



London Borough of Bromley

Statement of Accounts

2016/17

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FOREWORD FROM THE LEADER OF THE COUNCIL

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

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

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

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

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

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

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

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

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

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

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

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

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

Stephen Carr
Leader
Bromley Council

APPROVAL OF THE STATEMENT OF ACCOUNTS

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

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

NARRATIVE REPORT

This Narrative Report (previously the Explanatory Foreword) provides information about the key issues affecting the Council and its accounts. It also provides an explanation of the Financial Statements and a summary of financial performance in 2016/17.

Introduction to Bromley

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

Our population (Registrar General's estimate – mid 2015) is 324,857 and there are 238,533 people on the electoral roll. In 2016/17 the total number of 'Band D equivalent properties' was estimated at 126,656 and the number of business properties at 7,282.

The Council has an agreed framework to improve the life of all those that visit, live, study or work in the borough. This vision is called 'Building a Better Bromley' and has seven key priority areas:

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

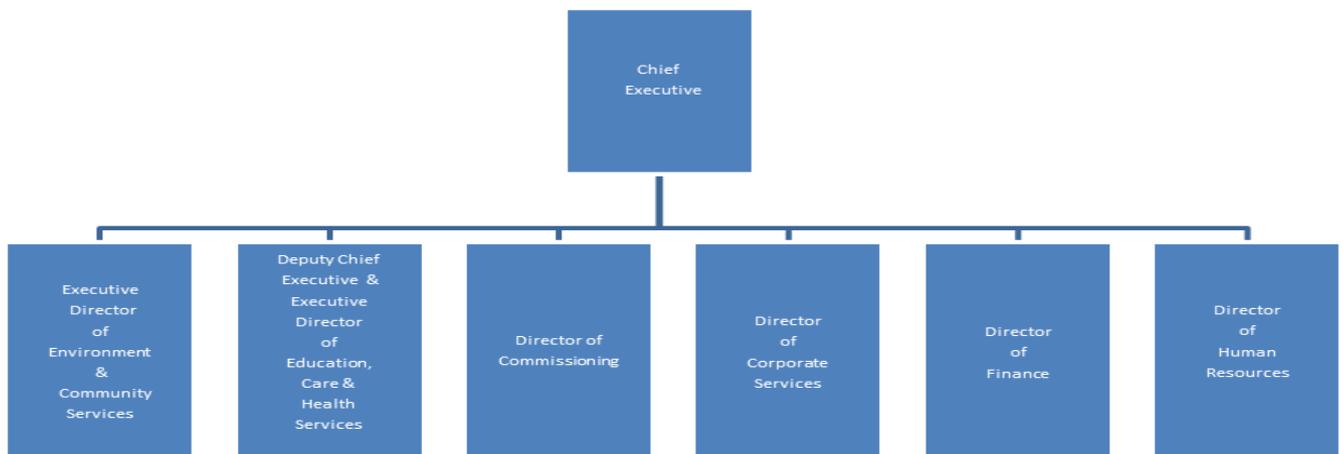
Our officer and political structures are all aligned to deliver this vision through our portfolio plans.

Council Structure

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

Management Structure

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

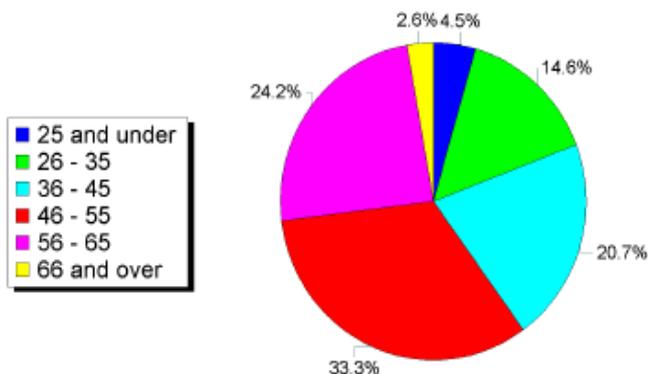


NARRATIVE REPORT

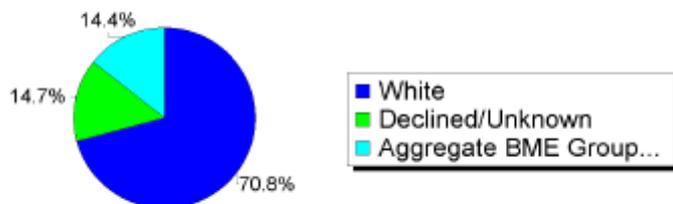
Bromley Workforce

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

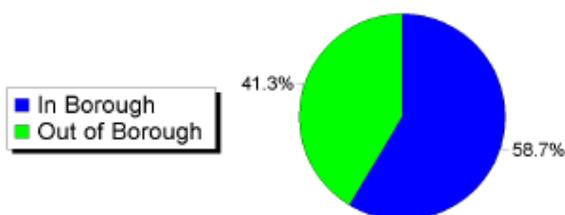
Age Profile



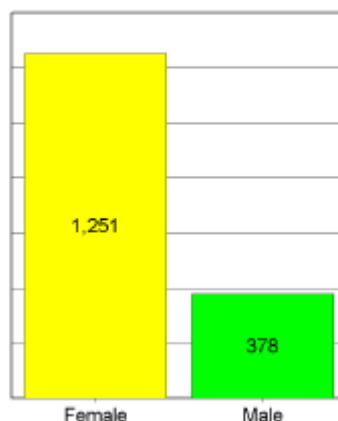
Ethnicity



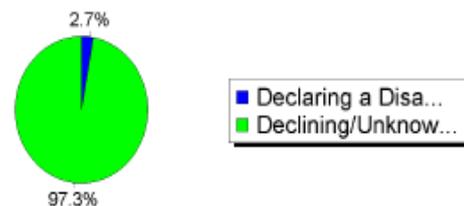
Staff Who Live in the Borough



Gender Profile



Disability



Explanation of the Financial Statements

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

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

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

NARRATIVE REPORT

Core Financial Statements:

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

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

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

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

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

Supplementary Statements:

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

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

NARRATIVE REPORT

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

Financial Performance in 2016/17

Revenue Expenditure

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

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

The 2017/18 Council Tax report identified the latest financial projections and future year budget gap due to the impact of inflation, service cost pressures and ongoing significant reductions in government funding. Further details were reported in the '2017/18 Council Tax' report to the Executive in February.

The 2016/17 outturn identifies overspends in departmental expenditure offset by underspends from prior year adjustments and the Council's central contingency sum. In addition, there are higher investment returns from changes to the treasury management strategy. The underspends from the Central Contingency Sum mainly relate to ongoing action to contain growth pressures, stringent cost controls, effective management of risk, effective use of government funding and meeting income targets. This financial position enables the Council to be 'better placed' to meet the future years budget gap but also provides opportunities to achieve savings from transformation, economic development and investment income which will provide a more sustainable financial outcome for the future.

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

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

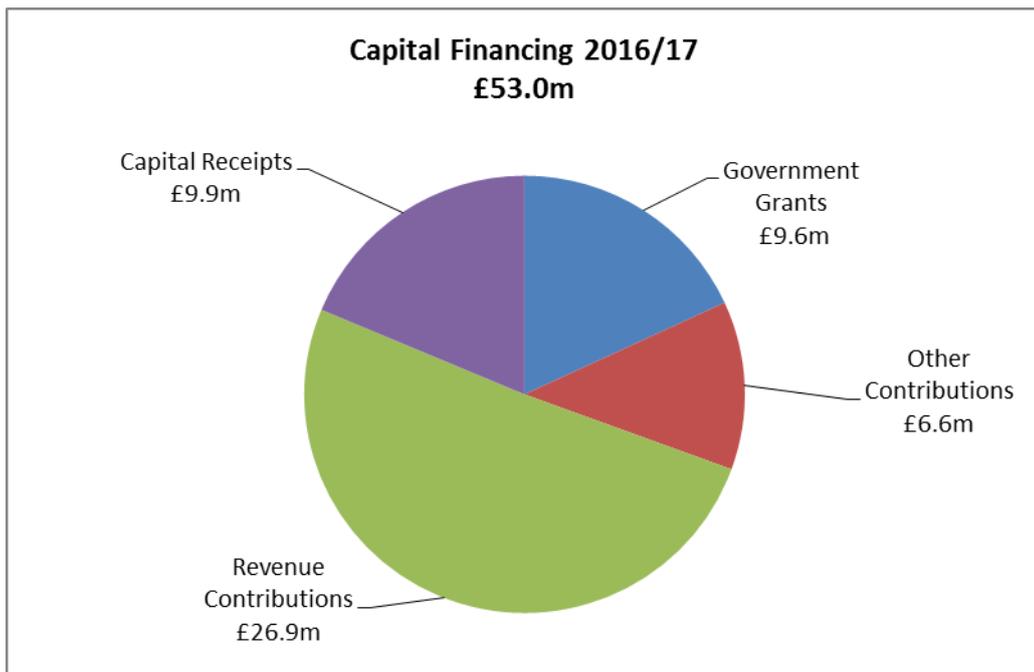
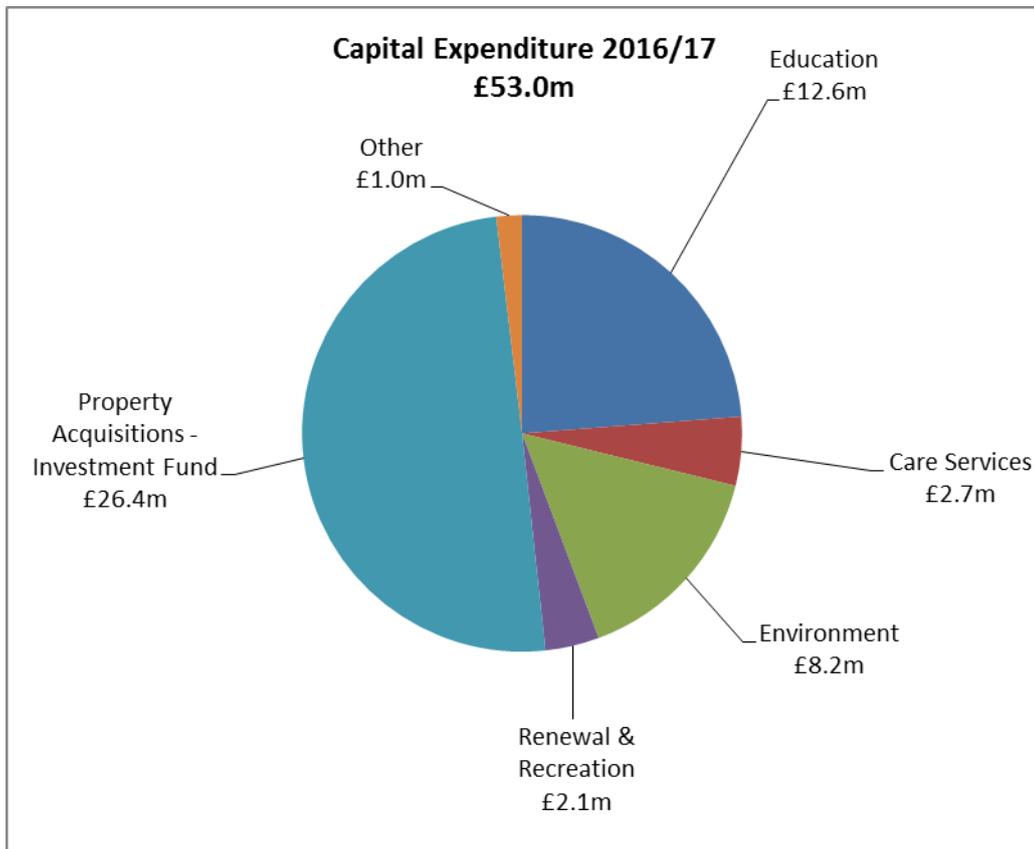
Capital Expenditure

Capital expenditure totalled £53.0m compared with the final approved estimate of £59.9m. Capital expenditure was fully financed from Government grants, other external contributions, revenue contributions and capital receipts without recourse to general reserves.

The Council generated new capital receipts of £4.4m in 2016/17 and, during the year, £9.9m of receipts were applied to finance capital expenditure.

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

NARRATIVE REPORT



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Investments

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

Pension Fund

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

Corporate Risks

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

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

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

Medium Term Financial Strategy (MTFS)

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

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

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

NARRATIVE REPORT

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

Options Being Undertaken with a “One Council” Approach

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

- Community Infrastructure Levy (CIL) - potential income of £3m per annum could be raised with expected implementation in Spring 2018.
- Localisation of Business Rates - investing in growth and economic development will also increase the Council's share of retained business rate income.
- Asset Review - identifying opportunities for disposal and maximising capital receipts.
- Growth Fund - ring-fenced funding to support growth initiatives and economic development.
- Investment Fund - used primarily for property investments to enable the achievement of sustainable investment income.
- Investment Income - a diverse range of investments generates a higher level of income whilst managing the Council's exposure to risk.
- Review of Fees and Charges - ongoing review to determine whether charging levels remain appropriate.
- Invest to Save - to fund initiatives that deliver ongoing revenue savings.
- Procurement - identifying opportunities for contract savings.
- Commissioning Authority - identifying the most effective service delivery models to deliver value for money and make the best use of assets.
- Managing Rising Demand - ensuring there is a focus on outcomes rather than service delivery, including more collaborative working with other public agencies.
- Transformation - exploring opportunities for increased partnership working, collaboration, use of technology and community based place shaping.
- Health and Social Care - wider integration proposals to deliver the key benefits of achieving whole systems person centred care whilst making better use of resources.
- Identifying Further Savings - including baseline reviews, identification of statutory and non-statutory functions, considering the scope and level of services and reviewing core priorities.

NARRATIVE REPORT

Economic Climate

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

The Council's budget strategy has to be set within the context of a reducing resource base with Government funding reductions continuing beyond 2020. There remains an on-going need to reduce the size and shape of the organisation to secure priority outcomes within the resources available. There is also a need to build in flexibility in identifying options to bridge the budget gap which could increase further. The Council's MTFS has to be set in the context of the national state of public finances, with austerity continuing given the level of public sector debt, and the high expectation from Government that services should be reformed and redesigned.

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

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

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

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

Further Information

Further Information about the accounts is available from:

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

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

AUDITOR'S REPORT

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

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

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

Respective responsibilities of the Director of Finance and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

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

AUDITOR'S REPORT

Matters on which we are required to report by exception

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

- the Annual Governance Statement set out on pages 112 to 125 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition);
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether London Borough of Bromley had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Bromley put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

AUDITOR'S REPORT

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

Conclusion

Basis for qualified conclusion

During 2015/16 the Council received a report from Ofsted rating its Children's Services as 'inadequate'. The Ofsted report raised concerns that strategic leaders did not have a comprehensive understanding of the services being provided, and noted that there had been a significant deterioration in the quality of services since 2010, with children being left in negative home situations for too long because of a poor understanding of the risk identification and reduction process. During 2016/17 Ofsted issued two further monitoring reports that identified areas where some improvements had occurred, and some areas where it considered that progress had not met the expectations stated within the local authority's action plan. The Council has appointed a new management team and improved the timeliness of several services. However, the majority of these actions were made late in 2016/17 and were not in place for the entirety of the year.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

Delay in certification of completion of the audit due to matters brought to our attention by a local authority elector

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

Philip Johnstone

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

September 2017

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

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

The Director of Finance Responsibilities

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

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

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

The Director of Finance has also:

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

Director of Finance

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

Peter Turner
Director of Finance
12th September 2017

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

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

MOVEMENT IN RESERVES STATEMENT

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

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

General Fund Analysed over:

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

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

General Fund Analysed over:

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

BALANCE SHEET

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

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

CASH FLOW STATEMENT

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and is based on International Financial Reporting Standards. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared with reference to:

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

2 Accruals of Income and Expenditure

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

- Revenue from sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (see Note 21).
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. As at 31st March 2017 there was a total of £6.9m of cash investments on the Balance Sheet in instant access AAA-rated Money Market Funds and other short-term accessible accounts. As at 31st March 2016, there were no cash equivalent figures on the balance sheet.

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

4 Presentation of Items in Other Comprehensive Income & Expenditure

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

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

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

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

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

6 Charges to Revenue for Non Current Assets

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

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

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

7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Notes to the Core Financial Statements

1 *Statement of Accounting Policies continued*

7 *Employee Benefits continued*

Post Employment Benefits

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

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

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

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

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

The Local Government Pension Scheme

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields (in Bromley's case, the discount rate was based on the yields of AA rated corporate bonds of currency and term appropriate to the currency and term of the Fund's liabilities). In 2016/17, this discount rate was 2.5% compared to 3.7% in 2015/16. The higher the discount rate, the lower the value placed on liabilities, and although the movement in the overall Pension Reserve deficit was mainly as a result of remeasurements, the effect during 2016/17 was relatively minor (a decrease of £2m). Movements in the Pensions Reserve balance are explained in more detail in Note 45.

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

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

a) Service Cost comprising:

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

Notes to the Core Financial Statements

1 *Statement of Accounting Policies continued*

7 *Employee Benefits continued*

b) Net interest cost:

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

c) Remeasurements comprising:

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

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

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

Discretionary Benefits

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

8 *Events After the Balance Sheet Date*

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

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

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

9 *Fair Value Measurement*

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

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

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

9 Fair Value Measurement cont.

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

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

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

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

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

10 Financial Liabilities

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

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

11 Financial Assets

Financial assets are classified as either:

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

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

Loans and Receivables

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

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

11 Financial Assets cont.

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

Available -for-Sale Assets

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

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

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

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

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

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

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

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

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

12 Government Grants and Contributions

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

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

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

12 Government Grants and Contributions cont.

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

13 Heritage Assets

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

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

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

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

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

14 Inventories

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

15 Investment properties

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

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

16 Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Operating Leases

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

17 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

18 Property, Plant and Equipment

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

Recognition

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

Measurement

The freehold and leasehold properties that comprise the Council's property portfolio are revalued on the basis required by the Code (i.e. at least every five years) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Further revaluations are also carried out where there are known to have been material changes. The most recent set of re-valuations were carried out as at December 2016 under the responsibility of Michael Watkins BSc MRICS, Head of Asset and Investment Management.

Assets are initially measured at cost, comprising:

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

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

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

18 Property, Plant and Equipment continued

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following basis:

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

18 Property, Plant and Equipment continued

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

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

Disposals

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

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

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

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

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

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

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

19 Private Finance Initiative and Similar Contracts

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

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

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

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

20 Provisions

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

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

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

Details of all provisions are set out in Note 24.

21 Contingent Liabilities

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

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

22 Contingent Assets

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

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

23 Reserves

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

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

Details of Bromley's revenue reserves are set out in the Movement in Reserves Statement and in Note 10.

Reserves are reported in two categories - Usable and Unusable.

Usable Reserves

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

Unusable Reserves

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

24 Revenue Expenditure Funded from Capital under Statute

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

25 Value Added Tax

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

26 Carbon Reduction Commitment Allowances

Accounting for the costs of the Carbon Reduction Commitment Scheme.

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

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

27 Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

28 Local Authority Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore the transactions, cash flows and balances of 23 local authority controlled schools are recognised in each of the financial statements of the authority as if they were transactions, cash flows and balances of the authority.

30 Interest in Companies and Other Entities

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

Notes to the Core Financial Statements

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

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

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

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

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

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

3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- a) There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities or reduce levels of service provision.
- b) There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Authority repudiates any liability and no provision for potential damages has been made in relation to the claim.
- c) A review in 2010/11 of significant contractual arrangements identified finance leases embedded within some of those contracts. This resulted in some Vehicles and Plant being brought on Balance Sheet from 1st April 2009 (restated in the 2010/11 financial statements). The most significant of these was on the contract for Refuse Collection, which was identified as a Service Concession. The vehicles used by the contractor are now included on the Balance Sheet under Property, Plant and Equipment. The value of these finance leases at 31st March 2017 was £3,103k.
- d) In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander, went into administration. The authority had £5m deposited with Heritable at the time, which had been placed for two years on 28th June 2007 at a rate of 6.42%. Heritable Bank is a UK registered bank under English law and was placed in administration on 7th October 2008. As at 31st March 2017, a total of £4,985k had been received from the administrator (98% of the Council's total claim of £5,087k). In accordance with CIPFA advice, impairment losses have previously been made in the accounts and, as estimates of recovery have improved, part-reversals of those impairment losses have been made, including £199k in 2015/16. This reduced the balance of the provision for potential loss to £102k (2% of the Council's total claim).
- e) Group boundaries have been estimated using the criteria set out in the CIPFA Code of Practice. The Council has identified one jointly controlled entity and consideration has been given as to whether the arrangement falls within the group boundary. The Council has determined that the level of retained profit is not quantitatively material for group accounts to be required. The Council's jointly controlled entities are reviewed on an annual basis including other arrangements which may, when combined, become material in aggregate.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2017 for which there is a risk of adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Uncertainties

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

Effect if Actual Results Differ

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

Business Rates

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

Pensions Liability

Uncertainties

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

Effect if Actual Results Differ

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

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

Notes to the Core Financial Statements

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

Arrears

Uncertainties

At 31st March 2017, the Authority had a balance of sundry debtors of £7,909k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 15% (£1,302k) was appropriate.

Effect if Actual Results Differ

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

Fair Value Measurements

Uncertainties

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

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

Effect if Actual Results Differ

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

5 Exceptional Items

Loss Recognised on Disposals of Long-Term Assets

During 2016/17, eight of the Council's Primary Schools adopted academy status (13 in 2015/16). In addition, a building that was being refurbished was transferred to a Special School academy. As a result Property, Plant & Equipment values, totalling £46.3m (£82.8m in 2015/16), have been removed from the balance sheet. This has been treated as a loss on disposal in these accounts, as the Council has effectively disposed of the schools for no receipt.

In accordance with the accounting requirements of the Code, a debit of £46.3m has been posted in 2016/17 to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (see Note 11), with a corresponding reduction to long-term assets (property, plant & equipment - see Note 14).

Accumulated revaluation gains of 5.9m (£8.0m in 2015/16) have been transferred from the Revaluation Reserve to the Capital Adjustment Account (both included in figures in Note 28) and, in order to ensure that the total "loss" does not impact on the General Fund, the debit of £46.3m has been reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 23rd June 2017. The existence of events after the Balance Sheet date has been considered up to this date and there are none to disclose. Events taking place after this date are not reflected in the financial statements or notes.

Notes to the Core Financial Statements

7A Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2016/17

Adjustments to General Fund to add Expenditure or Income not Chargeable to Taxation and Remove Items which are only Chargeable under Statute	Adjustments for capital Purposes (Note 1) £000	Net change for the Pensions Adjustments (Note 2) £000	Other Differences (Note 3) £000	Total Adjustments £000
Housing				
- Housing Benefits	-	-	-	-
- Housing Other	756	(87)	(1)	668
Public Health	-	(38)	3	(35)
Adult Social Care				
- Physical, Sensory & memory Cognition	(581)	(187)	24	(744)
- Learning Disabilities & Mental health	255	(41)	2	216
- Health Integration & Better Care Fund	-	(19)	1	(18)
- Adult Social Care Other	-	(71)	8	(63)
Education	9,380	(1,177)	514	8,717
Childrens Social Care	306	(382)	(26)	(102)
Environment				
- Parks & Green Spaces	(1,101)	(109)	-	(1,210)
- Waste Services	255	(152)	-	103
- Transport & Highways	(2,856)	(302)	3	(3,155)
- Environment Other	91	(29)	-	62
Public Protection & Safety	(90)	(152)	2	(240)
Renewal & Recreation				
- Recreation	(4,134)	(286)	7	(4,413)
- Planning	617	(292)	1	326
- Renewal & Recreation Other	-	(20)	(1)	(21)
Central Services to the Public	(1,189)	(287)	3	(1,473)
Concessionary Fares	-	-	-	-
Corporate and Democratic Core	(6)	(28)	-	(34)
Non Distributed Costs	-	9,243	-	9,243
Net Cost of Services	1,703	5,584	540	7,827
Other operating expenditure (i)	(44,598)	-	-	(44,598)
Financing and investment income and expenditure (ii)	10,282	(5,049)	-	5,233
Taxation and non-specific grant income and expenditure (iii)	6,909	-	3,197	10,106
	(27,407)	(5,049)	3,197	(29,259)
General Fund (Surplus)/Deficit	(25,704)	535	3,737	(21,432)

Notes to the Core Financial Statements

7A Note to the Expenditure and Funding Analysis cont.

Adjustments between Funding and Accounting Basis 2015/16

Adjustments to General Fund to add Expenditure or Income not Chargeable to Taxation and Remove Items which are only Chargeable under Statute	Adjustments for capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Housing				
- Housing Benefits	-	-	-	-
- Housing Other	(741)	(8)	2	(747)
Public Health	-	(6)	1	(5)
Adult Social Care				
- Physical, Sensory & memory Cognition	663	-	-	663
- Learning Disabilities & Mental Health	-	-	-	-
- Health Integration & Better Care Fund	-	-	-	-
- Adult Social Care Other	(433)	(1,745)	14	(2,164)
Education	(5,652)	(1,827)	1,188	(6,291)
Childrens Social Care	142	(53)	11	100
Environment				
- Parks & Green Spaces	(3,419)	(13)	1	(3,431)
- Waste Services	-	-	1	1
- Transport & Highways	(1,989)	(13)	8	(1,994)
- Environment Other	70	(352)	2	(280)
Public Protection & Safety	(240)	(191)	3	(428)
Renewal & Recreation				
- Recreation	14,821	(17)	2	14,806
- Planning	-	-	1	1
- Renewal & Recreation Other	1,457	(489)	-	968
Central Services to the Public	(436)	(276)	(1)	(713)
Concessionary Fares	-	-	-	-
Corporate and Democratic Core	-	-	-	-
Non Distributed Costs	-	10,088	-	10,088
Net Cost of Services	4,243	5,098	1,233	10,574
Other operating expenditure (i)	(81,927)	-	-	(81,927)
Financing and investment income and expenditure (ii)	35,113	(4,668)	-	30,445
Taxation and non-specific grant income and expenditure	3,280	-	4,678	7,958
	(43,534)	(4,668)	4,678	(43,524)
General Fund (Surplus)/Deficit	(39,291)	430	5,911	(32,950)

Notes to the Core Financial Statements

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

Adjustments for Capital Purposes

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

Net change for the Pensions Adjustments

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

Other Differences

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

Notes to the Core Financial Statements

7B Segmental Income

Income received on a segmental basis is analysed below:

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

Notes to the Core Financial Statements

8 Expenditure and Income Analysed by Nature

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

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

Notes to the Core Financial Statements

9 Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Notes to the Core Financial Statements

9 Adjustments between Accounting Basis and Funding Basis under Regulations continued

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

Notes to the Core Financial Statements

9 Adjustments between Accounting Basis and Funding Basis under Regulations continued

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

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16 and 2016/17.

2016/17	Balance at 31st	Transfers Out	Transfers	Balance at 31st
	March 2016	2016/17	In 2016/17	March 2017
	£000	£000	£000	£000
Balances Held by Schools	4,017	1,786	390	2,621
Insurance Fund	3,099	607	881	3,373
LPSA Reward Grant Investment Fund	121	45	-	76
LAA Reward Grant Investment Fund	750	595	-	155
Technology Fund	1853	150	28	1,731
Reserve for Potential Redundancy Costs	116	-	-	116
Public Halls Fund	7	-	-	7
Town Centre Improvement Fund	55	-	-	55
Ex Glaxo Land Maintenance	175	23	2	154
Building Control Charging Account	131	131	182	182
Grant Related Expenditure	2,257	2,257	1,811	1,811
Investment to Community Fund	578	48	-	530
Works to Property	100	-	-	100
Investment Fund	3,769	6,630	7,482	4,621
Invest to Save	13,381	55	1,451	14,777
Bromley Welcare	29	-	-	29
One-off Member Initiatives	1,566	234	-	1,332
Infrastructure Investment Fund	2,000	-	-	2,000
Commissioning Authority Programme	55	-	-	55
Health & Social Care - Promise Programme	5,953	2,000	-	3,953
Housing Strategy Trading Account	25	-	-	25
Community Right to Bid & Challenge	46	-	-	46
Glades Refurbishment	7	7	-	-
Winter Pressures	1,542	-	468	2,010
Refurbishment of War Memorials	13	-	-	13
Key Health & Social Care Initiatives	1,700	-	-	1,700
Integration of Health & Social Care Initiatives	1,614	-	-	1,614
Cheyne Woods & Cyphers Gate	173	10	-	163
Healthy Bromley Fund	3,815	-	-	3,815
Transformation Fund	1,868	889	-	979
Future Repairs of High Street Properties	19	-	12	31
Collection Fund Surplus Set Aside	-	-	4,912	4,912
Parallel Fund	2,809	109	-	2,700
Growth Fund	29,483	14,369	7,311	22,425
Health & Social Care Integrated Commissioning	4,550	-	-	4,550
Financial Planning & Risk Reserve	5,000	-	-	5,000
Bromley Welfare Fund	970	-	-	970
PIL Reserve for Temporary Accommodation	51	-	34	85
Business Rate Risk Reserve	4,200	-	-	4,200
One Off Expenditure in 2016/17 (inc TFM Cont	461	309	-	152
Crystal Palace Park Improvements	238	93	-	145
Various Joint Schemes and Pump Priming Inves	3,100	94	2,000	5,006
Transition Fund	-	1,500	2,068	568
Childrens Social Care Transition Fund	-	-	1,500	1,500
Environmental Initiatives	-	-	500	500
Planning/Planning Enforcement	-	-	250	250
Apprenticeship Scheme	-	-	200	200
Civic Centre Development Strategy	-	-	257	257
CSC Recruitment & Retention	-	-	855	855
Future Professional Advice for Commissioning	-	-	147	147
	101,696	31,941	32,741	102,496

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves continued

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

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

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves continued

- Balances Held by Schools (under a Scheme of Delegation) - school balances represent sums delegated to schools in accordance with the Education Reform Act 1988 which had not been spent at 31st March. Any underspending on the budget of the school remains at the disposal of the school to spend in future financial years.
- Insurance Fund - provides for the self-insurance of all losses up to a maximum in any year of £500k for material damage claims and £1,965k for Employers and Public Liability claims. External insurers are used to provide for losses in excess of these sums.
- Local Public Service Agreement (LPSA) Reward Grant - relates to Reward Grant received in 2005/06 and 2006/07 as a result of achievement of performance targets in LPSA1.
- LAA Reward Grant - relates to reward grant received from the Government as a result of the achievement of performance targets in our Local Area Agreement.
- Technology Fund - exists to provide resources to allow investment in ICT within the Borough to help improve the efficiency of departments and provide more comprehensive information and communication systems for Members, officers and the public.
- Reserve for Potential Redundancy Costs - provision set aside to meet potential redundancy implications in future years.
- Public Halls Fund - used for property/access works to facilitate greater participation at charity and community halls.
- Town Centre Improvement Fund - the Council has received funding through the Local Authority Business Growth Incentive Scheme which has been set aside to provide a contribution to the Town Centre Development Fund. A sum of £1,022k was ringfenced to contribute towards the costs associated with the relocation of Orpington Library. The balance is available for expenditure related to the development and sustainability of town centres.
- Ex Glaxo Land Maintenance - an endowment has been received for future maintenance of land conveyed to the London Borough of Bromley.
- Building Control Charging Account - to account for surpluses and funding of deficits to be offset against future charges in accordance with Bromley's Building Regulations Charging Scheme.
- Grant Related Expenditure - established to account for the carry forward of underspends of grant related expenditure where there are no conditions attached to the associated grant income.
- Investment to Community Fund - set up in 2009/10 to provide investment to the community and voluntary sector as determined by Members.
- Works to Property - a fund set aside to meet potential unrecoverable costs associated with works to a property.
- Investment Fund - a fund established to maximise economic growth which will include investment opportunities and undertaking key infrastructure improvements. A key strand of the Council's financial strategy relates to economic development and generating income. The fund will provide key regeneration opportunities whilst also being utilised to provide a long term alternative income stream. In 2014/15, £10m was transferred to the Growth Fund.
- Invest to Save - a fund established in 2011/12 to support invest to save initiatives with any savings taking into account an element for repaying the fund whilst generating further savings that can be factored into future years' budgets.
- Bromley Welcare - set aside to commission a time limited, step up/step down service as part of a managed funding strategy.

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves continued

- One-off Member Initiatives - a fund set aside to be earmarked against Member priority initiatives to be delivered by the Executive or Portfolio Holders as appropriate.
- Infrastructure Investment Fund - funding set aside to partly reduce the risk of reducing levels of property and equipment maintenance which could result in more costly longer term costs being incurred.
- Commissioning Authority Programme - monies set aside to finance work associated with transforming LBB into a commissioning-based organisation.
- Health & Social Care 'Promise Programme' - monies set aside of funding from the PCT for investment in further integration of health and social care initiatives and the 'Promise Programme'.
- Housing Strategy Trading Account - to account for surpluses and funding of deficits to be offset against future affordable housing charges.
- Community Right to Bid and Challenge - funding set aside to specifically meet the costs arising from administering the scheme and to nominate officers to assess the asset of the community value nominations and any compensation claims from owners.
- Glades Refurbishment - monies set aside for the refurbishment of the Glades Shopping Centre
- Winter Pressures (Social Care & Health) - monies set aside of funding from the PCT to invest in social care services to benefit health and improve overall health gain.
- Refurbishment of War Memorials - monies set aside for the refurbishment of war memorials.
- Key Health and Social Care Initiatives - funding set aside as part of the wider integration of health and social care to support future integration and investment initiatives.
- Integration of Health and Social Care Initiatives - funding set aside as part of the wider integration of health and social care to support future integration and investment initiatives.
- Cheyne Woods & Cypher's Gate - funding received to enable future land maintenance costs of these sites.
- Healthy Bromley Fund - monies set aside as a cross-Council fund to support key initiatives that will help improve the wellbeing of Bromley residents.
- Transformation Fund - funding set aside to meet potential severance costs arising from a need for significant budget savings to be achieved over the next few years, and additional costs arising from a need to support staff in a changing organisation.
- Future Repairs of High Street Properties - funding set aside from annual rental income to deal with required repairs and structural work on High Street properties, acquired as part of the Council's investment property portfolio.
- Collection Fund Surplus Set Aside - monies set aside towards meeting the 'budget gap' in 2018/19.
- Parallel Fund - a reserve set up in 2014/15 with the aim of providing for the potential future impact of actuarial reviews of the Council's Pension Fund.
- Growth Fund - an allocation of £10m from the Investment Fund was set aside in 2014/15 as a reserve for investments that support growth initiatives in Biggin Hill, the Cray Valley and Bromley Town Centre.
- Health and Social Care Integrated Commissioning - a reserve set up from one off funding from the Bromley Clinical Commissioning Group, to deliver the investment required by Health working with the Council to deliver integrated 'out of hospital' services across the whole health and care system.
- Bromley Youth Music Trust - a one off sum of £77k set aside to contribute to the funding of the Trust and support their activities in Bromley during 2015/16.
- Financial Planning/Risk Reserve - funding set aside in 2014/15 to deal with the impact of the ongoing budget gap and possible utilisation of the reserve to support future years budgets.

Notes to the Core Financial Statements

10 Transfers to/from Earmarked Reserves continued

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

Notes to the Core Financial Statements

11 Other Operating Expenditure

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

* The charge of £46.3m in 2016/17 (£82.8m in 2015/16) relates to losses on property, plant and equipment assets as a result of the adoption of academy status by a number of primary schools, and the transfer of a refurbished building to a Special School academy. Further details are provided in the Exceptional Items note (Note 5).

12 Financing and Investment Income and Expenditure

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

13 Taxation and Non Specific Grant Income

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

Notes to the Core Financial Statements

14 Property, Plant and Equipment

Movements on Balances

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

Notes to the Core Financial Statements

14 Property, Plant and Equipment continued

Movements on Balances

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Movements in 2015/16							
Cost or Valuation							
Balance at 1st April 2015	602,520	35,093	128,865	2,494	10,609	16,087	795,668
Additions	-	892	5,772	-	-	1,099	7,763
Revaluation increases recognised in Revaluation Reserve	15,451	-	-	-	2,536	-	17,987
Other Movements	-	5	-	-	-	-	5
Derecognition - disposals	(80,638)	(3,739)	-	-	-	-	(84,377)
Assets reclassified to Investment Properties	-	-	-	-	-	-	-
Other Assets reclassified	230	-	-	-	438	(668)	-
Assets reclassified to Assets Held for Sale	(4,469)	-	-	-	-	-	(4,469)
As at 31st March 2016	533,094	32,251	134,637	2,494	13,583	16,518	732,577
Accumulated Depreciation & Impairment							
As at 1st April 2015	(211,595)	(14,296)	(36,580)	(1,209)	(8,701)	-	(272,381)
Depreciation charge	(2,531)	(1,252)	(3,501)	(83)	-	-	(7,367)
Impairment losses recognised in Revaluation Reserve	(8,249)	-	-	-	(715)	-	(8,964)
Impairment (losses)/reversals recognised in Deficit on Provision of Services	12,301	1,262	-	-	-	-	13,563
Derecognition - disposals	1,453	-	-	-	-	-	1,453
As at 31st March 2016	(208,621)	(14,286)	(40,081)	(1,292)	(9,416)	-	(273,696)
Net Book Value							
As at 31st March 2016	324,473	17,965	94,556	1,202	4,167	16,518	458,881
As at 31st March 2015	390,925	20,797	92,285	1,285	1,908	16,087	523,287

Notes to the Core Financial Statements

14 Property, Plant and Equipment continued

(i) Depreciation

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

Land is not depreciated.

Buildings – straight-line depreciation on remaining useful lives ranging from 36 to 87 years.

Community Assets - straight-line depreciation over 30 years.

Surplus Assets are not depreciated.

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

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

(ii) Capital Commitments

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

(iii) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years. In 2016/17, all valuations were carried out by Cushman and Wakefield. Up to and including 2011/12, all valuations were carried out internally.

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

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

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

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant, & Equipment £000
Carried at Historical Cost as at:							
31st March 2017	-	33,475	96,100	1,119	-	9,733	140,427
Valued at Current Value as at:							
31st March 2017	(87,757)	(7,093)	-	-	9,104	-	(85,746)
31st March 2016	208,590	(1,030)	-	-	7,932	-	215,492
31st March 2015	(15,426)	(2,006)	-	-	(5,854)	-	(23,286)
31st March 2014	221,425	(5,832)	-	-	(170)	-	215,423
31st March 2013	(38,029)	(2,701)	-	-	2,836	-	(37,894)
Total Assets at Current Value	288,803	(18,662)	-	-	13,848	-	283,989
Total Property, Plant & Equipment							
31st March 2017	288,803	14,813	96,100	1,119	13,848	9,733	424,416

Notes to the Core Financial Statements

15 Heritage Assets

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

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

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

16 Investment Property

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

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

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

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

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

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

Lessee disclosures for investment properties held under operating leases are included in Note 41. Details of the number of investment properties held are included in Note 14.

Notes to the Core Financial Statements

16 Investment Property continued

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

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

There were no transfers between levels during 2016/17.

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

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

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

Notes to the Core Financial Statements

17 Financial Instruments

Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Council had three such investments as at 31st March 2017, the loss (gain as at 31st March 2016) on which is recorded in the Available for Sale Reserve (Note 28).

Loans and Receivables

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

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

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

In accordance with the requirements of the Code, accruals for investment interest income due during the year but not received as at 31st March are included with short term investments in the Balance Sheet. The balances as at 31st March 2017 include a total principal sum of £270,102k and total accrued interest of £2,189k (£287,822k and £2,720k as at 31st March 2016).

Notes to the Core Financial Statements

17 Financial Instruments continued

(b) Fair Value of Financial Assets and Liabilities

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

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

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

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

The fair values calculated are as follows:

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

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

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

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

Notes to the Core Financial Statements

17 Financial Instruments continued

(c) Gains / Losses on Financial Instruments

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

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

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

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

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

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

* Under the Housing Stock Transfer agreement concluded with Broomleigh Housing Association (Affinity Homes Group) in 1992, the Council receives a proportion of the income from the sale of Council Houses every three years. A debtor is included in the accounts until the money is actually received; a long-term debtor in the first two years and a short-term debtor in the final year. The sum of £3,507k (including accrued interest) was received in April 2016 in respect of sales in the three years 2013/14 to 2015/16, and this cleared the short term debtor included in the 2015/16 accounts. There were 9 sales in 2016/17 and a long term debtor of £1,470k (including interest) is carried on the Balance Sheet as at 31st March 2017. The next receipt is due in 2019/20.

Notes to the Core Financial Statements

18 Assets Held for sale

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

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

19 Inventories

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

20 Construction Contracts

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

Notes to the Core Financial Statements

21 Short - Term Debtors

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

22 Cash and Cash Equivalents

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

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

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

Notes to the Core Financial Statements

23 Financial Liabilities

Short Term Borrowing (Temporary Loans)

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

24 Provisions

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

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

(b) Injury and Damage Compensation Claims: this provision represents the estimated potential cost of insurance claims received but not settled by the Council as at 31st March 2017 (380 claims with a total estimate of £1,675k).

(c) Other Provisions include the following:

Provision has been made which represents the potential need to reimburse clients falling under Section 117 of the Mental Health Act who had previously been charged for residential care. No reimbursements have been made during 2016/17 and a sum of £628k has been carried forward into 2017/18.

Provision of £2,894k has been made to reflect potential losses in business rates income as a result of changes to the rating list arising from successful appeals.

There are uncertainties regarding potential funding streams and liabilities for Learning Disabilities and Mental Health clients and a provision of £1,500k has been made.

A provision of £635k has been made for the potential repayment of housing benefit subsidy, mainly arising from uncertainty relating to government subsidy for overpayments generated from L.A. errors.

All other provisions are individually insignificant.

Notes to the Core Financial Statements

25 Short - Term Creditors

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

26 Other Long Term Liabilities

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

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

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

Notes to the Core Financial Statements

27 Usable Reserves

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

28 Unusable Reserves

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

Revaluation Reserve

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

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

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

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

Available for Sale Financial Instruments Reserve

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

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

Notes to the Core Financial Statements

28 Unusable Reserves continued

Capital Adjustment Account

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

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

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

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

Notes to the Core Financial Statements

28 Unusable Reserves continued

Pensions Reserve

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

2015/16	2016/17
£000	£000
(147,834) Balance as at 1st April	(144,869)
2,535 Actuarial gains or (losses) on pensions assets and liabilities	1,454
(16,666) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&E Statement	(14,447)
17,096 Employer's pension contributions and direct payments to pensioners payable in the year	14,982
(144,869) Balance as at 31st March	(142,880)

Deferred Capital Receipts Reserve

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

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

Notes to the Core Financial Statements

28 Unusable Reserves continued

Collection Fund Adjustment Account

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

2015/16		2016/17
£000		£000
6,200	Balance as at 1st April	10,878
4,678	Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	3,197
10,878	Balance as at 31st March	14,075

Accumulated Absences Account

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

2015/16		2016/17
£000		£000
(3,779)	Balance as at 1st April	(2,546)
3,779	Settlement or cancellation of accrual made at the end of the preceding year	2,546
(2,546)	Amounts accrued at the end of the current year	(2,006)
1,233	Amount by which officer remuneration charged to the CI&E Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	540
(2,546)	Balance as at 31st March	(2,006)

Notes to the Core Financial Statements

29 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

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

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

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

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

30 Cash Flow Statement - Investing Activities

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

31 Cash Flow Statement - Financing Activities

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

Notes to the Core Financial Statements

32 Pooled Budgets

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

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

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

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

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

Notes to the Core Financial Statements

32 Pooled Budgets continued

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

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

Notes to the Core Financial Statements

33 Members Allowances

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

2015/16		2016/17
£000		£000
1,005	Allowances	1,003
12	Expenses	12
<u>1,017</u>	Total	<u>1,015</u>

34 Non Distributed Costs

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

- Past Service Costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs. In the IAS 19 valuation as at 31st March 2017, the actuary estimated the past service cost in 2016/17 to be zero, (also zero in 2015/16).
- Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of employee benefits. These are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs. Losses on curtailments (£755k in 2016/17 and £918k in 2015/16) arise when the Authority allows employees to retire on unreduced benefits before they would normally have been able to do so. A gain on settlements of £2,764k in 2016/17 (£2,889k in 2015/16) has arisen as a result of the adoption of academy status by a number of Bromley schools.

The following charges have been posted to Non Distributed Costs:

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

Notes to the Core Financial Statements

35 Officers Remuneration

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

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

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

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

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

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

@Post Holder joined the Council in December 2016.

Notes to the Core Financial Statements

35 Officers Remuneration continued

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

Disclosure of remuneration for senior employees 2015/16	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
	1,623,544	23,887	1,647,431	204,235	96,000	1,947,666

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

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

Notes to the Core Financial Statements

35 Officers Remuneration continued

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

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

In order to comply with amendments to the Accounts and Audit Regulations 2003, remuneration bandings are required to be disclosed in brackets of £5,000.

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

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

Notes to the Core Financial Statements

35 Officers Remuneration continued

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	Restated						Restated	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000s	2016/17 £000s
£0 - £20,000	41	28	8	2	49	30	364	215
£20,001 - £40,000	11	9	5	1	16	10	460	316
£40,001 - £60,000	7	1	-	-	7	1	364	45
£60,001 - £80,000	4	2	-	1	4	3	282	206
£80,001 - £100,000	-	-	1	1	1	1	96	99
£100,001 - £150,000	1	-	2	-	3	-	415	-
£150,001 - £200,000	1	-	-	-	1	-	157	-
£250,001 - £300,000	1	1	-	-	1	1	217	258
Total	66	41	16	5	82	46	2,355	1,139

In 2016/17 the total cost of £1,139k (£2,355k in 2015/16) in the table above consists of exit packages agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

Notes to the Core Financial Statements

36 External Audit Costs

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

2015/16		2016/17
£000		£000
	Fees payable to KPMG LLP with regard to:	
119	- External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts)	119
21	- Pension Fund audit fee	21
31	Fees payable to KPMG LLP for the certification of grant claims returns for the year	17
9	Fees payable to PricewaterhouseCoopers LLP (2015/16) and Grant Thornton (2016/17) for Teachers Pension Review	3
	Fees payable to PricewaterhouseCoopers LLP with regard to:	
15	- Investigation work resulting from Electors queries / objections re: 2012/13 and 2013/14 accounts	20
195		180

Notes to the Core Financial Statements

37 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance and Early Years (England) Regulations 2015. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:

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

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

Notes to the Core Financial Statements

38 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16 and 2016/17.

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

Notes to the Core Financial Statements

38 Grant Income continued

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

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

Current Liabilities

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

Notes to the Core Financial Statements

39 Related Party Transactions

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

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received and outstanding from UK government departments as at 31st March 2017 are shown in the grant income Note 38.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 33. During 2016/17, there are no declarable related party transactions with the exception of the following:-

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

Officers

- i) During 2016/17 £10.2m was paid to Liberata in payment for services in relation to the Council's exchequer services contract. Liberata employs a family member of the Director of Finance, in a role that is not specifically related to the Bromley contract.
- ii) During 2016/17 a family member of the Executive Director of Environment & Community Services, undertook freelance design work across the Council at a cost of £10k.
- iii) A family member of the Director of Corporate Services is employed by MCCH Society Ltd, to which the Council paid £1.2m in 2016/17, relating to a number of contracts.

Other Public Bodies

The Authority has 2 pooled budget arrangement with Bromley Clinical Commissioning Group for the provision of Integrated Stores and the Better Care Fund. There is a further pooled budget arrangement with Oxleas NHS Foundation Trust for the provision of mental health functions. Transactions relating to these arrangements are detailed in Note 32.

Pension Fund

During the financial year, the average monthly cash balance of the Pension Fund was slightly positive and, as a result, interest of £8k was paid to the Fund (£8k was paid in 2015/16). In 2016/17, £631k was charged to the Fund for expenses incurred in administering the Fund (£588k in 2015/16).

Entities Controlled or Significantly Influenced by the Authority

The Council has entered into a joint venture (JV) agreement with Mears Group PLC for the acquisition of properties to meet demand for temporary accommodation. The JV, More Homes Bromley LLP, will raise its own funds to purchase the properties and the Council will have nomination rights and will also underwrite voids. Due to the nature and structure of the arrangement, the Council incurred no direct expenditure in 2016/17.

Notes to the Core Financial Statements

40 Capital Expenditure and Capital Financing

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

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

Notes to the Core Financial Statements

41 Leases

Finance Leases - Authority as Lessee

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

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

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

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

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

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

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

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

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

Notes to the Core Financial Statements

41 Leases continued

Operating Leases - Authority as Lessee

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

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

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

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

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

Operating Leases - Schools as Lessee

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

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

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

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

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

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

Notes to the Core Financial Statements

41 Leases continued

Finance Leases - Authority as Lessor

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

Operating Leases - Authority as Lessor

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

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

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

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

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

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

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

42 Service Concessions

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

The Refuse Collection contract with Veolia ES (UK) Limited

The Authority transferred the contract for Waste Collection to Onyx U.K. Limited, now known as Veolia, from 4th November 2001 and the Waste Management contract from 24th February 2002, for 17 years.

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

The total cost of this contract to 31st March 2017 was £71.0m (£65.0m to 31st March 2016).

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

Notes to the Core Financial Statements

42 Service Concessions continued

Bromley Mytime

The Authority transferred the responsibility for delivering its community leisure activity and services to Bromley Mytime effective from 1st February 2004 continuing until 31st March 2024.

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

In return for service delivery, maintenance and enhancement of the Leisure Centres which remain in the authority's ownership, the Authority has paid a total of £16.7m to 31st March 2017 (£15.9m to 31st March 2016).

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

43 Impairment Losses/(Reversals)

During 2016/17 the Authority has charged/reversed the following impairments in respect of its non-current assets to the surplus or deficit on the Provision of Services.

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

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

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

44 Termination Benefits

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

Notes to the Core Financial Statements

45 Disclosure of Information about Retirement Benefits

(a) Participation in Pension Schemes

As part of the terms and conditions of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council's Pension Fund is a funded defined benefit final salary statutory scheme operated (until 31st March 2014) under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007/08 (as amended). With effect from 1st April 2014, these regulations were revoked and replaced by the LGPS Regulations 2013. The Authority and employees pay contributions into the Fund, calculated at a level intended to ensure that pensions liabilities balance with investment assets over a period of time. The Fund provides benefits for members, including retirement pensions, lump sum retirement grants and widow's pensions.

Governance of the scheme is the responsibility of the London Borough of Bromley Pensions Investment Sub-Committee and policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Sub-Committee and, as at 31st March 2017, include Baillie Gifford, Blackrock, Fidelity, MFS International and Standard Life.

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

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

(b) Transactions relating to Post-employment Benefits

The cost of retirement benefits is recognised in the Cost of Services within the Comprehensive Income & Expenditure Statement when benefits are earned by employees, rather than when they are finally paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year, based on figures provided in the IAS 19 reports as at 31st March 2016 and 2017, prepared by the Council's actuary, Mercer.

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

Notes to the Core Financial Statements

45 Disclosure of Information about Retirement Benefits continued

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

Pensions Assets and Liabilities recognised in the Balance Sheet

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

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

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

Reconciliation of movement in fair value of Scheme assets:

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

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

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

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £879.2m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance (deficit) of £142.9m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the scheme will be made good by increased employer contributions over a 12 year period, as assessed by the scheme actuary in the last full valuation of the fund as at 31st March 2016.

Notes to the Core Financial Statements

45 Disclosure of Information about Retirement Benefits continued

(d) Fair Value of LGPS assets

	Fair value of scheme assets	
	As at 31st March 2016 £000	As at 31st March 2017 £000
Equities	422,181	566,982
Government bonds	95,049	102,351
Other bonds	-	-
Other	58,895	61,853
Cash / liquidity	6,997	5,154
	<u>583,122</u>	<u>736,340</u>

(e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Mercer, an independent firm of actuaries, estimates for the Fund being based on the most recent full valuation as at 31st March 2016 and latest estimates for for the Fund as at 31st March 2017.

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

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

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

Notes to the Core Financial Statements

45 Disclosure of Information about Post-employment Benefits continued

(e) Basis for Estimating Assets and Liabilities continued

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

	Change of +/- 1% £000
IAS 19 Liability figure	879,220
+ 0.1% on rate for discounting scheme liabilities	865,507
+ 0.1% on inflation rate	893,150
+ 0.1% on pay growth	881,075
+1 year on life expectancy	896,552

(f) Impact on the Authority's Cash Flows

One of the objectives of the scheme is to keep employers' contributions at as constant a rate as possible. In the triennial fund valuation as at 31st March 2016, the Authority agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 12 years. Funding levels are monitored and the next triennial valuation is due to be completed as at 31st March 2019.

The actuary has estimated a total authority contribution of £16.8m in 2017/18.

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

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

(g) Bromley Employees

In 2016/17, Bromley paid into the Pension Fund a total contribution of £14.4m (29.6% of total pensionable pay), including a past deficit contribution of £5.9m. This compares to £16.7m (32.5%) and £5.9m in 2015/16. The underlying contribution rate and the past deficit contribution are both determined by the Fund's Actuary based on triennial actuarial valuations. The contributions in 2016/17 incorporated the results of the full valuation as at 31st March 2010, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over 15 years. The employer and past-deficit contributions from 2017/18 were set by the actuary in the most recent triennial valuation of the Fund (as at 31st March 2016) with the aim of achieving a 100% funding level over 12 years.

(h) Teachers

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

In 2016/17, Bromley paid £1.9m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 16.5% of teachers' pensionable pay. The figures for 2015/16 were £3.4m and 15.3%. In addition, Bromley is responsible for all pension payments relating to added years it has awarded. There were no payments relating to added years in both 2016/17 and 2015/16.

(i) NHS Staff

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

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

Notes to the Core Financial Statements

46 Contingent Liability - not provided for in the accounts

Contingent liabilities are dependent upon the outcome of uncertain events and, consequently, cannot be quantified at the balance sheet date. For 2016/17 there are six contingent liabilities to disclose:

- 1) There have been a number of Council Tax banding appeals which, if successful, could result in refunds dating back to 1993. The claims are currently being considered by the District Valuer and could also have an impact on future Council Tax income levels. It is not possible to quantify the financial impact at this stage and the final outcome will depend on the number of appeals and the outcome of the findings from the District valuer.
- 2) There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Council repudiates any liability. It is difficult to give a much fuller assessment unless proceedings are actually issued and the completed particulars of the claim and quantified damages are known. However, it is estimated that the maximum claim could be in the region of £1m.
- 3) There are potential risks through the Council picking up liabilities from Governing Bodies of Foundation and Community schools which convert to Academy status. The financial impact of this cannot be quantified at this stage.
- 4) The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.
- 5) There is a potential impact to the authority relating to the issue of NHS Trusts seeking charitable relief from Business Rates. The Local Government Association (LGA) have determined that NHS Trusts are not charitable organisations as they are commissioned by Central Government to provide a Health Service and have an element of private healthcare which fails the public benefit test, this view is also supported by the LGA's Counsel.
At this stage it is not possible to quantify the impact if any, on the authority and has therefore, been disclosed as a contingent liability within the 2016/17 accounts,.
- 6) The Council has entered into a joint venture (JV) agreement, More Homes Bromley LLP. Under the terms of a deed of covenant and guarantee, the Council has agreed to underwrite any shortfall in rental income and interest. Whilst the guarantee does not limit these payments to specific circumstances, or circumstances expected to be wholly under the control of the Council, the provision may appear to be genuine. Due to the long term nature of the arrangement and the nature of the financial liability, there is no directly observable evidence of the fair value. It is not possible, at this stage, to calculate the likely exposure to the Council as it is dependent on a number of factors and a realistic estimate cannot be quantified. A detailed analysis of the risks borne by the Council has been undertaken and it has been determined that the likelihood of any material settlement of the obligation is unlikely. The arrangement will be reviewed annually.

Notes to the Core Financial Statements

47 Contingent Asset - not provided for in the accounts

- 1) Contingent assets are possible assets that will only be confirmed by the occurrence of uncertain future events not wholly within the Authority's control. For 2016/17 there are two contingent assets to be disclosed:

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

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

Notes to the Core Financial Statements

48 Nature and Extent of Risk Arising from Financial Instruments

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

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

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

Credit Risk

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

The Strategy for 2016/17 was approved by Full Council in February 2016 (subsequently revised in September 2016) and is available on the Council's website. It imposes a maximum amount to be invested with a financial institution at any time and sets a maximum time period for investment.

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

The Authority's maximum exposure to credit risk in relation to its investments in other institutions and funds (£272.3m) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2017 that this was likely to materialise.

No breaches of the Council's counterparty criteria occurred during 2016/17 and the authority does not expect any losses from non-performance by any of its counterparties in relation to treasury deposits.

Notes to the Core Financial Statements

48 Nature and Extent of Risk Arising from Financial Instruments continued

Credit Risk (cont)

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

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

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and could also borrow from the Public Works Loan Board if necessary. Currently, however, the Council does not borrow externally. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

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

Refinancing and Maturity Risk

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

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

Notes to the Core Financial Statements

48 Nature and Extent of Risk Arising from Financial Instruments continued

Market Risk

Interest rate risk

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

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

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

All of the Council's term deposits placed during 2016/17 were fixed interest investments with banks, building societies or other local authorities. In addition to fixed interest deposits, the Council also has investments with a Property Fund (£30m) and with two Diversified Growth Funds (£10m in total). All were placed after consultation with Capita and none are subject to interest rate movements.

Price Risk

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

Foreign Exchange Risk

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

Financial Liabilities

As part of a joint venture agreement, the Council has entered into a contract to underwrite income shortfalls under the terms of a deed of covenant and guarantee. The Council has reviewed the arrangement in detail and, based on current information, has determined that the guarantee will not be called. A contingent liability is disclosed in note 46.

Icelandic Bank Defaults

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander, went into administration. The authority had £5m deposited with Heritable at the time, which had been placed for two years on 28th June 2007 at a rate of 6.42%. Heritable Bank is a UK registered bank under English law and was placed in administration on 7th October 2008. As at 31st March 2016, a total of £4,985k had been received from the administrator (98% of the Council's total claim of £5,087k). In accordance with CIPFA advice, impairment losses have previously been made in the accounts and, as estimates of recovery have improved, part-reversals of those impairment losses have been made, including £199k in 2015/16. This reduced the balance of the provision for potential loss to £102k (2% of the Council's total claim).

49 *Heritage Assets: Further Information*

Heritage Assets

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

General

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

Five Year Summary of Transactions

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

Heritage Assets disclosed in the accounts include the following:

Mayoral Regalia and Insignia

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

Art Works

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

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

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

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

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

Heritage Assets not disclosed in the accounts include the following:

War Memorials and Memorial Plaques

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

Metrology Equipment

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

Other Items

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

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

THE COLLECTION FUND

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

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

THE COLLECTION FUND

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

Council Tax Balance split into its attributable parts:

	Surplus as at 31st March 2016 £000	Distribution of 2014/15 Surplus in 2016/17 £000	Surplus for 2016/17 £000	Surplus as at 31st March 2017 £000
London Borough of Bromley	(11,313)	4,912	(7,852)	(14,253)
Greater London Authority	(3,056)	1,407	(1,974)	(3,623)
	<u>(14,369)</u>	<u>6,319</u>	<u>(9,826)</u>	<u>(17,876)</u>

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

Business Rates Balance split into its attributable parts:

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

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

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

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

Movement for year ending 31st March 2017

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

Balance Sheet as at 31st March 2017

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

Notes to accounts

1) *2016/17 Distribution*

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

2) *Fund 1*

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

Fund 2

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

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

PENSION FUND

PENSION FUND ACCOUNT

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

PENSION FUND

NET ASSETS STATEMENT

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

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Actuarial present value of promised retirement benefits is disclosed in Note 11.

PENSION FUND

Notes to the Accounts

1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Bromley Pension Fund Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, which are listed below.

(a) General

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

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

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

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

(b) Membership

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

Organisations participating in the Fund include:

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

As at 31st March 2017, there were a total of 102 employer organisations in the Bromley Fund, including the Council itself. These are listed below.

Scheduled Bodies

Primary School Academies

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

Scheduled Bodies

Primary School Academies (cont)

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

Scheduled Bodies

Primary School Academies (cont)

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

PENSION FUND

Notes to the Accounts

1 Description of Fund continued

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

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

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

(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active scheme members in accordance with the LGPS Regulations 2013 and, in 2016/17, ranged from 2.9% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations, the rates for 2016/17 being set by the previous valuation as at 31st March 2013. In 2016/17, employer rates ranged from 19.3% to 29.7% of pensionable pay.

(d) Benefits

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

Service pre 1st April 2008:

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

Service post 31st March 2008:

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

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

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

PENSION FUND

Notes to the Accounts

1 *Description of Fund continued*

As well as a change to the way in which benefits are calculated, the scheme normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later.

There is a range of additional benefits for members of the scheme including, but not limited to, early retirement, ill health retirement and death benefits.

2 *Basis of Preparation*

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31st March 2017. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

3 *Summary of Significant Accounting Policies*

(a) Contribution income

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

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

(b) Transfers to and from other schemes

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

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

(c) Investment Income

(i) Interest income

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

(ii) Dividend income

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

(iii) Distributions from pooled funds

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

(iv) Movement in the net market value of investments

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

(d) Benefits payable

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

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies continued

(e) Taxation

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

(f) Administrative expenses

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

(g) Investment management expenses

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

(h) Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15).

(i) Foreign currency transactions

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

(j) Cash and cash equivalents

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

(k) Financial liabilities

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

(l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As is permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (see Note 11). A summary of the results of the last full actuarial valuation is shown in Note 10.

(m) Additional voluntary contributions (AVCs)

The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 12.

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies continued

(n) Contingent Assets and Liabilities

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

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

The Pension Fund liability is calculated every three years by the scheme actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 10. The assumptions were determined after taking into account historical experience, current trends and other factors. This estimate is subject to significant variations based on changes to the underlying assumptions. Consequently, actual results may be materially different from estimates.

5 Contributions receivable

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

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

PENSION FUND

Notes to the Accounts

6 Management Expenses

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

7 Investment Management Expenses

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

8 Investments

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

Global equities: Baillie Gifford, Blackrock and MFS.

Fixed income: Baillie Gifford and Fidelity.

Diversified Growth: Baillie Gifford and Standard Life.

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

The bid value of the Fund as at 31st March 2016 and 2017 was divided between the Fund managers as follows:

	31st March 2016		31st March 2017	
	£000	%	£000	%
Baillie Gifford - global	247,852	33.27%	335,269	35.53%
- fixed income	51,849	6.96%	56,835	6.02%
- DGF	44,802	6.01%	49,316	5.23%
Fidelity - fixed income	67,377	9.05%	74,340	7.88%
MFS - global	159,238	21.38%	205,919	21.82%
Blackrock - global	145,461	19.53%	193,238	20.48%
Standard Life - DGF	28,319	3.80%	28,473	3.02%
London CIV	0	0.00%	150	0.02%
	744,898	100.00%	943,540	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	31st March
	2016	2017
	£000	£000
Diversified Growth Funds (2)	73,121	77,781
Global Equity Fund (1)	145,461	193,238
Sterling Bond Funds (2)	119,218	131,183
	337,800	402,202

PENSION FUND

Notes to the Accounts

8 *Investments continued*

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

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

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including gains and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles, which are accumulation funds, changes in value also include income, net of withholding tax, which is re-invested in the Fund. All gains and losses recognised arose from financial instruments valued at fair value through profit and loss.

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp duty and other fees, are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year totalled £206k (£132k in 2015/16). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

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

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

9 *Current assets and liabilities*

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

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

PENSION FUND

Notes to the Accounts

10 Funding Arrangements

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

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

The most recent full valuation of the Fund (as at 31st March 2016) was carried out by the actuary during 2016/17. This calculated a new solvency funding level of 91% and set a common employer contribution rate of 20.3% and total annual lump sum past-deficit contributions of £2.6m from 1st April 2017 until 31st March 2020 with the aim of recovering that deficit over 12 years.

A significant number of schools adopted academy status between 2014/15 and 2016/17. Calculations of deficit shares and contribution rates for academies are carried out individually by the Council's actuary and are set at either the same rate as the Council or at a rate sufficient to ensure that the deficit share is recovered within 15 years.

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

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

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

11 Actuarial Present Value of Promised Retirement Benefits

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 45 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund.

The Fund is also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £1,115m as at 31st March 2017 (£929m as at 31st March 2016).

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

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

PENSION FUND

Notes to the Accounts

12 Additional Voluntary Contributions

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2016, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2015/16 and 2016/17 and the total value of AVC Funds as at 31st March 2016 and 2017 is shown below.

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

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

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

13 Related Parties

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

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

The Council incurred costs of £631k (£588k in 2014/15) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund.

14 Nature and extent of risks arising from financial instruments

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in this note on the next two pages.

Risk and Risk Management

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

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

PENSION FUND

Notes to the Accounts

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

Market Risk continued

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

Other price risk

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

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

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

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

Currency Risk

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

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

Credit Risk

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

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one bank or building society. In addition, the Council may invest in AAA-rated money market funds to provide diversification.

PENSION FUND

Notes to the Accounts

14 Nature and extent of risks arising from financial instruments continued

Credit Risk continued

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

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that most, if not all, of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk.

The Fund managers held no illiquid assets (i.e. assets that could not be sold within 10 days) as at both 31st March 2016 and 2017.

Interest rate risk

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

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

Summary

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

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

* The Diversified Growth Funds invest in a wide range of assets, including equities, bonds and alternative investments, as determined by the Fund managers. As a result, there is exposure to all types of risk up to the value of the investments held.

PENSION FUND

Notes to the Accounts

15 Determination of the fair value of assets

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

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

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

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

16 Transfers out (group)

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

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

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

17 Contingent Assets

The Council is party to a joint venture (JV) arrangement, More Homes Bromley LLP. As part of the overall arrangement the Council has resolved that, on receipt of the property stock at the conclusion of the agreement, the properties will subsequently be 'gifted' to the Pension Fund with a view to reducing current pension contributions. The assets to be 'gifted' at the end of the arrangement will not exceed the value of the Council's Pension Fund deficit at that time. The eventual consideration may differ from the actuarial assumptions used due to the long term nature of the arrangement and the application of different professional standards. Whilst there is a constructive obligation to transfer the whole or part of the property stock this is subject to a number of caveats and there is not sufficient certainty for it to be recognised by the Pension Fund as an asset at this stage.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

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

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

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

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

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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 a collaboration between Bromley Council and various partner agencies whose role is to understand their local community’s needs, agree priorities and encourage commissioners to work in a more joined up way.

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

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

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

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

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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 Children and Families
- Environment
- Public Protection and Safety
- Renewal and Recreation
- Resources

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

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

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

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

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

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

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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 pecuniary and other interests within 28 days of taking office and when there are any changes. The requirement to register pecuniary interests also extends to a spouse or partner. Any gifts and hospitality with a value of over £25 also need to be registered within 28 days of receipt.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Review of Effectiveness

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

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

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

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

Council Framework

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

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

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

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

Policy Development and Scrutiny Committees

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

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

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- Contracts Sub-Committee

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

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

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

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

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

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

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

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

Internal Audit

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

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

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

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

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

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

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

External Inspections

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

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

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

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

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

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

Overall rating for this service: Inadequate

Five of the five key judgements were rated Inadequate.

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

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

The following improvements were identified by Ofsted:

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

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

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

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

Overall rating for this service: Requires Improvement

Five out of five key judgements were rated Requires Improvement.

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

Overall rating for this service: Requires Improvement

Two out of five key judgements were rated Requires Improvement.

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

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

Overall rating for this service: Good

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

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

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

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

Significant Governance Issues

Last year we identified the following governance issues:

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

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

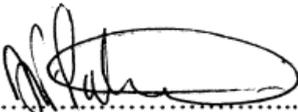
ANNUAL GOVERNANCE STATEMENT

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

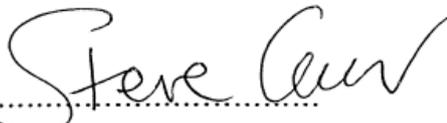
Governance Issue	Actions
Capacity to make further budget savings and maintain frontline services: The Council will need to make significant savings of around £24m per annum by 2020/21.	The Executive is working to balance the budget for 2017/18. Where possible identified savings will be taken as early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

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....

Chief Executive

Date.....27.06.17

Signed.....

Leader of the Council

Date.....27.06.2017

GLOSSARY OF TERMS

Accounting Policies

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

Accruals

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

Actuary

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

Actuarial Gains and Losses

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

Agent is where the Council is acting as an intermediary.

Balance Sheet

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

Billing Authority

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

Budget

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

Capital Adjustment Account

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

Capital Charges

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

Capital Expenditure

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

Capital Receipt

The proceeds from the sale of a fixed asset.

Carrying amount

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

Change in Accounting Estimate

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

Collection Fund

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

Community Assets

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

Consistency

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

Contingent

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Support

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

Creditors

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

Current Asset

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

Current Expenditure

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

Current Liability

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

Current Service Cost

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

Curtailments

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

Debtors

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

Deferred Capital Receipts

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

Demand on the Collection Fund

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

Depreciation

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

Earmarked Reserves

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

Employee benefits

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

Events after the reporting period

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

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

Fair Value

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

Fixed Assets

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

Formula Grant

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

Going Concern

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

Greater London Authority

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

Historical Cost

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

Housing Benefit

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

Inventories

Are assets:

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

Investment Property

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

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

Levies

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

Material

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

NNDR - National Non Domestic Rates

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

Net Current Replacement Cost

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

Net Realisable Value

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

Non-Distributable Costs

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

Non-Operational Assets

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

Operational Assets

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

Past Service Cost

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

Pensions Interest Cost

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

Post Balance Sheet Events

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

Post-Employment Benefits

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

Present Value of a Defined Benefit Obligation

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

Provision

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

Prudence

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

Recharges

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

Recoverable Amount

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

Related Parties

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

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

Related Party Transaction

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

Remuneration

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

Reserves

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

Residual Value

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute

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

Revenue Support Grant - RSG

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

Ring-Fenced Grants

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

Sales, Fees and Charges

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

Short-Term Employee Benefits

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

Soft Loans

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

Specific Grants

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

Statutory Revenue Provision

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

Tangible Fixed Assets

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

Tax Base

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

Usable Capital Receipts Reserve

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

Useful Life

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

VAT

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

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