

London Borough of Bromley  
**Annual Report & Statement of Accounts**

2011/12

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

We have a reputation for sound financial management and we continue to seek to drive out waste and to challenge everything we do to be as efficient and effective as possible. In these tough economic times this approach has served us well and despite much reduced Government funding the Council is determined to work with you and our partners to continue Building a Better Bromley. I am therefore pleased to present our Annual Statement of Accounts where we highlight a number of our achievements over the past year and outline some of our plans for the future to keep our borough a place where people choose to live, work and visit. These achievements include:

- A £5 million upgrade of the leisure complex at the Pavilion – opened by Prince Philip as part of our highly successful jubilee celebrations
- Opening a new library in Orpington to provide modern facilities for local people
- Opening a newly built performance hall in Langley Park Boys School
- Working with partners to maximise housing advice and initiatives to help more people to avoid losing their home and to manage debt
- Expanding our food waste collection scheme to include flats thereby increasing recycling
- Cutting £4 million from our staff costs and saving £350k through the shared management of our library service with Bexley
- Keeping our contracts under constant review to get the best value for your money with a further £1.4 million saved this year
- Keeping our Council tax as low as possible so it remains one of the lowest in (outer) London
- Developing two more flagship extra care housing schemes in Penge and Bromley Common
- Conducting a trading standards campaign to protect older and vulnerable adults becoming victims of crime and anti-social behaviour

There is much to be proud of in our borough and we have a responsibility to protect the things that make Bromley quite simply the best place to be. Next year, among other plans, there will be further investment in the economic well being of our borough through schemes to develop Bromley North Village, Orpington and Beckenham as well as the centre of Bromley and we will take every opportunity to work with Government to stimulate growth and employment. We will continue to protect our green and open spaces and to provide quality services for an ageing population, many with increasing levels of complex needs. At the same time we will invest in services that support more people with learning disabilities moving into adulthood and increasing numbers of fostered children and those in residential care with special needs. And we will continue to drive down our costs and to be innovative and bold in how we finance and provide our services. Because, while there is little doubt we continue to face unprecedented financial challenges I remain as determined as ever to continue Building a Better Bromley for us all.

**Cllr Stephen Carr**  
**Leader of Bromley Council**

## **Building a Better Bromley**

Since 2005 the Council has had an agreed framework to improve the life of all those that visit, live, study, or work in the Borough. Called “Building a Better Bromley” this framework has six key aims:

- A Quality Environment;
- Vibrant, Thriving Town Centres;
- Ensuring all Children and Young people have the opportunity to achieve their full potential;
- Supporting Independence;
- Safer Communities; and
- Providing an Excellent Council

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

## **Cleaner, Greener Bromley**

Every day we work in parks and green spaces, and on our streets, to maintain and enhance the environment in which local people live and work. Every day we work across the borough, collecting refuse and recycling, sweeping and maintaining roads to make sure they are clean and safe. We have achieved much by working with residents through our Friends initiatives and there is more we can achieve together.

### **During 2011/12 we have:**

- Improved our recycling rate to 50%, and decreased the amount of residual household waste by 14%
- Granted planning permission for an Anaerobic Digestion plant at Cookham Lane
- Improved our standards of street cleanliness even further, and reduced fly-tipping to less than 2,200 incidents over the past year
- Taken action to help reduce the number of deaths and serious injuries on Bromley’s roads
- Ensured that effective congestion relief measures were put in place around Chislehurst Bridge, and completed the Southborough Lane/Blackbrook Lane improvement scheme
- Secured over £600k of funding to invest in improved dimmable street lamps
- Expanded the Friends of Parks scheme to include 52 fully accredited groups
- Involved over 3,500 residents in more than 170 Snow Friends groups, including five business groups and over 100 volunteers at Langley Park Boys School.

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

- Improve recycling and composting rates, building on the success of Recycling and Composting for All to divert even more waste from landfill
- Introduce a new used textile collection service
- Improve our facilities for producing energy and fertiliser from organic waste
- Sustain our standards of street cleanliness
- Expand our Friends schemes
- Promote responsible dog ownership
- Implement an ‘invest to save’ programme to replace 8000 aged lamp columns
- Continue to take effective action to improve road safety and reduce accidents
- Seek to reduce traffic congestion and improve journey times
- Improve energy efficiency in the borough.

## **A Vibrant, Thriving Borough**

Our aim is that the borough remains a thriving and vibrant place. We will ensure that our town centres are successful and competitive, through a combination of sensitive planning and major private sector investment. We aim to make the London Borough of Bromley a place where people choose to live, work and shop.

**During 2011/12 we have:**

- Continued delivery of the first phase of the Bromley Area Action Plan including supporting our development partner to submit a successful planning application for Site K (Westmoreland Road) and having a concept approved for Site G (Churchill Place)
- Launched new town centre initiatives including a heritage trail in Bromley and purchase of Christmas lights for reuse in future years.
- Completed the development of the Pavilion Leisure Centre including a ten pin bowling alley
- Drafted and consulted on the Penge Master Plan (Renewal Strategy)
- Initiated consultation on a Business Improvement District for Orpington
- Undertaken detailed design work and consultation on improvements to Bromley North Village
- Submitted a bid to the Heritage Lottery Fund to secure funding for the restoration and development of The Priory and museum service
- Maintained the current library service provision and achieved efficiencies through a shared service with the London Borough of Bexley
- Created the Crystal Palace Park Management Board to deliver small infrastructure improvements to the park and investigate options that will ensure the park's future
- Increased participation in and access to high quality adult education services for adults in community locations across the borough and attracted external funding to support the delivery of skills and training opportunities for those who live or work in the borough
- Undertaken alteration works to the Civic Centre site to make more efficient use of space, improve accessibility and lower energy consumption.

**During 2012/13 we will:**

- Continue delivery of the first phase of the Bromley Area Action Plan and support an application to be submitted in respect of Site C (the old Town Halls).
- Deliver an Invest Bromley workshop to promote office accommodation in Bromley and highlight Bromley as a business location.
- Deliver a royal visit and major town centre event to celebrate the Queen's Diamond Jubilee
- Deliver an inward investment/incentive plan to encourage investment in Bromley North Village
- Deliver £6.5m public realm improvements to Bromley town centre
- Develop a Business Improvement District to a successful ballot stage in Orpington and begin initial consultation with businesses in Bromley and Beckenham
- Consult with stakeholders in Orpington regarding the submission of a planning application for the redevelopment of areas around The Walnuts Shopping Centre
- Plan and consult on public realm improvements for Beckenham town centre and deliver a series of environmental and business improvements in the town
- Deliver a town centre management programme in partnership with businesses
- Deliver a programme of improvements to secondary shopping parades across the borough
- Draft the Bromley Local Plan and the undertake consultation on the 'Options and Preferred Strategy' document as part of the next stage of the completion of the Bromley Local Development Framework
- Deliver a new Bromley Town Centre Festival event to promote arts, sports, and heritage with funding from the Mayor's Outer London Fund
- Support communities, voluntary clubs and individuals in developing and planning sports and physical activities and initiatives
- Develop proposals for a new gymnastics centre and library at the Bromley Valley Gymnastics /Cotmandene sites
- Complete the procurement process for the development of a multisport hub site at Norman Park
- Accommodate and promote the Olympic torch relay for the London 2012
- Further develop the parks, leisure and sports offer at Crystal Palace Park in line with the Crystal Palace Masterplan
- Develop plans for the provision of a new library to serve the Penge/Anerley area
- Explore and develop options for the delivery of a wider range of Council services through libraries and for further opportunities for shared services within the library service
- Maintain a high quality adult education service which offers a wide range of accessible courses to meet local people's needs

- Provide opportunities for unemployed adults to improve their employment prospects
- Pursue funding opportunities with partners to increase the range of adult learning opportunities delivered in areas of need in the borough
- Maximise income from the Council's property investment portfolio
- Complete a review of the Council's operational property assets (250 properties) to identify efficiencies and savings
- Supply good quality affordable housing that best meets local statutory and priority housing needs
- Protect and enhance an environment and services that promote health and allow people to lead healthy lifestyles.

### **Children Matter**

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

#### **During 2011/2012 we have:**

- Developed and implemented a Multi-Agency Support Hub (MASH) within the Referral and Assessment Service to manage contacts and referrals from the police from July 2011
- Introduced a Youth offending triage system to divert first time entrants out of the criminal justice system
- Opened the Hawes Down Centre for young children with disabilities in November 2011 to provide services jointly with Hawes Down Junior School and Bromley Healthcare
- Implemented the joint Pathfinder Bid together with the London Borough of Bexley, Bromley Healthcare and a range of other partners (including Parent Voice) for the Special Educational Needs and Disability (SEND) Green Paper
- Supported 29 of Bromley's 95 schools as they converted to Academy status
- Provided an additional 150 temporary reception class places across five primary phase schools (including one academy) in the borough to take effect from September 2011, and secured an additional 270 temporary reception places across nine primary phase schools (including one academy) to be available in September 2012
- Supported schools to ensure that attainment in the primary phase continues to be higher at Key Stage 1 and Key Stage 2 than the national averages, and continued to narrow the gap at Key Stage 2 between those pupils eligible for Free School Meals (FSM) and those who are not
- Introduced the Bromley Youth Support Programme to provide a targeted youth support for young people identified to be at risk of non participation in learning and employment
- Secured a grant of £218,713 from the Children's Workforce Development Council to develop a Step Up to Social Work Partnership on behalf of London Boroughs of Bromley, Lewisham and Bexley and Goldsmiths College

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

- Redefine the local framework for school improvement - including teaching schools
- Improve educational attainment in early years settings and schools
- Increase and enhance in-borough provision for children with disabilities and special educational needs, particularly residential placements for children with autism
- Support all young people in the transition from education to employment, further/higher education or training, particularly the most vulnerable
- Intervene early through integrated support to tackle challenging behaviour issues in early years settings and in schools
- Ensure that vulnerable children and families are identified and supported at the earliest possible stage
- Sustain and develop a stable and high quality children's social care workforce to safeguard children at risk
- Increase the number of in-borough family placements for children with more complex needs and disabilities
- Increase the timeliness and number of children being adopted
- Strengthen the support provided to young carers

## **Supporting Independence**

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

### **During 2011/2012 we have:**

- Launched the adult social care services website called MyLife in October 2011 to enable people to access up to date on-line information and advice on services and support options
- Informed 75% of people of their entitlement to care services in 10 working days to ensure that they are kept informed and that services were put in place in a timely manner
- Supported 79% of eligible services users to have a personal budget
- Provided a further 110 Extra Care Housing places from the summer of 2012 to provide integrated care and support services for people with a physical/learning disability and those with varying levels of dementia
- Officially launched the Experts by Experience user led organisation in December 2011 as part of our Quality Assurance Services framework
- Involved the Expert By Experience Group in the development of a Personal Assistant Accreditation Scheme and the Older People's Partnership Group in the development of the tender specification for future Domiciliary Care framework
- Issued the specification for the new domiciliary care contracts out to tender
- Held 94% of safeguarding strategy meetings within five days of alert against a target of 90%

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

- Provide more locally relevant information and advice about care and support needs to enable choice and control
- Have a diverse market in care and support services to offer choice and control to service users and their carers
- Utilise NHS funds to improve social care outcomes for older people and those with physical disabilities
- Provide more health opportunities for those with diminished health to access healthy lifestyles
- Continue to support service users to stay independent for as long as possible
- Focus on preventing homelessness by working in partnership to maximise and make best use of the supply and use of affordable housing
- Better identify and support carers living in Bromley
- Provide carers of people with dementia access to a comprehensive range of respite/short break services that meet both their needs
- Continue to ensure that the workforce has the capacity, skills and expertise in safeguarding to deliver modernised services

## **Safer Bromley**

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

### **During 2011/2012 we have:**

- Launched a joint operation focussing on low level Acceptable Behaviour Contracts (ABC's) to prevent the escalation of anti-social behaviour
- Convened a new Integrated Offender Management Strategic Board to direct and oversee offender management in the borough
- Created new multi-agency 'matrix' to better manage anti-social behaviour and police referral information
- Offered all individuals with Anti-social Behaviour Contracts the opportunity to participate in our mentoring scheme
- Prevented vulnerable customers in the borough from paying over £300,000 to rogue and bogus traders

- Continued to take robust action against rogue traders, resulting in the high profile conviction of a money launderer responsible for laundering £290,000 on behalf of a gang of rogue traders targeting older consumers and two local rogue traders convicted under the Fraud Act.
- Continued to provide support to those affected by domestic abuse through the Sanctuary Scheme and The Bromley Freedom Project
- Delivered a programme of enforcement visits to ensure compliant business regulation and where required, seized illegal, counterfeit and illegal goods

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

- Investigate, disrupt and take formal action in partnership with the police and other agencies against revellers gaining unauthorised access and holding unauthorised events in vacant buildings in the borough.
- Investigate, disrupt and take formal action against those persons involved in both the carriage of and the illegal disposal of controlled waste whilst offering advice and assistance to landowners targeted by fly tipping to prevent further incidents.
- Carry out a range of preventative and enforcement activity against traders who cause the most harm to Bromley's residents and businesses, particularly those traders who target vulnerable consumers.
- Tackle the sale of age restricted products, particularly alcohol and tobacco; protect vulnerable consumers from scams and bogus callers; ensure goods in the market place are safe and genuine.
- Enforce licensing conditions and investigate complaints relating to unlicensed activity.
- Continue to deliver a programme of mentoring for young people identified as at risk of criminal or anti-social behaviour
- Continue to provide training and risk assessment training for professionals who identify issues of domestic abuse in their work with clients.
- Work with our partners to reduce crimes against the person and crimes against property
- Reduce levels of anti-social behaviour and disturbance caused within communities.

In addition to the above information about our achievements and plans for the future in these five key areas that make up our Building a Better Bromley priorities we also aim to be an Excellent Council. This means scrutinising everything we do and how we do it to ensure we are as efficient, economic and effective as possible and providing high performing, value for money and customer focussed service.

A major element of delivering an Excellent Council must be to ensure we maximise the use of our resources, finance, people and assets.

We have a number of plans and documents designed to help us do this:

- Building a Better Bromley Priorities – Summary A3 poster
- Resources Portfolio Plan
- Financial Strategy to 2010/11 – 2013/14
- Financial Control Budget 2012/13
- Asset Management Plan
- Customer Access Strategy
- Customer Service Charter
- Equality Scheme
- Complaints, Comments and Suggestions policies
- Human Resources Strategy
- Corporate Operating Principles

2012/13 will also see the transition towards a new public health system with certain public health responsibilities being transferred to local government for the health and well being of local people under the Health and Social Care Act 2012.

## **DEVELOPMENT CONTROL COMMITTEE**

During the year, the Committee progressed a number of major proposals including a large mixed use development at Bromley South comprising a cinema, 200 flats, a hotel, retail units, restaurants and a drinking establishment. In Beckenham, a significant indoor cricket and multi function sports/leisure facility and conference centre were permitted at Kent County Cricket Ground, together with an enabling development of 48 houses.

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

- Dealing with over 4000 planning applications
- Investigating over 800 alleged breaches of planning control and serving 120 enforcement notices.
- Making 80 new tree preservation orders bringing the borough total to over 2487
- Handling almost 300 appeals against refusals of planning applications and enforcement notices
- Serving over 900 enforcement notices in respect of breaches of planning control
- Encouraging good design through the Advisory Panel for Conservation Areas (which met on 12 occasions during the year and advised on over 250 applications in conservation areas)
- Adopting the Bromley Town Centre Area Action Plan and defending a Statutory Challenge to Policy OSA Bromley North Station
- Prepared and consulted on a Renewal Strategy for Penge Town Centre.
- Prepared and undertook public consultation on the Core Strategy Issues Document in the summer, and subsequently analysis and consideration of the responses.
- Progression of the evidence base and preparatory work for the Core Strategy, or Local Plan in line with the National Planning Policy Framework which came out at the end of the year (27<sup>th</sup> March 2012)
- Responded to the Mayor's CIL proposals including objecting to the level of charge proposed for Bromley with representation at the Examination in Public, and preparation for the Council's role as collecting authority for the Mayor Community Infrastructure Levy, and also minor alterations to the London Plan (July 2011)
- Responded to the various Government consultations in relation to the draft National Planning Policy Framework, Community Infrastructure and Neighbourhood Planning Regulations.

The Committee has progressed the development of the Local Development Framework in particular the Core Strategy and considered and responded to Government proposed planning reforms, and have considered responses to Government's and London wide planning policy and related matters.

## **COUNCIL MEETINGS**

Over 200 meetings were held during 2011/12, most of which were open to the public and media. The full Council met on 5 occasions (including the annual meeting.)

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

### Public speaking

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

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

### Contacting your Councillor

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

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

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

## **GETTING IT RIGHT**

We want to provide good quality, value for money services in a helpful and efficient way, but sometimes things can go wrong. If they do, we aim to put mistakes right quickly and learn from them. We welcome complaints and suggestions on how we can improve our service, and also compliments on a job well done.

We value all the people who live and work in Bromley. We aim to provide our services fairly to all members of the community. If we receive a complaint about equal opportunities or discrimination, we will look into it. We will not treat anyone unfairly because they have made a complaint about us.

We want it to be as easy as possible for people to give us their comments and help is available from staff, voluntary agencies, or local councillors. Names, addresses and telephone numbers of councillors are available on [www.bromley.gov.uk](http://www.bromley.gov.uk), at any Council enquiry point or library or by calling 020 8464 3333. We welcome comments, complaints and suggestions made through any means including: the on-line form found on our website, letter, email, telephone or in person.

Complaints are usually investigated by the manager responsible for providing the service. They will try to sort out any problem as quickly as possible – mistakes and misunderstandings can often be sorted out on the spot. We aim to respond to complaints within five working days, but if the issue is very complicated we may need longer and will aim to reply within twenty working days.

If the complaint is not resolved at this stage, it can be escalated to the Chief Officer of the department who will either investigate the complaint or will nominate a senior officer to carry out the investigation. If the complaint is still not settled after the second response, the Chief Executive can be asked to review the case.

We are keen to put things right, but if a complainant is dissatisfied with our responses and feels they may have suffered injustice as a result of maladministration by the Council, they can contact the Local Government Ombudsman's Advice Team as follows:

Tel. 0300 061 0614 or 0845 602 1983

Text 'call back' to 0762 480 4299

Email [advice@lgo.org.uk](mailto:advice@lgo.org.uk)

Fax 024 7682 0001

Address: The Local Government Ombudsman

PO Box 4771

Coventry CV4 0EH

Website: [www.lgo.org.uk](http://www.lgo.org.uk)

We produce a Getting it Right annual report which provides information and statistics about the feedback we have received. This is available on our website or by calling 020 8464 3333.

## ENVIRONMENTAL REPORT

### Background

This section summarises selected Council environmental and financial data and follows publication of the Council's first sustainability report in the 2010/11 Annual Report and Statement of Accounts ([ppXIII – XV](#)).

In December 2011, HM Treasury (HMT) published its new sustainability reporting guidance [Public Sector Annual Reports: Sustainability Reporting](#). This guidance sets out the minimum sustainability reporting requirements for central government bodies. Although local government is currently not obliged to produce such reports, the formalisation of the process for central government departments and agencies makes it increasingly likely that this will become a local authority requirement.

The Treasury's guidance states that Annual Reports must contain a discrete section on sustainability performance including a:

- commentary covering performance, along with an overview of forward plans; and
- comparison of financial and non-financial information covering the organisations' emissions, waste and finite resource consumption.

The Carbon Reduction Commitment (CRC) Energy Efficiency Scheme further reinforces the need to align financial and environmental data, as the Council is required to report annually on revenue expenditure and carbon emissions and, from 2011/12, to purchase carbon allowances to cover its relevant CRC emissions.

### Summary of Performance

Although the Council has many programmes and projects which contribute to improving its environmental performance, the key programme designed to reduce environmental impacts and costs is the Carbon Management Programme (CMP). The CMP aspires to reduce Council (including schools and Mytime) emissions by 25% over five years (by end of 2012/13). The 2011/12 CMP data shows that there was a decrease in emissions (against the 2006/07 base line) of 17.1% - 6,478t carbon dioxide equivalent (CO<sub>2</sub>e).

Although total emissions provides an indication of performance, a better measure is to equate emissions to another factor, such as Net Portfolio Expenditure. Using this measure, in 2010/11, for every million pounds of net portfolio expenditure, the Council produced 134t CO<sub>2</sub>e: the figure for 2011/12 was 135t CO<sub>2</sub>e.

Future cost pressures, together with the financial impact of the CRC scheme, means there will be a continuing imperative further to reduce the environmental impacts and costs associated with the Council's operations.

The table below summarises performance, for the past two financial years, for a range of indicators relating to the Council's environmental impacts and associated costs. Greenhouse gas emissions have fallen by 1,621t CO<sub>2</sub>e (5.7%) compared with 2010/11. This is mainly due to a decrease in gas consumption relating to energy efficiency measures and a mild winter compared with 2010/11: this in turn led to a fall in energy expenditure.

### Performance Summary

Impacts		2010/11	2011/12
Greenhouse Gas Emissions*	(tCO <sub>2</sub> e)	28,633	27,012
Electricity Consumption (buildings)	(MWh)	21,288	22,809
Electricity Consumption (street lighting)	(MWh)	13,417	13,252
Gas Consumption (buildings)	(MWh)	53,124	42,444
Total Energy Expenditure (electricity & gas in buildings, street lighting, transport fuel & heating oil) <sup>†</sup>	(£,000)	2,616	2,483
Civic Centre Waste Disposal (landfill/incineration)	(tonnes)	98	98
Civic Centre Waste Expenditure (landfill/incineration costs)	(£)	8,443	9,083
Civic Centre Water Consumption	(m <sup>3</sup> )	n/a	15,862
Civic Centre Water Expenditure	(£)	n/a	44,988

\* Bromley Mytime's emissions are included in the CMP but excluded from this Environmental Report

<sup>†</sup> Excluding schools' and Bromley Mytime's energy costs (as they pay their own energy costs)

## Sustainability Report

The following sections show non-financial and financial progress since 2008/09, including information on: Greenhouse gas emissions; waste arisings (Civic Centre only); and finite resource consumption (water use at Civic Centre). For the first time, information on biodiversity, procurement and governance is also included, illustrating the broader linkages between Council spending and environmental impacts.

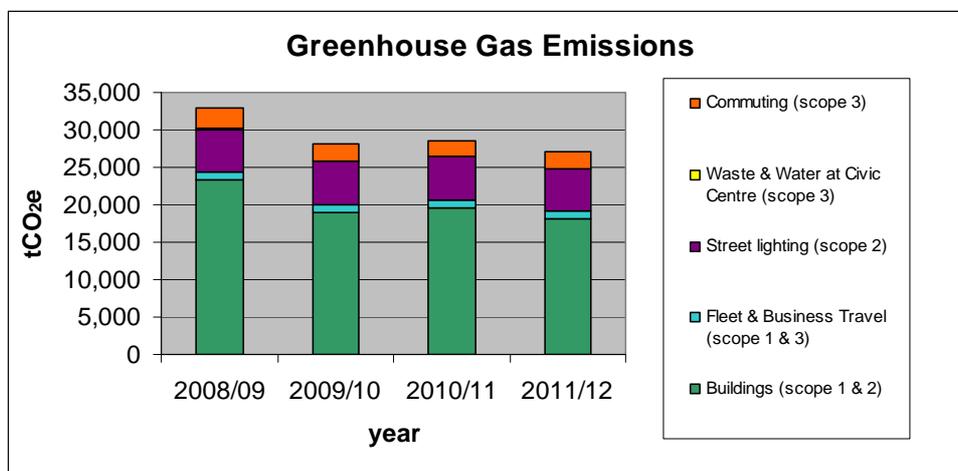
### Greenhouse Gas Emissions

Greenhouse gas (GHG) emissions are described for reporting<sup>1</sup> purposes as:

- Scope 1 ('direct emissions'): e.g. from oil/gas-fired boilers and fuel used in Council vehicles
- Scope 2 ('indirect emissions'): e.g. from the consumption of electricity generated at a power station
- Scope 3 ('other indirect emissions'): e.g. from business travel, commuting, waste and water

Greenhouse Gas Emissions		2008/09	2009/10	2010/11	2011/12
<b>Non-financial indicator (tCO<sub>2</sub>e)</b>	Buildings (exc. Mytime) (Scope 1 & 2)	23,366	18,913	19,636	18,157
	Fleet & Business Travel (Scope 1 & 3)	971	1,042	991	917
	Street Lighting (Scope 2)	5,729	5,841	5,769	5,699
	Civic Centre Water & Waste (Scope 3)	56	56	48	50
	Commuting (Scope 3)	2,822	2,189	2,189	2,189
	<b>Total GHG Emissions (Scope 1, 2 &amp; 3)</b>	<b>32,944</b>	<b>28,041</b>	<b>28,633</b>	<b>27,012</b>
<b>Energy consumption (MWh)</b>	Electricity (including Street Lighting)	36,442	34,285	34,705	36,061
	Gas	62,293	51,791	53,124	42,444
	Heating Oil	6,761	1,530	2,420	1,769
<b>Financial indicator (£,000)</b>	Energy Expenditure (excluding schools)	2,656	2,533	2,616	2,483
	CRC Expenditure (excluding schools)	0	0	0	85
	Business Travel Expenditure	1,061	1,047	1,033	944

### Graphical Representation



### Performance Commentary

There has been a fall in greenhouse gas emissions of 5,932t (18%) since 2008/09 and a reduction of 1,621t (5.7%) since 2010/11 and this is reflected in the Council's energy expenditure.

### Controllable Impacts Commentary

The Council's main impacts are from its electricity and fuel use and this is controlled through a range of activities including the Carbon Management Plan, the SALIX invest-to-save programme, Property's Planned Maintenance Programme and the CRC Programme (which lead to much improved data management).

### Overview Of Influenced Impacts

The Council does not control energy-use in schools, though it can seek to influence this in Maintained Schools. The Council can also seek to influence suppliers through its Sustainable Procurement Policy.

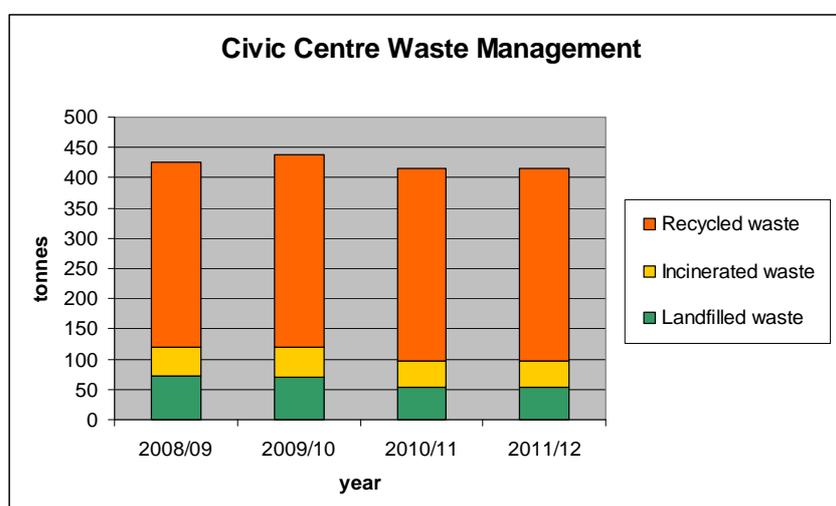
<sup>1</sup> [Guidance on how to measure and report your greenhouse gas emissions](#)

## Waste Arisings & Finite Resource (Water) Consumption

This section deals with waste arisings and finite resource consumption (water use) at the Civic Centre. Clearly the Council generates waste and uses water at most of its sites but the most significant volumes and best data relates to the Civic Centre. There is an argument that the waste data should also include arisings for the borough as a whole, given there is a clear link between what the Council spends on Waste Services and environmental impacts relating to disposal options, and this may be addressed in future reports.

WASTE (Civic Centre Only)		2008/09	2009/10	2010/11	2011/12
<b>Non-financial indicator (t)</b>	Total waste collected	426	437	415	415
	Total residual waste	120	120	98	98
	Residual waste to landfill	72	70.8	53.9	46.06
	Residual waste to incineration	48	49.2	44.1	51.94
	Waste recycled	306	317	317	317
<b>Financial Indicator (£)</b>	Cost of waste to landfill	£5,688	£6,420	£5,444	£5,238
	Cost of waste to incineration	£3,036	£3,198	£2,999	£3,845
	Total disposal cost	£8,724	£9,618	£8,443	£9,083

### Graphical Representation



### Performance Commentary

Total and residual (non-recycled) waste arisings have fallen since 2008/09. There has been little change over the past year, though more residual waste has been sent for incineration and less has been landfilled.

### Controllable Impacts Commentary

The Council's main waste impacts relate to how the various waste streams are treated. 76% of Civic Centre waste (e.g. paper and card) is recycled and action has been taken to ensure that non-recyclable waste is increasingly incinerated rather than landfilled.

### Overview of Influenced Impacts

The Council seeks to influence both the amount of waste which is produced and the quantity which is recycled through the Environmental Champions' Network. Waste & Recycling is one of the five key themes and Champions encourage their colleagues to reduce waste (e.g. through reuse) and to recycle any unavoidable waste. In 2011/12 action was taken to ensure that unwanted office furniture from the redevelopment of North Block was recycled or reused.

### Finite Resource Consumption: Water (Civic Centre Only)

2011/12 is the first year for which water consumption has been reported: 15,862m<sup>3</sup>, costing £44,988.

### Performance Commentary

The Council has taken action to reduce loss through leakage and installed measures to improve water efficiency. It also seeks to influence water use through its Environmental Champions' Network.

## **Climate Change Adaptation**

Our changing climate means that the Council needs to ensure its service provision is sufficiently robust to cope with increasingly severe weather events such as heat waves, droughts, floods and snow. Such policy and service responses include planning policy, building control, emergency planning and highways and greenspace management. More generally, the Council needs to ensure that the borough as a whole (environment, residents and local economy) is as resilient as possible to avoid unnecessary revenue spend on reacting to issues which could have been prevented.

## **Biodiversity and Natural Environment**

‘A Quality Environment’ is one of the six Building a Better Bromley priorities and, naturally, there is also a service focus on conserving Bromley’s green spaces. Council expenditure directly affects biodiversity through the management of the Civic Centre estate (Bromley Palace Park has been awarded Green Flag status for a second year reflecting on-going conservation efforts) and the management of some 150 parks and open spaces across Bromley – including six local nature reserves and the Environmental Education Centre at High Elms.

In less direct terms, the Council has oversight of the borough’s natural environment, as set out in Bromley’s Biodiversity Action Plan (Bromley was the first London borough to have such an action plan). In terms of species management, more than 100k records have been logged to date. In habitat management terms, some 90 Sites of Importance for Nature Conservation have been designated in the Local Plan (the majority of which have active conservation management plans) and Bromley also has London’s only Area of Outstanding Natural Beauty (Kent Downs AONB).

## **Sustainable Procurement**

Sustainable Procurement concerns ensuring the Council meets its needs for services, works and supplies in a way which achieves value-for-money on a ‘whole life cost’ basis – generating benefits for the organisation, residents and local economy while minimising environmental damage.

The Council spends around £180 million each year with some 3,000 suppliers and each transaction has some form of associated environmental impact. To measure this, a carbon footprint report (divided by spend category) has been produced relating environmental impacts to this spend.

In addition Bromley’s Procurement Strategy includes a sustainable procurement policy, and whole-life-costing is incorporated into the Council’s contract procedure rules. Sustainability benefits are also considered at the planning stage in Gateway Reviews, and at pre-qualification and tender stages when letting contracts.

## **Governance**

Bromley’s environmental objectives are governed, in general terms, by Departmental Business Plans and Portfolio Plans, which support the Council’s ‘Quality Environment’ and ‘Excellent Council’ aims.

At a programme level, senior officers attend Programme Boards to monitor progress e.g. in relation to the Carbon Management Programme (CMP) and Carbon Reduction Commitment (CRC). Consideration is being given to consolidating governance arrangements for the various carbon and sustainability programmes to reduce the number of meetings and improve information sharing and effectiveness.

In addition, Members annually scrutinise detailed CRC and CMP reports at Executive meetings and the SALIX programme is scrutinised by the Improvement & Efficiency Committee. Environment PDS Members also receive an Environment Development Annual review, which sets out progress made on environmental issues (both at the Council and across the borough) during the year.

## APPROVAL OF THE STATEMENT OF ACCOUNTS

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I hereby confirm that the Statement of Accounts for the year ending 31st March 2012, as signed by the Finance Director on the 26th September 2012, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 26th September 2012.

A handwritten signature in black ink that reads "Tony Owen". The signature is written in a cursive style and is positioned between two horizontal lines that serve as a signature line.

Councillor Tony Owen  
Chairman of the General Purposes and Licensing Committee  
26th September 2012

# FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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## *Introduction*

I am pleased to introduce the Council's Statement of Accounts for 2011/12. This statement summarises the financial performance of the Council during 2011/12 showing expenditure on all services during the year and the financial position at 31<sup>st</sup> March 2012.

## *Background*

The Council's Accounts are prepared in accordance with Statute, the Accounts and Audit (England) Regulations 2011 and the IFRS based Code of Practice on Local Authority Accounting, which is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and overseen by the Financial Reporting Advisory Board (FRAB), the independent body that advises the Government on accounting issues.

This is a detailed and complex document, so to help your understanding the main statements are described below. These are grouped together in the pages that follow and then supported by a set of explanatory notes.

## *Financial Statements*

The main statements in this document are:

Statement of Responsibilities for the Statement of Accounts – sets out the different responsibilities of the Council and the Finance Director.

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

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

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

Cash Flow Statement - summarises the total movement on the Council's cash and cash equivalents resulting from transactions with external organisations.

Statement of Accounting Policies - explains the basis on which the figures in the accounts have been prepared.

The Collection Fund - shows the collection and use of monies from Council Tax and National Non Domestic Rates.

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

## FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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Pension Fund – shows the income and expenditure of the whole of the Pension fund (including other employers) in relation to current employees and pensioners, investment transactions and the position of the Fund at year end. To comply with International Accounting Standard 19 (IAS19): Retirement Benefits, the actuarially calculated Pension Fund deficit relating to London Borough of Bromley staff is disclosed on the face of the Council's balance sheet as a net liability and reserve.

### *Financial Performance*

The financial performance for the year is summarised in the table below:

	Budget £m	Actual £m	Variation £m
Net expenditure on Bromley's Services	203.741	200.962	(2.779)
Funded by:			
Grant and Council Tax	(202.790)	(202.790)	-
Carry Forwards from 2010/11	(0.951)	-	0.951
Increase in General Reserves	-	(1.828)	(1.828)

### *Revenue Summary*

The 2011/12 outturn shows an overall net improvement in balances of £2.8m which represents a variation of 1.4% compared with the final approved budget of £203.7 million. This consists of net underspends of (£2.2m) on services and central items, requested carry forwards into 2012/13 of (£1.6m), prior year adjustments of (£1.2m) and the setting aside of earmarked reserves of £2.2m. The overall net improvement in balances of £2.8m is partly offset by a sum of £0.95m for carry forwards funded from unspent budget provision in 2010/11.

Earmarked Reserves increased by £9.4m (excluding balances held by schools and the insurance fund) mainly as a result of new reserves of £5m for 'Health and Social Care', £2.6m for 'One off Member Initiatives', £1.2m for 'Interest Rate Risk' and £1m for 'New Homes Bonus'. These increases were offset by expenditure funded from the Town Centre Improvement Fund and the LPSA/LAA Investment Fund and funding for General Member Priorities. In addition, on 7<sup>th</sup> September 2011, the Executive agreed to recommend that Council approve the creation of a Regeneration/Investment Fund (£10m) and an Invest to Save Fund (£14m). This was approved at Council on 24<sup>th</sup> October 2011.

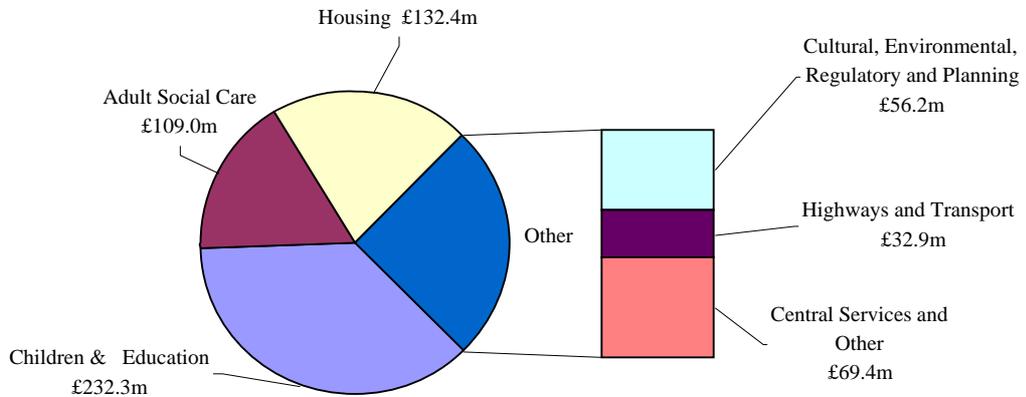
The final movement on General Fund Balances was an increase of £1.8m compared with the 2011/12 final approved budget assumptions.

Further details of the variations in 2011/12 were reported to the Council's Executive on the 20<sup>th</sup> June 2012 and are available through <http://sharepoint.bromley.gov.uk/default.aspx>. The overall pattern of the Council's total income and expenditure is summarised in the graphs on page 4.

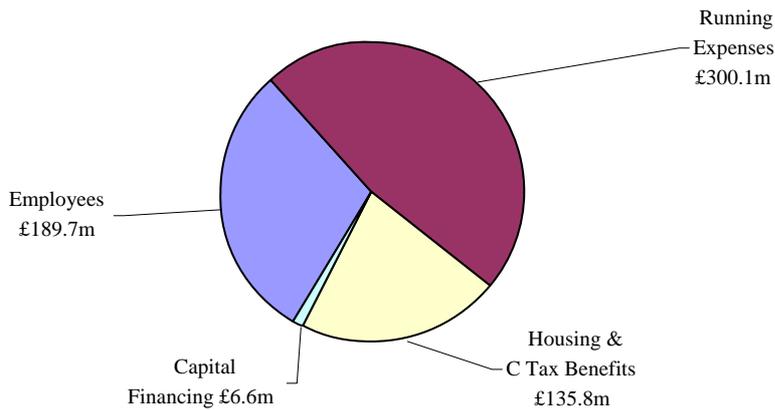
# FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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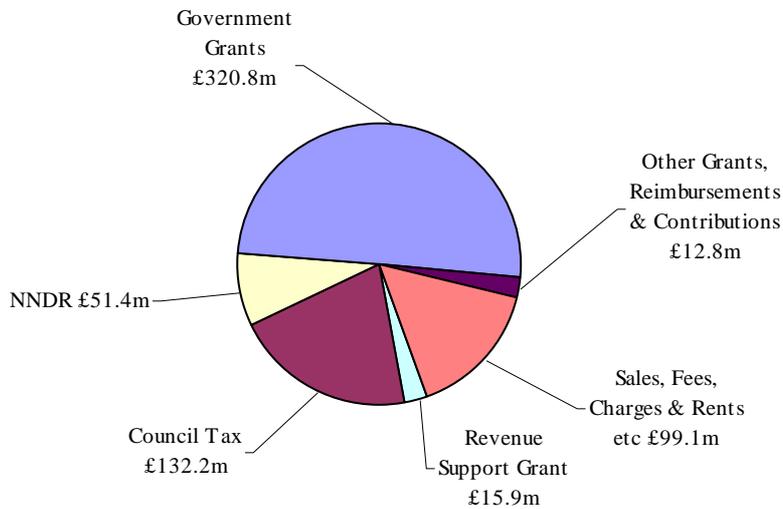
## Services Provided - £632.2m



## Gross Expenditure - £632.2m



## Gross Income £632.2m



# FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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## ***Capital Summary***

Capital expenditure totalled £48.8m (including new vehicles and plant recognised as finance leases) compared with the final approved estimate of £54.6m, the difference being mainly due to slippage of expenditure into 2012/13. Capital expenditure was fully financed from Government grants and other external contributions, revenue contributions and capital receipts, without recourse to general reserves. Further details of capital financing are shown in the notes to the accounts (note 41).

The Council generated new capital receipts of £0.8m in 2011/12 and, during the year, £4.7m of receipts were applied to finance capital expenditure.

Further information can be found in the Capital Programme Outturn report to the Executive on 20th June 2012 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

## ***Investments***

At the year end, the Council held significant investments totalling £174.9m (principal sum). These investments generated net income (£3.2m in 2011/12 compared to £2.9m in 2010/11) to support the revenue budget. A further £0.7m was credited to interest on balances as a result of an improvement in the final anticipated return of monies invested in the Heritable Bank, which went into administration in 2008. The total surplus on interest on balances of £1.2m (total outturn of £3.9m against a budget of £2.7m) has been used to create a new earmarked reserve (Interest Rate Risk Reserve) to partly mitigate the risk against future reductions in investment income in these increasingly difficult economic times. The investments represent the Council's general and earmarked reserves, provisions and net working capital.

## ***Pension Fund***

During 2011/12, the net assets of the Pension Fund increased by £12.2m (2.5%).

The underlying assets and liabilities of the Fund for retirement benefits earned by Bromley employees past and present are recognised on the Council's Balance Sheet as a net liability (see note 46). 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 the next 12 years.

## ***Significant Provisions, Contingencies and Material Write Offs***

The annual revaluations carried out in respect of the Council's long-term Property, Plant & Equipment, Investment Properties and current Held for Sale assets identified impairment losses of £19.9m and the balance sheet has been reduced accordingly. There were no material revenue or capital write offs during 2011/12.

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

There were no material events after the reporting date and up to the date the accounts were authorised for issue.

## ***Impact of the Current Economic Climate on the Council***

The UK economy is experiencing a double-dip recession which is having a negative impact on the Council's finances. There have been increasing demands on various services to reflect the current economic climate which includes, for example, requests for housing, increased applications for council tax and housing benefits as well as additional demands on various other services. The current economic climate will also have a negative impact on the Council's income levels.

## FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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Interest rates for money market investments have not recovered from the financial crisis in 2008 and recent downgrading of European and UK banks created greater uncertainty about the wider stability of the banking system which will reduce interest earnings for the Council with the need to use secure investments.

The Government have indicated that funding from central Government will continue to be reduced up to 2016/17 and beyond. There remains the need to take action, particularly during this period of austerity, to address the medium term financial position of the Council. Such measures, to ensure sustainable finances, are reported to the Executive during the year as part of the update on the Council's financial strategy.

**Peter Turner**  
**Finance Director**

### ***Further Information***

Further Information about the accounts is available from:

Chief Accountant  
Technical and Control  
Resources Department  
Bromley Council  
Civic Centre  
Stockwell Close  
Bromley, BR1 3UH

Members of the public also have a statutory right to inspect the accounts each year before the audit is completed. The date and times of these inspections are advertised in the local press.

# AUDITORS' REPORT

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## **Independent auditors' report to the Members of the London Borough of Bromley**

We have audited the statement of accounts of the London Borough of Bromley for the year ended 31 March 2012 which comprises the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Collection Fund, and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12.

### ***Respective responsibilities of the Finance Director and auditors***

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the Finance Director is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### ***Scope of the audit of the statement of accounts***

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is 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 Authority; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword and the Annual Report to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### ***Opinion on statement of accounts***

In our opinion the statement of accounts:

- gives a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice 2011/12, of the state of the Authority's affairs as at 31 March 2012 and of the Authority's income and expenditure and cash flows for the year then ended; and
- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12.

# AUDITORS' REPORT

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## *Opinion on other matters*

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

## *Matters on which we are required to report by exception*

We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.



Janet Dawson  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed Auditors  
London

27 September 2012

# AUDITORS' REPORT

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## *Opinion on the pension fund accounts*

We have audited the pension fund accounting statements for the year ended 31 March 2012 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## *Respective responsibilities of the Finance Director and auditors*

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13, the Finance Director is responsible for the preparation of the pension fund accounting statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the London Borough of Bromley's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## *Scope of the audit of the pension fund accounts*

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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## *Opinion on the pension fund accounting statements*

In our opinion the pension fund's accounting statements:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, of the financial transactions of the Pension Fund during the year ended 31 March 2012, and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

# AUDITORS' REPORT

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## *Opinion on other matters*

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.



Janet Dawson  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed auditors  
London  
27 September 2012

# AUDITORS' REPORT

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

### *Authority's responsibilities*

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

### *Auditors' responsibilities*

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### *Conclusion*

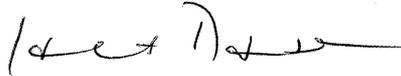
On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, the London Borough of Bromley has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

# AUDITORS' REPORT

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## *Certificate*

The audit cannot be concluded and an audit certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission because we have not yet signed our opinion on the Annual Report of the Pension Fund. We are satisfied that this work does not have a material effect on the financial statements.



Janet Dawson  
For and on behalf of PricewaterhouseCoopers  
LLP Appointed auditors  
London  
27 September 2012

The maintenance and integrity of the London Borough of Bromley's website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

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

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## *The Authority's Responsibilities*

The Authority is required:

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

## *The Finance Director's Responsibilities*

The Finance Director 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 Finance Director has:

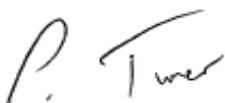
- \* selected suitable accounting policies and then applied them consistently;
- \* made judgments and estimates that were reasonable and prudent; and
- \* complied with the local authority Code.

The Finance Director has also:

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

## *Finance Director*

I certify that the accounts set out on pages 14 to 103 give a true and fair view of the financial position of the Authority as at 31st March 2012 and of its income and expenditure for the year ended 31st March 2012.



Peter Turner  
Finance Director  
26th September 2012

## MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Notes
<b>Balance at 1 April 2010</b>	<b>51,855</b>	<b>34,022</b>	<b>13,236</b>	<b>15,877</b>	<b>114,990</b>	<b>688,891</b>	<b>803,881</b>	
<b>Movement in Reserves during 2010/11</b>								
Surplus on the provision of services	59,446	-	-	-	<b>59,446</b>	-	<b>59,446</b>	
Other Comprehensive Income and Expenditure	-	-	-	-	-	30,295	<b>30,295</b>	
<b>Total Comprehensive Income and Expenditure</b>	<b>59,446</b>	-	-	-	<b>59,446</b>	<b>30,295</b>	<b>89,741</b>	
Adjustments between accounting basis & funding basis under regulations	(66,517)	-	4,707	13,568	<b>(48,242)</b>	48,242	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(7,071)</b>	-	<b>4,707</b>	<b>13,568</b>	<b>11,204</b>	<b>78,537</b>	<b>89,741</b>	
Transfers to / from Earmarked Reserves	8,997	(8,997)	-	-	-	-	-	8
<b>Increase / (Decrease) in 2010/11</b>	<b>1,926</b>	<b>(8,997)</b>	<b>4,707</b>	<b>13,568</b>	<b>11,204</b>	<b>78,537</b>	<b>89,741</b>	
<b>Balance at 31 March 2011</b>	<b>53,781</b>	<b>25,025</b>	<b>17,943</b>	<b>29,445</b>	<b>126,194</b>	<b>767,428</b>	<b>893,622</b>	

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Notes
<b>Balance at 31 March 2011</b>	<b>53,781</b>	<b>25,025</b>	<b>17,943</b>	<b>29,445</b>	<b>126,194</b>	<b>767,428</b>	<b>893,622</b>	
<b>Movement in Reserves during 2011/12</b>								
Deficit on the provision of services	(99,826)	-	-	-	(99,826)	-	(99,826)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	(77,835)	(77,835)	
<b>Total Comprehensive Income and Expenditure</b>	<b>(99,826)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(99,826)</b>	<b>(77,835)</b>	<b>(177,661)</b>	
Adjustments between accounting basis & funding basis under regulations	105,043	-	(3,941)	(13,439)	<b>87,663</b>	(87,663)	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>5,217</b>	<b>-</b>	<b>(3,941)</b>	<b>(13,439)</b>	<b>(12,163)</b>	<b>(165,498)</b>	<b>(177,661)</b>	
Transfers to / from Earmarked Reserves	(27,389)	27,389	-	-	-	-	-	8
<b>Increase / (Decrease) in 2011/12</b>	<b>(22,172)</b>	<b>27,389</b>	<b>(3,941)</b>	<b>(13,439)</b>	<b>(12,163)</b>	<b>(165,498)</b>	<b>(177,661)</b>	
<b>Balance at 31 March 2012</b>	<b>31,609</b>	<b>52,414</b>	<b>14,002</b>	<b>16,006</b>	<b>114,031</b>	<b>601,930</b>	<b>715,961</b>	

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010/11 Restated			2011/12			
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
24,578	(22,080)	2,498		24,042	(22,057)	1,985
22,408	(2,436)	19,972		22,587	(2,612)	19,975
33,981	(5,746)	28,235		32,833	(5,233)	27,600
6,019	(2,304)	3,715		5,840	(2,000)	3,840
398,952	(356,195)	42,757		268,122	(207,244)	60,878
36,197	(13,119)	23,078		36,564	(13,401)	23,163
123,188	(111,925)	11,263		132,806	(121,358)	11,448
110,442	(29,285)	81,157		109,477	(35,774)	73,703
7,433	-	7,433		6,776	-	6,776
(65,178)	-	(65,178)		(7,691)	-	(7,691)
<b>698,020</b>	<b>(543,090)</b>	<b>154,930</b>		<b>631,356</b>	<b>(409,679)</b>	<b>221,677</b>
2,420	(371)	2,049	9	98,043	(3,286)	94,757
43,013	(36,286)	6,727	10	32,403	(36,674)	(4,271)
-	(223,152)	(223,152)	11	-	(212,337)	(212,337)
<b>743,453</b>	<b>(802,899)</b>	<b>(59,446)</b>		<b>761,802</b>	<b>(661,976)</b>	<b>99,826</b>
		(25,722)	26			(18,362)
		8,271	26			8,648
		(12,844)	46			87,549
		<b>(30,295)</b>				<b>77,835</b>
		<b>(89,741)</b>				<b>177,661</b>

The 2010/11 figures have been restated to reflect changes to the Service Expenditure Analysis introduced by the 2011/12 Service Reporting Code of Practice and extended guidance on accounting for capital grants funding Revenue Expenditure Funded from Capital under Statute included in the 2011/12 Code of Practice on Local Authority Accounting.

## BALANCE SHEET

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

<b>31st March 2011 Restated £000</b>		<b>Notes</b>	<b>31st March 2012 £000</b>
894,450	Property, Plant and Equipment	<b>12</b>	785,690
1,017	Heritage Assets	<b>13</b>	1,017
49,119	Investment Property	<b>14</b>	60,223
37,509	Long Term Investments	<b>15</b>	10,011
3,671	Long Term Debtors	<b>15</b>	2,977
<b>985,766</b>	<b>Long Term Assets</b>		<b>859,918</b>
126,190	Short Term Investments	<b>15</b>	144,417
3,205	Assets Held for Sale (<1yr)	<b>16</b>	9,080
259	Inventories	<b>17</b>	736
27,083	Short Term Debtors	<b>19</b>	23,970
6,931	Cash and Cash Equivalents - Investments	<b>15</b>	21,513
<b>163,668</b>	<b>Current Assets</b>		<b>199,716</b>
7,030	Cash and Cash Equivalents	<b>20</b>	6,319
1,265	Short Term Borrowing	<b>21</b>	2,154
7,198	Provisions	<b>22</b>	7,917
58,306	Short Term Creditors	<b>23</b>	64,262
4,684	Grants Receipts in Advance - Revenue	<b>38</b>	4,374
3,337	Grants Receipts in Advance - Capital	<b>38</b>	3,690
<b>81,820</b>	<b>Current Liabilities</b>		<b>88,716</b>
173,992	Other Long Term Liabilities	<b>24</b>	254,957
<b>173,992</b>	<b>Long Term Liabilities</b>		<b>254,957</b>
<b>893,622</b>	<b>Net Assets</b>		<b>715,961</b>
126,194	Usable Reserves	<b>25</b>	114,031
767,428	Unusable Reserves	<b>26</b>	601,930
<b>893,622</b>	<b>Total Reserves</b>		<b>715,961</b>

## CASH FLOW STATEMENT

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

<b>2010/11 Restated £000</b>		<b>Notes</b>	<b>2011/12 £000</b>
(59,446)	Net (Surplus) or Deficit on the Provision of Services		99,826
86,755	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements		(85,890)
3,785	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		332
<u>31,094</u>	Net Cash Flows from Operating Activities	<b>27</b>	14,268
(24,300)	Investing Activities	<b>28</b>	(17,425)
<u>(3,065)</u>	Financing Activities	<b>29</b>	<u>(12,136)</u>
3,729	Net (Increase) or Decrease in Cash and Cash Equivalents		(15,293)
(3,630)	Cash and Cash Equivalents at the Beginning of the Reporting Period		99
<u>99</u>	Cash and Cash Equivalents at the End of the Reporting Period	<b>20</b>	<u>(15,194)</u>

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies**

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and is based on International Financial Reporting Standards. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared with reference to:

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

### **2 Accruals of Income and Expenditure**

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

- Revenue from sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (see note 19).
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The cash equivalent figure shown on the Balance Sheet (£21.5m as at 31st March 2012) is the total value of cash investments in instant access AAA - rated Money Market Funds.

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.

### **4 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## Notes to the Core Financial Statements

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

### **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, ie 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.

### **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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses. 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 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 benefits 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.

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

# Notes to the Core Financial Statements

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## 1 Statement of Accounting Policies continued

### 7 Employee Benefits continued

#### *Post Employment Benefits*

Employees of the Council are members of two 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.

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

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

Disclosures in relation to retirement benefits can be found in note 46.

#### *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 (IAS19) and on the advice of the Council's actuary, Barnett Waddingham LLP, 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, this is the iBoxx AA rated over 15 year Corporate Bond Index). In 2011/12, this discount rate was 4.5% (1.4% real) compared to 5.5% (1.9% real) in 2010/11. The lower the discount rate, the higher the value placed on liabilities and this factor is largely responsible for the large increase (£81.7m) in the overall Fund deficit between 31st March 2011 and 31st March 2012.

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 7 components:

- current service cost (the increase in liabilities as a result of years of service earned this 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 current year decisions 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.
- 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.

# Notes to the Core Financial Statements

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

### **7 Employee Benefits continued**

- expected return on assets (the annual investment return on fund assets attributable to the Council, based on an average of the expected long-term return) - credited to Net Operating Expenditure (Financing and Investment Income and Expenditure) in the Comprehensive Income and Expenditure Statement.
- gains/losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of employee benefits) - 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.
- 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.
- contributions paid to the Pension Fund (cash paid as employer contributions).

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 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.

Currently the Council has no borrowings as such, but has identified a number of contractual arrangements that contain finance leases in respect of vehicles and plant. Details of these are provided in note 42.

## Notes to the Core Financial Statements

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

#### **10 Financial Assets**

The Council has no available for sale assets under this classification and all financial assets are classified as loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.

##### *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 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.

#### **11 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 all capital grants) in the Comprehensive Income and Expenditure Statement.

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.

## Notes to the Core Financial Statements

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### *1 Statement of Accounting Policies continued*

#### *12 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.

Accounting for heritage assets is a new requirement under the 2011/12 Code and, while the Council has identified assets and valuations 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 51.

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 51. 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).

## Notes to the Core Financial Statements

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

#### **13 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. The value of work in progress is taken as costs to date.

#### **14 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 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.

#### **15 Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially from the lessor to the lessee substantially 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).

## Notes to the Core Financial Statements

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

#### **15 Leases continued**

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 2012, 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.

#### **16 Overheads and Support Services**

The cost 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 2011/12 (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.

#### **17 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.

## Notes to the Core Financial Statements

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### *1 Statement of Accounting Policies continued*

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

##### *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 October 2011 under the responsibility of Jane Pocknall BSc FRICS, Head of Valuation and Estates.

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 (ie it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

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.

# Notes to the Core Financial Statements

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## 1 Statement of Accounting Policies continued

### 17 Property, Plant and Equipment continued

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 reversed subsequently, 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.

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.

# Notes to the Core Financial Statements

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

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

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.

### **18 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 43.

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.

### **19 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 (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Details of all provisions are set out in note 22.

# Notes to the Core Financial Statements

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

### **20 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.

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

### **22 Reserves**

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

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

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

Reserves are reported in two categories - Usable and Unusable.

#### *Usable Reserves*

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

#### *Unusable Reserves*

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

### **23 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.

## Notes to the Core Financial Statements

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

#### **24 Value Added Tax**

Income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. The only exception to this general principle is where the Council is acting as an agent for a third party and incurs irrecoverable VAT.

#### **25 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 its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (ie carbon dioxide produced as energy is used). As carbon dioxide is emitted (ie 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.

#### **26 Accounting for Council Tax**

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

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

#### **27 Accounting for NNDR**

The collection of National Non-Domestic Rates (NNDR) is carried out by authorities as an agent activity on behalf of central government and is accounted for accordingly.

The Council will continue to maintain balances for NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records. However, for the final accounts purposes, the balances are consolidated into a single agency account, with the figures netting down to the debtor/creditor to the national pool. The figure will normally be a substantial debtor, representing the cash paid over to the pool that has yet to be collected from ratepayers.

#### **28 Landfill Allowance Schemes**

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

## Notes to the Core Financial Statements

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

#### *IFRS 7 Financial Instruments - Transfer of Financial Assets*

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting policy in relation to the treatment of IFRS7 Financial Instruments: Disclosures (transfers of financial assets), which will be adopted by the Council in the 2012/13 financial statements.

The amendment to IFRS 7 is intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets, and the effect of those risks on the Council's financial position.

Although full adoption of the change in policy is not required until 1st April 2012, the Council is required to disclose the estimated effect if material in the 2011/12 financial statements.

The change in standard is not relevant to the Council and therefore would have no impact on the Council's financial statements.

## Notes to the Core Financial Statements

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### 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- a) There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities or reduce levels of service provision.
- b) There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Authority repudiates any liability and no provision for potential damages has been made in relation to the claim.
- c) A review in 2010/11 of significant contractual arrangements identified finance leases embedded within some of those contracts. This resulted in some Vehicles and Plant being brought on Balance Sheet from 1st April 2009 (restated in the 2010/11 financial statements). The most significant of these was on the contract for Refuse Collection, which was identified as a Service Concession. The vehicles used by the contractor are now included on the Balance Sheet under Property, Plant and Equipment. The value of these finance leases at 31st March 2012 was £3,591k.
- 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 2012, a total of £3,455k had been received from the administrator (67.92% of the Council's total claim of £5,087k). The administrator's latest estimate is for a recovery of between 86% and 90% of the claim sum, compared to 85% as at 31st March 2011. In accordance with CIPFA advice, impairment losses have previously been made in the accounts and, in 2011/12, a part-reversal of £730k was included. This reduced the balance of the provision for potential loss to £610k (12% of the Council's total claim).

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

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

The items in the Authority's Balance Sheet at 31 March 2012 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.

## Notes to the Core Financial Statements

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

#### Pensions Liability

##### *Uncertainties*

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

##### *Effect if Actual Results Differ*

The effects on the net pensions liability of changes in individual assumptions can be significant. For instance, in 2010, the Government announced that pension increase orders would in future be linked to CPI rather than RPI. CPI is lower (2.7% assumed) than RPI (3.9% assumed) and this had the effect of reducing the Fund's net liability by £60m in 2010/11. Conversely, in 2011/12, the Fund's net liability increased by some £82m because a) actual investment returns in the year (2.2%) were lower than the actuary's assumption (6.6%), which caused asset values to reduce and b) the discount rate (corporate bond yield) used by the actuary to value the Fund's liabilities reduced from the original assumption of 5.5% to 4.6%, which caused liability values to go up. The impact in future years will be assessed by the Council's actuary in subsequent IAS19 reports.

#### Arrears

##### *Uncertainties*

At 31 March 2012, the Authority had a balance of sundry debtors of £6,376k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 15% (£974k) was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.

##### *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.

### 5 Exceptional Items

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

A number of the Council's Primary Schools (10) became academies during 2011/12, as a result of which their Property, Plant & Equipment values, totalling £96.3m, 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 £96.3m has been posted to Other Operating Expenditure and Income in the Comprehensive Income & Expenditure Account (see Note 9), with a corresponding reduction to long-term assets (property, plant & equipment - see Note 12). Accumulated revaluation gains of £23.5m have been transferred from the Revaluation Reserve to the Capital Adjustment Account (both included in figures in Note 26) and, in order to ensure that the total "loss" does not impact on the General Fund, the debit of £96.3m has been reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

#### Non-Distributed Costs

As a result of the Government deciding in 2010 that pensions should, in future, be increased in line with the Consumer Price Index rather than the Retail Price Index, a negative charge of £59,890k relating to past service costs was credited to Non-Distributed Costs in 2010/11. A further credit entry of £5,743k relating to gains on settlements was also posted in 2010/11. In 2011/12, however, the actuary determined in his IAS19 report that there were no past service costs and that a settlement gain of £9,026k had arisen as a result of the adoption of academy status by a number of Bromley schools. Further details are provided in note 33.

### 6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Finance Director on 26th September 2012. The existence of events after the Balance Sheet date has been considered up to this date and there are none to disclose. Events taking place after this date are not reflected in the financial statements or notes.

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## Notes to the Core Financial Statements

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

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

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

#### **General Fund Balance**

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

#### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are required by statute to be used 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 Reserve**

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

## Notes to the Core Financial Statements

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

<u>2011/12</u>	General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</i>				
Depreciation and impairment of non-current assets	(18,835)	-	-	18,835
Movements in market value of investment properties	3,112	-	-	(3,112)
Capital grants & contributions applied	15,376	-	-	(15,376)
Revenue expenditure funded from capital under statute	(36,696)	-	-	36,696
Non current assets written off on disposal or sale	(96,636)	-	-	96,636
<i>Insertion of items not debited or credited to the Comprehensive I &amp; E Statement:</i>				
Statutory provision for capital financing	4,542	-	-	(4,542)
Capital expenditure charged against the General Fund	3,527	-	-	(3,527)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants unapplied credited to the CI&E Statement	9,834	-	(9,834)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	23,273	(23,273)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited to the CI&E Statement	332	(332)	-	-
Use of Capital Receipts Reserve to finance capital expenditure	-	4,705	-	(4,705)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(12)	12	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(444)	-	444
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited to the CI&E Statement	126	-	-	(126)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 46)	(11,841)	-	-	11,841
Employer's pension contributions and direct payments to pensioners payable in the year	17,690	-	-	(17,690)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,805	-	-	(1,805)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	2,633	-	-	(2,633)
<b>Total Adjustments</b>	<b>(105,043)</b>	<b>3,941</b>	<b>13,439</b>	<b>87,663</b>

## Notes to the Core Financial Statements

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

<b>2010/11 Comparative Figures</b>	<b>Usable Reserves</b>			<b>Movement in Unusable Reserves</b>
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</i>				
Depreciation and impairment of non-current assets	(17,976)	-	-	17,976
Movements in market value of investment properties	66	-	-	(66)
Capital grants & contributions applied	25,860	-	-	(25,860)
Revenue expenditure funded from capital under statute	(39,605)	-	-	39,605
Non current assets written off on disposal or sale	(3,785)	-	-	3,785
<i>Insertion of items not debited or credited to the Comprehensive I &amp; E Statement:</i>				
Statutory provision for capital financing	340	-	-	(340)
Capital expenditure charged against the General Fund	9,619	-	-	(9,619)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied credited to the CI&E Statement	24,825	-	(24,825)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	11,257	(11,257)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited to the CI&E Statement	3,785	(3,785)	-	-
Use of Capital Receipts Reserve to finance capital expenditure	-	424	-	(424)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(23)	23	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,369)	-	1,369
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 46)	36,139	-	-	(36,139)
Employer's pension contributions and direct payments to pensioners payable in the year	21,154	-	-	(21,154)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,057	-	-	(2,057)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
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	4,061	-	-	(4,061)
<b>Total Adjustments</b>	<b>66,517</b>	<b>(4,707)</b>	<b>(13,568)</b>	<b>(48,242)</b>

## Notes to the Core Financial Statements

### 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11 and 2011/12.

	<b>Balance at 31 March 2011 £000</b>	<b>Transfers Out 2011/12 £000</b>	<b>Transfers In 2011/12 £000</b>	<b>Balance at 31 March 2012 £000</b>
Balances Held by Schools under a Scheme of Delegation	12,364	12,044	6,193	6,513
Insurance Fund	3,159	1,266	1,072	2,965
LPSA Reward Grant Investment Fund	1,996	1,141	-	855
LAA Reward Grant Investment Fund	1,642	105	-	1,537
Technology Fund	1,750	16	29	1,763
Street Services Reinstatement Fund	483	-	-	483
Reserve for Potential Redundancy Costs	936	1,870	3,704	2,770
Public Halls Fund	13	-	-	13
Town Centre Improvement Fund	803	737	-	66
Ex Glaxo Land Maintenance	197	6	3	194
Building a Better Bromley Initiatives	83	-	-	83
General Members Priorities	177	162	-	15
Prevent Funding	138	46	-	92
Building Control Charging Account	75	75	7	7
Grant Related Expenditure	884	581	417	720
Investment to Community Fund	225	-	-	225
Works to Property	100	-	-	100
Regeneration Investment Fund	-	-	10,000	10,000
Invest to Save	-	220	14,140	13,920
Health & Social Care Initiatives	-	-	4,995	4,995
Bromley Welcare	-	-	200	200
Diamond Jubilee Reserve	-	-	100	100
One-off Member Initiatives	-	-	2,620	2,620
Interest Rate Risk Reserve	-	-	1,185	1,185
New Homes Bonus	-	-	993	993
	<b>25,025</b>	<b>18,269</b>	<b>45,658</b>	<b>52,414</b>

## Notes to the Core Financial Statements

### 8 Transfers to/from Earmarked Reserves continued

	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Balances Held by Schools under a Scheme of Delegation	21,278	12,231	3,317	12,364
Insurance Fund	3,498	916	577	3,159
LPSA Reward Grant Investment Fund	2,239	243	-	1,996
LAA Reward Grant Investment Fund	-	162	1,804	1,642
Technology Fund	1,726	5	29	1,750
Street Services Reinstatement Fund	483	-	-	483
Reserve for Potential Redundancy Costs	897	1,566	1,605	936
Public Halls Fund	13	-	-	13
Town Centre Improvement Fund	1,222	419	-	803
Ex Glaxo Land Maintenance	200	6	3	197
Building a Better Bromley Initiatives	162	79	-	83
Environmental Improvements	33	33	-	-
Community & Voluntary Sector Issues	30	30	-	-
Funding for Residents Priorities	491	491	-	-
General Members Priorities	1,000	823	-	177
Prevent Funding	-	-	138	138
Building Control Charging Account	-	-	75	75
Grant Related Expenditure	-	-	884	884
Adverse Winter Weather	250	250	-	-
Investment to Community Fund	250	25	-	225
Support to Schools	150	150	-	-
Works to Property	100	-	-	100
	<b>34,022</b>	<b>17,429</b>	<b>8,432</b>	<b>25,025</b>

- 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 £600k for material damage claims and £1,275k for Employers and Public Liability claims. External insurers are used to provide for losses in excess of these sums. In 2011/12 internal premiums of £500k were charged and interest earnings of £72k were received. Claims and other expenditure of £1,266k were met from the Fund. A one-off top up of the Fund balance (£500k) was approved by the Executive in April 2012.
- 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. In 2011/12, £79k was spent on further service improvements and £1,062k was used to fund capital expenditure.
- LAA Reward Grant - in 2010/11, the Council received £2,344k reward grant from the Government as a result of the achievement of performance targets in our Local Area Agreement. £540k of the grant was used to fund a capital scheme in 2010/11, with the remaining £1,804k taken to the revenue reserve. In 2011/12, a total of £105k was spent on one-off initiatives supporting the Council's priorities (£162k spent in 2010/11).
- 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.

## Notes to the Core Financial Statements

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### 8 Transfers to/from Earmarked Reserves continued

- Street Services Reinstatement Fund - sum received from NTL to provide for street services maintenance and reinstatement arising from indemnified works.
- 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 a Better Bromley Initiatives - funding received by the Authority through the Local Authority Business Growth Incentive Scheme which has been set aside for one-off spending initiatives.
- Environmental Improvements / Community & Voluntary Sector Issues/Funding for Residents Priorities - the Council has set aside funding for one off projects across the borough such as dealing with the maintenance of the Borough's trees, highways and footpaths.
- General Members Priorities - provision set aside to deal with Member priorities relating to environmental initiatives.
- Prevent Funding - an extended 3 year mentoring scheme for young people assessed as being at risk of developing criminal or anti-social behaviour. It is for the recruitment, matching and management of volunteer mentors for young people within the Borough.
- 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.
- Adverse Winter Weather - funding for remedial measures to deal with the problems created by adverse winter weather.
- Investment to Community Fund - set up in 2009/10 to provide investment to the community and voluntary sector as determined by Members.
- Support to Schools - a fund established in 2009/10 to ensure sufficient funds were available in 2010/11 to provide support to failing schools.
- Works to Property - a fund set aside to meet potential unrecoverable costs associated with works to a property.
- Regeneration Investment Fund - a fund established in 2011/12 to support and identify key investment opportunities which will also assist in regeneration ambitions of the Council. The investment would result in the acquisition of assets to ensure the value of the monies is retained whilst seeking a long term alternative to current income streams.
- 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.

## Notes to the Core Financial Statements

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

- Health & Social Care Initiatives - established from the setting aside of funding from the PCT to further the integration of health and social care services for children and adults across all client groups.
- Bromley Welcare - set aside to commission a time limited, step up/step down service as part of a managed funding strategy.
- Diamond Jubilee Reserve - a fund set aside to meet the costs associated with the celebrations of the Queen's diamond jubilee.
- One-off Member Initiatives - a fund set aside to be earmarked against Member priority initiatives to be delivered by the Executive or Portfolio Holders as appropriate.
- Interest Rate Risk Reserve - funding set aside to partly mitigate against the risk of further reductions in investment income in light of increasing uncertainty about future investment returns.
- New Homes Bonus - established to set aside the income received to support key community initiatives that do not require ongoing funding.

## Notes to the Core Financial Statements

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### 9 Other Operating Expenditure

2010/11	2011/12
£000	£000
2,397 Levies	1,727
23 Payments to Government Housing Capital Receipts Pool	12
(340) Other Income	(3,252)
(31) Distribution of former LRB Balances	(34)
- (Gains)/Losses on the Disposal of Non-Current Assets *	96,304
<b>2,049 Total</b>	<b>94,757</b>

\* The charge of £96.3m in 2011/12 relates to losses on property, plant and equipment assets as a result of the adoption of academy status during 2011/12 by a number of primary schools. Further details are provided in the Exceptional Items note (Note 5).

### 10 Financing and Investment Income and Expenditure

2010/11	2011/12
£000	£000
865 Interest Payable and Similar Charges	818
7,496 Pensions Interest Cost and Expected Return on Pensions Assets	4,018
(3,345) Interest Receivable and Similar Income	(4,283)
1,711 (Income)/Expenditure in Relation to Investment Properties and changes in their fair value	(4,824)
<b>6,727 Total</b>	<b>(4,271)</b>

### 11 Taxation and Non Specific Grant Income

2010/11	2011/12
£000	£000
(133,727) Council Tax Income	(133,971)
(56,888) Non-Domestic Rates Redistribution	(51,425)
(25,552) Non-Ringfenced Government grants	(20,890)
(6,985) Capital Grants and Contributions	(6,051)
<b>(223,152) Total</b>	<b>(212,337)</b>

# Notes to the Core Financial Statements

## 12 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
<b>Movements in 2011/12</b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2011	818,139	39,332	101,424	2,494	15,937	10,251	987,577
Additions	-	1,110	6,117	-	-	4,006	11,233
Revaluation increases recognised in Revaluation Reserve	15,384	950	-	-	1,506	-	17,840
Derecognition - disposals	(94,015)	(5,132)	-	-	-	-	(99,147)
Assets reclassified	(13,821)	-	-	-	(564)	-	(14,385)
<b>As at 31st March 2012</b>	<b>725,687</b>	<b>36,260</b>	<b>107,541</b>	<b>2,494</b>	<b>16,879</b>	<b>14,257</b>	<b>903,118</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2011	(60,209)	(4,054)	(24,412)	(877)	(3,575)	-	(93,127)
Depreciation charge	(7,421)	(1,477)	(2,811)	(83)	-	-	(11,792)
Impairment losses recognised in Revaluation Reserve	(6,178)	-	-	-	(2,170)	-	(8,348)
Impairment losses recognised in surplus/deficit on Provision of Services	(6,265)	-	-	-	(360)	-	(6,625)
Derecognition - disposals	1,856	608	-	-	-	-	2,464
<b>As at 31st March 2012</b>	<b>(78,217)</b>	<b>(4,923)</b>	<b>(27,223)</b>	<b>(960)</b>	<b>(6,105)</b>	<b>-</b>	<b>(117,428)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2012</b>	<b>647,470</b>	<b>31,337</b>	<b>80,318</b>	<b>1,534</b>	<b>10,774</b>	<b>14,257</b>	<b>785,690</b>
<b>As at 31st March 2011</b>	<b>757,930</b>	<b>35,278</b>	<b>77,012</b>	<b>1,617</b>	<b>12,362</b>	<b>10,251</b>	<b>894,450</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment continued

#### Movements on Balances

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2010/11</b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2010	791,378	37,526	95,531	2,494	14,187	13,714	954,830
Additions	482	1,806	5,893	-	-	874	9,055
Revaluation increases recognised in Revaluation Reserve	23,692	-	-	-	-	-	23,692
Assets reclassified	2,587	-	-	-	1,750	(4,337)	-
<b>As at 31st March 2011</b>	<b>818,139</b>	<b>39,332</b>	<b>101,424</b>	<b>2,494</b>	<b>15,937</b>	<b>10,251</b>	<b>987,577</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2010	(41,650)	(1,362)	(21,748)	(794)	(328)	-	(65,882)
Depreciation charge	(6,195)	(1,601)	(2,664)	(83)	-	-	(10,543)
Impairment losses recognised in Revaluation Reserve	(6,632)	(1,079)	-	-	-	-	(7,711)
Impairment losses recognised in surplus/deficit on Provision of Services	(5,732)	-	-	-	(3,247)	-	(8,979)
Derecognition - disposals	-	(12)	-	-	-	-	(12)
<b>As at 31st March 2011</b>	<b>(60,209)</b>	<b>(4,054)</b>	<b>(24,412)</b>	<b>(877)</b>	<b>(3,575)</b>	<b>-</b>	<b>(93,127)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2011</b>	<b>757,930</b>	<b>35,278</b>	<b>77,012</b>	<b>1,617</b>	<b>12,362</b>	<b>10,251</b>	<b>894,450</b>
<b>As at 31st March 2010</b>	<b>749,728</b>	<b>36,164</b>	<b>73,783</b>	<b>1,700</b>	<b>13,859</b>	<b>13,714</b>	<b>888,948</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment continued

#### (i) Depreciation

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

Land is not depreciated.

Buildings – straight-line depreciation on remaining useful lives ranging from 2 to 97 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 30 to 40 years.

#### (ii) Capital Commitments

At 31 March 2012, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £11.4m. Similar commitments at 31 March 2011 totalled £31.2m (including £21.9m in respect of the Langley Park Boys School scheme).

The major commitments were:

	£000
Langley Park Boys School - Building Schools for the Future	6,568
Secondary School Investment Strategy	1,675
Pavilion Leisure Centre redevelopment	1,463
Other schemes	1,666
<b>Total</b>	<b>11,372</b>

#### (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. 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 17).

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant, & Equipment £000
<b>Carried at Historical Cost as at:</b>							
<b>31st March 2012</b>	-	30,952	80,318	1,534	-	14,257	127,061
<b>Valued at Fair Value as at:</b>							
31st March 2012	(52,087)	(3,941)	-	-	(577)	-	(56,605)
31st March 2011	275,042	4,326	-	-	5,673	-	285,041
31st March 2010 (restated)	67,650	-	-	-	980	-	68,630
31st March 2009 (restated)	323,207	-	-	-	4,669	-	327,876
31st March 2008	33,658	-	-	-	29	-	33,687
<b>Total Assets at Fair Value</b>	<b>647,470</b>	<b>385</b>	<b>-</b>	<b>-</b>	<b>10,774</b>	<b>-</b>	<b>658,629</b>
<b>Total Property, Plant &amp; Equipment</b>							
<b>31st March 2012</b>	<b>647,470</b>	<b>31,337</b>	<b>80,318</b>	<b>1,534</b>	<b>10,774</b>	<b>14,257</b>	<b>785,690</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment continued

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

	Number as at 31/3/11	Number as at 31/3/12	Range of estimated useful lives (Years)
<b>Operational Buildings</b>			
Civic Centre	1	1	79
Other Offices	5	4	37-50
Primary Schools	56	43	39-96
Special Schools/Units	4	5	69-89
Social Services - Homes & Day Centres	16	14	19-81
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	7	7	49-99
Libraries	15	15	49-99
Golf Courses	3	3	17-25
Churchill Theatre	1	1	79
Cemetery chapels	6	6	2-69
Surface Car Parks	22	22	n/a
Multi-Storey Car Parks	4	4	5-77
Public Conveniences	20	19	60-88
<b>Operational Equipment</b>			
Vehicles & Plant			
- owned	22	20	0-15
- held under finance leases	153	130	3-7
<b>Infrastructure Assets</b>			
Road (kilometres)	886.0	886.1	15-40
<b>Community Assets</b>			
Parks and Open Spaces (hectares)	1,261	1,261	n/a
<b>Surplus Properties</b>			
	21	23	n/a
<b>Investment Properties</b>			
Agricultural Properties	16	16	n/a
Biggin Hill Airport	1	1	n/a
Other Investment Properties	170	170	n/a

## Notes to the Core Financial Statements

### 13 Heritage Assets

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

	<b>Mayoral Regalia £000</b>	<b>Art Works £000</b>	<b>Total Assets £000</b>
<b>Cost or Valuation</b>			
1st April 2010 (restated)	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2011 (restated)</b>	<u>673</u>	<u>344</u>	<u>1,017</u>
<b>Cost or Valuation</b>			
1st April 2011	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2012</b>	<u>673</u>	<u>344</u>	<u>1,017</u>

Further details of Heritage Assets are provided in Note 50 and details of the accounting arrangements are provided in note 12 of the Statement of Accounting Policies.

### 14 Investment Property

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

<b>2010/11 £000</b>	<b>2011/12 £000</b>
(3,772) Rental Income from Investment Property	(4,193)
5,483 Direct Operating Expenses arising from Investment Property	2,481
<u><b>1,711 Net loss/(gain)</b></u>	<u><b>(1,712)</b></u>

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

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

<b>2010/11 £000</b>	<b>2011/12 £000</b>
49,103 Balance at Start of Year	49,119
(50) Reclassifications (to/from Surplus, Held for Sale & PP&E assets)	7,992
66 Net Gains/Losses from Fair Value Adjustments	3,112
<u><b>49,119 Balance at End of Year</b></u>	<u><b>60,223</b></u>

Lessee disclosures for investment properties held under operating leases are included in note 42. Details of the number of investment properties held are included in note 12.

## Notes to the Core Financial Statements

### 15 Financial Instruments

#### Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Council has no available for sale assets in this context.

#### 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 loans and receivables are carried as financial instruments in the balance sheet:

#### Financial Assets

##### (a) Investments as at 31st March

2011 £000		2012 £000
	<b>Long Term Investments (placed for longer than 1 year)</b>	
	<i>Loans and Receivables</i>	
9	- Government Stock	11
37,500	- Banks	10,000
-	- Building Societies	-
<u>37,509</u>		<u>10,011</u>
	<b>Short Term Investments (placed for less than 1 year)</b>	
	<i>Loans and Receivables</i>	
108,618	- Banks	133,635
-	- Impairment adjustment re Icelandic Bank deposit	730
17,572	- Building Societies	10,052
<u>126,190</u>		<u>144,417</u>
	<b>Cash and Cash Equivalents</b>	
6,931	- Money Market Funds	21,513
<u>170,630</u>		<u>175,941</u>

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 2012 include a total principal sum of £174,904k and total accrued interest of £1,036k (£169,563k and £1,067k as at 31st March 2011). In 2008/09, the carrying value of investments was reduced by £1,640k in respect of impairment entries actioned in accordance with CIPFA LAAP Bulletin 82, "Guidance on the impairment of deposits with Icelandic Banks". Further updates to the Bulletin issued since then have enabled the Council to reverse part of the impairment (£300k in 2009/10 and £730k in 2011/12), leaving the balance of the provision for potential loss at £610k. These had the effect of increasing the carrying value of investments and the revised impairment is in line with the administrator's latest estimate of a recovery of between 86% and 90%. Further details are given in the disclosure note on credit risk (note 49).



## Notes to the Core Financial Statements

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### 15 Financial Instruments continued

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

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

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

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

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

The fair values calculated are as follows:

	<b>31st March 2011</b>		<b>31st March 2012</b>	
	Carrying Amount <b>£000</b>	Fair Value <b>£000</b>	Carrying Amount <b>£000</b>	Fair Value <b>£000</b>
Investments less than 1 year	133,121	133,121	165,930	165,930
Investments greater than 1 year	37,509	38,111	10,011	10,311
<b>Total Investments</b>	<b>170,630</b>	<b>171,232</b>	<b>175,941</b>	<b>176,241</b>

The fair value of the assets is higher than the carrying value because the Authority's investment portfolio includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

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

## Notes to the Core Financial Statements

### 16 Assets Held for sale

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

2010/11 £000		2011/12 £000
5,470	<b>Balance outstanding at start of year</b>	3,205
	Assets newly classified as held for sale:	
-	Property, Plant and Equipment	6,393
50	Other assets/liabilities in disposal groups	-
(560)	Revaluation losses	(718)
2,030	Revaluation gains	521
(3,785)	Assets sold	(321)
<u>3,205</u>	<b>Balance outstanding at year-end</b>	<u>9,080</u>

### 17 Inventories

	Road Salt		Other Consumables		Work in Progress Highways		Work in Progress Building Maintenance		Total	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	<b>85</b>	<b>15</b>	<b>15</b>	<b>11</b>	<b>135</b>	<b>255</b>	<b>24</b>	<b>19</b>	<b>259</b>	<b>300</b>
Purchases	288	220	183	246	522	-	890	788	1,883	1,254
Usage/Payment/ Transfers during the year	(110)	(150)	(172)	(242)	(237)	(23)	(763)	(783)	(1,282)	(1,198)
Written off balances	-	-	-	-	(124)	(97)	-	-	(124)	(97)
<b>Balance outstanding at year-end</b>	<b>263</b>	<b>85</b>	<b>26</b>	<b>15</b>	<b>296</b>	<b>135</b>	<b>151</b>	<b>24</b>	<b>736</b>	<b>259</b>

### 18 Construction Contracts

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

## Notes to the Core Financial Statements

### 19 Short - Term Debtors

<b>31 March 2011 Net £000</b>		<b>Gross £000</b>	<b>Allowance for Bad Debts £000</b>	<b>31 March 2012 Net £000</b>
	<i>Debtors</i>			
5,858	Central Government Bodies	5,647	-	5,647
4,610	Other Local Authorities	5,476	-	5,476
985	NHS Bodies	994	-	994
42	Public Corporations and Trading Funds	172	-	172
2,350	Council Tax	10,734	9,528	1,206
-	NNDR	20	9	11
8,753	Other Entities and Individuals	19,526	10,914	8,612
22,598		42,569	20,451	22,118
4,485	<i>Payments in Advance</i>			1,852
<b>27,083</b>				<b>23,970</b>

### 20 Cash and Cash Equivalents

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

<b>2010/11 £000</b>		<b>2011/12 £000</b>
30	Cash held by the Authority	24
(7,060)	Bank Current Accounts	(6,343)
6,931	Short-term Deposits with Money Market Funds*	21,513
<b>(99)</b>	<b>Total Cash and Cash Equivalents</b>	<b>15,194</b>

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

## Notes to the Core Financial Statements

### 21 Financial Liabilities

#### Short Term Borrowing (Temporary Loans)

	Balance at 31/03/11 £000	Loans Raised £000	Loans Repaid £000	Balance at 31/03/12 £000
Pension Fund	586	900	-	1,486
Former LRB Fund	679	-	11	668
	<b>1,265</b>	<b>900</b>	<b>11</b>	<b>2,154</b>

### 22 Provisions

	Outstanding Legal Cases (a) £000	Injury & Damage Compensation Claims (b) £000	Other Provisions (c) £000	Total £000
Balance at 1 April 2011	1,276	1,161	4,761	7,198
Additional Provisions made in year		572	2,844	3,416
Amounts used in year	415	460	1,728	2,603
Unused amounts reversed in year		-	94	94
Balance at 31st March 2012	<b>861</b>	<b>1,273</b>	<b>5,783</b>	<b>7,917</b>

(a) Outstanding Legal Cases: the Council has made provision for the financial implications arising from one off costs relating to the implementation of Single Status. A sum of £861k has been carried forward into 2012/13 to reflect potential outstanding liabilities.

(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 2012 (208 claims with a total estimate of £1,273k).

(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. Reimbursements of £9k, including tax on interest, have been made during 2011/12 and a sum of £628k has been carried forward into 2012/13.

Additional provision has been made in the sum of £445k for the potential repayment of housing & council tax benefit subsidy arising from uncertainty relating to government subsidy for overpayments generated from LA errors. A sum of £747k has been carried forward into 2012/13.

Provision of £726k has been made for potential redundancy costs which are expected to be paid in 2012/13 arising from proposals agreed in 2011/12.

All other provisions are individually insignificant.

## Notes to the Core Financial Statements

### 23 Short - Term Creditors

<b>31 March 2011 £000</b>		<b>31 March 2012 £000</b>
	<b><i>Creditors</i></b>	
4,168	Central Government Bodies	3,763
3,731	Other Local Authorities	772
2,902	NHS Bodies	1,152
1,377	Council Tax	1,537
1,161	Council Tax Precepts (GLA)	2,235
983	NNDR	5,286
39,463	Other Entities and Individuals	41,414
53,785		56,159
	<b><i>Receipts in Advance</i></b>	
-	Central Government Bodies	10
190	Other Local Authorities	-
307	NHS Bodies	3,335
1,434	Council Tax	2,208
2,590	Other Entities and Individuals	2,550
4,521		8,103
<b>58,306</b>		<b>64,262</b>

### 24 Other Long Term Liabilities

<b>31 March 2011 £000</b>		<b>31 March 2012 £000</b>
169,666	Liability relating to Defined Benefit Pension Scheme #	251,366
4,326	Liability relating to Finance Leases *	3,591
<b>173,992</b>		<b>254,957</b>

# Full details relating to the Defined Benefit Pension Scheme are included in note 46

\* Full details of the Authority's finance leases are included in note 42

## Notes to the Core Financial Statements

### 25 Usable Reserves

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

### 26 Unusable Reserves

<b>31 March 2011 £000</b>		<b>31 March 2012 £000</b>
161,846	Revaluation Reserve	147,734
778,582	Capital Adjustment Account	704,686
(169,666)	Pensions Reserve	(251,366)
2,421	Deferred Capital Receipts Reserve	2,193
2,057	Collection Fund Adjustment Account	3,862
(7,812)	Accumulated Absences Account	(5,179)
<b>767,428</b>	<b>Total Unusable Reserves</b>	<b>601,930</b>

#### Revaluation Reserve

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

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

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

<b>2010/11 £000</b>		<b>2011/12 £000</b>
146,087	<b>Balance as at 1st April</b>	161,846
25,722	Upward revaluation of assets	18,362
(8,271)	Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(8,648)
<u>17,451</u>	Surplus/deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	<u>9,714</u>
(1,692)	Accumulated gains on assets sold or scrapped	(23,826)
(1,692)	Amount written off to Capital Adjustment Account	(23,826)
<b>161,846</b>	<b>Balance as at 31st March</b>	<b>147,734</b>

## Notes to the Core Financial Statements

### 26 Unusable Reserves continued

#### Capital Adjustment Account

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

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

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

2010/11 £000		2011/12 £000
<b>790,845</b>	<b>Balance as at 1st April</b>	<b>778,582</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>	
(17,976)	Charges for depreciation and impairment of non-current assets	(18,835)
(39,605)	Revenue expenditure funded from capital under statute	(36,696)
(2,093)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(72,810)
(59,674)	Net written out amount of the cost of non-current assets consumed in the year	(128,341)
	<i>Capital financing applied in the year:</i>	
424	Use of Capital Receipts Reserve to finance new capital expenditure	4,705
25,860	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	15,376
11,257	Application of grants to capital financing from the Capital Grants Unapplied Account	23,273
340	Statutory provision for capital financing charged against the General Fund	4,542
9,619	Capital expenditure charged against the General Fund balance	3,527
(155)	Other Movements	(90)
47,345		51,333
66	Movements in market value of Investment Properties debited or credited to CI&E Statement	3,112
<b>778,582</b>	<b>Balance as at 31st March</b>	<b>704,686</b>

## Notes to the Core Financial Statements

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### 26 Unusable Reserves continued

#### Pensions Reserve

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
(239,803)	<b>Balance as at 1st April</b>	(169,666)
12,844	Actuarial gains or losses on pensions assets and liabilities	(87,549)
36,139	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	(11,841)
21,154	Employer's pension contributions and direct payments to pensioners payable in the year	17,690
<u>(169,666)</u>	<b>Balance as at 31st March</b>	<u>(251,366)</u>

#### Deferred Capital Receipts Reserve

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
3,635	<b>Balance as at 1st April</b>	2,421
-	- New advances	126
(1,214)	Transfer to the Capital Receipts Reserve upon receipt of cash	(354)
<u>2,421</u>	<b>Balance as at 31st March</b>	<u>2,193</u>

## Notes to the Core Financial Statements

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### 26 Unusable Reserves continued

#### Collection Fund Adjustment Account

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
	- <b>Balance as at 1st April</b>	2,057
2,057	Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,805
<u>2,057</u>	<b>Balance as at 31st March</b>	<u>3,862</u>

#### Accumulated Absences Account

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
(11,873)	<b>Balance as at 1st April</b>	(7,812)
11,873	Settlement or cancellation of accrual made at the end of the preceding year	7,812
(7,812)	Amounts accrued at the end of the current year	(5,179)
4,061	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	2,633
<u>(7,812)</u>	<b>Balance as at 31st March</b>	<u>(5,179)</u>

## Notes to the Core Financial Statements

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### 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2010/11</b>	<b>2011/12</b>
<b>£000</b>	<b>£000</b>
(5,156) Interest Received	(4,315)
38 Interest Paid	79
<u>(5,118) Net Interest Received / Paid</u>	<u>(4,236)</u>

### 28 Cash Flow Statement - Investing Activities

<b>2010/11</b>	<b>2011/12</b>
<b>£000</b>	<b>£000</b>
8,569 Purchase of Property, Plant and Equipment and Investment Property	9,601
176,000 Purchase of Short-term and Long-term Investments	162,502
(3,785) Proceeds from the Sale of Property, Plant and Equipment,	(332)
(155,276) Proceeds from Short-term and Long-term Investments	(171,661)
(49,808) Other Receipts from Investing Activities	(17,535)
<u>(24,300) Net Cash Flows from Investing Activities</u>	<u>(17,425)</u>

### 29 Cash Flow Statement - Financing Activities

<b>2010/11</b>	<b>2011/12</b>
<b>£000</b>	<b>£000</b>
(800) Cash Receipts from Short and Long-term Borrowing	(889)
(4,656) Other Receipts from Financing Activities	(12,663)
2,391 Repayments of Short and Long-term Borrowing	-
- Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases	1,416
<u>(3,065) Net Cash Flows from Financing Activities</u>	<u>(12,136)</u>

## Notes to the Core Financial Statements

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

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

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

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continued

<i>Amounts Reported for Resource Allocation Decisions</i>												
<b>Portfolio Income and Expenditure</b>												
		Adult and Community Services £000	Public Protection and Safety £000	Children and Young People £000	Environment £000	Renewal and Recreation £000	Resources £000	Central Items £000	Total £000			
	<b>2011/12 Reported to Executive</b>											
	Fees, Charges & Other Service Income	(28,671)	(406)	(27,813)	(17,577)	(5,288)	(8,819)	-	(88,574)			
	Government Grants & Contributions	(126,838)	(245)	(164,695)	(455)	(2,868)	(20,682)	-	(315,783)			
	<b>Total Income</b>	(155,509)	(651)	(192,508)	(18,032)	(8,156)	(29,501)	-	(404,357)			
	Employee Expenses	22,299	2,664	123,451	8,662	11,802	15,000	4,014	187,892			
	Other Service Expenses	217,946	1,474	101,990	47,331	6,838	38,500	784	414,863			
	Support Service & Other Recharges	9,042	329	6,312	1,639	2,535	(22,232)	-	(2,375)			
	Depreciation, Impairment and Amortisation	5,360	-	34,049	5,790	3,810	9,176	(58,185)	-			
	Capital Expenditure charged to the General Fund	300	-	167	452	563	347	-	1,829			
	<b>Total Expenditure</b>	254,947	4,467	265,969	63,874	25,548	40,791	(53,387)	602,209			
	<b>Net Expenditure</b>	<b>99,438</b>	<b>3,816</b>	<b>73,461</b>	<b>45,842</b>	<b>17,392</b>	<b>11,290</b>	<b>(53,387)</b>	<b>197,852</b>			

## Notes to the Core Financial Statements

30 Amounts Reported for Resource Allocation Decisions continued

<i>Amounts Reported for Resource Allocation Decisions</i>												
<b>Portfolio Income and Expenditure</b>												
		Adult and Community Services £000	Public Protection and Safety £000	Children and Young People £000	Environment £000	Renewal and Recreation £000	Resources £000	Central Items £000	Total £000			
	<u>2010/11 Comparative Figures Reported to Executive</u>											
Fees, Charges & Other Service Income	(25,685)	(487)	(59,211)	(18,522)	(5,223)	(4,263)	-	(113,391)				
Government Grants & Contributions	(112,570)	(20)	(262,873)	(277)	(3,052)	(20,604)	-	(399,396)				
<b>Total Income</b>	<b>(138,255)</b>	<b>(507)</b>	<b>(322,084)</b>	<b>(18,799)</b>	<b>(8,275)</b>	<b>(24,867)</b>	<b>-</b>	<b>(512,787)</b>				
Employee Expenses	27,952	2,949	214,524	9,400	13,669	(38,827)	55,267	284,934				
Other Service Expenses	196,023	1,873	140,803	46,782	6,650	41,856	535	434,522				
Support Service & Other Recharges	9,923	527	7,259	1,258	2,713	(23,822)	-	(2,142)				
Depreciation, Impairment and Amortisation	8,926	48	35,250	5,013	3,696	4,694	(57,627)	-				
Capital Expenditure charged to the General Fund	563	-	6,972	51	537	868	-	8,991				
<b>Total Expenditure</b>	<b>243,387</b>	<b>5,397</b>	<b>404,808</b>	<b>62,504</b>	<b>27,265</b>	<b>(15,231)</b>	<b>(1,825)</b>	<b>726,305</b>				
<b>Net Expenditure</b>	<b>105,132</b>	<b>4,890</b>	<b>82,724</b>	<b>43,705</b>	<b>18,990</b>	<b>(40,098)</b>	<b>(1,825)</b>	<b>213,518</b>				

## Notes to the Core Financial Statements

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### 30 Amounts Reported for Resource Allocation Decisions continued

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

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

	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Net Expenditure in the Portfolio Analysis	213,518	197,852
Net Expenditure of Services and Support Services not included in the Analysis	(2,083)	47,267
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	(55,853)	(25,991)
	<hr/>	<hr/>
	155,582	219,128
Deduct Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(652)	2,549
Cost of Services in the Comprehensive Income and Expenditure Statement	<hr/>	<hr/>
	<b>154,930</b>	<b>221,677</b>

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continued

#### Amounts Reported for Resource Allocation Decisions

##### Reconciliation to Subjective Analysis

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

	2011/12	Portfolio Analysis	Services and Support Services not in Analysis	Amounts Reported to Management for Decision Making	Amounts not included in CI & E Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(88,574)	(181)	10,712	3,306	(74,737)	(3,286)	(78,023)		
Interest and Investment Income	-	-	-	-	-	(8,476)	(8,476)		
Pensions - Expected Return on Assets	-	-	-	-	-	(28,198)	(28,198)		
Income from Council Tax	-	-	-	-	-	(133,971)	(133,971)		
NNDR Redistribution	(315,783)	-	(19,159)	-	-	(51,425)	(51,425)		
Government Grants and Contributions	(404,357)	(181)	(19,159)	10,712	(334,942)	(26,941)	(361,883)		
<b>Total Income</b>				3,306	(409,679)	(252,297)	(661,976)		
Employee Expenses	187,892	(4,014)	(6,659)	(19)	161,864	-	161,864		
Other Service Expenses	414,863	(2,966)	(312)	(5,642)	385,958	-	385,958		
Capital Expenditure charged to the General Fund	1,829	-	-	(1,829)	-	-	-		
Support Service Recharges	(2,375)	-	(673)	(673)	28,967	-	28,967		
Depreciation, Amortisation & Impairment	-	54,428	139	-	54,567	-	54,567		
Interest and Investment Expenditure	-	-	-	-	-	-	-	(187)	187
Precepts & Levies	-	-	-	-	-	-	-	1,727	1,727
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	-	12	12
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	96,304	96,304
Pensions Interest Cost	-	-	-	-	-	-	-	32,216	32,216
<b>Total Expenditure</b>	602,209	47,448	(6,832)	(8,163)	631,356	130,446	761,802		
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>197,852</b>	<b>47,267</b>	<b>(25,991)</b>	<b>2,549</b>	<b>221,677</b>	<b>(121,851)</b>	<b>99,826</b>		

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continued

#### Amounts Reported for Resource Allocation Decisions

##### Reconciliation to Subjective Analysis

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

	<b>Portfolio Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts Reported to Management for Decision Making</b>	<b>Amounts not included in CI &amp; E Cost of Services</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, Charges & Other Service Income	(113,391)	(500)	-	10,829	3,068	(99,994)	(371)	(100,365)
Interest and Investment Income	-	-	-	-	-	-	(7,117)	(7,117)
Pensions - Expected Return on Assets	-	-	-	-	-	-	(29,169)	(29,169)
Income from Council Tax	-	-	-	-	-	-	(133,727)	(133,727)
NNDR Redistribution	-	-	-	-	-	-	(56,888)	(56,888)
Government Grants and Contributions	(399,396)	-	(43,700)	-	-	(443,096)	(32,537)	(475,633)
<b>Total Income</b>	<b>(512,787)</b>	<b>(500)</b>	<b>(43,700)</b>	<b>10,829</b>	<b>3,068</b>	<b>(543,090)</b>	<b>(259,809)</b>	<b>(802,899)</b>
Employee Expenses	284,934	(55,267)	(12,043)	(61)	(16,026)	201,537	-	201,537
Other Service Expenses	434,522	(133)	(138)	(1,530)	(19,986)	412,735	-	412,735
Capital Expenditure charged to the General Fund	8,991	-	-	(8,991)	-	-	-	-
Support Service Recharges	(2,142)	-	-	(899)	32,944	29,903	-	29,903
Depreciation, Amortisation & Impairment	-	53,817	28	-	-	53,845	-	53,845
Interest and Investment Expenditure	-	-	-	-	-	-	6,348	6,348
Precepts & Levies	-	-	-	-	-	-	2,397	2,397
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	23	23
Pensions Interest Cost	-	-	-	-	-	-	36,665	36,665
<b>Total Expenditure</b>	<b>726,305</b>	<b>(1,583)</b>	<b>(12,153)</b>	<b>(11,481)</b>	<b>(3,068)</b>	<b>698,020</b>	<b>45,433</b>	<b>743,453</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>213,518</b>	<b>(2,083)</b>	<b>(55,853)</b>	<b>(652)</b>	<b>-</b>	<b>154,930</b>	<b>(214,376)</b>	<b>(59,446)</b>

## Notes to the Core Financial Statements

### 31 Pooled Budgets

The Authority has entered into two pooled budget arrangements with Bromley PCT which operate under Section 31 of the Health Act 1999 (revised to Section 75 of the NHS Act 2006) and these are hosted by the Council. One is for the provision of Learning Disabilities Day Services and the other an arrangement for the provision of integrated stores. The transactions of these pooled budgets are summarised below.

2010/11			2011/12	
Learning Disabilities	Integrated Community Equipment Store		Learning Disabilities	Integrated Community Equipment Store
£000	£000		£000	£000
<b>Income</b>				
4,190	193	Bromley PCT contribution	-	185
5,298	1,014	London Borough of Bromley contribution	-	1,008
206	-	Other income	-	-
<b>9,694</b>	<b>1,207</b>	<b>Gross Income</b>	<b>-</b>	<b>1,193</b>
<b>Expenditure</b>				
9,604	-	Learning disabilities day services	-	-
-	1,217	Occupational therapy equipment store	-	1,352
<b>9,604</b>	<b>1,217</b>	<b>Gross Expenditure</b>	<b>-</b>	<b>1,352</b>
<b>(90)</b>	<b>10</b>	<b>(Surplus) / deficit for the year</b>	<b>-</b>	<b>159</b>

The Learning Disabilities pooled budget ceased to exist in 2011/12. Bromley PCT no longer contributes to the service, with funding now coming from the Learning Disabilities and Health Reform Grant.

The deficit on the Integrated Community Equipment Store has been fully funded by the Council.

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.

2010/11			2011/12	
Mental Health Services			Mental Health Services	
£000			£000	
<b>Income</b>				
17,531		Oxleas NHS Foundation Trust contribution	17,229	
1,403		London Borough of Bromley contribution	1,555	
<b>18,934</b>		<b>Gross Income</b>	<b>18,784</b>	
<b>Expenditure</b>				
18,674		Mental Health Functions	18,547	
<b>18,674</b>		<b>Gross Expenditure</b>	<b>18,547</b>	
<b>(260)</b>		<b>(Surplus) / deficit for the year</b>	<b>(237)</b>	

The surplus on the pooled budget remains within Oxleas accounts.

## Notes to the Core Financial Statements

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### 32 Members Allowances

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

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
1,075	Allowances	1,076
13	Expenses	11
<u>1,088</u>	Total	<u>1,087</u>

### 33 Non Distributed Costs

As required by the Service Reporting Code of Practice, these costs comprise pension costs, as defined by IAS19 (formerly FRS17), 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. The large negative charge in 2010/11 (£59,890k) was the result of the Government decision to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuary assumed that CPI would increase at a slower rate than RPI, as a result of which pension increases and the IAS19 liabilities would be lower, both of which had a major one-off beneficial impact on our Fund in that year. In the IAS 19 valuation as at 31st March 2012, the actuary estimated the past service cost in 2011/12 to be nil.
- 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 arise when the Authority allows employees to retire on unreduced benefits before they would normally have been able to do so (£150k in 2010/11 and £1,032k in 2011/12). A gain on settlements of £9,026k in 2011/12 (£5,743k in 2010/11) has arisen as a result of the adoption of academy status by a number of Bromley schools.

The following charges have been posted to Non Distributed Costs:

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
(59,890)	Past Service Costs	-
150	Loss on Curtailments	1,032
(5,743)	Gain on Settlements	(9,026)
305	Other Pension Costs	303
<u>(65,178)</u>		<u>(7,691)</u>

## Notes to the Core Financial Statements

### 34 Officers Remuneration

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

<b>Disclosure of remuneration for senior employees 2010/11</b>		Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Post holder information (Post title)						
Chief Executive - D. Patterson		177,135	-	177,135	25,160	202,295
Director of Resources		138,937	-	138,937	20,424	159,361
Director of Legal & Democratic Services		118,032	5,148	123,180	15,354	138,534
Assistant Chief Executive HR		112,089	-	112,089	15,948	128,037
Director of Renewal & Recreation		116,839	-	116,839	17,175	134,014
Director of Environmental Services		112,565	5,230	117,795	16,598	134,393
Director of Children & Young People Services		134,389	-	134,389	19,749	154,138
Director of Adult & Community Services		130,959	4,246	135,205	19,250	154,455
		<b>1,040,945</b>	<b>14,624</b>	<b>1,055,569</b>	<b>149,658</b>	<b>1,205,227</b>
<b>Disclosure of remuneration for senior employees 2011/12</b>		Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Post holder information (Post title)						
Chief Executive - D. Patterson		177,135	-	177,135	25,160	202,295
Director of Resources*		164,129	-	164,129	561	164,690
Director of Resources		118,740	5,405	124,145	17,629	141,774
Finance Director		113,893	1,046	114,939	17,235	132,174
Assistant Chief Executive HR		112,977	-	112,977	16,077	129,054
Director of Renewal & Recreation		121,073	2,169	123,242	17,798	141,040
Director of Environmental Services		114,546	5,248	119,794	16,859	136,653
Director of Children & Young People Services		134,346	-	134,346	19,749	154,095
Director of Adult & Community Services*		192,246	1,333	193,579	9,625	203,204
		<b>1,249,085</b>	<b>15,201</b>	<b>1,264,286</b>	<b>140,693</b>	<b>1,404,979</b>

\* Relates to Post Holders who left the employment of the Council during 2011/12.

These costs include redundancy payments and payment in lieu of notice but exclude the employers cost of early retirement.

## Notes to the Core Financial Statements

### 34 Officers Remuneration continued

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

Non-School Employees	2010/11		Annual Remuneration	Non-School Employees	2011/12	
	School Employees	Total Employees			School Employees	Total Employees
55	123	178	£50,000-£54,999	53	61	114
24	85	109	£55,000-£59,999	27	56	83
18	36	54	£60,000-£64,999	19	28	47
17	24	41	£65,000-£69,999	10	14	24
12	19	31	£70,000-£74,999	11	12	23
9	12	21	£75,000-£79,999	8	8	16
6	5	11	£80,000-£84,999	4	2	6
1	3	4	£85,000-£89,999	1	2	3
2	3	5	£90,000-£94,999	2	1	3
1	5	6	£95,000-£99,999	1	-	1
2	2	4	£100,000-£104,999	1	-	1
-	1	1	£105,000-£109,999	-	3	3
1	2	3	£110,000-£114,999	2	-	2
2	2	4	£115,000-£119,999	1	-	1
1	2	3	£120,000-£124,999	2	-	2
-	2	2	£125,000-£129,999	-	1	1
1	-	1	£130,000-£134,999	1	-	1
2	-	2	£135,000-£139,999	-	-	-
-	-	-	£140,000-£144,999	-	1	1
-	-	-	£145,000-£149,999	2	-	2
-	1	1	£150,000-£154,999	-	-	-
-	1	1	£155,000-£159,999	-	-	-
-	-	-	£160,000-£164,999	1	-	1
-	-	-	£165,000-£169,999	-	-	-
-	-	-	£170,000-£174,999	-	-	-
1	-	1	£175,000-£179,999	1	-	1
-	-	-	£180,000-£184,999	-	-	-
-	-	-	£185,000-£189,999	-	-	-
-	-	-	£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

### 34 Officers Remuneration continued

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £000s	2011/12 £000s
£0 - £20,000	50	59	56	33	106	92	566	624
£20,001 - £40,000	5	10	16	10	21	20	574	582
£40,001 - £60,000	-	1	1	2	1	3	42	156
£60,001 - £80,000	-	-	-	2	-	2	-	138
£80,001 - £100,000	-	-	-	1	-	1	-	88
£100,001 - £150,000	-	-	-	2	-	2	-	210
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	-	1	-	1	-	206
£250,001 - £300,000	-	-	-	1	-	1	-	273
£300,001 - £350,000	-	-	1	-	1	-	348	-
<b>Total</b>	<b>55</b>	<b>70</b>	<b>74</b>	<b>52</b>	<b>129</b>	<b>122</b>	<b>1,530</b>	<b>2,277</b>

In 2011/12 the total cost of £2,277k (£1,530k in 2010/11) in the table above consists of exit packages agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

## Notes to the Core Financial Statements

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### 35 External Audit Costs

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

2010/11 £000		2011/12 £000
	Fees payable to PricewaterhouseCoopers LLP with regard to :	
289	- External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts)	260
35	- Pension Fund audit fee	35
	Fees payable to and receivable from the Audit Commission in respect of:	
2	- NFI fee	2
(22)	- Rebate for cost of auditing IFRS based statements	-
-	- Other one-off rebates from the Audit Commission	(36)
50	Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	50
<hr/> <b>354</b> <hr/>		<hr/> <b>311</b> <hr/>

### 36 Landfill Allowances Trading Scheme (LATS)

Under this scheme, introduced by the Waste and Emissions Trading Act 2003, the Council is required to hold allowances to match the amount of biodegradable municipal waste it sends to landfill. During 2011/12 Bromley was allocated 61,091 allowances of which it is estimated that 24,806 will be required for landfill usage, leaving a balance of 36,285 unused allowances.

As at 31st March 2012, each allowance has a market value of zero and as such previous valuations have been written out of the balance sheet.

## 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 Department for Education, 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 (England) Regulations 2008. 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 2011/12 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Notes
Final DSG for 2011/12	38,764	100,971	139,735	(a)
Brought forward from 2010/11	(427)	-	(427)	(b)
Carry forward to 2011/12 agreed in advance	-	-	-	(c)
Agreed budgeted distribution in 2011/12	38,337	100,971	139,308	(d)
Actual central expenditure	36,639	-	36,639	(e)
Actual ISB deployed to schools	-	100,971	100,971	(f)
Local Authority contribution for 2011/12	-	-	-	(g)
Carry forward to 2012/13	1,698	-	1,698	(h)

- (a) DSG figure as issued by the Department in July 2011, reduced by recoupment for schools converting to academy status.
- (b) Figure brought forward from 2010/11 as agreed with the Department for Education.
- (c) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2012/13 rather than distribute in 2011/12.
- (d) Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.
- (e) Actual amount of central expenditure items in 2011/12.
- (f) Amount of ISB actually distributed to schools.
- (g) Any contribution from the Local Authority in 2011/12 which will have the effect of substituting for DSG in funding the Schools Budget.
- (h) Surplus carried forward to 2012/13.

## 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 2010/11 and 2011/12.

<i>Credited to Taxation and Non Specific Grant Income</i>	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Revenue Support Grant	8,261	15,895
Area Based Grant	15,650	-
Local Services Support Grant	-	698
New Homes Bonus	-	993
LAA Reward Grant	1,641	-
Council Tax Freeze Grant	-	3,304
	<u>25,552</u>	<u>20,890</u>
Capital Grants:		
Other Capital Grants	72	-
	<u>72</u>	<u>-</u>
<b>Total Government Grants</b>	<b><u>25,624</u></b>	<b><u>20,890</u></b>
Other Capital Grants and Contributions:		
Transport for London	6,607	6,051
Other Capital Grants and Contributions	306	-
<b>Total Contributions</b>	<b><u>6,913</u></b>	<b><u>6,051</u></b>
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b><u>32,537</u></b>	<b><u>26,941</u></b>
<i>Credited to Services</i>	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Dedicated Schools Grant	185,797	137,610
Housing & Council Tax Benefit Grant	126,930	135,923
YPLA - Sixth Form and Other Education Funding	35,616	12,633
Standards Fund Grant	20,135	152
Early Intervention Grant	-	11,001
General Sure Start Grant	9,209	-
School Standards Grant	9,086	-
Learning Disability Health Reform	-	8,580
Skills Funding Agency - Adult Education & Libraries	2,397	2,472
Council Tax & Housing Benefits Administration	2,217	2,083
Pupil Premium	-	1,828
Learning Disability Campus Closure	1,475	-
Social Care Reform	1,040	382
London Pay Addition	973	-
DfE - Children & Young People Funding	567	-
Job Centre Plus	596	396
Other Miscellaneous Grants	3,354	2,713
	<u>399,392</u>	<u>315,773</u>

## Notes to the Core Financial Statements

### 38 Grant Income continued

<i>Credited to Services continued</i>	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Capital Grants:		
Maintenance in Schools	-	5,687
Basic Need	-	5,775
Surestart	-	4,066
Devolved Formula Capital	2,928	650
BSF One School Pathfinder	27,553	-
Co-Location	771	-
Primary Capital Programme	5,837	-
Waste Regulation Authority - Kitchen Waste	500	-
LAA Reward Grant	703	-
Social Care Grant	-	607
Other Capital Grants	1,384	224
	<u>39,676</u>	<u>17,009</u>
<b>Total Government Grants</b>	<b><u>439,068</u></b>	<b><u>332,782</u></b>
Other Grants and Contributions:		
PCT re. Learning Disability Provision	1,500	625
London Waste Action (LWRB)	-	522
Other Grants and Contributions	896	831
Section 106 Developers Contributions	1,632	182
<b>Total Contributions</b>	<b><u>4,028</u></b>	<b><u>2,160</u></b>
<b>Total Credited to Services</b>	<b><u>443,096</u></b>	<b><u>334,942</u></b>

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

#### Current Liabilities

<i>Revenue Grants Creditors and Receipts in Advance</i>	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Dedicated Schools Grant	-	1,698
Housing & Council Tax Benefit Grant	1,632	-
Standards Fund Grant	88	745
Social Care Reform	521	139
Other Miscellaneous Grants	1,287	433
<b>Total Government Grants</b>	<b><u>3,528</u></b>	<b><u>3,015</u></b>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	1,156	1,359
Section 106 Developers Contributions - Capital	3,337	3,690
<b>Total Contributions</b>	<b><u>4,493</u></b>	<b><u>5,049</u></b>
<b>Total Receipts in Advance</b>	<b><u>8,021</u></b>	<b><u>8,064</u></b>

## Notes to the Core Financial Statements

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### 39 Related Party Transactions

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

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 30 on reporting for resource allocation decisions. Grant receipts outstanding at 31st March 2012 are shown in 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 2011/12 is shown in Note 32. During 2011/12, there are no declarable related party transactions with the exception of the following:-

- a) Councillor J. Canvin is a board member of Crystal Palace Community Development Trust, to which the Council paid £51k in 2011/12.
- b) Councillor W. Huntington-Thresher and Councillor P. Fortune are Council appointed board members of Broomleigh Housing Association (Affinity Homes Group) to which the Council paid £2.1m in 2011/12.
- c) Councillor Mrs Manning is Chairman of the Carers Organisation which receives support in kind by Carers Bromley. Councillor J. Ince was a Trustee of Carers Bromley until 26/10/11. The Council paid £512k to Carers Bromley in 2011/12.
- d) Councillor K. Lymer is a Trustee of Bromley Youth Music Trust, to which the Council paid £772k in 2011/12.
- e) Councillor P. Morgan and Councillor M. Turner are Trustees of Bromley & Downham Youth Club, to which the Council paid £10k in 2011/12.
- f) Councillor D Smith is a Council appointed board member of Bromley Healthcare Community Interest Co Ltd, to which the Council paid £349k in 2011/12.
- g) Councillor D. Macmull was a Council appointed board member of Bromley 'Y' Project until 20/03/12, to which the Council paid £181k in 2011/12.

#### Officers

During 2011/12, £0.4m was paid to Bromley Citizen's Advice Bureau as part of the Adult and Community Services commissioning arrangements. The Chairman of the CAB Trust Board is a family member of the Director of Children and Young People Services Department.

During 2011/12 £6.8m was paid to Liberata in payment for services in relation to the Council's exchequer contract. Liberata employs two family members of the Finance Director, one in a role that is not related to the Bromley contract and the other as a temporary payroll support officer.

#### Other Public Bodies

The Authority has two pooled budget arrangements with Bromley Primary Care Trust for the provision of Learning Disability Day Services and Integrated Stores. There is a further pooled budget arrangement with Oxleas NHS Foundation Trust for the provision of mental health functions. Transactions relating to these arrangements are detailed in note 31.

#### Pension Fund

During the financial year, the average monthly cash balance of the Pension Fund was slightly negative and, as a result, no interest was paid to the Fund (£19k was paid in 2010/11). The Authority charged the Fund £513k in 2011/12 (£627k in 2010/11) for expenses incurred in administering the Fund.

## Notes to the Core Financial Statements

### 40 Section 106 Receipts

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

<b>31 March 2011 £000</b>	<b>Service</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Transfers (to) /from Capital £000</b>	<b>31 March 2012 £000</b>
<b><u>Revenue</u></b>					
491	Highway Improvement Works	30	-	-	521
30	Road Safety Schemes	-	-	-	30
95	Local Economy & Town Centres	-	-	-	95
63	Parking	-	10	-	53
35	Landscaping	-	-	-	35
-	Education	81	-	-	81
383	Healthcare Services	106	-	-	489
40	Community Use	-	-	-	40
19	Other	-	-	(4)	15
<u>1,156</u>		<u>217</u>	<u>10</u>	<u>(4)</u>	<u>1,359</u>
<b><u>Capital</u></b>					
43	Local Economy & Town Centres	-	-	-	43
375	Education	110	-	-	485
2,070	Housing	355	111	4	2,318
849	Community Use	56	61	-	844
<u>3,337</u>		<u>521</u>	<u>172</u>	<u>4</u>	<u>3,690</u>
<b><u>4,493</u></b>		<b><u>738</u></b>	<b><u>182</u></b>	<b><u>-</u></b>	<b><u>5,049</u></b>

## Notes to the Core Financial Statements

### 41 Capital Expenditure and Capital Financing

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

	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	7,851	7,452
<i>Capital investment</i>		
Property, Plant and Equipment	9,055	11,233
Revenue Expenditure Funded from Capital under Statute	39,605	36,696
Disabled Facilities Grant Recycled	714	829
	<u>49,374</u>	<u>48,758</u>
<i>Sources of finance</i>		
Capital receipts	424	4,705
Government grants and other contributions	37,831	39,477
Sums set aside from revenue:		
Direct revenue contributions	9,619	3,527
Statutory / voluntary revenue provision	340	3,126
Finance Leases Repaid/Terminated	1,559	1,784
	<u>49,773</u>	<u>52,619</u>
Movement in Capital Financing Requirement	(399)	(3,861)
<i>Closing Capital Financing Requirement</i>	7,452	3,591
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,899)	(4,910)
Assets acquired under finance leases	1,500	1,049
Increase/(decrease) in Capital Financing Requirement	<u>(399)</u>	<u>(3,861)</u>

## Notes to the Core Financial Statements

### 42 Leases

#### Finance Leases - Authority as Lessee

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

Items of equipment leased by schools, mainly photocopiers, have also been classified as finance leases. Insufficient information was available to account for these in 2009/10, but they were all brought onto the Balance Sheet in 2010/11 and a typical useful life of 5 years was assumed.

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

	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>
Vehicles, Plant and Equipment	4,326	3,591
	<b><u>4,326</u></b>	<b><u>3,591</u></b>

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

	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	1,419	1,235
- non current (later than 1 year)	2,907	2,356
Finance costs payable in future years	1,484	1,250
Minimum lease payments	<b><u>5,810</u></b>	<b><u>4,841</u></b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>
Not later than one year	1,878	1,648	1,419	1,235
Later than one and less than five years	3,891	2,937	2,881	2,170
Later than five years	41	256	26	186
	<b><u>5,810</u></b>	<b><u>4,841</u></b>	<b><u>4,326</u></b>	<b><u>3,591</u></b>

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

## Notes to the Core Financial Statements

### 42 Leases continued

#### Operating Leases - Authority as Lessee

The Authority leases various premises, which are accounted for as operating leases  
The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	447	453
Later than one and less than five years	1,562	1,194
Later than five years	199	114
	<u>2,208</u>	<u>1,761</u>

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

	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<i>Minimum lease payments</i>		
Adult Social Care	115	115
Children's and Education Services	240	239
Cultural and Related Services	31	31
Environmental and Regulatory Services	43	43
Planning Services	25	25
	<u>454</u>	<u>453</u>

#### Operating Leases - Schools as Lessee

Schools have entered into operating leases in the main, to acquire photocopiers and telephone systems. Typically operating leases are in place for 3 to 5 years, depending on the asset.  
The minimum lease payments will be payable over the following periods.

	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	223	48
Later than one and less than five years	330	94
Later than five years	1	2
	<u>554</u>	<u>144</u>

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

	<b>31 March</b>	<b>31 March</b>
	<b>2011</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<i>Minimum lease payments</i>		
Children's and Education Services	223	48
	<u>223</u>	<u>48</u>

## Notes to the Core Financial Statements

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### 42 Leases continued

#### Finance Leases - Authority as Lessor

As at 31st March 2012, the Authority holds no finance leases.

#### Operating Leases - Authority as Lessor

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

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

	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>
Not later than one year	3,379	3,439
Later than one and less than five years	11,443	11,434
Later than five years	196,307	194,419
	<u><b>211,129</b></u>	<u><b>209,292</b></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 £219.9m as at 31st March 2012 (£214.4m as at 31st March 2011). Depreciation and impairment charges of £1.8m and £0.9m respectively were made in 2011/12.

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

	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>
<i>Minimum lease payments</i>		
Cultural and Related Services	373	366
Environmental and Regulatory Services	152	204
Children's and Education Services	6	4
Highways and Transport Services	80	91
Adult Social Care	100	144
Financing & Investing Income & Expenditure	3,371	3,468
<i>Contingent rents</i>		
Environmental and Regulatory Services	78	93
Financing & Investing Income & Expenditure	401	767
	<u><b>4,561</b></u>	<u><b>5,137</b></u>

## Notes to the Core Financial Statements

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### 43 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.

#### The Refuse Collection contract with Veolia Ltd

The Authority transferred the contract for Waste Collection to Onyx UK Ltd, now known as Veolia, from 4th November 2001 and the Waste Management contract from 24th February 2002, for 14 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 on note 12.

The total cost of this contract to 31st March 2011 was £38.3m. Expenditure amounting to £5.5m was incurred in 2011/12.

Further details of the leasing arrangements are provided in note 42.

### 44 Impairment Losses

During 2011/12 the Authority has charged the following impairments in respect of its non-current assets to the surplus or deficit on the Provision of Services and the Other Comprehensive Income and Expenditure:

2010/11		2011/12
£000		£000
5,269	Property, Plant and Equipment	6,625
3,710	Assets held for sale	418
<u>8,979</u>		<u>7,043</u>

These losses have been charged in the Comprehensive Income & Expenditure Statement as follows:

2010/11		2011/12
£000		£000
-	Central Services to the Public	1,386
931	Cultural and Related Services	1,242
115	Environmental and Regulatory Services	945
2,076	Children's and Education Services	1,710
2,147	Adult Social Care	1,342
<u>5,269</u>		<u>6,625</u>
3,710	Financing & Investment Income & Expenditure	418
<u>8,979</u>		<u>7,043</u>

### 45 Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £2,277k, (£1,530k within 2010/11). The total expenditure in 2011/12 related to 122 employees across all departments of the Authority.

## Notes to the Core Financial Statements

### 46 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 payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council's Pension Fund is a funded defined benefit final salary statutory scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007/08 (as amended). The Authority and employees pay contributions into the Fund, calculated at a level intended to balance the pensions liabilities with investment assets over a period of time, 12 years in the Council's case. The Fund provides pension benefits for its employees, including retirement pensions, lump sum retirement grants and widows' pensions.

In 2010, the government appointed Lord Hutton to head a commission into public sector pensions. Lord Hutton issued his report in 2011 and the key recommendations, which were accepted by the government as a basis for consultation, were:

- Final salary scheme to be replaced by career average scheme, but existing accrued pension rights to be honoured;
- Normal pension age to be linked to state pension age (set to rise to 66 by 2020);
- If the employer contribution exceeds a set ceiling (to be determined), there should be a review of costs, with a possible increase in employee contributions or a review of the whole scheme.

Agreement has recently been reached between trade unions and Government ministers over the reform of the scheme. The main elements of the new scheme were agreed in December 2011 but, since then, the Local Government Authority and the trade unions have been negotiating with the Government over details such as the accrual rate and revaluation rate to ensure the new scheme stays within the cost ceiling set by the Government. The new LGPS scheme will be in place by 1 April 2014.

#### (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 IAS19 report as at 31st March 2012, prepared by the Council's actuary, Barnett Waddingham LLP.

	2010/11 £000	2011/12 £000
<u>Comprehensive Income &amp; Expenditure Statement</u>		
Current service cost	21,848	15,817
Settlements and Curtailments	(5,593)	(7,994)
Past service costs	(59,890)	-
Total included in Cost of Services	(43,635)	7,823
<u>Financing &amp; Investment Income &amp; Expenditure</u>		
Pensions interest cost	36,665	32,216
Expected return on scheme assets	(29,169)	(28,198)
Total included in Surplus or Deficit on the Provision of Services	(36,139)	11,841
<u>Other Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</u>		
Actuarial gains and losses	(12,844)	87,549
<u>Total Post-employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</u>	(48,983)	99,390
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	36,139	(11,841)
Employers' contributions and benefits payable direct to pensioners	21,154	17,690
	57,293	5,849
Actual return on scheme assets	22,303	15,649

## Notes to the Core Financial Statements

### 46 Disclosure of Information about Retirement Benefits continued

#### (b) Transactions relating to Post-employment Benefits continued

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31st March 2012 is a loss of £208,726k (since 1st April 2002).

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

Reconciliation of present value of Scheme liabilities:

	2010/11	2011/12
	£000	£000
<b>Opening Liability (Defined Benefit obligation)</b>	<b>640,362</b>	<b>601,733</b>
Current service cost	21,848	15,817
Interest cost	36,665	32,216
Actuarial (gain)/loss	(12,096)	75,000
Curtailments	150	1,032
Settlements	(8,517)	(18,379)
Estimated benefits paid (net of transfers in)	(22,278)	(23,539)
Past service costs	(59,890)	-
Contributions by scheme members	5,840	4,457
Unfunded pension payments	(351)	(354)
<b>Closing Liability (Defined Benefit obligation)</b>	<b>601,733</b>	<b>687,983</b>

Reconciliation of fair value of Scheme assets:

	2010/11	2011/12
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>400,559</b>	<b>432,067</b>
Expected return on scheme assets	29,169	28,198
Actuarial gain/(loss)	748	(12,549)
Contributions by employer	21,154	17,690
Contributions by scheme members	5,840	4,457
Settlements	(2,774)	(9,353)
Estimated benefits paid (net of transfers in)	(22,629)	(23,893)
<b>Closing fair value of scheme assets</b>	<b>432,067</b>	<b>436,617</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £15,649k (£22,303k in 2010/11).

Reconciliation of net deficit (liability) on scheme:

	2010/11	2011/12
	£000	£000
<b>Net Deficit at beginning of the year</b>	<b>(239,803)</b>	<b>(169,666)</b>
Current service cost	(21,848)	(15,817)
Employer contributions	20,803	17,336
Unfunded pension payments	351	354
Past service costs	59,890	-
Other finance income	(7,496)	(4,018)
Settlements and Curtailments	5,593	7,994
Actuarial gain/(loss)	12,844	(87,549)
<b>Net Deficit at end of the year</b>	<b>(169,666)</b>	<b>(251,366)</b>

## Notes to the Core Financial Statements

### 46 Disclosure of Information about Retirement Benefits continued

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

The significant increase in the net deficit in 2011/12 (£81.7m) was due to two factors taken into account by the actuary in the IAS19 report as at 31st March 2012. Firstly, investment returns in the year were lower than assumed (2.2% against the assumption of 6.6%), as a result of which assets were lower than expected. Secondly, the value placed on the liabilities increased by more than was assumed due to a reduction in corporate bond yields (this is the discount rate that the accounting standard requires the actuary to use to value the liabilities) from 5.5% to 4.6%. A lower discount rate results in a higher value being placed on the liabilities.

#### (d) Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Present value of liabilities	(492,526)	(403,435)	(640,362)	(601,733)	(687,983)
Fair value of assets	342,106	263,021	400,559	432,067	436,617
Net Deficit in the scheme	(150,420)	(140,414)	(239,803)	(169,666)	(251,366)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £687,983k 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 £251,366k. 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 full valuation of the fund as at 31st March 2010.

The total contributions expected to be made to the scheme by the Authority in the year to 31st March 2013 is £15,814k.

#### (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 Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Fund being based on the most recent full valuation as at 31st March 2010 and latest estimates for the Fund as at 31st March 2012.

The main financial assumptions used by the actuary for the purposes of the IAS19 calculations were:

	31/03/11	31/03/12
Long-term expected rate of return on scheme assets (% p.a.):		
Equities	7.1%	5.9%
Bonds/Gilts (average)	4.9%	3.8%
Cash	3.0%	3.0%
Longevity at 65 for pensioners retiring today (years):		
Men	22.0	22.2
Women	26.0	26.2
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	24.1	24.4
Women	28.1	28.3
Rate of inflation - RPI	3.5%	3.1%
Rate of inflation - CPI	2.7%	2.3%
Rate of increase in salaries	5.0%	4.5%
Rate of increase in pensions	2.7%	2.3%
Rate for discounting scheme liabilities	5.5%	4.5%
Take-up of option to convert annual pension to lump sum	50%	50%

## Notes to the Core Financial Statements

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### 46 Disclosure of Information about Post-employment Benefits continued

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

The Fund's assets consist of the following categories, by proportion of the assets held.

	31/03/11	31/03/12
	%	%
Equity investments	83	82
Gilts / Bonds	15	15
Cash	2	3
	<u>100</u>	<u>100</u>

#### (f) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 and in previous years can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March.

	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Differences between expected and actual return on assets	(2.1)	(38.2)	28.7	0.2	(2.9)
Experience gains and losses on liabilities	(6.0)	-	-	1.0	-

#### (g) Bromley Employees

In 2011/12, Bromley paid into the Pension Fund a total contribution of £21.0m (33.0% of total pensionable pay), including a past deficit contribution of £5.5m. This compares to £20.7m (30.8%) and £8.6m in 2010/11. 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 2011/12 incorporate 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 the next 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 2011/12, Bromley paid £6.3m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 14.1% of teachers' pensionable pay. The figures for 2010/11 were £6.2m and 14.1%. A further contribution of £0.3m (23.5% of pensionable pay) was paid over in respect of academies. 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 2011/12 and 2010/11.

## Notes to the Core Financial Statements

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### **47 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 2011/12 there are five 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) Consequent to ongoing litigation involving most Local Land Charges Authorities regarding the implications of the Environment Information Regulations 2004, there is a potential risk that charges previously imposed on personal search companies for local land charges information will have to be repaid for the period 2005 - 2010. The potential liability to the Council is estimated to be £450k.
- 5) There is a potential clawback of grant in the region of £1.5m dependent wholly on decisions outside of the Authority's control.

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

Contingent assets are possible assets that will only be confirmed by the occurrence of uncertain future events not wholly within the Authority's control. For 2011/12 there is one contingent asset to be disclosed:

The Council has been successful in recovering from HM Revenue and Customs separate historic VAT claims for different periods from April 1973 to December 1996. These claims related to disputed VAT liabilities on sporting services, sporting tuition, excess parking charges, special domestic waste collections, cultural services and libraries/audio visual charges. There are further claims being pursued which include claims for compound interest, off street parking and a claim for the period December 1996 to December 2000 in relation to libraries/audio visual charges, special collections of domestic waste and excess charges for off-street parking. It is not possible to accurately predict the financial outcome of these claims at the present time nor is it certain, at this stage, whether the claims will be successful.

## Notes to the Core Financial Statements

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

The Council's activities expose it to a variety of financial risks. With regard to financial assets, these are mainly classified as loans and receivables (see note 15) and most of this note concentrates on the nature and extent of risk arising from these.

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

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

#### **Credit Risk**

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit rating criteria.

The Strategy for 2011/12 was approved by Full Council in February 2011 and was subsequently amended by Full Council in February 2012. It 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 Sector. 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 banks and building societies of £175.9m 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 2012 that this was likely to crystallise. Deposit protection arrangements, specifically the HM Treasury Credit Guarantee Scheme, will limit any losses that might arise.

No breaches of the Council's counterparty criteria occurred during 2011/12 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

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

#### *Credit Risk (cont)*

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

	<b>31/03/2011</b>	<b>31/03/2012</b>
	<b>£000</b>	<b>£000</b>
Less than three months	6,212	5,556
Three to six months	1,007	920
Six months to one year	942	941
More than one year	1,720	2,120
	<u>9,881</u>	<u>9,537</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 and money markets if necessary. Currently, however, the Council does not borrow externally and there are no plans to do so. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

<b>Principal Sum</b>		<b>Principal Sum</b>
<b>Invested</b>		<b>Invested</b>
<b>at 31/03/11</b>		<b>at 31/03/12</b>
<b>£000</b>		<b>£000</b>
132,063	Less than one year	164,904
37,500	Between one and two years	10,000
<u>169,563</u>		<u>174,904</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

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### 49 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 the counterparty meeting the approved eligibility criteria.

During 2011/12, all but one of the Council's investments were placed at fixed interest rates, the exception being a one-year investment of £12.5m placed on 27th March 2012 at 3-month Libid plus 0.10% (rate reset quarterly). This was placed after referring to market forecasts of future interest rate movements, which indicated very little, if any, movement. Accordingly, there is minimal exposure to movements in variable interest rates.

##### Price Risk

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

##### Foreign Exchange Risk

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

##### Icelandic Bank Defaults

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander, went into administration. At that time, the Council had £5m deposited with Heritable, 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 2012, a total of 10 dividend payments had been received from the administrator, which amounted to £3,455k (67.9% of the Council's total claim of £5,087k). In line with CIPFA guidance, an impairment was actioned in 2008/09 and a part-reversal then followed in 2009/10. The administrator's latest estimate is for a recovery of between 86% and 90% of the claim sum. A further part-reversal of the original impairment (£730k) was actioned in the 2011/12 accounts, leaving a provision for potential loss of £610k (12% of the total claim sum). More details are provided in note 15 on Financial Instruments.

## Notes to the Core Financial Statements

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### 50 *Heritage Assets: Further Information*

#### **General**

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

#### **Five Year Summary of Transactions**

The Code requires a 5 year summary of transactions to be provided, but states that the information need not be given for any period before 1st April 2010 where it is not practicable to do so. The Council's Heritage Assets were valued during 2011 and no values were held or known before then, so it is not practicable to show transactions over the last five years. Accordingly, the accounts only record information back to 1st April 2010 (estimated values restated as at 1st April 2010 and 31st March 2011). The carrying values are shown in note 13.

#### **Heritage Assets disclosed in the accounts include the following:**

##### *Mayoral Regalia and Insignia*

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

##### *Art Works*

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

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

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

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

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

#### **Heritage Assets not disclosed in the accounts include the following:**

##### *War Memorials and Memorial Plaques*

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

##### *Metrology Equipment*

The Council owns various items of measuring equipment, such as scales and balances, that are estimated to have a total value of between £5k and £7k. They are in the process of being donated to English Heritage and 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.

## Notes to the Core Financial Statements

### 51 *Heritage Assets: Change in Accounting Policy required by the Code of Practice for Local Authority Accounting in the United Kingdom*

#### 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 12).

In applying the new accounting policy, the Authority is now recognising heritage assets with a total value of £1,017k that were not previously recognised in the Balance Sheet. This increase in the Balance Sheet value of the Council's long term assets is recognised in the Revaluation Reserve. The 1st April 2010 and 31st March 2011 Balance Sheets have been restated.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £1,017k and the revaluation reserve has increased by the same amount. This was not previously recognised on the Balance Sheet.
- The adjustments that have been made to those Balance Sheets over the version published in the 2010/11 Statement of Accounts are as follows:

#### Effect on Opening Balance Sheet 1 April 2010

	Opening Balance at 1 April 2010 £000	Restatement Entries £000	Revised Opening Balance 1 April 2010 £000
Heritage Assets	-	1,017	1,017
Total Long Term Assets	956,991	1,017	958,008
<b>Total Net Assets</b>	<b>802,864</b>	<b>1,017</b>	<b>803,881</b>
Unusable Reserves	(687,874)	(1,017)	(688,891)
<b>Total Reserves</b>	<b>(802,864)</b>	<b>(1,017)</b>	<b>(803,881)</b>

#### Movement in Reserves Statement – Unusable Reserves 2010/11

	As Previously Stated 31st March 2011 £000	Restatement Entries £000	As Restated 31st March 2011 £000
Balance as at the end of the previous reporting period – 31 March 2010	(687,874)	(1,017)	(688,891)
Balance at the end of the current reporting period 31 March 2011	(766,411)	(1,017)	(767,428)

#### Effect on Balance Sheet 31 March 2011

	Previously stated at 31 March 2011 £000	Restatement Entries £000	Revised Balance at 31 March 2011 £000
Heritage Assets	-	1,017	1,017
Total Long Term Assets	984,749	1,017	985,766
<b>Total Net Assets</b>	<b>892,605</b>	<b>1,017</b>	<b>893,622</b>
Unusable Reserves	(766,411)	(1,017)	(767,428)
<b>Total Reserves</b>	<b>(892,605)</b>	<b>(1,017)</b>	<b>(893,622)</b>

## 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	2010/11 £000	2011/12 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	157,311	158,589
Transfer from the General Fund for Council Tax benefit		19,063	19,278
Income collectable from Business Rate payers	(2)	74,391	79,166
Income Collectable from Business Rate Supplement	(3)	2,479	2,431
		<u>253,244</u>	<u>259,464</u>
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		131,670	132,166
- Greater London Authority		41,153	41,308
Business Rates	(2)		
- Payments to National Pool		74,037	78,817
- Cost of Collection		354	349
Business Rate Supplement	(3)		
- Contribution to GLA		2,430	2,414
- Cost of Collection/Administrative Costs		49	17
Bad and Doubtful Debts / Appeals			
- Write offs		1,170	2,012
- Increase / (decrease) in bad debt provision		(319)	18
		<u>250,544</u>	<u>257,101</u>
<b>Net Movement on Fund Balance</b>		<u>(2,700)</u>	<u>(2,363)</u>
		<b>£000</b>	<b>£000</b>
<b>Fund Balance</b>			
Balance at 1st April		-	(2,700)
Net movement for year		(2,700)	(2,363)
Balance at 31st March - deficit / (surplus)		<u>(2,700)</u>	<u>(5,063)</u>

## THE COLLECTION FUND

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In accordance with the statutory provisions for Collection Fund accounting, any surplus or deficit on the Fund can be transferred to Bromley and the Preceptors only in the financial year for which the budgetary provision was made. Where identified for the projected outturn it is taken into account when assessing the following years Council Tax levy. Any balance must remain on the Collection Fund and be repaid in the following year. Accordingly the 2010/11 surplus will be distributed in 2012/13 and the 2011/12 surplus will be distributed in 2013/14 as follows:

*Fund Balance split into its attributable parts*

	<b>Surplus as at 31/03/2011 £000</b>	<b>Surplus for 2011/12 £000</b>	<b>Surplus as at 31/03/2012 £000</b>
London Borough of Bromley	(2,057)	(1,805)	(3,862)
Greater London Authority	(643)	(558)	(1,201)
	<b><u>(2,700)</u></b>	<b><u>(2,363)</u></b>	<b><u>(5,063)</u></b>

# THE COLLECTION FUND

## Notes to the Accounts

### 1 Council Tax Base

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

Band	Number of Properties	Multiplier	Band D Equivalent Dwellings
A	1,391	6/9	927
B	7,601	7/9	5,912
C	23,108	8/9	20,540
D	31,190	9/9	31,190
E	25,997	11/9	31,774
F	16,207	13/9	23,410
G	12,481	15/9	20,802
H	1,149	18/9	2,298
			<hr/>
			136,853
	Allowance for MOD properties, changes in exemptions, discounts and number of properties		<hr/>
			(802)
			<hr/>
			136,051
	Estimated Collection Rate		98.00%
			<hr/>
	Council Tax Base 2011/12		<hr/>
			133,330

### 2 Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other reductions, is paid to a central pool, (the NNDR Pool) managed by Central Government, who in turn pay back to Authorities their share of the pool based on a standard amount per head of resident population.

The total non-domestic rateable value at 31st December 2010 was assessed by the Government's District Valuer as £214,685,124. The national non-domestic multiplier for the year was 43.3p. The income collectable for the year of £79.2m is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory reliefs as well as the part year effect of properties falling out / brought into rating during the year.

### 3 Business Rate Supplements

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

## FORMER LRB FUND

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

### *Movement for year ending 31st March 2012*

	<b>Fund 1</b>	<b>Fund 2</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April 2011	( 315)	( 364)	( 679)
Movement in year on ex LRB functions:			
Income	( 551)	( 770)	( 1,321)
Interest earnings on Fund balance	( 6)	( 13)	( 19)
Expenditure	12	21	33
Distribution (note 1)	551	770	1,321
Balance as at 31st March 2012	<u>( 309)</u>	<u>( 356)</u>	<u>( 665)</u>

### *Balance Sheet as at 31st March 2012*

<b>2011</b>		<b>2012</b>
<b>£000</b>		<b>£000</b>
	<i>Assets</i>	
1	Debtors	-
-	Less provision for bad debts	-
<u>1</u>		<u>-</u>
678	Cash	668
<u>679</u>		<u>668</u>
	<i>Liabilities</i>	
315	Fund 1	309
364	Fund 2	356
-	Creditors	3
<u>679</u>		<u>668</u>

### *Notes to accounts*

#### 1) *2011/12 Distribution*

In 2011/12 revenue receipts of £772,747 and capital receipts of £548,700 were received and distributed between the London Boroughs in accordance with the regulations of the transfer.

#### 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 Council Tax Base.

## PENSION FUND

2010/11		PENSION FUND ACCOUNT	Note	2011/12	
£000	£000			£000	£000
		<b>Dealings with members and employers</b>			
		<b>Contributions and similar payments</b>			
6,040		Contributions - from members	6	5,766	
13,275		- from employers - normal	6	16,791	
8,929		- deficit funding	6	5,500	
4,757		Transfers in from other pension funds (individual)		4,261	
	33,001				32,318
		<b>Benefits</b>			
(19,223)		Pensions		(20,465)	
(5,674)		Lump sum benefits - retirement		(5,705)	
(332)		- death		(795)	
	(25,229)				(26,965)
		<b>Payments to and on account of leavers</b>			
(17)		Refunds of contributions		(11)	
(2,734)		Transfers out on account of leavers (individual)		(1,820)	
	(2,751)				(1,831)
	(731)	<b>Administrative expenses</b>	7		(629)
	4,290	<b>Net addition from dealings with Fund members</b>			2,893
		<b>Returns on investments</b>			
7,478		Investment income	8	8,489	
32,119		Change in market value		1,992	
(2,318)		Investment management expenses	9	(1,190)	
	37,279	Net return on investments			9,291
	41,569	<b>Net Fund increase during year</b>			12,184
	447,796	Opening net assets			489,365
	489,365	<b>Closing net assets</b>			501,549
<b>31st March 2011 NET ASSETS STATEMENT</b>				<b>31st March 2012</b>	
£000	£000			£000	£000
		<b>Investment assets</b>	10		
127,853		Equities - UK (quoted)		120,992	
132,862		- overseas (quoted)		140,057	
	260,715				261,049
	219,816	Pooled investment vehicles (managed funds - non-property)			225,778
	10,560	Cash deposits held by investment managers			12,753
201		Other investment balances - sales		630	
(1,701)		- purchases		(888)	
	(1,500)				(258)
	489,591	Net investment assets	10		499,322
		<b>Current assets and liabilities</b>			
586		Cash		1,486	
619		Current assets - debtors	11	908	
(1,431)		Current liabilities - creditors	11	(167)	
	(226)				2,227
	489,365	<b>Closing net assets</b>			501,549

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 13.

# PENSION FUND

## Notes to the Accounts

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### 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 2011/12 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

#### (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 pension scheme to provide pensions and other benefits for pensionable employees of the Council and of a range 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.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009.

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
- Admission Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

Including the Council itself, there are a total of 42 employer organisations in the Bromley Fund. The Fund's scheduled and admission bodies are as follows:

#### **Scheduled Bodies - Foundation Schools**

Highfield Infant School  
Highfield Junior School  
Holy Innocents Catholic Primary School  
Raglan Primary School  
St Mary's Catholic Primary School  
St Olave's & St Saviour's Grammar School  
The Glebe Special School  
The Priory School

#### **Scheduled Bodies - Academies**

Balgowan Primary  
Crofton Junior  
Green Street Green Primary  
Pickhurst Infants  
Stewart Fleming Primary  
Valley Primary  
Beaverwood School for Girls  
Bullers Wood School  
Charles Darwin School  
Darrick Wood School  
Kelsey Park Sports College  
Langley Park School for Boys  
Newstead Wood School for Girls  
The Ravensbourne School

#### **Scheduled Bodies - Other**

Bromley College  
Orpington College  
Ravensbourne College

#### **Admission Bodies**

Beckenham and District Mind  
Bromley Mytime  
Broomleigh Housing Association

Biggin Hill Primary  
Darrick Wood Infants  
Hayes Primary  
Pickhurst Junior  
Tubbenden Primary  
Warren Road Primary  
Bishop Justus CE School  
Cator Park School  
Coopers Technology College  
Hayes School  
Kemnal Technology College  
Langley Park School for Girls  
Ravens Wood School

# PENSION FUND

## Notes to the Accounts

### 1 Description of Fund (continued)

#### (b) Membership (continued)

The following table shows the total membership of the Fund as at 31st March 2012 and 2011.

	2011	2012
Members	5,246	5,040
Pensioners - widows / dependents	706	705
- other	3,816	3,923
Deferred Pensioners	3,859	4,165
Total	13,627	13,833

#### (c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2012. Contributions are also made by employers and these are set based on triennial actuarial funding valuations, the most recent of which was as at 31 March 2010. Currently, employer rates range from 14.7% to 28.8% of pensionable pay.

#### (d) Benefits

Pension benefits are based on final pensionable pay and length of pensionable service, summarised below:

Service pre 1 April 2008:

- Pension: each year worked is worth 1/80 x final pensionable salary
- Lump sum : automatic lump sum of 3 x salary and part of annual pension can be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum)

Service post 31 March 2008:

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

There is a range of other benefits provided under the scheme including early retirement, disability/ill-health pensions and death benefits. Benefits are index-linked (using the Consumer Price Index from 1 April 2011 and the Retail Price Index up to 31 March 2011) in order to keep pace with inflation.

### 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 13.

### 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 will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets. 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.

# PENSION FUND

## Notes to the Accounts

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### 3 Summary of Significant Accounting Policies (continued)

#### (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 amount not received by the end of the reporting period is disclosed in the net assets statement as "current assets".

##### (iii) Distributions from pooled funds

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

##### (iv) Movement in the net market value of investments

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

#### (d) Benefits payable

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

#### (e) Taxation

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

#### (f) Administrative expenses

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

#### (g) Investment management expenses

All investment management expenses are accounted for on an accruals basis and investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on a percentage of the total market value of investments under management and therefore increase or decrease as the total value of investments changes. Prior to 1st October 2011, a performance related fee was payable to one of the Fund managers (Fidelity), but their fee structure was reviewed in 2011 and is now linked only to the fund value.

#### (h) Financial assets

Equities traded through the Stock Exchange Electronic Trading Service are valued on the basis of the latest traded price. Other quoted securities are valued at their closing bid price.

Pooled investment vehicles are valued at either the bid price where a bid price exists or on the single unit price provided by the investment managers.

#### (i) Foreign currency transactions

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

#### (j) Cash

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

#### (k) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to it.

# PENSION FUND

## Notes to the Accounts

### 3 Summary of Significant Accounting Policies (continued)

#### (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 IAS19 and relevant actuarial standards. As is permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits (see Note 13). A summary of the results of the last full actuarial valuation is shown in Note 12.

#### (m) Additional voluntary contributions (AVCs)

The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2009, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 14.

### 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 IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 12. This estimate is subject to significant variations based on changes to the underlying assumptions.

### 5 Events after the year end date

Since 31 March 2012, there has been a small decline in global stock markets, such that, at the end of July 2012, the total value of investments had fallen from around £500m to around £496m. This change is deemed to be a non-adjusting post-year end event.

### 6 Contributions receivable

	2010/11 £000	2011/12 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	10,202	12,013
- deficit funding	8,600	5,500
Scheduled bodies - Foundation Schools	1,807	793
	<u>20,609</u>	<u>18,306</u>
Other		
Scheduled bodies - normal - academies	125	2,712
- normal - colleges	885	937
- deficit funding - colleges	208	-
Admission bodies - normal	256	336
- deficit funding	121	-
	<u>22,204</u>	<u>22,291</u>
Member Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	4,657	4,306
Scheduled bodies - Foundation Schools	781	221
	<u>5,438</u>	<u>4,527</u>
Other		
Scheduled bodies - academies	55	763
- colleges	419	363
Admission bodies	128	113
	<u>6,040</u>	<u>5,766</u>

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

## PENSION FUND

### Notes to the Accounts

#### 7 Administrative Expenses

	2010/11 £000	2011/12 £000
Audit fee	35	35
Bank charges	21	19
Advice & other costs	48	62
Internal recharges	627	513
	<u>731</u>	<u>629</u>

#### 8 Investment Income

	2010/11 £000	2011/12 £000
Dividends from equities	7,436	8,469
Interest on securities	23	20
Internal interest on cash	19	-
	<u>7,478</u>	<u>8,489</u>

#### 9 Investment Management Expenses

	2010/11 £000	2011/12 £000
Fidelity - basic fee	533	603
- performance fee *	1,282	67
Baillie Gifford - basic fee	503	520
	<u>2,318</u>	<u>1,190</u>

\* performance fee element only payable until 30th September 2011.

#### 10 Investments

The investment managers are Baillie Gifford and Fidelity and both manage portfolios comprising equities, bonds and cash under balanced mandates.

The bid value of the Fund as at 31st March 2011 and 2012 was divided between the two Fund managers as follows:

	31st March 2011		31st March 2012	
	£000	%	£000	%
Fidelity	226,970	46.36	229,568	45.98
Baillie Gifford	262,621	53.64	269,754	54.02
	<u>489,591</u>	<u>100.00</u>	<u>499,322</u>	<u>100.00</u>

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits 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.

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

	Bid Price 31/03/2011 £000	Purchases £000	Sales £000	Change in MV £000	Bid Price 31/03/2012 £000
Equities	260,715	70,539	(70,023)	(182)	261,049
Pooled investments	219,816	39,635	(35,847)	2,174	225,778
Sub-Total	<u>480,531</u>	<u>110,174</u>	<u>(105,870)</u>	<u>1,992</u>	<u>486,827</u>
Cash	10,560				12,753
Other - receivable re sales	201				630
- payable re purchases	(1,701)				(888)
Total	<u>489,591</u>	<u>110,174</u>	<u>(105,870)</u>	<u>1,992</u>	<u>499,322</u>

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 £308k (£264k in 2010/11). 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.

## PENSION FUND

### Notes to the Accounts

#### 10 Investments (continued)

The Code requires the Council to disclose Pension Fund investments valued at over 5% of the total investment portfolio as at the end of the financial year. Details are shown below.

Baillie Gifford - none
Fidelity - Institutional UK Aggregate Bond Fund (value £42,161,804 - 8.4%)
- Institutional Europe Fund (value £25,813,201 - 5.2%)
- Institutional Exempt America Fund (value £32,992,848 - 6.6%)

#### 11 Current assets and liabilities

	2010/11	2011/12
	£000	£000
<u>Debtors (current assets)</u>		
Contributions due from employers	255	423
Investment income	352	480
Other	12	5
	<u>619</u>	<u>908</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	1,416	137
Pension advice fees	15	26
Other	0	4
	<u>1,431</u>	<u>167</u>

#### 12 Actuarial Position

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme (Administration) Regulations 2008. The Fund's Actuaries, Barnett Waddingham LLP, carried out a full valuation of the Fund at 31st March 2010, when its solvency level was calculated at 84%, an increase of 3% over the 2007 valuation. The 2010 actuarial valuation set the level of employer contributions required to attain 100% solvency within 12 years. It set employer rates for the years ending 31st March 2012, 2013 and 2014 at an average of 14.7% and specified that lump sum past-deficit contributions of £5.5m, £5.8m and £6.1m should be made in those three years. The 2007 valuation also set the average contribution rate at 14.7% and specified that additional lump sum past-deficit contributions of £8m, £8.3m and £8.6m should be made in the three years ended 31st March 2009, 2010 and 2011.

A significant number of schools adopted academy status during 2010/11 and 2011/12 and more are expected to follow in 2012/13. Calculations of deficit shares and contribution rates for academies are carried out individually by the Council's actuary and are set at either the same rate as the Council or at a rate sufficient to ensure that the deficit share is recovered within 12 years.

The economic assumptions employed in the 2007 and 2010 valuations are shown below.

	2007	2010
	% p.a.	% p.a.
Increases in earnings	4.9	5.0
General Inflation	3.4	3.5
Increases in pensions	3.5	3.0
Investment return - Equities	7.6	7.5
- Gilts	4.7	4.5
- Bonds & Property	5.4	5.6
- Discount rate	6.9	7.2

## PENSION FUND

### Notes to the Accounts

#### 13 Actuarial Present Value of Promised Retirement Benefits

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits (both based on IAS19 information available as at 31st March 2012) is shown in detail in Note 46 to the main financial statements. The summary position is shown below.

	2010/11	2011/12
	£000	£000
Present value of liabilities	(601,733)	(687,983)
Fair value of assets	432,067	436,617
Net Deficit in the scheme	<u>(169,666)</u>	<u>(251,366)</u>

#### 14 Additional Voluntary Contributions

Contributing members have the right to make AVCs to enhance their pensions. Until 2000/01, the Council's AVC scheme was offered to members through Equitable Life but, in that year, Equitable Life announced itself closed to new business. In May 2010, the Government outlined an Equitable Life Bill to enable compensation to be paid to policyholders who lost money and, as at February 2012, it announced that 20% of eligible policyholders had received a payment. Since 2000, employees have had the option of paying current contributions into the Aviva Fund. In accordance with the LGPS (Management and Investment of Funds) Regulations 2009, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2010/11 and 2011/12 and the total value of AVC Funds as at 31st March 2011 and 2012 is shown below.

	2010/11	2011/12
	£000	£000
AVC contributions		
- to Aviva	32	43
- to Equitable Life *	-	-
<b>Total contributions</b>	<u>32</u>	<u>43</u>

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

	31/03/11	31/03/12
	£000	£000
Market Value		
- Aviva	1,150	976
- Equitable Life	276	187
<b>Total Market Value</b>	<u>1,426</u>	<u>1,163</u>

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 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 the Pension Fund Annual Report for 2011/12 which was approved by the Pensions Investment Sub-Committee on 19th September 2012.

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## Scope of Responsibility

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 CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.bromley.gov.uk](http://www.bromley.gov.uk) or can be obtained from Resources, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an annual governance statement.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the 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, cost-effective services.

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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

## The Governance Framework

The key elements of the systems and processes that comprise Bromley's governance arrangements include:

### 1) **Identifying and communicating Bromley's vision of its purpose and intended outcomes for citizens and service users:**

Building a Better Bromley and being seen as excellent in the eyes of local people remains our vision.

Building a Better Bromley provides the framework for improving the economic, social and environmental well-being and health of people who live and work in Bromley. 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 Divisional plans.

Underpinning this vision are our eight Foundation Strategies covering Asset Management;

# ANNUAL GOVERNANCE STATEMENT

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Communications; Customer Service; Finance; Human Resources; ICT; Performance Management; and Procurement. These strategies work together to deliver our vision and govern what we do. They ensure we have a clear understanding of our aims in these key areas of our business and how we will achieve these aims.

Short term priorities are detailed in the Building a Better Bromley A3 sheet which highlights the key actions that form a focus for the Council's Executive.

## **2) Reviewing Bromley's vision and its implications for the authority's governance arrangements:**

Bromley faces a number of challenges over the next four to five years:

- Legislative changes from central Government regarding schools
- Responsibility for public health
- Closer working between health and social care
- Our financial position
- Developing our town centres
- Outcome of local government resource review

In response to these issues we have made a number of organisational changes including the setting up of our new Education and Care Services Department. We are currently revisiting our Building a Better Bromley vision with a view to publishing the most relevant and up to date corporate information on our website.

## **3) Measuring the quality of service for users, for ensuring they are delivered in accordance with Bromley's objectives and for ensuring that they represent the best use of resources:**

We measure our success through:

- Resident perceptions - 'excellent in the eyes of local people'
- Measurable improvements in efficiency and value for money
- Local Building a Better Bromley indicators and national indicators
- Benchmarks with other comparable councils and in independent assessments
- Extent of delivery of key programmes on time and to budget
- Successful identification and management of key risks to achieving our Building a Better Bromley priorities

Our Corporate Operating Principles which act as an operational model for our organisation define us as a value for money, high performance and customer focused council. The Organisational Improvement Programme Board, chaired by the Chief Executive, is responsible for the successful delivery of a portfolio of projects to drive through improvements and efficiencies right across the council.

## **4) Defining and documenting the roles and responsibilities of executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication:**

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.

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The Council's main decision making body is the Executive which has seven members and is chaired by the Leader of the Council. It either makes decisions itself or six of its members with specific Portfolio Holder responsibilities decide on matters relating to their own specialist areas. 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.

By law the Executive cannot take all Council decisions with some matters decided elsewhere, principally by the Development Control Committee and the General Purposes and Licensing Committee and their Sub-Committees, or by the Council's Chief Officers under delegated powers. Six Policy Development and Scrutiny (PDS) Committees discharge the Council's overview and scrutiny functions under the Local Government Act 2000.

The Constitution Improvement Working Group has been reconvened to make recommendations on potential changes to the Council's structures and processes arising from the Localism Act 2011.

Bromley Council is bound by the government's 'Code of Recommended Practice on Local Authority Publicity' which provides guidance on the content, style, distribution and cost of local authority publicity. Local authorities are required by legislation to consider the Code in coming to any decision on publicity, which is defined as any communication, in whatever form, addressed to the public or a section of the public.

## **5) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff:**

Bromley has adopted a number of codes and protocols that govern both Member and officer activities 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.

Although the Localism Act removed or changed a number of existing arrangements relating to the standards regime (such as the national Code of Conduct, the requirement to have a Standards Committee, the role of Standards Committee independent members on it, and the current system of sanctions) the Act still required authorities to promote and maintain high standards of conduct.

Councils are now required to adopt a local Code of Conduct and the Standards Committee has passed on its views on this and other matters to the Constitution Improvement Working Group in order that they can make recommendations to full Council.

## **6) Reviewing and updating the Constitution, including the Rules of Procedure, Standing Orders, standing financial instructions, a Scheme of Delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:**

The Director of Resources (as Monitoring Officer) reviews and updates the constitutional framework including Rules of Procedure and Standing Orders (which regulate meetings of the Council) and the Scheme of Delegation (which sets out formal delegation of various powers to the Council's Chief Officers and staff) on a regular basis reporting to full Council.

The Finance Director (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.

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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 Risk Management Group, chaired by the Insurance and Risk Manager, with representation at a senior level from each department, reporting 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.

### **7) Ensuring the Authority'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 Statement sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer (CFO) in public service organisations and the governance requirements needed to support them.

We confirm that 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 Finance Director has the role of Chief Finance Officer.

### **8) Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees - Practical Guidance for Local Authorities*:**

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit. Revised Terms of Reference were agreed for the Committee by full Council on 20 February 2012 and include:

- Monitor internal audit's strategy, plan and performance
- Review summary internal audit reports and the main issues arising, and seek assurances that action has been taken where necessary
- Consider the reports of external audit and inspection agencies
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and corruption arrangements
- Be satisfied the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it

As part of their local programme of audit work the external auditors PricewaterhouseCoopers LLP recommended that the Council should carry out an effectiveness review of the Audit Sub-Committee as the last one was completed in 2009.

### **9) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:**

The Director of Resources (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 Finance Director (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.

Corporate leadership is provided by the Corporate Management Team, 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.

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Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council.

### **10) Whistle-blowing and for receiving and investigating complaints from the public:**

Bromley is committed to the highest possible standards of openness, probity and accountability. 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. The Monitoring Officer has overall responsibility for maintenance and operation of the code and this is widely publicised via posters, the intranet and on the Council's website. The Anti-Fraud and Corruption Strategy has been updated to incorporate the changes brought about by the Bribery Act 2010.

Arrangements are in place for receiving and investigating complaints from the public under the Council's 'Getting it Right' procedures - how to complain, make a suggestion or pay a compliment about a council service. There are separate procedures in place for complaints about children's social care, social care and housing (including a guide for people with learning difficulties) and complaints about schools. Leaflets and forms are available from enquiry points and libraries. Information is also available on the Council's website. The Chief Executive and the Director of Resources monitor how complaints are handled within departments.

The Localism Act will change the way we deal with complaints about Bromley councillors in the future. Model investigation/complaints processes are being developed by national and professional bodies and we will review these before drawing up our own procedures.

### **11) Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training:**

There is a corporate induction process for Members and officers joining the Council. 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.

The Managerial and Leadership Development Framework sets out the key skills and knowledge that all Bromley managers are expected to have, whether newly appointed, experienced or operating at a strategic level. Officer training needs are identified as part of the annual Performance and Appraisal Development Scheme. In parallel a 'Managers' Toolkit' site has been developed on the intranet to provide a depository of policies, procedures, guidance and tools to enable all managers across the Council to work more effectively and efficiently.

IT training is delivered in partnership with Bromley Adult Education College.

### **12) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:**

Through our communications we want to keep people informed, listen and respond to their concerns and reflect their priorities in our own. Our aim is to align our messages to our target audience and use the most appropriate channel to promote those messages.

The Council held four public meetings in November 2011 attended by over 600 people as part of the

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2012/13 budget consultation. Consultation papers were also sent to local business representatives for their views and comments including the 20 largest business ratepayers in the Borough. In addition, prior to finalising the schools budget the Children and Young People Portfolio Holder consulted Head Teachers, Governors and the Schools Forum.

Other consultations this year included the future of children and family centres in Bromley, the future use of youth centres in Bromley and short break services for carers of disabled children.

The Council operates a Petition Scheme whereby any person who lives works or studies in the borough of Bromley can submit either a paper or e-petition. Once a petition has been validated a response will normally be sent back within 10 working days. All petition responses are published on the Council's website.

## **13) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in Bromley's overall governance arrangements:**

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

The Local Strategic Partnership Executive has been replaced by the Borough Officers' group which meets on an informal basis to monitor and direct the work of the main thematic partnerships. The group is chaired by the Chief Executive and includes representatives from the emergency and health services and the voluntary sector.

The thematic partnerships (Bromley Children and Young People; Health, Social Care and Housing; Safer Bromley and the Bromley Economic Partnership) hold open meetings and agenda papers and minutes are published on the Council website and/or the Bromley Partnership website. These are subject to scrutiny by the relevant PDS Committees.

## **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 Management Team comprising directors and assistant directors within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, the Policy Development and Scrutiny annual report, the work of the Standards Committee and also by comments made by the external auditors and other review agencies and inspectorates.

As part of this review the Assistant Directors have completed and signed an Assurance Statement in relation to their own service areas. In turn each Chief Officer 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:

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## Council Framework

We currently operate with a Leader and an Executive. The Leader personally controls all decisions about the Council's executive functions. He can then choose whether to make all decisions personally, or to make arrangements for others to do so.

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

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

Chief Officers are responsible for ensuring that Members are advised of the financial implications of all proposals liaising as necessary with the Finance Director. 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

Six Policy Development and Scrutiny (PDS) Committees have a major role in policy development and pre-scrutinising the decisions of the Executive. They have no decision making powers but make reports and recommendations which advise Portfolio Holders, the Executive and full Council on policies, budget and service delivery.

PDS Committees monitor the performance of services and functions within their remit assessing performance against key performance indicators and policy objectives. 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.

PDS Committees also monitor the decisions of the Executive and individual Portfolio Holders. Any five Members can challenge or 'call-in' a decision that has been made by the Executive. This enables them to consider whether the decision of the Executive was appropriate. They may recommend that the Executive reconsider the decision. They may also be consulted by the Executive or the Council on forthcoming decisions and the development of policy.

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

## Internal Audit

Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. The effectiveness of the system 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.

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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 Internal Audit confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that I am able to place 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 investigations that highlighted a number of weaknesses but specifically in officers' understanding of financial regulations and contract procedure rules. These are being addressed by mandatory training of any officers involved in the finances of this authority. I can confirm that action plans have been agreed for all areas of identified weakness and Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management.'

In 2010 CIPFA issued their Statement on the Role of the Head of Internal Audit in Public Service Organisations. The Statement sets out five principles that define the core activities and behaviours that belong to the role of the Head of Internal Audit. We confirm that the Head of Internal Audit meets these requirements.

## External Inspections

In their *Report to those charged with governance 2010/11 Audit* published in September 2011, the external auditors PricewaterhouseCoopers LLP reported that:

- It is the responsibility of the authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of our audit of the financial statements and our review of the annual governance statement.

We report internal control issues separately to the Finance Director and action plans have been agreed with officers. Our Internal Control Report, issued in September 2011, has been approved and officers are working actively to address the recommendations raised.

No significant issues were identified which require the attention of the General Purposes and Licensing Committee.

- We reviewed the 2010/11 Annual Governance Statement to consider whether it complied with the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

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

# ANNUAL GOVERNANCE STATEMENT

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## **Ofsted - Annual Children's Services Assessment**

Rated 3 - Performs Well

## **Ofsted – Bromley Fostering Service**

Rated Good

## **HMI Probation – Report on Youth Offending work**

Overall, we consider this a very creditable set of findings

## **Care Quality Commission - Review of compliance Adult Placement Scheme**

Adult Placement Scheme was meeting all the essential standards of quality and safety

Action plans to address any issues identified within these services are in place or under development.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Risk Management Group, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

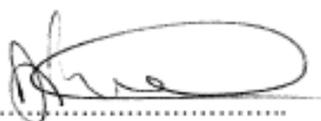
## **Significant Governance Issues**

Last year we identified several significant issues due to budget reductions and the ongoing uncertainties as to future funding streams. The Council has to save more than £30m over the next 3 years and our capacity to continue to make budget savings and maintain frontline services will be tested to the full. We continue to review and scrutinise our services to increase efficiencies and identify potential savings, and retain four year forward planning, despite the uncertainties on future funding. Any impact on governance issues will be addressed as part of this process.

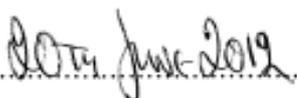
The Constitution Improvement Working Group has been reconvened to make recommendations on potential changes to the Council's structures and processes arising from the Localism Act 2011. The key issues that affect standards, including the requirement to adopt a local Code of Conduct will be reported to full Council in the first half of the year.

As identified by Internal Audit a rolling programme of mandatory training for any officers involved in the finances of this authority on financial regulations and contract procedure rules is already in place.

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.

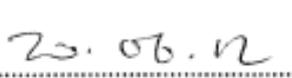
Signed.....

Chief Executive

Date.....

Signed.....

Leader of Council

Date.....

## GLOSSARY OF TERMS

### **Accounting Policies**

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

### **Accruals**

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

### **Actuary**

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

### **Actuarial Gains and Losses**

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

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

### **Balance Sheet**

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

### **Billing Authority**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Charges**

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

### **Capital Expenditure**

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

### **Capital Receipt**

The proceeds from the sale of a fixed asset.

### **Carrying amount**

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

### **Change in Accounting Estimate**

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

**Collection Fund**

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

**Community Assets**

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

**Consistency**

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

**Contingent**

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

**Corporate and Democratic Core**

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

**Council Tax**

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

**Council Tax Benefit**

An income related benefit designed to help people on low income 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**

A flat rate in the pound set by Central Government and levied on businesses in the Borough. The money is collected by Bromley and then passed to Central Government who reallocate the income via Formula Grant to all Councils. NNDR are a means by which local businesses contribute to the cost of local authority services. They are also known as business rates.

**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.

If you have any comments, or would like further details about this document, please write to the Chief Accountant at the address shown in the box below:

**ጥያቄ ካልዎት፤ ወይም ስለዚህ ጽሑፍ (ዶክመንት) መግለጫ ካስፈልግዎት፡ በታች፡ ሳጹገ ውስጥ ከተጻፈው አድራሻ ጋር ለሂሳብ ሹም መጻፍ ይችላሉ። አናመስግናለን።**

Soki bozali na makambo ya kobakisa, to soki bolingi dimbola ya mokanda oyo, bokomela mokonzi na misala ya comptabilite esika eye elakisami na lokasa oyo :

ئەگەر ھەرچۆرە بېرورايەکان ھەبە، یان زانیاری زۆرتەرتان لەسەر ئەم نووسراوەیە دەوێت، تکایە بۆ ژمیریاری سەرھکی بەم ناوێشانەیی کە لەم کاردەیی خوارمەدا پیشان دراوہ نامە بنووسن:

در صورتیکه هرگونه نظری دارید، یا مایلید جزئیات بیشتری درباره این سند بدانید، لطفاً با «حسابدار ارشد» به نشانی ذکر شده در کادر زیر مکاتبه نمایید:

Si vous avez des commentaires ou souhaitez obtenir des renseignements complémentaires sur ce document, veuillez contacter le chef comptable à l'adresse fournie dans le rectangle ci-dessous :

ዘኾነ ርእይቶ ምስዘህልዎኩም ወይ ብዛዕባ'ዚ ሰነድ'ዚ ዘምልከት ተወሳኺ ዝርዝር ሓበሬታ ምስትደልዩ፡ ብኽብረትኩም በቲ ኣብ ታሕቲ ሳጹገ ዘሎ አድራሻ ገይርኩም፡ ገለጸለዎይ ሓላፊ ሕሳብ (ጅፍ ኣካውንታት) ደብዳቤ ጽሓፉ።

如果有任何意见或需要有关此文档的更多详细资料，请写信给总会计师，地址在下方的方框中。

আপনার যদি কোন মতামত থাকে, বা আপনি যদি এই নথিটি সম্পর্কে আরো বিবরণ জানতে চান, অনুগ্রহ করে নীচের বক্সে দেওয়া ঠিকানায় চিফ অ্যাকাউন্ট্যান্টকে লিখুন।

Haddii aad wax faallo ah qabto, ama aad rabto faahfaahin dheeraad ah oo ku saabsan dukumentigan, fadlan waraaq u soo qor Xisaabiyaha Guud ee cinwaankiisu sanduuqa hoos ku yaal ku qoranyahay.

Dacă aveți comentarii sau doriti mai multe detalii despre acest document, vă rugăm să-i scrieți contabilului-șef, la adresa din căsuța de mai jos:

اگر کدام نظری داشته باشید ویا جزئیات بیشتری در مورد این سند بخواهید لطفاً عنوانی سر محاسب به آدرسی که در قوطی نشان داده شده بنویسید.

Në qoftë se keni ndonjë koment ose dëshironi detaje të mëtejshme për këtë dokument, ju lutem shkruajini kryellogaritarit në adresën e shënuar në kutinë e mëposhtme:

Jeżeli mają Państwo jakiegokolwiek uwagi lub chcieliby uzyskać dodatkowe informacje na temat tego dokumentu, prosimy o napisanie do Głównego Księgowego na adres podany w ramce poniżej:

که تاسو څه هم څرگندونه لرئ، یا که غواری د دی لاسوند په اړه نور تفصیلات تر لاسه کړئ، نو هیله کېږي چې لاندې په بکس کېني ورکړ شويې پتي باندې ستر محاسب (Chief Accountant) ته لیک ور ولېږئ:

Chief Accountant, Resources Department, Bromley Council, Civic Centre, Stockwell Close, Bromley, Kent, BR1 3UH.

