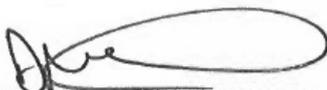
## ANNUAL GOVERNANCE STATEMENT

Governance Issue and <i>Actions</i>	Outcome
<p>5. The Public Service Pension Act 2013 requires The London Borough of Bromley Pension Fund to establish a Local Pension Board. The Local Pension Board will ensure that the Code of Practice on governance and administration issued by the Pensions Regulator is complied with. The new Local Pension Board has to meet by 1st August 2015 at the latest.</p> <p><i>Terms of Reference have been agreed and two Member representatives have been appointed and two employer representatives are currently being considered to sit on the Board. This will meet on an annual basis and members of the Board will also be invited to attend meetings of the Pensions Investment Sub-Committee.</i></p>	<p>The Local Pension Board has appointed two employer representatives and met for the first time on 27 July 2015.</p>

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

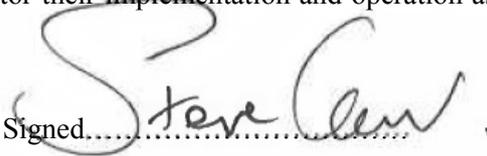
Governance Issue	Actions
Capacity to make further budget savings and maintain frontline services: The Council will need to make significant savings of over £30m during the next four years.	The Executive is working to balance the budget for 2017/18. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.
Commissioning and transformation agenda	The Commissioning Team will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.
Code of Corporate Governance: CIPFA / SOLACE have revised their guide on governance in local government. The new Delivering Good Governance in Local Government Framework (2016) applies from the financial year 2016/17 onwards.	The new framework applies to next year's Annual Governance Statement and we will review and update our existing governance arrangements to ensure they comply with the core and sub-principles in the framework, and report to Audit Sub-Committee in November 2016.

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.....02 09 2016.....

Signed.....

Leader of the Council

Date.....2. 09. 2016.....

## GLOSSARY OF TERMS

### **Accounting Policies**

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

### **Accruals**

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

### **Actuary**

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

### **Actuarial Gains and Losses**

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

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

### **Balance Sheet**

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

### **Billing Authority**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Charges**

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

### **Capital Expenditure**

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

### **Capital Receipt**

The proceeds from the sale of a fixed asset.

### **Carrying amount**

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

### **Change in Accounting Estimate**

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

**Collection Fund**

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

**Community Assets**

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

**Consistency**

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

**Contingent**

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

**Corporate and Democratic Core**

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

**Council Tax**

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

**Council Tax Support**

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

**Creditors**

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

**Current Asset**

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

**Current Expenditure**

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

**Current Liability**

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

**Current Service Cost**

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

**Curtailments**

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

**Debtors**

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

**Deferred Capital Receipts**

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

**Demand on the Collection Fund**

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

**Depreciation**

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

**Earmarked Reserves**

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

**Employee benefits**

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

**Events after the reporting period**

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

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

**Fair Value**

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

**Fixed Assets**

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

**Formula Grant**

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

**Going Concern**

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

**Greater London Authority**

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

### **Historical Cost**

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

### **Housing Benefit**

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **Inventories**

Are assets:

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

### **Investment Property**

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

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

### **Levies**

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

### **Material**

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

### **NNDR - National Non Domestic Rates**

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

### **Net Current Replacement Cost**

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

**Net Realisable Value**

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

**Non-Distributable Costs**

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

**Non-Operational Assets**

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

**Operational Assets**

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

**Past Service Cost**

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

**Pensions Interest Cost**

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

**Post Balance Sheet Events**

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

**Post-Employment Benefits**

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

**Present Value of a Defined Benefit Obligation**

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

**Provision**

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

**Prudence**

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

**Recharges**

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

**Recoverable Amount**

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

## **Related Parties**

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

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

## **Related Party Transaction**

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

## **Remuneration**

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

## **Reserves**

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

## **Residual Value**

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

## **Revaluation Reserve**

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

## **Revenue Expenditure**

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

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

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

## **Revenue Support Grant - RSG**

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

## **Ring-Fenced Grants**

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

## **Sales, Fees and Charges**

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

## **Short-Term Employee Benefits**

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

**Soft Loans**

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

**Specific Grants**

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

**Statutory Revenue Provision**

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

**Tangible Fixed Assets**

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

**Tax Base**

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

**Usable Capital Receipts Reserve**

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

**Useful Life**

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

**VAT**

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

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