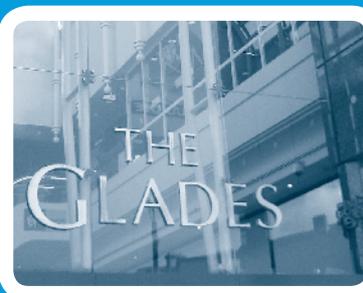
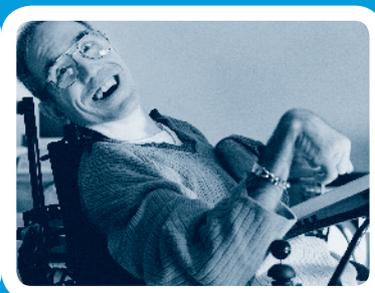


London Borough of Bromley  
Annual Report & Statement of Accounts

2010/11



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

We have a reputation for keeping your Council's finances on a sound footing and spending your money wisely. This has stood us in good stead as we face these difficult economic times and despite the challenges, I am determined that as a Council we work with our partners and you 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 want to live, work and visit. These include:

- Opening a library and leisure complex at Biggin Hill as we continue to provide modern facilities for local people
- Maximising the innovative ways we can help more and more people turning to the Council to avoid losing their homes and to manage debt
- Launching our new social care web site called MyLife, where people can get the right information at the right time when they need help and support because of age or ill health
- Keeping our Council tax as low as possible so it remains one of the lowest in outer London
- Getting the best value from each and every penny by looking at what we do and how we do it such as saving £365k by moving to a revised waste service
- Working with the police and fire service to reduce arson by two-thirds
- Welcoming the first residents as they moved into the flagship extra care housing scheme in Bromley Common

Bromley is a good place to live with its green open spaces, with first-class schools and one of the lowest crime rates in London. Next year, among other plans, we will see further improvements in our town centres, extra care housing schemes being built in Penge and Bromley Common, an enhanced leisure complex at the Pavilion in Bromley and a new library in Orpington. At the same time as planning for the future and managing unprecedented financial challenges we must also deal with the ongoing and unavoidable service growth pressures so we can continue to support the most vulnerable in our Borough. But whatever the challenges I am determined to ensure that together we can all continue Building a Better Bromley for today and for our children in the future.

**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 of Parks and Street Friends initiatives and there is more we can achieve together.

### **During 2010/11 we have:**

- Achieved our target to increase the amount recycled to 44%, rolling out our Recycling and Composting for All programme across the Borough.
- Reduced the amount of domestic waste produced per household by 11%, providing financial savings.
- Improved road safety by reducing the numbers of serious road injuries to 87 in 2010, an all-time low.
- Almost halved the amount of litter on our streets.
- Reduced graffiti incidents through prompt action, enforcement and education.
- Achieved a 4 star grade for Orpington town centre at the Clean Britain awards.
- Worked with Friends of Parks to secure an additional £265,000 funding for our parks.
- Improved safety and access to green spaces in Penge and Anerley.
- Worked to ensure the main highway network was quickly cleared of ice and snow in December 2010.
- Recruited 1,100 volunteer Snow Friends to help clear their local area.
- Introduced a successful Permit Scheme to reduce traffic delays caused by utilities companies.
- Completed reviews of parking provision in Orpington and Bromley town centres.
- Introduced mobile phone parking as an option for motorists across the Borough.
- Achieved the national Customer Service Excellence standard for three consecutive years.

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

- Achieve our target for recycling of at least 48% in 2011/12 to divert even more waste from landfill.
- Improve our facilities for producing energy and fertiliser from organic waste.
- Maintain our high standards of street cleanliness.
- Reduce the proportion of school journeys which are undertaken by car.
- Take on new responsibilities as Lead Local Flood Authority.
- Improve energy efficiency in the Borough.
- Expand the Street Friends and Friends of Parks schemes.
- Complete reviews of parking in Penge and Beckenham.
- Work with businesses to introduce workplace travel plans.
- Seek to reduce traffic congestion through major improvement schemes to key routes.

## **A Vibrant, Thriving Borough**

The Borough remains a thriving place for business despite challenging economic conditions nationally. Our commitment to making our towns more vibrant and competitive continues.

### **During 2010/11 we have:**

- Adopted the Bromley Town Centre Area Action Plan following a successful Examination in Public Inquiry.
- Secured an initial investment from Transport for London of £300k for the detailed design for the Bromley North Village Improvements.
- Appointed the Cathedral Group as development partner for the redevelopment of the Westmoreland Road Car Park and agreed a timetable for delivery.
- Selected a development partner to bring forward a detailed application to redevelop the Old Town Hall site for a new high quality hotel and conference centre.
- Commenced the redevelopment of the Pavilion Leisure Centre.
- Appointed a development adviser and commenced with the preparation and marketing for Site G (west of Bromley High Street).
- Agreed a programme of improvements with Network Rail to upgrade passenger and pedestrian facilities at Bromley South station.
- Delivered a new library at Orpington – which has seen a marked increase in visitor numbers from former location – and the public realm improvement programme.
- Promoted and supported the vitality of all town centres, through delivery of a Town Centre Management programme in partnership with local businesses including events and promotional campaigns; and maintaining and improving the overall quality of the town centres.
- Commenced the preparation of the Bromley Local Development Framework (LDF) and core strategy
- Provided evidence to the draft London Plan Examination in Public.
- Re-tendered the Churchill Theatre Management contract.
- Completed and opened a new joint Library and Swimming Pool at Biggin Hill.
- Launched and publicised the newly designated Local Nature Reserves at Hayes and Keston and Darrick and Newstead Woods.
- Encouraged self-employment and business start-ups through provision of information and signposting – the period saw a 13% increase on starts ups from 2009/10 – and the provision and take up of commercial premises in the Borough.
- Provision of Adult Education, community support (Mottingham Community Learning Shop and Cotmandene Centre) and externally funded skills training schemes to support the socially and economically disadvantaged.
- Completed the Education Primary Capital programme.
- Completed Biggin Hill Library / Pool and Mottingham Community Centre.
- Implemented new trade based reactive/cyclical contracts to support the local economy.
- Achieved LPSA 2 target for energy reduction.

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

- Deliver the first phase of the Bromley Area Action plan, including working with partners to bring forward detailed designs in preparation for implementation of schemes at Site G (West of the High Street), Westmoreland Road Car Park, former Bromley Town Hall and Site L (DHSS building & Bromley Christian Centre).
- Finalise detailed design and secure statutory approvals and funding for Bromley North Village public realm improvements.
- Complete Pavilion Leisure Centre development with a ten pin bowling facility by Spring 2012
- Finalise proposals for Bromley Museum and old Orpington library site, including submission of a £2.6m Heritage Lottery Fund bid.
- Draft a planning brief to guide future development opportunities in the Walnuts area, to include possible re-cladding of the Leisure Centre.
- Initiate consultation on possible Business Improvement District for Orpington.

- Deliver a Town Centre Management programme in partnership with businesses, including delivery of events and promotional campaigns; improving the appearance, tidiness and quality of the centres; developing and supporting town centre partnerships and business groups; and reviewing and improving the management of markets and other town centre activities.
- Develop an inward investment / incentive plan to encourage investment in Bromley North Village
- Draft and consult on the Penge town centre Master Plan.
- Work with private sector partners to develop a high profile showcase ‘Invest Bromley’ event (on 20 September 2011), with accompanying brochure.
- Maintain regular communications with businesses, for example through e-bulletin and website, to raise awareness of support and networking opportunities, and encourage take up and re-use of commercial space.
- Work through the Economic Partnership to encourage and develop business support provision in the Borough.
- Complete Bromley Local Development Framework & core strategy and deliver against key milestones – including public consultation.
- Coordinate the official opening of the new Orpington Library, and promote usage in partnership with local businesses.
- Explore and develop options for the future management of Library service in the light of agreed budget reductions.
- Develop proposals, and seek delivery partners for, development of a multi sports hub at Norman Park, and a new gymnastics centre and library at the Bromley Valley Gymnastics / Cotmandene sites.
- Ensure that Bromley derives the maximum benefit from the 2012 Olympic and Paralympic Games and their legacy, to support the work of businesses, community and voluntary groups, and a positive impact on encouraging healthy lifestyles for Bromley residents.
- Develop the parks, leisure and sports offer at Crystal Palace Park in line with the Crystal Palace Masterplan.
- Maintain a high quality adult education service which offers a wide range of accessible courses designed to meet local people’s needs.
- Proactively engage with Prime Contractors for DWP Work Programme to ensure delivery works for benefit of Bromley residents.
- Maximise the potential of the Cotmandene Resource Centre and Mottingham Community Learning shop to provide information, advice and guidance on adult learning and employment support.
- Pursue funding opportunities with partners to increase the range of adult learning opportunities delivered in areas of need in the Borough.
- Complete alterations to the Civic Centre accommodation for more efficient use of space, improved accessibility, lower energy consumption, and reduced future maintenance liability.
- Ensure that all Council properties meet legislative requirements and are fit for purpose, including introduction of energy saving measures to reduce the Council’s carbon output.
- Maximise income from the Council’s property investment portfolio.

## **Children Matter**

A good start in life makes all the difference for our children and young people and shapes their progress for the future. We work closely with our partners to improve the lives of all children and young people in our Borough.

### **During 2010/11 we have:**

- Completed major capital schemes at two primary schools in order to provide an additional 1.5 Form of Entry, a total of 315 Primary Phase places. A further major capital scheme completed in early 2010, to create a new Autistic centre.
- Completed a number of capital schemes in Primary Schools to address suitability issues for mainstream pupils, as well as schemes to improve and expand SEN provision.
- A programme of capital investment in our secondary school sector is in its final stages across 6 schools, providing enhanced teaching space, 6th form space and specialist teaching areas.

- Continued delivery of the Langley Park Boys School build, which is in Phase 1 of the schedule and is due to be completed in the autumn term. The school will transfer to the new building from January 2012. Phase 2 (removal of old building, completion of new sports hall and landscaping) will be completed by the end of 2012.
- Completed all the Local Authority commitments for the secondary capital strategy, within the funding available.
- Continued to undertake a phased programme of suitability improvements across mainstream schools.
- Undertaken a pilot scheme to provide support to children with low levels of SEN, using a Pupil Resources Agreements (PRA) rather than a statement, which is proving popular with both schools and parents.
- Reviewed and made changes to the foster carer recruitment processes. Increased the number of foster carers by seven, with a further 20 foster carers currently being assessed.
- Continued to work with the Fostering Service to increase the number of carers able to take on children with disabilities.
- Delivered against the majority of targets in the Corporate Parenting Action Plan, including the delivery of the Children in Care Awards in March 2011.
- Maintained above average national results at Key Stages 1 and 2, GCSE and 'A' level. Continued year-on-year improvement in results at the Early Years Foundation Stage and have continued to improve the attainment of children in care.
- Made considerable improvements in Secondary Persistent Absence figures over the last four years.
- The Bromley Children and Family service have continued to provide parenting programmes to support families who may have parenting issues.
- The Behaviour Service has continued to work successfully with schools. The rate of permanent exclusions has fallen by 59% over the last three years across the primary and secondary schools in Bromley.

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

- Provide strategic leadership and support to schools in the Borough to assist and underpin the Coalition Government's Education Reform Programme.
- Ensure sufficient capacity of school places, particularly within the Primary phase to meet the Council's duties and responsibilities.
- Reduce reliance on out of Borough and residential specialist placements for children with disabilities and special educational needs, particularly residential placements for children with autism.
- Improve the transition of children with learning difficulties and/or disabilities from Children and Young People's Services to Adult Services, and into independent living and employment
- Improve the life chances of Children in Care through the effective use of Corporate Parenting, and sustain and develop a stable and high quality children's social care workforce.
- Increase the number of in-house foster carers to ensure more Children in Care are placed within the Borough.
- Improve attendance and sustain high educational attainment across Bromley Schools.
- Promote and support positive activities for young people through a range of initiatives and strategies to reduce bullying.

### **Supporting Independence**

In times of constrained finances we continue giving adults who need care and support more choice and control over their lives, helping them to live as independently as possible, in safety, in their own homes wherever possible:

#### **During 2010/2011 we have:**

Enabled more people to have total control over their care, by offering personal budgets to all people who are eligible for services and carers, when their needs are assessed or reviewed.

- Over 1498 people had greater choice and control over their care last year through having their own personal budgets. We achieved our plan of 30% of eligible people having the choice to direct their own support by March 2011 and by May 2011 personal budgets had been made available to all people receiving services.

Ensured involvement of disabled and older people in service developments and strategic decision making processes by supporting the Expert by Experience group.

- During the year, people who have experience of our services represented by the “Experts by Experience” group, made a significant contribution to the strategic developments in Adult Social Care. In particular Experts by Experience were part of the Supporting Independence in Bromley Programme –a major programme of work to ensure people have greater choice and control of their services. Experts by Experience were also part of the evaluation of providers for our new Extra Care Housing services.

Secured alternatives to residential care for older people through:

The completion of Crown Meadow Court extra care housing scheme – 60 homes.

The provision of further extra care housing places, including commencement of another 50 home scheme in the north of the Borough.

Securing the development of a new care home in the east of the Borough.

- Crown Meadow Court our new Extra Care Housing Scheme with 60 new apartments was completed last year with 40 residents having moved in by the end of May 2011. We also commenced as planned the development of 2 additional new extra care housing schemes to support independent living including for people with dementia.
- We have worked with a care home provider to secure the development of a new care home in Green St Green in the east of the borough, which will cater for older people who need nursing care including people with dementia.

Moved 11 people with learning disabilities from campus accommodation into supported living accommodation.

- All people will have moved from the campus accommodation by November 2011 as all properties have had planning permission granted and all care support contracts have been awarded.

Worked with partners to ensure that carers support enables them to remain in, or seek employment.

- In partnership with Carers Bromley work is now underway to assist carers put contingency plans in place to ensure continuity of employment when unforeseen circumstances arise due to their caring role. This resulted from the Carers Outreach day where carers had an opportunity to talk about and have an assessment of their needs.

Implemented the priority actions arising from the Transport review ensuring vulnerable people can use public transport safely.

- As part of the transport review, travel training has been started with the focus on intensive work with 12 individuals with learning disabilities plus group work in schools. The mobility Forum was set up during 2010-11 led by community links Bromley. As a result of a survey of bus passenger experience amongst people with disabilities, a range of issues have been identified and will be fed back to the bus providers. The Forum has also contributed their views to the Council and other bodies on a range of mobility related issues including the Taxi card and Blue Badge schemes.

Monitored and reported publically on the quality of care services commissioned by the Council through the “Quality of Care Homes” and the “Quality of Domiciliary Care” Annual Reports available on Bromley’s Website link.

Domiciliary and care home services commissioned by Bromley continued to be monitored closely by our contracts service last year and as part of our commitment to providing residents with information about the quality of services, we published the findings of our performance monitoring in the Annual Reports presented at the public meeting of the Adult and Community Policy, Development and Scrutiny and Portfolio Holder Meetings. Both Annual Reports are available on the Bromley website.

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

Ensure residents seeking help from social care receive advice, guidance and services to assist them to maintain their independence swiftly by

- Launching and developing Bromley Mylife Web Portal to enable people to access up to date on-line information and advice on services and support options.
- Informing people in 10 working days of their entitlement to services and where appropriate when they will receive those services.

Continue to offer residents effective choice and control over the services they receive to maintain their independence by

- Making it easier and simpler for people to use their personal budgets with more people managing their support with a direct payment.
- Developing an accreditation scheme for personal assistants so that people can access safe services and support with particular focus on support for young adults.
- Providing further Extra Care Housing places, including the completion of a 50 apartment scheme in the north of the borough and a second 60 apartment scheme at Bromley Common.

Ensure social care services are regularly reviewed to ensure they deliver a quality service and continue to maintain service user's independence by

- Service user views and contract monitoring informing the commissioning of good quality social care services.
- Contract monitoring responding to any concerns raised about the quality of social care services. (Annual Reports – Quality of Domiciliary Care and Care Homes).
- Developing our Quality Assurance Services to include Experts by Experience as peer reviewers.

Maintain effective and prompt investigation of instances of abuse of vulnerable adults by

- Ensuring our services recognise significant safeguarding risks and where we can make a difference.
- Completing safeguarding investigations in a timely manner.

Ensure people experiencing housing difficulties are assisted with advice and support aimed at securing or maintaining a home and avoiding crisis by

- Providing housing advice and interventions that resolves the situation for people approaching the Council for housing services.
- Signposting and good information so that people can find their own housing solutions without approaching the Council.

Ensure people's views and experience of social care and housing services are positively gathered and help to inform service developments, and any concerns responded to by

- Resolving complaints demonstrating that concerns raised have made a difference to our services. (Annual Complaints Report link).
- Experts by Experience, becoming a fully user led, contributing to the planning, commissioning and quality assurance of 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 2010/2011 we have:

- Provided targeted diversionary activities for young people including training, sport and summer events.
- Delivered a targeted programme of work to tackle drug supply within communities.
- Supported community groups in tackling crime and anti-social behaviour within neighbourhoods.
- Continued to issue and enforce ASBO's and ABCs to tackle antisocial behaviour.
- Continued to take robust action to clamp down on rogue traders.
- Pursued and been granted "Premises Closure Orders" in relation to premises associated with anti-social behaviour in order to relieve the negative impact on neighbourhoods.
- Provided improved communication with local communities, supporting and directing contact with Safer Neighbourhood Teams.
- Worked with partners to provide crime prevention advice and guidance.

### Now we plan to:

- Commission tailored interventions for those at risk of committing crime and antisocial behaviour
- Develop and deliver a programme of work designed to reduce the risk of vulnerable adults and the elderly becoming victim of crime and anti-social behaviour.
- Provide training and risk assessment training for professionals who identify issues of domestic abuse in their work with clients.
- Commission the provision of domestic abuse advocacy in order to support victims in pursuing conviction of offenders.
- Adopt a multi-agency approach to problem solving within designated geographical locations, targeting issues identified by local residents and delivering partnership interventions to alleviate problems.
- Work to combat rogue traders and help vulnerable people to avoid being targeted.
- Deliver a programme of mentoring for young people identified as at risk of criminal or anti-social behaviour.
- Respond to all complaints of antisocial behaviour and take formal action to tackle it.
- Develop a programme of high profile unpaid work for offenders as part of Justice Seen, Justice Done.

In addition to the above information, regarding our five key areas of work to deliver major improvements under our Building a Better Bromley Plan, we also aim to be an Excellent Council. This means being as Efficient, Economic and Effective as we can and providing High Performing, Value for Money and a customer focussed service.

A major element of delivering an Excellent Council must be ensuring use of our resources, finance, people and assets to the absolute maximum.

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

- Community Strategy
- Building a Better Bromley Priorities - Summary A3 poster
- Resources Portfolio Plan
- Financial Strategy 2010/11 to 2013/14
- Financial Control Budget 2011/12
- Asset Management Plan
- Customer Access Strategy
- Customer Service Charter
- Equal opportunities policy
- Race equality scheme
- Complaints, comments and suggestions policies
- Human Resources Strategy
- Corporate Operating Principles

## **DEVELOPMENT CONTROL COMMITTEE**

During the year, the Committee progressed a number of major proposals including a cinema in Crystal Palace and several significant residential schemes. A Masterplan proposal for Crystal Palace Park was granted permission by the Secretary of State for Communities and Local Government and is now the subject of a High Court challenge.

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

- Dealing with over 3500 planning applications
- Investigating almost 1000 complaints about alleged unauthorised development and breaches of planning law
- Making 68 new tree preservation orders bringing the borough total to over 2469
- Handling over 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)
- Progressing the Bromley Town Centre Area Action Plan and the Orpington Masterplan
- Initiating work on the Core Strategy part of the Local Development Framework

An Examination in Public of the Bromley Area Action Plan took place over 3 weeks in April 2010. The Inspector found the plans sound in December 2010. One element of the plan is being challenged in the Courts.

The public realm improvements to the High Street, Orpington are now complete. The library has moved successfully from the Priory Gardens to a central location in the former Council offices in the High Street.

## **COUNCIL MEETINGS**

Over 200 meetings were held during 2010/11, most of which were open to the public and media. The full Council met on 6 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 7594. 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. Questions must be about something the Council can influence, should be no longer than 50 words and be asked in person at the meeting. 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: our website, Getting it Right form, 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 as follows:

PO Box 4771  
Coventry CV4 0EH  
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  
[www.lgo.org.uk](http://www.lgo.org.uk)

The Council produces 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.

In 2010/11 around 4,000 complaints were received by the Council, The Local Ombudsman determined 61 complaints referred to him about Bromley, but none of these resulted in a finding of maladministration.

## SUSTAINABILITY REPORT

### Background

This section summarises the Council's environmental and financial data, for the first time, in the form of a Sustainability Report. There is a trend towards sustainability reporting as part of financial reporting in both the public and private sectors and the Chartered Institute of Public Finance & Accountancy has recently published a report<sup>1</sup> which states that the case for sustainability reporting is a strong one.

Government departments are already recommended<sup>2</sup> to include a sustainability report in their 2010-11 annual financial reports and from 2011-12 it is likely that such reporting will be permanently formalised in the government's Financial Reporting Manual including:

- Commentary: an overview covering performance, information on forward plans, and a performance summary table;
- Sustainability Report: financial and non-financial data tables covering greenhouse gas emissions, waste arisings and water consumption.

The newly implemented Carbon Reduction Commitment (CRC) Scheme further reinforces the need to align financial and environmental data, as the Council is now required to report on revenue expenditure and carbon emissions, and to purchase sufficient carbon allowances to cover our CRC emissions.

### Commentary & Performance Summary

The data in this section is derived from the Council's Carbon Management Programme (CMP) which is designed to reduce emissions from a range of activities by 25% over five years (against a 2006/07 baseline). Progress is reported annually to the Executive<sup>3</sup> as this activity helps to reduce the Council's environmental impacts and revenue costs. Emissions from Bromley Mytime are included in the CMP but have been excluded from this Sustainability Report to align with the Council's financial reporting.

During 2010/11 despite significant action being taken on projects to reduce the Council's use of natural resources and environmental impacts there was a 2% increase in emissions compared with 2009/10. Overall there has been an 11% reduction in carbon emissions since 2006/07 and the Council continues to make good progress towards its 25% carbon emissions reduction target by the end of 2012/13.

The Council is planning a number of initiatives to further reduce its environmental impacts as an organisation during 2011/12 including installing energy efficient lighting in offices, improving roof insulation, evaporative cooling of the computer server room and behavioural change programmes.

### 2010/11 Performance Summary

Area	2010/11
Greenhouse Gas Emissions	28,633 (t CO <sub>2</sub> e)
Electricity Consumption (buildings)	21,288,000 kWh
Electricity Consumption (street lighting)	13,416,889 kWh
Gas Consumption (buildings)	53,124,000 kWh
Total Energy Expenditure (buildings and street lighting)*	£3,926,120
Civic Centre Waste Disposal (landfill & incineration)	98 tonnes
Waste Expenditure (landfill & incineration costs)	£8,443

\*excluding schools

The following two tables report on Greenhouse Gas Emissions and Waste Management and show non-financial and financial indicators and progress over the last three years.

## Sustainability Report

Greenhouse gas emissions are described for reporting<sup>4</sup> purposes as:

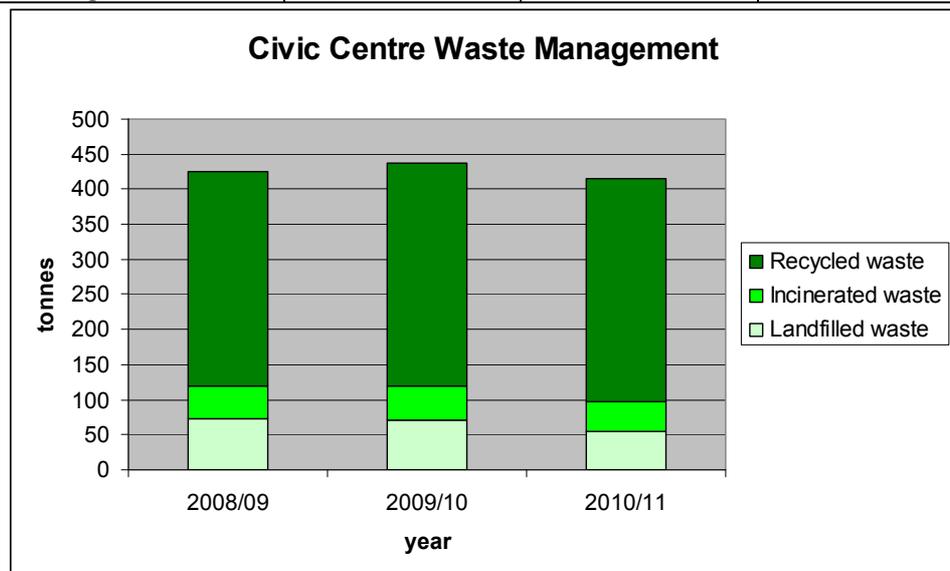
- Scope 1 ('direct emissions'): emissions released straight into the atmosphere e.g. from our oil/gas-fired boilers and fuel used in our vehicles.
- Scope 2 ('indirect emissions'): emissions released into the atmosphere elsewhere e.g. from our consumption of electricity generated at a power station.
- Scope 3 ('other indirect emissions'): emissions at sources which we do not own or control e.g. from our business travel, commuting, waste disposal and water consumption.

<b>GREENHOUSE GAS EMISSIONS &amp; ENERGY</b>		<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
Non-financial indicators (t/CO <sub>2</sub> e)	Buildings: operational property & schools (Scope 1 & 2)	23,366	18,913	19,636
	Fleet & Business Travel (Scope 1 & 3)	971	1,042	991
	Street Lighting (Scope 2)	5,729	5,841	5,769
	Waste & Water at the Civic Centre (Scope 3)	56	56	48
	Commuting (Scope 3)	2,822	2,189	2,189
<p style="text-align: center;"><b>Greenhouse Gas Emissions</b></p> <p style="text-align: center;">tCO<sub>2</sub>e</p> <p style="text-align: center;">year</p>				
Related energy consumption (kWh): including schools	Electricity	36,442,045	34,284,618	34,704,889
	Gas	62,293,000	51,791,000	53,124,000
	Heating Oil	6,761,000	1,530,000	2,420,000
Financial Indicators: excluding schools	Expenditure on energy (operational property & street lighting)	£3,883,639	£3,791,298	£3,926,120
	CRC Expenditure (2011/12 onwards)	-	-	-
	Expenditure on business travel	£1,061,173	£1,046,689	£1,033,362

### TARGETS AND COMMENTARY

This table shows our energy use, greenhouse gas emissions and energy expenditure for the last three years. By reducing energy consumption the Council reduces both its environmental impacts and revenue costs, and to this end the Council has an ambition to reduce its emissions by 25% by 2012/13 compared with 2006/07. In 2010/11 there was a 2% increase in emissions compared with 2009/10. Overall there has been an 11% reduction in emissions since 2006/07.

<b>CIVIC CENTRE WASTE</b>		<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>
Non-financial indicators (t)	Total waste collected	426	437	415
	Total residual waste	120	120	98
	Residual waste to landfill	72	70.8	53.9
	Residual waste to incineration	48	49.2	44.1
	Waste recycled	306	317	317
Financial Indicators (£)	Cost of waste to landfill	£5,688	£6,420	£5,444
	Cost of waste to incineration	£3,036	£3,198	£2,999
	Total disposal cost	£8,724	£9,618	£8,443



### TARGETS AND COMMENTARY

This table shows the total waste collected, waste sent to landfill/incineration, recycling rates and landfill/incineration expenditure for waste arising at the Civic Centre for the last three years. The recycling rate has increased and the amount sent to landfill and incineration has decreased. In 2010/11 there was a 5% reduction in amount of total waste collected compared with 2009/10. Overall there has been a 55% reduction in emissions since 2006/07.

<sup>1</sup> [CIPFA Sustainability Reporting: A Public Services Perspective](#)

<sup>2</sup> [HM Treasury Guidance: Sustainability Reporting in the Public Sector](#)

<sup>3</sup> [LB Bromley Carbon Management Programme: Progress Report 2009/10](#)

<sup>4</sup> [Guidance on how to measure and report your greenhouse gas emissions](#)

## APPROVAL OF THE STATEMENT OF ACCOUNTS

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I hereby confirm that the Statement of Accounts for the year ending 31st March 2011, as signed by the Finance Director on the 28th September 2011, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 28th September 2011.

A handwritten signature in black ink that reads "Tony Owen". The signature is written in a cursive style and is underlined with two horizontal lines.

Councillor Tony Owen  
Chairman of the General Purposes and Licensing Committee  
28th September 2011

# FINANCE DIRECTOR'S EXPLANATORY FOREWORD

---

## ***Introduction***

I am pleased to introduce the Council's Statement of Accounts for 2010/11. This statement summarises the financial performance of the Council during 2010/11 showing expenditure on all services during the year and the financial position at 31<sup>st</sup> March 2011.

## ***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.

With effect from 1 April 2010, Local Authorities are required to prepare their accounts in accordance with International Financial Reporting Standards (IFRS) as interpreted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 'Code').

The Statement of Accounts for 2010/11 has been prepared on the basis of IFRS, and the move to IFRS based accounts from UK GAAP has resulted in a number of significant accounting changes. The actual IFRS transition date (the date at which figures first have to be prepared under IFRS) was 1<sup>st</sup> April 2009. This means that the 2010/11 Statement of Accounts includes restated balance sheets as at 1<sup>st</sup> April 2009 and 31<sup>st</sup> March 2010 which are used for comparison purposes against the balance sheet at 31<sup>st</sup> March 2011. Consequently amendments have been made to the treatment of some of the financial information previously published, the most significant being accounting treatments for Leases, Service Concessions, Employee Benefits, Investment Properties and Government Grants. These amendments can be found in the 'Transition to IFRS' (note 1) in the Statement of Accounts 2010/11.

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.

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

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.

## FINANCE DIRECTOR'S EXPLANATORY FOREWORD

---

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

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

Trust Funds - shows the transactions and position of a number of small Funds held in trust by the Council, mainly small endowments for school prizes. The Executive on 3<sup>rd</sup> February 2010 approved the transfer of these funds to the Capital Community Foundation for similar purposes. The transfer of the balances was completed in April 2010.

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).

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	213.44	210.54	(2.90)
Funded by:			
Grant and Council Tax	(212.47)	(212.47)	-
Carry Forwards from 2009/10	(0.97)	-	0.97
Utilisation of General Reserves:			
To support the Revenue Budget	-	(1.93)	(1.93)
To support the Capital Programme	-	-	-
Increase in General Reserves	-	(1.93)	(1.93)

### *Revenue Summary*

The 2010/11 outturn shows an overall net improvement in balances of £2.9m which represents a variation of 1.4% compared with the final approved budget of £213.4 million. This consists of net underspends of £2.1m on services and central items, of which £0.9m has been requested to be carried forward into 2011/12, and prior year adjustments of £0.8m. The overall net improvement in balances of £2.9m is partly offset by a sum of £0.97m for carry forwards funded from unspent budget provision in 2009/10.

## FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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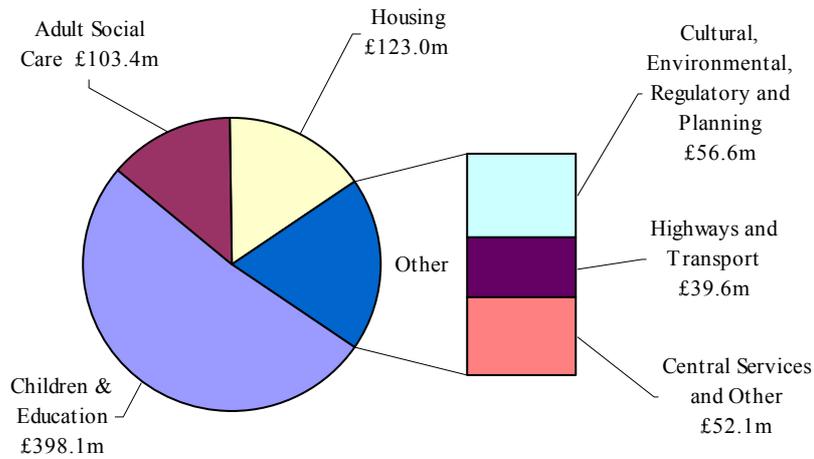
Earmarked Reserves increased by £0.3m (excluding balances held by schools and the insurance fund) mainly as a result of receipt of LAA Reward Grant allocated to the LAA Investment Fund and a new reserve relating to grant related expenditure established to deal with changes in the accounting treatment of grant income following the implementation of IFRS. These increases were offset by expenditure funded from the Town Centre Improvement Fund and the LPSA/LAA Investment Fund, funding for Member and Residents' Priorities and utilisation of the funding for Adverse Winter Weather.

The final movement on General Fund Balances, excluding balances held by schools, was an increase of £1.93m compared with the 2010/11 budget assumptions.

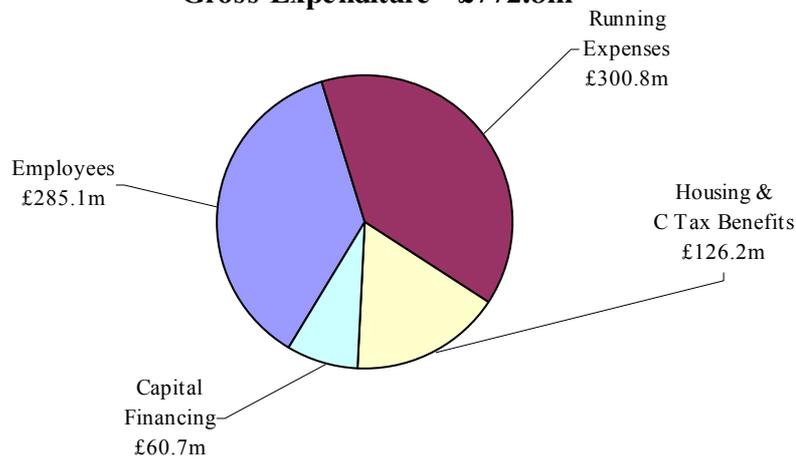
Further details of the variations in 2010/11 were reported to the Council's Executive on the 22<sup>nd</sup> June 2011 and are available through <http://sharepoint.bromley.gov.uk/default.aspx>. The overall pattern of the Council's total income and expenditure is summarised in the graphs on page 5.

# FINANCE DIRECTOR'S EXPLANATORY FOREWORD

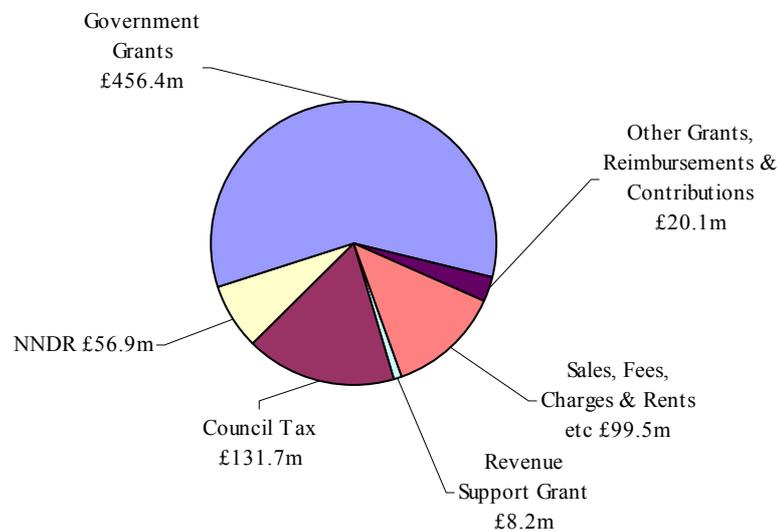
## Services Provided - £772.8m



## Gross Expenditure - £772.8m



## Gross Income £772.8m



## FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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### ***Capital Summary***

Capital expenditure totalled £49.4m compared with the final approved estimate of £71.4m, the difference being mainly due to slippage of expenditure into 2011/12. 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 40 on page 86).

The Council generated new capital receipts of £5.1m in 2010/11 and, during the year, £0.4m of receipts were applied to finance capital expenditure.

Further information can be found in the Capital Programme Outturn report to the Executive on 22<sup>nd</sup> June 2011 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

### ***Investments***

At the year end the Council held significant investments totalling £169.6m (principal sum). These investments generated net income (£2.9m in 2010/11 compared to £4.6m in 2009/10) to support the revenue budget. The large reduction in income between years was due to lower interest rates maturing following the banking crisis in 2008, as a result of which maturing investments originally placed at higher rates were re-invested at lower rates. These investments represent the Council's general and earmarked reserves, provisions and net working capital.

### ***Pension Fund***

During 2010/11 the net assets of the Pension Fund increased by £41.6m. This was mainly due to investment gains arising from the continuing recovery of the financial markets following significant falls in 2008/09.

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 45 on page 92). 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 and current Held for Sale assets identified impairment losses of £17.3m and the balance sheet has been reduced accordingly. There were no material revenue or capital write offs during 2010/11.

### ***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***

Although the national economy is no longer in a "recession", there remains the ongoing 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. There has also been a significant loss of income from car parking and investment properties. In addition there were in year reductions of Government funding to reflect the impact of national public finances.

Interest rates for money market investments have still not recovered and, as is noted in the investments section above, net interest earnings were significantly lower in 2010/11 than in 2009/10. Rates are expected to begin to rise during 2011/12, but there is no evidence of this at present.

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

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## FINANCE DIRECTOR'S EXPLANATORY FOREWORD

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### ***Further Information***

Further Information about the accounts is available from:

Chief Accountant  
Technical and Control  
Resources Directorate  
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.

# AUDITOR'S REPORT

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

We have audited the financial statements of London Borough of Bromley for the year ended 31 March 2011 which comprise 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 their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Finance Director is responsible for the preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for London Borough of Bromley 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 financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 explanatory foreword and 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 financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2011 and of the Authority income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

### **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.

## AUDITOR'S REPORT

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

We have nothing to report in respect of the governance statement on which we report to you if, in our opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.



Janet Dawson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
Date 29 September 2011

## AUDITOR'S 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 2011 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, the Finance Director is responsible for the preparation of the pension fund accounting statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for 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 pension fund; 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 2011, and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## AUDITOR'S 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 (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed auditors  
London  
Date 29 September 2011

# AUDITOR'S REPORT

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

We are required under Section 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 my 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.

### **Basis of conclusion**

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 2010, 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 2011.

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 2010, we are satisfied that, in all significant respects, *London Borough of Bromley* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

# AUDITOR'S REPORT

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## Certificate

We certify that we have completed the audit of the accounts of London Borough of Bromley and London Borough of Bromley Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Janet Dawson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed auditors  
London  
Date 29 September 2011

# 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; and
- \* 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 15 to 107 give a true and fair view of the financial position of the Authority as at 31st March 2011 and of its income and expenditure for the year ended 31st March 2011.



Peter Turner  
Finance Director  
28th September 2011

# STATEMENT OF ACCOUNTING POLICIES

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## **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 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 22 on page 65).
- 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 vast majority of the Council's investment portfolio is placed for more than 3 months and the only investment shown on the Balance Sheet as a cash equivalent is the money held in a AAA - rated Money Market Fund (£6.9m as at 31st March 2011).

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.

# STATEMENT OF ACCOUNTING POLICIES

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## **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 cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [MRP], by way of an adjusting transaction for the difference between the two between the Capital Adjustment Account and the General Fund in the Movement in Reserves Statement.

## **7 *Employee Benefits***

### *Benefits Payable During Employment*

Short-term benefits (those that fall due wholly within twelve months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which the 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 financial 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, whether they are a decision by the Council to terminate an officer's employment before the normal retirement date or 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.

# STATEMENT OF ACCOUNTING POLICIES

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## **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
- 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 and the Children's and Young People's Education Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contribution payable to Teachers' Pensions in the year.

Disclosures in relation to retirement benefits can be found in note 45 on pages 91 to 94.

### *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 payment 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 of 5.5% per annum in 2010/11 (1.9% real), as determined by the Council's actuary (5.7% and 1.8% in 2009/10). In 2010/11, the actuary based this on the yield on the iBoxx AA rated over 15 year Corporate Bond Index (Merrill Lynch Non Gilt Sterling AA index used in 2009/10).

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 to the relevant revenue accounts in the Comprehensive Income and Expenditure Statement.
- 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 to Non-Distributed Costs 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 in the Comprehensive Income and Expenditure Statement.

# STATEMENT OF ACCOUNTING POLICIES

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## **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 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 to Non-Distributed Costs in the Comprehensive Income and Expenditure Statement.
- actuarial gains/losses (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary's assumptions have been updated) - shown as 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 balance to be charged with the amount payable by the Council to the Pension Fund 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 any amounts payable to the fund but unpaid at the year-end.

### *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 41 on page 87.

# STATEMENT OF ACCOUNTING POLICIES

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## **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.

## **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 attaching 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 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.

### *Area Based Grant*

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

# STATEMENT OF ACCOUNTING POLICIES

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## 12 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.

## 13 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 at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but properties of material value are revalued annually. Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to Financing and Investment Income and result in gains for the General Fund Balance. 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 Reserve Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 14 Leases

Leases are classified as finance leases where the terms of the lease transfer 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 Council 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).

# STATEMENT OF ACCOUNTING POLICIES

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## **14 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 provision 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 for the difference between the two between the Capital Adjustment Account and the General Fund in the Movement in Reserves Statement.

### *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 2011, 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. 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.

## **15 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 Best Value Accounting Code of Practice 2010/11 (BVACoP). 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

## **16 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.

# STATEMENT OF ACCOUNTING POLICIES

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## 16 *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 2010 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.

# STATEMENT OF ACCOUNTING POLICIES

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## **16 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.

# STATEMENT OF ACCOUNTING POLICIES

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of housing capital receipts 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.

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

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

The Council has not entered into any PFI schemes but it has entered into a service concession arrangement, which grants to another company or organisation the right to provide services on behalf of the Council, using infrastructure assets owned by the Council or the contractor. Further details of this are provided in note 42 on page 90.

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.

## **18 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 26 on page 66.

# STATEMENT OF ACCOUNTING POLICIES

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## **19 *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.

## **20 *Contingent Assets***

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

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

## **21 *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 on page 27, and note 8 on page 49.

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 are 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'.

## **22 *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, 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.

## STATEMENT OF ACCOUNTING POLICIES

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### **23 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.

### **24 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.

### **25 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.

### **26 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.

## 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. 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.

	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 2009</b>	<b>46,891</b>	<b>27,470</b>	<b>14,032</b>	<b>7,726</b>	<b>96,119</b>	<b>777,051</b>	<b>873,170</b>	
<b>Movement in Reserves during 2009/10</b>								
Surplus on the provision of services	17,746	-	-	-	17,746	-	17,746	
Other Comprehensive Income and Expenditure	-	-	-	-	-	(88,052)	(88,052)	
<b>Total Comprehensive Income and Expenditure</b>	<b>17,746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,746</b>	<b>(88,052)</b>	<b>(70,306)</b>	
Adjustments between accounting basis & funding basis under regulations	(6,230)	-	(796)	8,151	1,125	(1,125)	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>11,516</b>	<b>-</b>	<b>(796)</b>	<b>8,151</b>	<b>18,871</b>	<b>(89,177)</b>	<b>(70,306)</b>	
Transfers (to) / from Earmarked Reserves	(6,552)	6,552	-	-	-	-	-	8
	(6,552)	6,552	-	-	-	-	-	
<b>Increase / (Decrease) in 2009/10</b>	<b>4,964</b>	<b>6,552</b>	<b>(796)</b>	<b>8,151</b>	<b>18,871</b>	<b>(89,177)</b>	<b>(70,306)</b>	
<b>Balance at 31 March 2010</b>	<b>51,855</b>	<b>34,022</b>	<b>13,236</b>	<b>15,877</b>	<b>114,990</b>	<b>687,874</b>	<b>802,864</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 2010</b>	<b>51,855</b>	<b>34,022</b>	<b>13,236</b>	<b>15,877</b>	<b>114,990</b>	<b>687,874</b>	<b>802,864</b>	
<b>Movement in Reserves during 2010/11</b>								
Surplus on the provision of services	59,446	-	-	-	59,446	-	59,446	
Other Comprehensive Income and Expenditure	-	-	-	-	-	30,295	30,295	
<b>Total Comprehensive Income and Expenditure</b>	<b>59,446</b>	<b>-</b>	<b>-</b>	<b>-</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	(48,242)	48,242	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>(7,071)</b>	<b>-</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>766,411</b>	<b>892,605</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.

2009/10				2010/11			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	Notes	£000	£000	£000	
23,281	(21,483)	1,798	Central Services to the Public	24,578	(21,931)	2,647	
61,991	(10,315)	51,676	Cultural, Environmental, Regulatory and Planning Services	62,408	(8,619)	53,789	
380,424	(312,607)	67,817	Children's and Education Services	9	398,952	(317,365)	81,587
33,078	(12,516)	20,562	Highways and Transport Services		36,197	(13,119)	23,078
117,752	(110,654)	7,098	Housing Services		123,188	(111,094)	12,094
96,917	(23,391)	73,526	Adult Social Care	10	110,442	(27,262)	83,180
7,139	-	7,139	Corporate and Democratic Core		7,433	-	7,433
1,022	-	1,022	Non Distributed Costs	5 & 12	(65,178)	-	(65,178)
<b>721,604</b>	<b>(490,966)</b>	<b>230,638</b>	<b>Cost of Services</b>		<b>698,020</b>	<b>(499,390)</b>	<b>198,630</b>
2,363	(1,604)	759	Other Operating Expenditure	13	2,420	(371)	2,049
27,548	(28,372)	(824)	Financing and Investment Income and Expenditure	14	43,013	(36,286)	6,727
-	(248,319)	(248,319)	Taxation and Non-Specific Grant Income	15	-	(266,852)	(266,852)
			<b>(Surplus) or Deficit on Provision of Services</b>		<b>743,453</b>	<b>(802,899)</b>	<b>(59,446)</b>
		(11,297)	Surplus on Revaluation of Property, Plant & Equipment Assets	30			(17,451)
		99,349	Actuarial (Gains)/Losses on Pension Assets/Liabilities	45			(12,844)
		<b>88,052</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(30,295)</b>
		<b>70,306</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(89,741)</b>

## 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 uses. The second category of reserves are those that the Council 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 timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1st April 2009 £000	Restated 31st March 2010 £000		Notes	31st March 2011 £000
880,039	888,948	Property, Plant and Equipment	16	894,450
50,792	49,103	Investment Property	17	49,119
45,510	15,009	Long Term Investments	18	37,509
4,119	3,931	Long Term Debtors	18	3,671
<b>980,460</b>	<b>956,991</b>	<b>Long Term Assets</b>		<b>984,749</b>
91,200	128,073	Short Term Investments	18	126,190
1,566	5,470	Assets Held for Sale (<1yr)	19	3,205
286	300	Inventories	20	259
32,937	36,768	Short Term Debtors	22	27,083
-	1,118	Cash and Cash Equivalents - Cash	24	-
-	2,512	Cash and Cash Equivalents - Investments	18	6,931
<b>125,989</b>	<b>174,241</b>	<b>Current Assets</b>		<b>163,668</b>
2,906	-	Cash and Cash Equivalents	24	7,030
4,657	2,856	Short Term Borrowing	25	1,265
8,774	6,169	Provisions	26	7,198
71,339	75,155	Short Term Creditors	27	66,327
<b>87,676</b>	<b>84,180</b>	<b>Current Liabilities</b>		<b>81,820</b>
145,603	244,188	Other Long Term Liabilities	28	173,992
<b>145,603</b>	<b>244,188</b>	<b>Long Term Liabilities</b>		<b>173,992</b>
<b>873,170</b>	<b>802,864</b>	<b>Net Assets</b>		<b>892,605</b>
96,119	114,990	Usable Reserves	29	126,194
777,051	687,874	Unusable Reserves	30	766,411
<b>873,170</b>	<b>802,864</b>	<b>Total Reserves</b>		<b>892,605</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>2009/10</b>		<b>Notes</b>	<b>2010/11</b>
<b>£000</b>			<b>£000</b>
(17,746)	Net (Surplus) or Deficit on the Provision of Services		(59,446)
35,360	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements		90,540
1,376	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		-
<u>18,990</u>	Net Cash Flows from Operating Activities	<b>31</b>	<u>31,094</u>
(29,496)	Investing Activities	<b>32</b>	(24,300)
<u>3,970</u>	Financing Activities	<b>33</b>	<u>(3,065)</u>
(6,536)	Net (Increase) or Decrease in Cash and Cash Equivalents		3,729
2,906	Cash and Cash Equivalents at the Beginning of the Reporting Period		(3,630)
<u>(3,630)</u>	Cash and Cash Equivalents at the End of the Reporting Period	<b>24</b>	<u>99</u>

## Notes to the Core Financial Statements

### 1 Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

#### (i) Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

<b>Opening 1 April 2009 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Creditors	(70,049)	(9,000)
Accumulated Absences Account	-	9,000
<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Creditors	(79,143)	(11,873)
Accumulated Absences Account	-	11,873
<b>2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net)</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Central Services to the Public	1,780	(2)
Cultural, Environmental, Regulatory & Planning Svces	51,294	(7)
Children's and Education Services	39,815	2,887
Highways and Transport Services	13,360	(4)
Housing Services	6,643	(1)
Adult Social Care	73,471	1
Corporate and Democratic Core	7,140	(1)
Non Distributed Costs	1,022	-
	<b>194,525</b>	<b>2,873</b>

# Notes to the Core Financial Statements

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## 1 Transition to IFRS continued

### (ii) Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Council is the lessee) will be unchanged. Where the Council is the lessor, the regulations allow the Council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority currently has no material property leases which have been re-designated as finance leases.

However, a review of significant contractual arrangements have identified finance leases embedded within some of those contracts. This has resulted in some Vehicles and Plant being brought onto the Balance Sheet. The most significant re-designation is on the contract for Refuse Collection, which has been identified as a Service Concession, where the vehicles used to deliver the service have been brought on to the Balance Sheet.

As a consequence of classifying the vehicle and plant elements of the Service Concession and contracts as finance leases, the financial statements have been amended as follows:

- The Authority has recognised an asset (vehicles and plant) and a finance lease liability.
- The operational charges to service revenue accounts in the Comprehensive Income & Expenditure Statement have been reduced by the amount that relates to the lease element of these payments.
- A depreciation charge has been included in these service revenue accounts.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1st April 2009 and 31st March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment in respect of the vehicles and plant is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

## Notes to the Core Financial Statements

### 1 Transition to IFRS continued

#### (ii) Leases continued

This has resulted in the following changes being made to the 2009/10 financial statements:

<b>Opening 1 April 2009 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Property, Plant and Equipment	858,863	5,189
Other Long-Term Liabilities	(140,414)	(5,189)
<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Property, Plant and Equipment - Cost or Valuation - less Depreciation	870,704	5,671 <u>(1,286)</u>
		4,385
Other Long-Term Liabilities	(239,803)	(4,385)
<b>2009/10 Comprehensive Income and Expenditure Statement</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Cost of Services (Net):		
Central Services to the Public	1,780	(1)
Cultural, Environmental, Regulatory and Planning Services	51,294	(391)
Children's and Education Services	39,815	(1)
Highways and Transport Services	13,360	-
Housing Services	6,643	-
Adult Social Care	73,471	(88)
Corporate and Democratic Core	7,140	-
Non Distributed Costs	1,022	-
<i>Variation in Cost of Services</i>	<u>194,525</u>	<u>(481)</u>
Financing and Investment Income and Expenditure (Net)	726	481
<i>Variation in Surplus/Deficit on Provision of Services</i>		<u><u>-</u></u>

The net change to the service areas consists of the reduction in the operational charges offset by the depreciation charges.

## Notes to the Core Financial Statements

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### 1 Transition to IFRS continued

#### (iii) Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Previously, where grants were received in 2009/10 but not used, no income was recognised and the grants were shown as Receipts in Advance within the Current Liabilities section of the Balance Sheet. Following the change in accounting policy, grants without conditions that would potentially require repayment have been recognised in full and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet. Grants with repayment conditions (primarily Section 106 receipts) have continued to be shown as Receipts in Advance.

This has resulted in the following changes being made to the 2009/10 financial statements:

<b>Opening 1 April 2009 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Government Grants Deferred Account	(1,145)	1,145
Capital Adjustment Account	(784,266)	(1,145)
Creditors and Receipts in Advance	(70,049)	7,726
Capital Grants Unapplied Account	-	(7,726)

<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Government Grants Deferred Account	(1,116)	1,116
Capital Adjustment Account	(784,969)	(1,116)
Creditors and Receipts in Advance	(79,143)	15,877
Capital Grants Unapplied Account	-	(15,877)

## Notes to the Core Financial Statements

### 1 Transition to IFRS continued

#### (iii) Government Grants continued

#### 2009/10 Comprehensive Income and Expenditure Statement

	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Cost of Services (Net):		
Central Services to the Public	1,780	21
Cultural, Environmental, Regulatory and Planning Services	51,294	988
Children's and Education Services	39,815	25,116
Highways and Transport Services	13,360	7,206
Housing Services	6,643	456
Adult Social Care	73,471	142
Corporate and Democratic Core	7,140	-
Non Distributed Costs	1,022	-
<i>Variation in Cost of Services</i>	<u>194,525</u>	<u>33,929</u>
 Taxation and non-specific grant income	 (206,268)	 (42,051)
 <i>Variation in Surplus/Deficit on Provision of Services</i>		 <u><u>(8,122)</u></u>

There is no change to the General Fund Balance as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

## Notes to the Core Financial Statements

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### 1 Transition to IFRS continued

#### (iv) Investment Properties

The Code defines investment property as land and/or buildings held solely to earn rental income or for capital appreciation (or both), whereas the previous definition was less prescriptive. As a result, it may previously have been possible to classify assets as investment properties when they were being held partially for service or policy reasons, in which case they would now be classified as property, plant and equipment.

The Authority has reviewed all of its investment property portfolio and has concluded that all properties are being held solely for rental earnings and/or for capital appreciation and has therefore determined that no reclassifications are required.

For assets classified as investment properties, Authorities are required to transfer any balances on the Revaluation Reserve as at 1st April 2009 to the Capital Adjustment Account. Authorities are also required to restate revaluation transactions (gains and losses) in relation to investment property during 2009/10.

This has resulted in the following changes being made to the 2009/10 financial statements:

<b>Opening 1 April 2009 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Revaluation Reserve	(138,537)	2,521
Capital Adjustment Account	(784,266)	(2,521)
<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Revaluation Reserve	(149,830)	4,552
Capital Adjustment Account	(784,969)	(4,552)
<b>2009/10 Comprehensive Income and Expenditure Statement</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Financing & Investment Income & Expenditure (Net)	726	(2,031)

There is no change to the General Fund Balance as the entries are transferred out of the General Fund via the Movement in Reserves Statement.

## Notes to the Core Financial Statements

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### 1 Transition to IFRS continued

#### (v) Assets Held for Sale

Under the Code, an asset is classified as a current asset held for sale when the following criteria are met:

- The asset must be available for immediate sale in its present condition;
- The sale must be highly probable; there must be a commitment and a programme to sell;
- The asset must be actively marketed for sale at a reasonable price in relation to its value;
- The sale should be expected to complete within one year of the date of classification.

The Code requires local authorities to classify and account for current assets held for sale in their opening IFRS balance sheet and Authorities are required to restate their opening balances for assets classified as held for sale prior to 1st April 2009. Surplus assets held for sale that are not likely to be sold within 1 year of the Balance Sheet date continue to be shown under Long Term Assets.

<b>Opening 1 April 2009 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
<i>Long Term Assets</i>		
Surplus Assets held for Disposal	17,553	(17,553)
Property, Plant and Equipment	858,863	15,987
<i>Current Assets</i>		
Assets Held for Sale (less than 1 year)	-	1,566
<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
<i>Long Term Assets</i>		
Surplus Assets held for Disposal	19,329	(19,329)
Property, Plant and Equipment	870,704	13,859
<i>Current Assets</i>		
Assets Held for Sale (less than 1 year)	-	5,470

## Notes to the Core Financial Statements

### 1 Transition to IFRS continued

#### (vi) Impairment of Assets

Where an impairment loss due to the clear consumption of economic benefits on a revalued asset was charged to the Income & Expenditure Account in 2009/10, the charge to the service revenue account needs to be reduced to the amount of the impairment loss that takes the carrying amount below the historical cost, with the corresponding entry reducing the Revaluation Reserve. Further entries are required in the Movement in Reserves Statement to reverse the entry within the General Fund that was required by statute to negate the impact on the General Fund Balance and the corresponding entry in the Capital Adjustment Account, together with the reversal of the original entries associated with writing down the balance on the Revaluation Reserve to the Capital Adjustment Account with regard to the impairment based on revalued amounts.

In practice, the entries on the Revaluation Reserve and the Capital Adjustment Account cancel out to zero in both cases, but the entries have resulted in the following changes being made to the 2009/10 financial statements:

<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Revaluation Reserve	(149,830)	208
Capital Adjustment Account	(784,969)	(208)

<b>2009/10 Comprehensive Income and Expenditure Statement</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Net Cost of Services		
- Cultural, Environmental, Regulatory and Planning Services	51,294	(208)
General Fund (Movement in Reserves)	-	208
Net impact on General Fund Balance		<u>-</u>

#### (vii) Investments

Under the Code, short-term investments that are highly liquid and can be readily converted to cash are shown as Cash and Cash Equivalents under Current Assets. For Bromley, these comprise deposits in Money Market Funds which are instant access accounts.

<b>31 March 2010 Balance Sheet</b>	<b>2009/10 Statements Published £000</b>	<b>Adjustments Made £000</b>
Short Term Investments	130,585	(2,512)
Cash and Cash Equivalents	1,118	2,512

## (viii) Summary of Changes

A summary of changes to the 2009/10 opening and closing Balance Sheet and the effect of these changes on the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is shown below.

Balance Sheet 1st April 2009 Published £000	Assets	Restate to IFRS Categories £000	IFRS Adjustments					Assets Held for Sale £000	Other Adjustments £000	Balance Sheet 1st April 2009 Restated £000
			Accumulated Absences £000	Leases £000	Capital Grants and Contributions £000	Investment Properties £000				
749,677	Land and Buildings	( 749,677)	-	-	-	-	-	-	-	
29,463	Vehicles, Plant, Furniture and Equipment	( 29,463)	-	-	-	-	-	-	-	
69,978	Infrastructure Assets	( 69,978)	-	-	-	-	-	-	-	
1,780	Community Assets	( 1,780)	-	-	-	-	-	-	-	
-	Property, Plant & Equipment	858,863	-	5,189	-	-	15,987	-	880,039	
17,553	Surplus Assets held for Disposal	-	-	-	-	-	( 17,553)	-	-	
7,965	Assets under Construction	( 7,965)	-	-	-	-	-	-	-	
-	Assets Held for Sale < 1 year	-	-	-	-	-	1,566	-	1,566	
286	Stocks and Work in Progress	( 286)	-	-	-	-	-	-	-	
-	Inventories	286	-	-	-	-	-	-	286	
32,936	Debtors and Payments in Advance	-	-	-	-	-	-	1	32,937	
	<b>Liabilities</b>									
(8,789)	Provisions	-	-	-	-	-	-	15	( 8,774)	
(70,049)	Creditors and Receipts in Advance	-	(9,000)	-	7,726	-	-	( 16)	( 71,339)	
(1,145)	Government Grants Deferred	-	-	-	1,145	-	-	-	-	
-	Other Long Term Liabilities	( 140,414)	-	( 5,189)	-	-	-	-	( 145,603)	
-	Liability related to Defined Benefit Pension Scheme	140,414	-	-	-	-	-	-	-	
	<b>Usuable and Unusable Reserves</b>									
-	Capital Grants Unapplied	-	-	-	( 7,726)	-	-	-	( 7,726)	
(138,537)	Revaluation Reserve	-	-	-	-	2,521	-	-	( 136,016)	
(784,266)	Capital Adjustment Account	-	-	-	( 1,145)	( 2,521)	-	-	( 787,932)	
-	Accumulated Absence Account	-	9,000	-	-	-	-	-	9,000	
<b>( 233,562)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 233,562)</b>	

## (viii) Summary of Changes continued

Balance Sheet 31st March 2010 Published	Restate to IFRS Categories	Accum- ulated Absences	IFRS Adjustments							Other Adj	Balance Sheet 31st March 2010 Restated
			Leases	Capital Grants and Contributions	Invest- ment Pro- -erties	Assets Held for Sale	Impair- -ment of Assets	Invest- -ments	£000		
<b>£000 Assets</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
749,728 Land and Buildings	( 749,728)	-	-	-	-	-	-	-	-	-	-
31,779 Vehicles, Plant, Furniture and Equipment	( 31,779)	-	-	-	-	-	-	-	-	-	-
73,783 Infrastructure Assets	( 73,783)	-	-	-	-	-	-	-	-	-	-
1,700 Community Assets	( 1,700)	-	-	-	-	-	-	-	-	-	-
- Property, Plant & Equipment	870,704	-	4,385	-	-	13,859	-	-	-	-	888,948
19,329 Surplus Assets held for Disposal	-	-	-	-	-	( 19,329)	-	-	-	-	-
13,714 Assets under Construction	( 13,714)	-	-	-	-	-	-	-	-	-	-
- Assets Held for Sale < 1 year	-	-	-	-	-	5,470	-	-	-	-	5,470
300 Stocks and Work in Progress	( 300)	-	-	-	-	-	-	-	-	-	-
- Inventories	300	-	-	-	-	-	-	-	-	-	300
36,764 Debtors and Payments in Advance	-	-	-	-	-	-	-	-	4	-	36,768
130,585 Short Term Investments	-	-	-	-	-	-	-	( 2,512)	-	-	128,073
1,118 Cash and Cash Equivalents	-	-	-	-	-	-	-	2,512	-	-	3,630
<b>Liabilities</b>											
(6,181) Provisions	-	-	-	-	-	-	-	-	12	-	( 6,169)
(79,143) Creditors and Receipts in Advance	-	(11,873)	-	15,877	-	-	-	-	( 16)	-	( 75,155)
(1,116) Government Grants Deferred	-	-	-	1,116	-	-	-	-	-	-	-
- Other Long Term Liabilities	( 239,803)	-	( 4,385)	-	-	-	-	-	-	-	( 244,188)
(239,803) Pension Scheme	239,803	-	-	-	-	-	-	-	-	-	-
<b>Usable and Unusable Reserves</b>											
- Capital Grants Unapplied	-	-	-	( 15,877)	-	-	-	-	-	-	( 15,877)
(149,830) Revaluation Reserve	-	-	-	-	4,552	-	208	-	-	-	( 145,070)
(784,969) Capital Adjustment Account	-	-	-	( 1,116)	( 4,552)	-	( 208)	-	-	-	( 790,845)
- Accumulated Absence Account	-	11,873	-	-	-	-	-	-	-	-	11,873
<b>( 202,242)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 202,242)</b>

*(viii) Summary of Changes continued*

A summary of changes to the 2009/10 Comprehensive Income and Expenditure Statement and the effect of these changes on the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements is shown below.

CI&E Statement 2009/10 Net Published £000	IFRS Adjustments						CI&E Statement 2009/10 Net Restated £000
	Restate to IFRS Categories £000	Accumulated Absences £000	Leases £000	Capital Grants and Contributions £000	Investment Properties £000	Impairment of Assets £000	
1,780 Central Services to the Public	-	(2)	(1)	21	-	-	1,798
51,294 Cultural, Environmental, Regulatory and Planning Services	-	(7)	(391)	988	-	(208)	51,676
39,815 Children's and Education Services	-	2,887	(1)	25,116	-	-	67,817
13,360 Highways and Transport Services	-	(4)	-	7,206	-	-	20,562
6,643 Housing Services	-	(1)	-	456	-	-	7,098
73,471 Adult Social Care	-	1	(88)	142	-	-	73,526
7,140 Corporate and Democratic Core	-	(1)	-	-	-	-	7,139
1,022 Non Distributed Costs	-	-	-	-	-	-	1,022
<b>194,525 Net Cost of Services</b>	<b>-</b>	<b>2,873</b>	<b>(481)</b>	<b>33,929</b>	<b>-</b>	<b>(208)</b>	<b>230,638</b>
- Other Operating Expenditure	759	-	-	-	-	-	759
- Financing & Investment Income & Expenditure	726	-	481	-	(2,031)	-	(824)
(1,788) Surplus/Deficits on Trading Undertakings	1,788	-	-	-	-	-	-
33 Contribution of Housing Capital Receipts to the Government Pool	(33)	-	-	-	-	-	-
(300) Investment Losses	300	-	-	-	-	-	-
(6,460) Interest & Investment Income	6,460	-	-	-	-	-	-
(1,576) Other Income	1,576	-	-	-	-	-	-
9,274 Pensions Interest Cost & Expected Return on Assets	(9,274)	-	-	-	-	-	-
(28) Distribution of Former LRB Balances	28	-	-	-	-	-	-
2,330 Levies by Other Authorities	(2,330)	-	-	-	-	-	-
<b>196,010 Net Operating Expenditure</b>	<b>-</b>	<b>2,873</b>	<b>-</b>	<b>33,929</b>	<b>(2,031)</b>	<b>(208)</b>	<b>230,573</b>

1 Transition to IFRS continued

Notes to the Core Financial Statements

## (viii) Summary of Changes continued

CI&E Statement 2009/10 Net Published £000		IFRS Adjustments					CI&E Statement 2009/10 Net Restated £000	
		Restate to IFRS Categories £000	Accumulated Absences £000	Leases £000	Capital Grants and Contributions £000	Investment Properties £000		Impairment of Assets £000
196,010	<i>Net Operating Expenditure B/fwd</i>	-	2,873	-	33,929	(2,031)	(208)	230,573
-	Taxation and Non-Specific Grant Income	(206,268)	-	-	(42,051)	-	-	(248,319)
(129,715)	Demand on Collection Fund	129,715	-	-	-	-	-	-
(24,377)	General Government Grants	24,377	-	-	-	-	-	-
(52,176)	Non-domestic Rates Redistribution	52,176	-	-	-	-	-	-
<b>(10,258)</b>	<i>(Surplus)/Deficit for the Year</i>	<b>-</b>	<b>2,873</b>	<b>-</b>	<b>(8,122)</b>	<b>(2,031)</b>	<b>(208)</b>	<b>(17,746)</b>

## Notes to the Core Financial Statements

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### *2 Accounting Standards That have Been Issued But Have Not Yet Been Adopted*

#### *Heritage Assets*

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) will require us to adopt the requirements of FRS30 Heritage Assets in the 2011/12 financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in 2011/12.

Heritage assets are those assets that are preserved in trust for future generations because of their cultural, environmental or historical associations. This applies to assets held and maintained by the Council principally for their contribution towards knowledge and culture.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including 2010/11 comparative information). They will be disclosed separately under Property, Plant and Equipment, showing the opening and closing carrying amounts, together with a summary of transactions for the current and previous 4 years.

Although full adoption of the standard is not required until 2011/12, the Council is required to disclose the estimated effect of the new standard in these 2010/11 financial statements.

There is currently no data available on any heritage assets the Council may have and it is therefore not possible to estimate any potential impact on the Balance Sheet. A detailed register of heritage assets will be compiled during 2011/12.

## 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 pages 15 to 26, 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council 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 Council repudiates any liability and no provision for potential damages has been made in relation to the claim.
- c) A review of significant contractual arrangements identified finance leases embedded within some of those contracts. This has resulted in some Vehicles and Plant being brought on to the Balance Sheet. The most significant re-designation is on the contract for Refuse Collection, which has been identified as a Service Concession, where the vehicles used to deliver the service have been brought on to the Balance Sheet in 2010/11.
- 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 2011 total payments received from the administrator, amounted to £2,548,993 (50.11% of the Council's total claim of £5,087,065). The administrator's latest estimate is for a recovery of 84.98% of the claim sum, compared to between 79% and 85% as at 31st March 2010. No adjustments were made in the 2010/11 accounts to reflect this improved estimated position. In not making an adjustment, the Council has taken a prudent view and, in any event, considers the non-adjustment to be immaterial.

## Notes to the Core Financial Statements

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### **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 2011 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.

#### **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. The impact in future years will be assessed by the Council's actuary in subsequent IAS19 reports.

### **5 Exceptional Items**

#### **Non-Distributed Costs**

As a result of Government plans to increase future pensions in line with the Consumer Price Index rather than the Retail Price Index, a negative charge of £59,890k has been credited relating to past service costs. A further entry of (£5,743k) has been posted in relation to gains on settlements. Further details are provided in note 12.

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

The Statement of Accounts was authorised for issue by the Finance Director on 28th September 2011. The existence of events after the Balance Sheet date has been considered up to this date and there are none to disclose. Events taking place after this date are not reflected in the financial statements or notes.

## Notes to the Core Financial Statements

### 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.

<u>2010/11</u>	Usable Reserves			Movement
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	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	(17,976)	-	-	17,976
Movements in market value of investment properties	66	-	-	(66)
Capital grants & contributions applied	37,117	-	-	(37,117)
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	13,568	-	(13,568)	-
<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 involving the Pensions Reserve:</b>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	36,139	-	-	(36,139)
Employer's pension contributions and direct payments to pensioners payable in the year	21,154	-	-	(21,154)
<b>Adjustments 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 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

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

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.

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
<u>2009/10 comparative figures</u>	£000	£000	£000	£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	(11,038)	-	-	11,038
Movements in market value of investment properties	2,031	-	-	(2,031)
Capital grants & contributions applied	33,871	-	-	(33,871)
Revenue expenditure funded from capital under statute	(29,510)	-	-	29,510
Non current assets written off on disposal or sale	(2,641)	-	-	2,641
<i>Insertion of items not debited or credited to the Comprehensive I &amp; E Statement:</i>				
Statutory provision for capital financing	200	-	-	(200)
Capital expenditure charged against the General Fund	4,095	-	-	(4,095)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants & contributions unapplied credited to the CI&E Statement	8,151	-	(8,151)	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited to the CI&E Statement	2,641	(2,641)	-	-
Use of Capital Receipts Reserve to finance capital expenditure	-	3,822	-	(3,822)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(33)	33	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(418)	-	418
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited to the CI&E Statement	1,376	-	-	(1,376)
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	(21,938)	-	-	21,938
Employer's pension contributions and direct payments to pensioners payable in the year	21,898	-	-	(21,898)
<b>Adjustments 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	(2,873)	-	-	2,873
<b>Total Adjustments</b>	<b>6,230</b>	<b>796</b>	<b>(8,151)</b>	<b>1,125</b>

## Notes to the Core Financial Statements

### 8 Transfers to/from Earmarked Reserves

	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
LPSA1 Reward Grant Investment Fund	2,239	243	-	1,996
LAA Reward Grant Investment Fund	-	162	1804	1,642
Technology Fund	1,726	5	29	1,750
Street Services Reinstatement Fund	483	-	-	483
Reserve for Potential Redundancy Costs	897	1566	1605	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>

Earmarked Reserves have been set up by the Council to meet specific types of expenditure and include:

- 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 2011. 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 2010/11 internal premiums of £500k were charged and interest earnings of £77k were received. Claims and other expenditure of £916k were met from the Fund.
- 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 2010/11, £243k was spent on further service improvements.
- 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. The money will be used to fund one-off initiatives supporting the Council's priorities. After allowing for £540k allocated to fund a capital scheme, £1,804k was taken to the revenue reserve. In 2010/11, a total of £162k was spent.
- 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 has been ringfenced to contribute towards the costs associated with the relocation of Orpington Library. The balance of £200k is available for expenditure related to the development and sustainability of town centres. In 2010/11, total expenditure of £419k has been incurred.
- 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.

## Notes to the Core Financial Statements

### 8 Transfers to/from Earmarked Reserves continued

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2009/10 and 2010/11.

<b>2009/10</b>	<b>Balance at 1 April 2009 £000</b>	<b>Transfers Out 2009/10 £000</b>	<b>Transfers In 2009/10 £000</b>	<b>Balance at 31 March 2010 £000</b>
Balances Held by Schools under a Scheme of Delegation	15,939	2,517	7,856	21,278
Insurance Fund	3,500	650	648	3,498
LPSA1 Reward Grant Investment Fund	2,637	398	-	2,239
LAA Pump Priming Grant	502	502	-	-
Technology Fund	1,647	-	79	1,726
Street Services Reinstatement Fund	483	-	-	483
Reserve for Potential Redundancy Costs	500	951	1,348	897
Public Halls Fund	13	-	-	13
Town Centre Improvement Fund	795	-	427	1,222
Ex Glaxo Land Maintenance	200	6	6	200
Building a Better Bromley Initiatives	162	-	-	162
Environmental Improvements	33	-	-	33
Community & Voluntary Sector Issues	59	29	-	30
Funding for Residents Priorities	1,000	509	-	491
General Members Priorities	-	-	1,000	1,000
Adverse Winter Weather	-	-	250	250
Investment to Community Fund	-	-	250	250
Support to Schools	-	-	150	150
Works to Property	-	-	100	100
	<b>27,470</b>	<b>5,562</b>	<b>12,114</b>	<b>34,022</b>

## Notes to the Core Financial Statements

### 9 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 2010/11 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Notes
Final DSG for 2010/11	22,348	159,857	182,205	(a)
Brought forward from 2009/10	3,165	-	3,165	(b)
Carry forward to 2011/12 agreed in advance	-	-	-	(c)
Agreed budgeted distribution in 2010/11	25,513	159,857	185,370	(d)
Actual central expenditure	26,399	-	26,399	(e)
Actual ISB deployed to schools	-	159,857	159,857	(f)
Local Authority contribution for 2010/11	459	-	459	(g)
Carry forward to 2011/12	(427)	-	(427)	(h)

- (a) DSG figure as issued by the Department on 5th July 2010, reduced by recoupment for schools converting to academy status.
- (b) Figure brought forward from 2009/10 as agreed with the Department for Education.
- (c) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2011/12 rather than distribute in 2010/11.
- (d) Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.
- (e) Actual amount of central expenditure items in 2010/11.
- (f) Amount of ISB actually distributed to schools.
- (g) Any contribution from the Local Authority in 2010/11 which will have the effect of substituting for DSG in funding the Schools Budget.
- (h) Deficit carried forward to 2011/12.

## Notes to the Core Financial Statements

### 10 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.

2009/10			2010/11	
Learning Disabilities	Integrated Community Equipment Store		Learning Disabilities	Integrated Community Equipment Store
£000	£000		£000	£000
		<b>Income</b>		
3,027	187	Bromley PCT contribution	4,190	193
3,322	989	London Borough of Bromley contribution	5,298	1,014
209	-	Other income	206	-
<b>6,558</b>	<b>1,176</b>	<b>Gross Income</b>	<b>9,694</b>	<b>1,207</b>
		<b>Expenditure</b>		
6,612	-	Learning disabilities day services	9,604	-
-	1,200	Occupational therapy equipment store	-	1,217
<b>6,612</b>	<b>1,200</b>	<b>Gross Expenditure</b>	<b>9,604</b>	<b>1,217</b>
<b>54</b>	<b>24</b>	<b>(Surplus) / deficit for the year</b>	<b>(90)</b>	<b>10</b>

The surplus on the Learning Disabilities pooled budget in 2010/11 is shared equally between partners. The deficit on the Integrated Community Equipment Store has been 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.

2009/10		2010/11
Mental Health Services		Mental Health Services
£000		£000
		<b>Income</b>
17,773	Oxleas NHS Foundation Trust contribution	17,531
1,392	London Borough of Bromley contribution	1,403
<b>19,165</b>	<b>Gross Income</b>	<b>18,934</b>
		<b>Expenditure</b>
20,124	Mental Health Functions	18,674
<b>20,124</b>	<b>Gross Expenditure</b>	<b>18,674</b>
<b>959</b>	<b>(Surplus) / deficit for the year</b>	<b>(260)</b>

The surplus on the pooled budget relates to Oxleas expenditure and remains within their accounts.

## Notes to the Core Financial Statements

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### 11 Members Allowances

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

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
1,067	Allowances	1,075
15	Expenses	13
<u>1,082</u>	Total	<u>1,088</u>

### 12 Non Distributed Costs

As required by The Best Value Accounting 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) is the result of Government plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuary has assumed that CPI will increase at a slower rate than RPI, as a result of which pension increases and the IAS19 liabilities will be lower, both of which will have a major beneficial impact on our Fund.
- 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 (£727k in 2009/10 and £150k in 2010/11). A gain on settlements of £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>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
-	Past Service Costs	(59,890)
727	Loss on Curtailments	150
-	Gain on Settlements	(5,743)
295	Other Pension Costs	305
<u>1,022</u>		<u>(65,178)</u>

## Notes to the Core Financial Statements

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### 13 Other Operating Expenditure

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
2,330	Levies	2,397
33	Payments to Government Housing Capital Receipts Pool	23
(1,576)	Other Income	(340)
(28)	Distribution of former LRB Balances	(31)
<b>759</b>	<b>Total</b>	<b>2,049</b>

### 14 Financing and Investment Income and Expenditure

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
933	Interest Payable and Similar Charges	865
9,274	Pensions Interest Cost and Expected Return on Pensions Assets	7,496
(6,912)	Interest Receivable and Similar Income	(3,345)
(3,819)	(Income)/Expenditure in Relation to Investment Properties and changes in their fair value	1,711
(300)	Investment Losses	-
<b>(824)</b>	<b>Total</b>	<b>6,727</b>

### 15 Taxation and Non Specific Grant Income

<b>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
(129,715)	Council Tax Income	(133,727)
(52,176)	Non-Domestic Rates Redistribution	(56,888)
(24,377)	Non-Ringfenced Government grants	(25,552)
(42,051)	Capital Grants and Contributions	(50,685)
<b>(248,319)</b>		<b>(266,852)</b>

## Notes to the Core Financial Statements

### 16 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 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

### 16 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>Comparative movements in 2009/10</b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2009 (Restated)	781,548	34,681	89,198	2,491	16,245	7,965	932,128
Additions	-	676	6,333	3	-	5,749	12,761
Revaluation increases/(decreases) recognised in Revaluation Reserve	9,830	2,181	-	-	576	-	12,587
Derecognition - disposals	-	(12)	-	-	(782)	-	(794)
Assets reclassified:							
- from Investment Properties					3,618		3,618
- to Assets Held for Sale					(5,470)		(5,470)
<b>As at 31st March 2010 (restated)</b>	<b>791,378</b>	<b>37,526</b>	<b>95,531</b>	<b>2,494</b>	<b>14,187</b>	<b>13,714</b>	<b>954,830</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2009 (Restated)	(31,871)	(29)	(19,220)	(711)	(258)	-	(52,089)
Depreciation charge	(6,801)	(1,333)	(2,528)	(83)	-	-	(10,745)
Impairment losses/(reversals) recognised in surplus/deficit on Provision of Services	(2,978)	-	-	-	(70)	-	(3,048)
<b>As at 31st March 2010 (restated)</b>	<b>(41,650)</b>	<b>(1,362)</b>	<b>(21,748)</b>	<b>(794)</b>	<b>(328)</b>	<b>-</b>	<b>(65,882)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2010 (restated)</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>
<b>As at 31st March 2009 (restated)</b>	<b>749,677</b>	<b>34,652</b>	<b>69,978</b>	<b>1,780</b>	<b>15,987</b>	<b>7,965</b>	<b>880,039</b>

## Notes to the Core Financial Statements

### 16 Property, Plant and Equipment continued

#### (i) Depreciation

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

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

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 2011, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £31.2m. Similar commitments at 31 March 2010 totalled £13.0m. The major commitments were:

	£000
Langley Park Boys School - Building Schools for the Future	21,868
Secondary School Investment Strategy	3,721
Primary Capital Programme	3,066
Hawes Down Co-Location Project	1,146
Orpington Library relocation	860
Other schemes	536
<b>Total</b>	<b><u>31,197</u></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 16).

	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 2011</b>	-	30,952	77,012	1,617	-	10,251	119,832
<b>Valued at Fair Value as at:</b>							
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
31st March 2007	58,373	-	-	-	1,011	-	59,384
<b>Total Assets at Fair Value</b>	<b><u>757,930</u></b>	<b><u>4,326</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>12,362</u></b>	<b><u>-</u></b>	<b><u>774,618</u></b>
<b>Total Property, Plant &amp; Equipment</b>							
<b>31st March 2011</b>	<b><u>757,930</u></b>	<b><u>35,278</u></b>	<b><u>77,012</u></b>	<b><u>1,617</u></b>	<b><u>12,362</u></b>	<b><u>10,251</u></b>	<b><u>894,450</u></b>

## Notes to the Core Financial Statements

### 16 Property, Plant and Equipment continued

	Number as at 31/3/10	Number as at 31/3/11	Range of estimated useful lives (Years)
Property, Plant & Equipment and Investment Properties owned by the Council include the following:			
<b>Operational Buildings</b>			
Civic Centre	1	1	83
Other Offices	5	5	38-51
Primary Schools	56	56	40-97
Special Schools/Units	5	4	70-90
Social Services - Homes & Day Centres	20	16	50-82
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	6	7	50-90
Libraries	15	15	50-90
Golf Courses	3	3	18-26
Churchill Theatre	1	1	80
Cemetery chapels	6	6	3-70
Surface Car Parks	24	22	16
Multi-Storey Car Parks	4	4	0-80
Public Conveniences	22	20	61-91
<b>Operational Equipment</b>			
Vehicles & Plant			
- owned	20	22	5-20
- held under finance leases	151	153	3-7
<b>Infrastructure Assets</b>			
Road (kilometres)	884.5	886.0	15-40
<b>Community Assets</b>			
Parks and Open Spaces (hectares)	1,261	1,261	n/a
<b>Surplus Properties</b>			
	21	21	n/a
<b>Investment Properties</b>			
Investment Properties	172	170	n/a
Agricultural Properties	16	16	n/a
Biggin Hill Airport	1	1	n/a

## Notes to the Core Financial Statements

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### 17 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>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
(3,863) Rental Income from Investment Property	(3,772)
44 Direct Operating Expenses arising from Investment Property	5,483
<b>(3,819) Net gain/(loss)</b>	<b>1,711</b>

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>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
50,792 Balance at Start of Year	49,103
(3,618) Reclassifications (to Surplus Assets/Assets Held for Sale)	(50)
2,031 Net Gains/Losses from Fair Value Adjustments	66
(102) Other Changes	-
<b>49,103 Balance at End of Year</b>	<b>49,119</b>

Lessees disclosures for investment properties held under an operating lease are included within note 41.

## Notes to the Core Financial Statements

### 18 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

2009 £000	2010 £000		2011 £000
		<b>Long Term Investments (placed for longer than 1 year)</b>	
		<i>Loans and Receivables</i>	
10	9	- Government Stock	9
36,500	15,000	- Banks	37,500
9,000	-	- Building Societies	-
<u>45,510</u>	<u>15,009</u>		<u>37,509</u>
		<b>Short Term Investments (placed for less than 1 year)</b>	
		<i>Loans and Receivables</i>	
32,709	112,426	- Banks	108,618
(1,640)	300	- Impairment adjustment re Icelandic Bank deposit	-
60,131	15,347	- Building Societies	17,572
<u>91,200</u>	<u>128,073</u>		<u>126,190</u>
		<b>Cash and Cash Equivalents</b>	
-	2,512	- Money Market Funds	6,931
<u>136,710</u>	<u>145,594</u>		<u>170,630</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 2011 include a total principal sum of £169,563k and total accrued interest of £1,067k (£144,120k and £1,174k in 2009/10). 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". An update to the Bulletin was issued in May 2010, as a result of which £300k of the 2008/09 impairment was reversed in 2009/10. This had the effect of increasing the carrying value of investments. Further details are given in the disclosure note on credit risk (note 48).

## Notes to the Core Financial Statements

### 18 Financial Instruments continued

#### (b) Gains / Losses on Loans and Receivables

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

2009/10			2010/11		
Financial Liabilities	Financial Assets Loans & Receivables	Total	Financial Liabilities	Financial Assets Loans & Receivables	Total
£000	£000	£000	£000	£000	£000
-	(4,887)	(4,887)	-	(3,085)	(3,085)
-	<b>(4,887)</b>	<b>(4,887)</b>	-	<b>(3,085)</b>	<b>(3,085)</b>
					<b>Net (Gain)/Loss for the year</b>

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

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

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

2009 £000	2010 £000		2011 £000
1,502	1,477	<b>Mortgages</b>	1,451
119	84	Loans to Housing Associations	55
149	115	Loans to Council House Purchasers	104
		Loans to Private House Purchasers	
<u>1,770</u>	<u>1,676</u>		<u>1,610</u>
		<b>Others</b>	
		Broomleigh Housing Association (Affinity Homes Group)	
		Property Transfer	
693	-	- Sale of Council Houses*	-
46	-	- Deferred Interest Earnings	-
1,151	1,034	Loans for Miscellaneous Advances	1,160
44	39	Loans for Transferred Services	34
405	1,170	Loans to Schools	854
10	12	Loans to Private Street Work Frontagers	13
<u>2,349</u>	<u>2,255</u>		<u>2,061</u>
<b><u>4,119</u></b>	<b><u>3,931</u></b>		<b><u>3,671</u></b>

\* See Note 22 - Short Term Debtors

## Notes to the Core Financial Statements

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### 18 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:

	31st March 2009		31st March 2010		31st March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments less than 1 year	91,200	91,200	130,585	130,585	133,121	133,121
Investments greater than 1 year	45,510	48,536	15,009	16,237	37,509	38,111
<b>Total Investments</b>	<b>136,710</b>	<b>139,736</b>	<b>145,594</b>	<b>146,822</b>	<b>170,630</b>	<b>171,232</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

### 19 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.

2009/10 £000		2010/11 £000
1,566	<b>Balance outstanding at start of year</b>	5,470
	Assets newly classified as held for sale:	
5,470	Property, Plant and Equipment	-
-	Other assets/liabilities in disposal groups	50
(363)	Revaluation losses	(560)
644	Revaluation gains	2,030
(1,847)	Assets sold	(3,785)
<u>5,470</u>	<b>Balance outstanding at year-end</b>	<u>3,205</u>

### 20 Inventories

	Road Salt	Other Consumables		Work in Progress Highways		Work in Progress Building Maintenance		Total		
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
<b>Balance outstanding at start of year</b>	15	72	11	24	255	147	19	43	300	286
Purchases	220	90	246	89	-	589	788	943	1,254	1,711
Usage/Payment/ Transfers during the year	(150)	(147)	(242)	(102)	(23)	(400)	(783)	(967)	(1,198)	(1,616)
Written off balances	-	-	-	-	(97)	(81)	-	-	(97)	(81)
<b>Balance outstanding at year-end</b>	<u>85</u>	<u>15</u>	<u>15</u>	<u>11</u>	<u>135</u>	<u>255</u>	<u>24</u>	<u>19</u>	<u>259</u>	<u>300</u>

### 21 Construction Contracts

Details of capital schemes in progress and outstanding commitments as at the balance sheet date are provided in note 16.

## Notes to the Core Financial Statements

### 22 Short - Term Debtors

2009 Net £000	2010 Net £000		Gross £000	Allowance for Bad Debts £000	2011 Net £000
		<b>Debtors</b>			
8,304	11,475	Central Government Bodies	5,858	-	5,858
2,182	3,886	Other Local Authorities	4,610	-	4,610
2,683	1,270	NHS Bodies	985	-	985
-	-	Public Corporations and Trading Funds	42	-	42
3,383	2,439	Council Tax	11,441	9,091	2,350
-	1,869	NNDR	-	-	-
-	1,059	Broomleigh Housing Association* (Affinity Homes Group)	-	-	-
11,436	10,080	Other Entities and Individuals	19,334	10,581	8,753
<u>27,988</u>	<u>32,078</u>		<u>42,270</u>	<u>19,672</u>	<u>22,598</u>
4,949	4,690	<b>Payments in Advance</b>			4,485
<u>32,937</u>	<u>36,768</u>				<u>27,083</u>

\* Under the Housing Stock Transfer agreement concluded with Broomleigh Housing Association (Affinity Homes Group) in 1992, the Council receives a proportion of the income from the sale of Council Houses and interest every three years. A debtor is included in the accounts until the money is actually received; a long-term debtor in the first 2 years and a short-term debtor in the final year. The sum of £1,059k (including accrued interest) was received in April 2010 in respect of sales in the 3 years 2007/08 to 2009/10 and this cleared the short-term debtor included above. There were no sales in 2010/11 and, therefore, no debtor provision is carried on the Balance Sheet for that year. The next receipt is due in 2013/14.

### 23 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 2010/11 Bromley was allocated 68,046 allowances of which it is estimated that 32,478 will be required for landfill usage, leaving a balance of 35,568 unused allowances.

As at 31st March 2011, each allowance has a market value of zero and as such previous valuations have been written out of the balance sheet.

### 24 Cash and Cash Equivalents

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

2008/09 £000	2009/10 £000		2010/11 £000
42	32	Cash held by the Authority	30
(2,948)	1,086	Bank Current Accounts	(7,060)
-	2,512	Short-term Deposits with Money Market Funds*	6,931
<u>(2,906)</u>	<u>3,630</u>	<b>Total Cash and Cash Equivalents</b>	<u>(99)</u>

\* Short-term investments that meet the Code's definition of cash equivalents are also referred to in note 18 (a).

## Notes to the Core Financial Statements

### 25 Financial Liabilities

#### Short Term Borrowing (Temporary Loans)

	Balance at 31/03/09 £000	Balance at 31/03/10 £000	Loans Raised £000	Loans Repaid £000	Balance at 31/03/11 £000
Pension Fund	1,574	2,076	-	1,490	586
Former LRB Fund	690	684	-	5	679
Trust Funds	93	96	-	96	-
Temporary Borrowing	2,300	-	800	800	-
	<b>4,657</b>	<b>2,856</b>	<b>800</b>	<b>2,391</b>	<b>1,265</b>

### 26 Provisions

	Outstanding Legal Cases (a) £000	Injury & Damage Compensation Claims (b) £000	Other Provisions (c) £000	Total £000
Balance at 1st April 2009	4,300	1,384	3,090	8,774
Balance at 1 April 2010	1,599	1,001	3,569	6,169
Additional Provisions made in year	-	577	2,395	2,972
Amounts used in year	323	417	411	1,151
Unused amounts reversed in year	-	-	792	792
Balance at 31st March 2011	<b>1,276</b>	<b>1,161</b>	<b>4,761</b>	<b>7,198</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 £1,276k has been carried forward into 2011/12 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 2011 (333 claims with a total estimate of £1,161k).

(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 £25k, including tax on interest, have been made during 2010/11 and a sum of £637k has been carried forward into 2011/12.

Provision has been made in the sum of £302k for the potential repayment of housing & council tax benefit subsidy arising from uncertainty relating to government subsidy for overpayments generated from LA errors.

Provision of £1,350k has been made for potential redundancy costs which are expected to be paid in 2011/12 arising from proposals agreed in 2010/11.

All other provisions are individually insignificant.

## Notes to the Core Financial Statements

### 27 Short - Term Creditors

2009 £000	2010 £000		2011 £000
		<b>Creditors</b>	
4,104	4,351	Central Government Bodies	5,983
3,183	3,650	Other Local Authorities	3,731
2,174	2,114	NHS Bodies	2,902
39	1	Public Corporations and Trading Funds	-
1,111	1,272	Council Tax	1,377
255	729	Council Tax Precepts (GLA)	1,161
841	-	NNDR	983
44,742	47,388	Other Entities and Individuals	39,463
<u>56,449</u>	<u>59,505</u>		<u>55,600</u>
		<b>Receipts in Advance</b>	
5,351	5,827	Central Government Bodies	1,713
1	8	Other Local Authorities	190
343	3	NHS Bodies	307
2,083	2,310	Council Tax	1,434
7,112	7,502	Other Entities and Individuals	7,083
<u>14,890</u>	<u>15,650</u>		<u>10,727</u>
<u>71,339</u>	<u>75,155</u>		<u>66,327</u>

### 28 Other Long Term Liabilities

2009 £000	2010 £000		2011 £000
140,414	239,803	Liability relating to Defined Benefit Pension Scheme #	169,666
5,189	4,385	Liability relating to Finance Leases *	4,326
<u>145,603</u>	<u>244,188</u>		<u>173,992</u>

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

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

## Notes to the Core Financial Statements

### 29 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 27 and in note 8.

### 30 Unusable Reserves

<b>1 April</b>	<b>31 March</b>	<b>31 March</b>
<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>
136,016 Revaluation Reserve	145,070	160,829
787,932 Capital Adjustment Account	790,845	778,582
(140,414) Pensions Reserve	(239,803)	(169,666)
2,517 Deferred Capital Receipts Reserve	3,635	2,421
- Collection Fund Adjustment Account	-	2,057
(9,000) Accumulated Absences Account	(11,873)	(7,812)
<b><u>777,051</u> Total Unusable Reserves</b>	<b><u>687,874</u></b>	<b><u>766,411</u></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>2009/10</b>		<b>2010/11</b>
<b>£000</b>		<b>£000</b>
136,016 <b>Balance as at 1st April</b>		145,070
14,147 Upward revaluation of assets	25,722	
(2,850) Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(8,271)	
<u>11,297</u> Surplus/deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services		<u>17,451</u>
(2,243) Accumulated gains on assets sold or scrapped	(1,692)	
(2,243) Amount written off to Capital Adjustment Account		(1,692)
<b><u>145,070</u> Balance as at 31st March</b>		<b><u>160,829</u></b>

## Notes to the Core Financial Statements

### 30 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.

2009/10 £000		2010/11 £000
<b>787,932</b>	<b>Balance as at 1st April</b>	<b>790,845</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>	
(11,038)	Charges for depreciation and impairment of non-current assets	(17,976)
(29,510)	Revenue expenditure funded from capital under statute	(39,605)
(398)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(2,093)
(40,946)	Net written out amount of the cost of non-current assets consumed in the year	(59,674)
	<i>Capital financing applied in the year:</i>	
3,822	Use of Capital Receipts Reserve to finance new capital expenditure	424
33,871	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	37,117
200	Statutory provision for capital financing charged against the General Fund	340
4,095	Capital expenditure charged against the General Fund balance	9,619
(160)	Other Movements	(155)
41,828		47,345
2,031	Movements in market value of Investment Properties debited or credited to CI&E Statement	66
<b>790,845</b>	<b>Balance as at 31st March</b>	<b>778,582</b>

## Notes to the Core Financial Statements

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### 30 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>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
(140,414) <b>Balance as at 1st April</b>	(239,803)
(99,349) Actuarial gains or losses on pensions assets and liabilities	12,844
(21,938) 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	36,139
21,898 Employer's pension contributions and direct payments to pensioners payable in the year	21,154
<b>(239,803) Balance as at 31st March</b>	<b>(169,666)</b>

#### Deferred Capital Receipts Reserve

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

<b>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
2,517 <b>Balance as at 1st April</b>	3,635
1,376 New advances	-
(258) Transfer to the Capital Receipts Reserve upon receipt of cash	(1,214)
<b>3,635 Balance as at 31st March</b>	<b>2,421</b>

## Notes to the Core Financial Statements

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### 30 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>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
- <b>Balance as at 1st April</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	2057
<b>- Balance as at 31st March</b>	<b>2,057</b>

#### Accumulated Absences Account

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

<b>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
(9,000) <b>Balance as at 1st April</b>	(11,873)
9,000 Settlement or cancellation of accrual made at the end of the preceding year	11,873
(11,873) Amounts accrued at the end of the current year	(7,812)
(2,873) 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
<b>(11,873) Balance as at 31st March</b>	<b>(7,812)</b>

## Notes to the Core Financial Statements

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### 31 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
(8,607) Interest Received	(5,156)
86 Interest Paid	38
<u>(8,521) Net Interest Received / Paid</u>	<u>(5,118)</u>

### 32 Cash Flow Statement - Investing Activities

<b>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
11,349 Purchase of Property, Plant and Equipment and Investment Property	8,569
271,287 Purchase of Short-term and Long-term Investments	176,000
(2,641) Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(3,785)
(262,749) Proceeds from Short-term and Long-term Investments	(155,276)
(46,742) Other Receipts from Investing Activities	(49,808)
<u>(29,496) Net Cash Flows from Investing Activities</u>	<u>(24,300)</u>

### 33 Cash Flow Statement - Financing Activities

<b>2009/10</b>	<b>2010/11</b>
<b>£000</b>	<b>£000</b>
(9,805) Cash Receipts from Short and Long-term Borrowing	(800)
(541) Other Receipts from Financing Activities	(4,656)
11,606 Repayments of Short and Long-term Borrowing	2,391
2,710 Other Payments for Financing Activities	-
<u>3,970 Net Cash Flows from Financing Activities</u>	<u>(3,065)</u>

## Notes to the Core Financial Statements

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### *34 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 Best Value Accounting 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.

**Amounts Reported for Resource Allocation Decisions**

The income and expenditure of the Authority's portfolios recorded in the budget reports for the year is as follows:

**Portfolio Income and Expenditure**

	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><u>2010/11 - Reported to Executive</u></b>								
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)
Capital Expenditure (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>

*Amounts Reported for Resource Allocation Decisions***Portfolio Income and Expenditure**

	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><u>2009/10 Comparative Figures</u></b>								
<b><u>- Reported to Executive</u></b>								
Fees, Charges & Other Service Income	(23,333)	(892)	(62,254)	(16,885)	(5,305)	(4,261)	-	(112,930)
Government Grants & Contributions	(111,357)	(349)	(270,986)	(7,770)	(3,092)	(19,997)	33,900	(379,651)
<b>Total Income</b>	<b>(134,690)</b>	<b>(1,241)</b>	<b>(333,240)</b>	<b>(24,655)</b>	<b>(8,397)</b>	<b>(24,258)</b>	<b>33,900</b>	<b>(492,581)</b>
Employee Expenses	25,296	3,178	212,233	8,346	12,814	27,722	(526)	289,063
Other Service Expenses	184,066	2,351	130,230	45,276	6,876	39,440	-	408,239
Support Service & Other Recharges	9,860	424	6,944	1,980	3,130	(24,331)	-	(1,993)
Capital Expenditure (Depreciation, Impairment and Amortisation)	2,629	-	29,455	4,787	2,448	1,436	(40,755)	-
Capital Expenditure charged to the General Fund	413	-	2,558	14	521	89	-	3,595
<b>Total Expenditure</b>	<b>222,264</b>	<b>5,953</b>	<b>381,420</b>	<b>60,403</b>	<b>25,789</b>	<b>44,356</b>	<b>(41,281)</b>	<b>698,904</b>
<b>Net Expenditure</b>	<b>87,574</b>	<b>4,712</b>	<b>48,180</b>	<b>35,748</b>	<b>17,392</b>	<b>20,098</b>	<b>(7,381)</b>	<b>206,323</b>

## Notes to the Core Financial Statements

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### *34 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>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
Net Expenditure in the Portfolio Analysis	206,323	213,518
Net Expenditure of Services and Support Services not included in the Analysis	41,819	(2,083)
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	(7,789)	(12,153)
	<hr/>	<hr/>
	240,353	199,282
Deduct Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(9,715)	(652)
Cost of Services in the Comprehensive Income and Expenditure Statement	<hr/>	<hr/>
	<b>230,638</b>	<b>198,630</b>

**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>2010/11</b>	<b>Portfolio Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts not 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)	-	-	-	-	(399,396)	(76,237)	(475,633)
<b>Total Income</b>	<b>(512,787)</b>	<b>(500)</b>	<b>-</b>	<b>10,829</b>	<b>3,068</b>	<b>(499,390)</b>	<b>(303,509)</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>(12,153)</b>	<b>(652)</b>	<b>-</b>	<b>198,630</b>	<b>(258,076)</b>	<b>(59,446)</b>

*Amounts Reported for Resource Allocation Decisions***Reconciliation to Subjective Analysis****2009/10 Comparative Figures**

	<b>Portfolio Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts not 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	(112,930)	(1,858)	-	541	2,805	(111,442)	(1,604)	(113,046)
Interest and Investment Income	-	-	-	-	-	-	(10,775)	(10,775)
Pensions - Expected Return on Assets	-	-	-	-	-	-	(17,597)	(17,597)
Income from Council Tax	-	-	-	-	-	-	(129,715)	(129,715)
NNDR Redistribution	-	-	-	-	-	-	(52,176)	(52,176)
Government Grants and Contributions	(379,651)	-	-	127	-	(379,524)	(66,428)	(445,952)
<b>Total Income</b>	<b>(492,581)</b>	<b>(1,858)</b>	<b>-</b>	<b>668</b>	<b>2,805</b>	<b>(490,966)</b>	<b>(278,295)</b>	<b>(769,261)</b>
Employee Expenses	289,063	4,659	(8,818)	(48)	(17,283)	267,573	-	267,573
Other Service Expenses	408,239	(867)	1,029	(6,010)	(18,712)	383,679	-	383,679
Capital Expenditure charged to the General Fund	3,595	-	-	(3,595)	-	-	-	-
Support Service Recharges	(1,993)	-	-	(730)	33,190	30,467	-	30,467
Depreciation, Amortisation & Impairment	-	39,885	-	-	-	39,885	-	39,885
Interest and Investment Expenditure	-	-	-	-	-	-	677	677
Precepts & Levies	-	-	-	-	-	-	2,330	2,330
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	33	33
Pensions Interest Cost	-	-	-	-	-	-	26,871	26,871
<b>Total Expenditure</b>	<b>698,904</b>	<b>43,677</b>	<b>(7,789)</b>	<b>(10,383)</b>	<b>(2,805)</b>	<b>721,604</b>	<b>29,911</b>	<b>751,515</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>206,323</b>	<b>41,819</b>	<b>(7,789)</b>	<b>(9,715)</b>	<b>-</b>	<b>230,638</b>	<b>(248,384)</b>	<b>(17,746)</b>

## Notes to the Core Financial Statements

### 35 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 2010 £000</b>	<b>Service</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Transfers (to) /from Capital £000</b>	<b>31 March 2011 £000</b>
<b><u>Revenue</u></b>					
489	Highway Improvement Works	2	-	-	491
30	Road Safety Schemes	-	-	-	30
45	Local Economy & Town Centres	50	-	-	95
67	Parking	-	4	-	63
35	Landscaping	-	-	-	35
-	Education	221	-	(221)	-
-	Housing	729	-	(729)	-
216	Healthcare Services	167	-	-	383
40	Community Use	-	-	-	40
15	Other	4	-	-	19
<u>937</u>		<u>1,173</u>	<u>4</u>	<u>(950)</u>	<u>1,156</u>
<b><u>Capital</u></b>					
582	Local Economy & Town Centres	-	543	-	39
904	Education	-	750	221	375
1,680	Housing	-	335	729	2,074
860	Community Use	-	11	-	849
<u>4,026</u>		<u>-</u>	<u>1,639</u>	<u>950</u>	<u>3,337</u>
<b><u>4,963</u></b>		<b><u>1,173</u></b>	<b><u>1,643</u></b>	<b><u>-</u></b>	<b><u>4,493</u></b>

## Notes to the Core Financial Statements

### 36 Officers Emoluments

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

<b>Disclosure of remuneration for senior employees 2009/10</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 *		177,600	-	177,600	25,160	202,760
Director of Resources		133,352	2,615	135,967	19,603	155,570
Director of Legal & Democratic Services		104,006	4,666	108,672	15,354	124,026
Assistant Chief Executive HR		107,835	-	107,835	15,852	123,687
Director of Renewal & Recreation		116,839	-	116,839	17,175	134,014
Director of Environmental Services		112,772	4,940	117,712	16,542	134,254
Director of Children & Young People Services		134,452	-	134,452	19,749	154,201
Director of Adult & Community Services		130,958	3,726	134,684	19,250	153,934
		<b>1,017,814</b>	<b>15,947</b>	<b>1,033,761</b>	<b>148,685</b>	<b>1,182,446</b>
<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>

\* Restated to exclude Acting Returning Officer payments.

## Notes to the Core Financial Statements

### 36 Officers Emoluments 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	2009/10		Annual Remuneration	Non-School Employees	2010/11	
	School Employees	Total Employees			School Employees	Total Employees
53	97	150	£50,000-£54,999	55	123	178
30	71	101	£55,000-£59,999	24	85	109
18	48	66	£60,000-£64,999	18	36	54
23	30	53	£65,000-£69,999	17	24	41
13	21	34	£70,000-£74,999	12	19	31
5	12	17	£75,000-£79,999	9	12	21
3	5	8	£80,000-£84,999	6	5	11
3	8	11	£85,000-£89,999	1	3	4
1	2	3	£90,000-£94,999	2	3	5
1	4	5	£95,000-£99,999	1	5	6
2	3	5	£100,000-£104,999	2	2	4
4	1	5	£105,000-£109,999	-	1	1
-	2	2	£110,000-£114,999	1	2	3
2	5	7	£115,000-£119,999	2	2	4
1	1	2	£120,000-£124,999	1	2	3
-	1	1	£125,000-£129,999	-	2	2
2	1	3	£130,000-£134,999	1	-	1
1	-	1	£135,000-£139,999	2	-	2
-	1	1	£140,000-£144,999	-	-	-
-	-	-	£145,000-£149,999	-	-	-
-	-	-	£150,000-£154,999	-	1	1
-	-	-	£155,000-£159,999	-	1	1
-	-	-	£160,000-£164,999	-	-	-
-	-	-	£165,000-£169,999	-	-	-
-	-	-	£170,000-£174,999	-	-	-
*1	-	1	£175,000-£179,999	1	-	1

\* Restated to exclude Acting Returning Officer payments.

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

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### 37 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:

2009/10 £000		2010/11 £000
248	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)	
33	- Pension Fund audit fee	35
	Fees payable to and receivable from the Audit Commission in respect of:	
22	- Statutory inspection and NFI fee	2
-	- Rebate for cost of auditing IFRS based statements	(22)
50	Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	50
14	Fees payable to PricewaterhouseCoopers LLP in respect of other services provided by the appointed auditor during the year	-
<b>367</b>		<b>354</b>

The fees for other services payable in 2009/10 related to an IFRS impact assessment.

## 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 2009/10 and 2010/11.

<i>Credited to Taxation and Non Specific Grant Income</i>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Revenue Grants:		
Revenue Support Grant	12,043	8,261
Area Based Grant	11,780	15,650
Local Authority Business Growth Initiative Scheme	427	-
LAA Reward Grant	-	1,641
Housing and Planning Delivery Grant	127	-
	<u>24,377</u>	<u>25,552</u>
Capital Grants:		
14-19 Diplomas and Special Educational Needs	8,000	(658)
Devolved Formula Capital	6,826	2,928
BSF One School Pathfinder	3,884	27,553
Primary Capital Programme	3,459	5,837
New Deals - condition/modernisation/suitability	3,019	-
Practical Cooking Spaces	1,447	46
National Grid for Learning	877	458
LAA Reward Grant	-	703
Early Years Capital	677	-
TCF - kitchens & dining rooms	529	100
Playbuilder	528	372
Specialist Secondary Schools	525	-
Extended Schools	475	112
Aiming High for Disabled Children	185	417
Waste Regulation Authority - kitchen waste	-	500
Co-location	49	771
Other Capital Grants	695	609
	<u>31,175</u>	<u>39,748</u>
<b>Total Government Grants</b>	<u><b>55,552</b></u>	<u><b>65,300</b></u>
Other Capital Grants and Contributions:		
Transport for London	7,140	6,607
PCT re. Learning Disability Provision	2,193	1,500
SE London Private Sector Schemes	693	475
Contributions re. Schools	528	495
Section 106 Developers Contributions	125	1,639
Other Grants and Contributions	197	221
<b>Total Contributions</b>	<u><b>10,876</b></u>	<u><b>10,937</b></u>
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<u><b>66,428</b></u>	<u><b>76,237</b></u>

## Notes to the Core Financial Statements

### 38 Grant Income continued

<i>Credited to Services</i>	<b>2009/10</b> <b>£000</b>	<b>2010/11</b> <b>£000</b>
Revenue Grants:		
Dedicated Schools Grant	178,604	185,797
Housing & Council Tax Benefit Grant	119,807	126,930
YPLA - Sixth Form Direct Funding	28,263	28,241
Standards Fund Grant	18,119	20,135
School Standards Grant	8,856	9,086
General Sure Start Grant	6,912	9,209
Supporting People - Services	5,652	-
YPLA - Colleges	-	5,108
Skills Funding Agency - Adult Education & Libraries	2,495	2,397
Council Tax & Housing Benefits Administration	2,471	2,217
YPLA - Other Education Funding	2,243	2,267
Learning Disability Campus Closure	833	1,475
London Pay Addition	683	973
Social Care Reform	616	1,040
DfE - Children & Young People Funding	-	567
Job Centre Plus	408	596
Youth Justice Board	385	452
Unaccompanied Asylum Seekers	370	172
Think Family	342	21
Diploma Grant	320	329
Other Miscellaneous Grants	2,049	2,380
<b>Total Government Grants</b>	<b>379,428</b>	<b>399,392</b>
Other Grants and Contributions:		
Section 106 Developers Contributions	96	4
<b>Total Contributions</b>	<b>96</b>	<b>4</b>
<b>Total Credited to Services</b>	<b>379,524</b>	<b>399,396</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:

<i>Revenue Grants Creditors and Receipts in Advance</i>	<b>2009/10</b> <b>£000</b>	<b>2010/11</b> <b>£000</b>
Dedicated Schools Grant	3,165	-
Housing & Council Tax Benefit Grant	-	1,632
Standards Fund Grant	943	88
Social Care Reform	416	521
Dept. for Transport - Potholes	-	419
Skills Funding Agency - Adult Education & Libraries	408	310
YPLA - Other Education Funding	365	159
Other Miscellaneous Grants	692	399
<b>Total Government Grants</b>	<b>5,989</b>	<b>3,528</b>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	937	1,156
Section 106 Developers Contributions - Capital	4,026	3,337
<b>Total Other Grants and Contributions</b>	<b>4,963</b>	<b>4,493</b>
<b>Total Receipts in Advance</b>	<b>10,952</b>	<b>8,021</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 effective control 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 34 on reporting for resource allocation decisions. Grant receipts outstanding at 31st March 2011 are shown in note 38.

The Council has prepared this disclosure in accordance with its interpretation and understanding of IAS24 and its applicability to the public sector utilising current advice and guidance.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2010/11 is shown in Note 11. During 2010/11, 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 £38k in 2010/11.
- b) Councillor P. Fookes is a board member of Penge Churches Housing Association Ltd, to which the Council paid £8k in 2010/11.
- c) 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 £3.9m in 2010/11. (ex - Councillor M. Curry was also a board member until early May 2010.)
- d) Councillor Mrs Manning is Chairman of the Carers Organisation which receives support in kind by Carers Bromley, Councillor J. Ince is a Trustee of Carers Bromley, to which the Council paid £497k in 2010/11.
- e) Councillor K. Lymer is a Trustee of Bromley Youth Music Trust, to which the Council paid £760k in 2010/11.

#### Officers

During 2010/11, £0.3m 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. There are no other declarable related party transactions with Officers.

#### 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 10.

#### Pension Fund

During the financial year, the pension fund had an average balance of £1.1m of surplus cash deposited with the Authority. The Authority paid the fund a total for interest of £19k on these deposits. The Authority charged the fund £627k for expenses incurred in administering the fund.

## Notes to the Core Financial Statements

### 40 Capital Expenditure and Capital Financing

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

	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	8,855	7,851
<i>Capital investment</i>		
Property, Plant and Equipment	12,761	9,055
Revenue Expenditure Funded from Capital under Statute	29,510	39,605
Disabled Facilities Grant Recycled	690	714
	<u>42,961</u>	<u>49,374</u>
<i>Sources of finance</i>		
Capital receipts	3,822	424
Government grants and other contributions	34,562	37,831
Sums set aside from revenue:		
Direct revenue contributions	4,095	9,619
Statutory / voluntary revenue provision	200	340
Finance Leases Repaid	1,286	1,559
	<u>43,965</u>	<u>49,773</u>
Movement in Capital Financing Requirement	(1,004)	(399)
<i>Closing Capital Financing Requirement</i>	7,851	7,452
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,486)	(1,899)
Assets acquired under finance leases	482	1,500
Increase/(decrease) in Capital Financing Requirement	<u><b>(1,004)</b></u>	<u><b>(399)</b></u>

## Notes to the Core Financial Statements

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

Items of equipment leased by schools, mainly photocopiers, have also been classified as finance leases. Insufficient information was available to account for these in 2009/10, but they have all been brought on to the Balance Sheet in 2010/11 and a typical useful life of 5 years has been 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 2010 £000</b>	<b>31 March 2011 £000</b>
Vehicles, Plant and Equipment	4,385	4,326
	<b><u>4,385</u></b>	<b><u>4,326</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 2010 £000</b>	<b>31 March 2011 £000</b>
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	1,217	1,419
- non current (later than 1 year)	3,168	2,907
Finance costs payable in future years	1,829	1,484
Minimum lease payments	<b><u>6,214</u></b>	<b><u>5,810</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 2010 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>
Not later than one year	1,708	1,878	1,217	1,419
Later than one and less than five years	4,448	3,891	3,127	2,881
Later than five years	58	41	41	26
	<b><u>6,214</u></b>	<b><u>5,810</u></b>	<b><u>4,385</u></b>	<b><u>4,326</u></b>

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

## Notes to the Core Financial Statements

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### 41 Leases continued

#### Operating Leases - Authority as Lessee

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

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

	<b>31 March</b>	<b>31 March</b>
	<b>2010</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	452	447
Later than one and less than five years	1,787	1,562
Later than five years	255	199
	<u>2,494</u>	<u>2,208</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>2010</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<i>Minimum lease payments</i>		
Adult Social Care	115	115
Children's and Education Services	250	240
Cultural, Environmental, Regulatory and Planning Services	99	99
	<u>464</u>	<u>454</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>2010</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	179	223
Later than one and less than five years	548	330
Later than five years	6	1
	<u>733</u>	<u>554</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>2010</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<i>Minimum lease payments</i>		
Children's and Education Services	179	223
	<u>179</u>	<u>223</u>

## Notes to the Core Financial Statements

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### 41 Leases continued

#### Finance Leases - Authority as Lessor

As at 31st March 2011, 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 2010 £000</b>	<b>31 March 2011 £000</b>
Not later than one year	3,476	3,379
Later than one and less than five years	11,860	11,443
Later than five years	198,864	196,307
	<u><b>214,200</b></u>	<u><b>211,129</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 £214.4m as at 31st March 2011 (£220.1m as at 31st March 2010). Depreciation and impairment charges of £1.4m and £6.4m respectively were made in 2010/11.

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

	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>
<i>Minimum lease payments</i>		
Cultural, Environmental, Regulatory and Planning Services	620	525
Children's and Education Services	5	6
Highways and Transport Services	81	80
Adult Social care	100	100
Financing & Investing Income & Expenditure	3,239	3,371
<i>Contingent rents</i>		
Cultural, Environmental, Regulatory and Planning Services	107	78
Financing & Investing Income & Expenditure	624	401
	<u><b>4,776</b></u>	<u><b>4,561</b></u>

## Notes to the Core Financial Statements

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### 42 Service Concessions

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

#### 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 16.

The total cost of this contract to 31st March 2010 was £33.3m. Expenditure amounting to £5.0m was incurred in 2010/11.

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

### 43 Impairment Losses

During 2010/11 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:

2009/10		2010/11
£000		£000
1,168	Property, Plant and Equipment	5,269
549	Investment Properties	-
70	Assets held for sale	3,710
<u>1,787</u>		<u>8,979</u>

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

2009/10		2010/11
£000		£000
31	Central Services to the Public	-
800	Cultural, Environmental, Regulatory and Planning Services	1,046
170	Children's and Education Services	2,076
167	Housing Services	-
-	Adult Social Care	2,147
<u>1,168</u>		<u>5,269</u>
619	Financing & Investment Income & Expenditure	3,710
<u>1,787</u>		<u>8,979</u>

### 44 Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £217k, (£1m within 2009/10). The total expenditure in 2010/11 related to 20 employees across all departments of the Authority.

## Notes to the Core Financial Statements

### 45 Disclosure of Information about Retirement Benefits

#### (a) Participation in Pension Schemes

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

The Council's Pension Fund is a 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.

A number of changes were made to the scheme in 2008, mainly related to benefits accruing and member contributions after 1st April 2008 and, 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 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, which could include the option to increase employee contributions or, alternatively, a review of the whole scheme.

The government has accepted Lord Hutton's recommendations as a basis for consultation with public sector workers, unions and others. Changes will be implemented before the end of the current parliamentary term.

#### (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 we are required to make against Council Tax is based on the cash payable in the year, so the real cost of 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 2011, prepared by the Council's actuary, Barnett Waddingham LLP.

	2009/10 £000	2010/11 £000
<u>Comprehensive Income &amp; Expenditure Statement</u>		
Current service cost	11,937	21,848
Settlements and Curtailments	727	(5,593)
Past service costs	-	(59,890)
Total included in Cost of Services	12,664	(43,635)
<u>Financing &amp; Investment Income &amp; Expenditure</u>		
Pensions interest cost	26,871	36,665
Expected return on scheme assets	(17,597)	(29,169)
Total included in Surplus or Deficit on the Provision of Services	21,938	(36,139)
<u>Other Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</u>		
Actuarial gains and losses	99,349	(12,844)
<u>Total Post-employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</u>	121,287	(48,983)
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	(21,938)	36,139
Employers' contributions and benefits payable direct to pensioners	21,898	21,154
	(40)	57,293
Actual return on scheme assets	132,408	22,303

## Notes to the Core Financial Statements

### 45 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 & Expenditure Statement to 31st March 2011 is a loss of £121,177k (since 1st April 2002).

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

Reconciliation of present value of Scheme liabilities:

	2009/10	2010/11
	£000	£000
<b>Opening Liability (Defined Benefit obligation)</b>	<b>403,435</b>	<b>640,362</b>
Current service cost	11,937	21,848
Interest cost	26,871	36,665
Actuarial (gain)/loss	214,160	(12,096)
Curtailments	727	150
Settlements	-	(8,517)
Estimated benefits paid (net of transfers in)	(22,530)	(22,278)
Past service costs	-	(59,890)
Contributions by scheme members	6,060	5,840
Unfunded pension payments	(298)	(351)
<b>Closing Liability (Defined Benefit obligation)</b>	<b>640,362</b>	<b>601,733</b>

Reconciliation of fair value of Scheme assets:

	2009/10	2010/11
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>263,021</b>	<b>400,559</b>
Expected return on scheme assets	17,597	29,169
Actuarial gain/(loss)	114,811	748
Contributions by employer	21,898	21,154
Contributions by scheme members	6,060	5,840
Settlements	-	(2,774)
Estimated benefits paid (net of transfers in)	(22,828)	(22,629)
<b>Closing fair value of scheme assets</b>	<b>400,559</b>	<b>432,067</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 £22,303k (£132,408k in 2009/10).

Reconciliation of net deficit (liability) on scheme:

	2009/10	2010/11
	£000	£000
<b>Net Deficit at beginning of the year</b>	<b>(140,414)</b>	<b>(239,803)</b>
Current service cost	(11,937)	(21,848)
Employer contributions	21,600	20,803
Unfunded pension payments	298	351
Past service costs	-	59,890
Other finance income	(9,274)	(7,496)
Settlements and Curtailments	(727)	5,593
Actuarial gain/(loss)	(99,349)	12,844
<b>Net Deficit at end of the year</b>	<b>(239,803)</b>	<b>(169,666)</b>

## Notes to the Core Financial Statements

### 45 Disclosure of Information about Retirement Benefits continued

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

The significant reduction in the net deficit in 2010/11 (£70.1m) was mainly due to the actuary taking account of the Government's plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The actuary has assumed that CPI will increase at a slower rate than RPI, as result of which pension increases and the IAS19 liabilities will be lower. The impact of this (£59.9m) has been accounted for as a negative past-service cost, which has had a major beneficial impact on our Fund.

#### (d) Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£000	£000	£000	£000	£000
Present value of liabilities	(546,523)	(492,526)	(403,435)	(640,362)	(601,733)
Fair value of assets	322,456	342,106	263,021	400,559	432,067
Net Deficit in the scheme	(224,067)	(150,420)	(140,414)	(239,803)	(169,666)

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £601,733k 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 £169,666k. 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 2012 is £19,277k.

#### (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.

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

	31/03/10	31/03/11
Long-term expected rate of return on scheme assets (% p.a.):		
Equities	7.5%	7.1%
Bonds/Gilts (average)	5.2%	4.9%
Cash	3.0%	3.0%
Longevity at 65 for pensioners retiring today (years):		
Men	21.3	22.0
Women	24.3	26.0
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	22.2	24.1
Women	25.3	28.1
Rate of inflation	3.8%	3.5%
Rate of increase in salaries	5.3%	5.0%
Rate of increase in pensions	3.8%	2.7%
Rate for discounting scheme liabilities	5.7%	5.5%
Take-up of option to convert annual pension to lump sum	50%	50%

## Notes to the Core Financial Statements

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### 45 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.

	31/03/10	31/03/11
	%	%
Equity investments	84	83
Gilts / Bonds	15	15
Cash	1	2
	<u>100</u>	<u>100</u>

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

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 and in previous years can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March.

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between expected and actual return on assets	(3.7)	(2.1)	(38.2)	28.7	0.2
Experience gains and losses on liabilities	-	(6.0)	-	-	1.0

#### (g) Bromley Employees

In 2010/11, Bromley paid into the Pension Fund a total contribution of £20.7m (30.8% of total pensionable pay), including a past deficit contribution of £8.6m. This compares to £21.5m (31.3%) and £8.3m in 2009/10. The underlying contribution rate and the past deficit contribution are both determined by the Fund's Actuary based on triennial actuarial valuations. The increase in 2010/11 incorporates the results of the full valuation as at 31st March 2007, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over the next 12 years. Employer contribution rates and past deficit contributions from 1st April 2011 have been set by the recent fund valuation as at 31st March 2010 and should enable the fund to become solvent within a further 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 liabilities in the scheme attributable to its own employees.

In 2010/11, Bromley paid £6.2m to the Teachers' Pensions Agency in respect of teachers' pension costs, which represented 14.1% of teachers' pensionable pay. The figures for 2009/10 were £6.0m and 14.1%. In addition, Bromley is responsible for all pension payments relating to added years it has awarded. There were no payments relating to added years in both 2010/11 and 2009/10.

## Notes to the Core Financial Statements

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

Contingent liabilities are dependent upon the outcome of uncertain events and, consequently, cannot be quantified at the balance sheet date. For 2010/11 there are four 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 estimated cost to the Council would be £350k.

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

Contingent assets are possible assets that will only be confirmed by the occurrence of uncertain future events not wholly within the Authority's control. For 2010/11 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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### 48 *Nature and Extent of Risk Arising from Financial Instruments*

The Council's activities expose it to a variety of financial risks. With regard to financial assets, these are mainly classified as loans and receivables (see note 19) 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 put in place 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 criteria, as laid down by Fitch, Moody's and Standard & Poors (S&P) credit ratings services. The Strategy for 2010/11 was approved by Full Council in February 2010 and was subsequently amended by Full Council in October 2010. 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 £170.6m 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 2011 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 2010/11 and the authority does not expect any losses from non-performance by any of its counterparties in relation to treasury deposits.

## Notes to the Core Financial Statements

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

#### *Credit Risk (cont)*

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

	<b>31/03/2010</b>	<b>31/03/2011</b>
	<b>£000</b>	<b>£000</b>
Less than three months	4,866	6,212
Three to six months	1,421	1,007
Six months to one year	997	942
More than one year	696	1,720
	<u>7,980</u>	<u>9,881</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. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

<b>Principal Sum Invested at 31/03/10 £000</b>		<b>Principal Sum Invested at 31/03/11 £000</b>
129,111	Less than one year	132,063
<u>15,000</u>	Between one and two years	<u>37,500</u>
<u><b>144,111</b></u>		<u><b>169,563</b></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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### 48 *Nature and Extent of Risk Arising from Financial Instruments continued*

#### **Market Risk**

##### Interest rate risk

The Authority is exposed to 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 will monitor 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.

During 2010/11, all of the Council's investments were placed at fixed interest rates, so there was no 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. 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 2011, a total of 7 dividend payments had been received from the administrator, which amounted to £2,548,993 (50.11% of the Council's total claim of £5,087,065). The administrator's latest estimate is for a recovery of 84.98% of the claim sum and an impairment was actioned in 2008/09 and subsequently adjusted in 2009/10. No further adjustment has been made in the 2010/11 accounts.

## 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	2009/10 £000	2010/11 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	155,306	157,311
Transfer from the General Fund for Council Tax benefit		18,431	19,063
Income collectable from Business Rate payers	(2)	79,715	74,391
Income Collectable from Business Rate Supplement	(3)	-	2,479
		<u>253,452</u>	<u>253,244</u>
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		129,715	131,670
- Greater London Authority		41,045	41,153
Business Rates	(2)		
- Payments to National Pool		79,352	74,037
- Cost of Collection		363	354
Business Rate Supplement	(3)		
- Contribution to GLA		-	2,430
- Cost of Collection/Administrative Costs		-	49
Bad and Doubtful Debts / Appeals			
- Write offs		775	1,170
- Increase / (decrease) in bad debt provision		2,202	(319)
		<u>253,452</u>	<u>250,544</u>
<b>Net Movement on Fund Balance</b>		<u>-</u>	<u>(2,700)</u>
		<b>£000</b>	<b>£000</b>
<b>Fund Balance</b>			
Balance at 1st April		-	-
Net movement for year		-	(2,700)
Balance at 31st March - deficit / (surplus)		<u>-</u>	<u>(2,700)</u>

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 as follows:

	<b>£000</b>
London Borough of Bromley	2,057
Greater London Authority	643
	<u><b>2,700</b></u>



## TRUST FUNDS

### Introduction

The Executive on 3rd February 2010 approved the transfer of these funds to Capital Community Foundation for similar purposes. The transfer of the balances was completed in April 2010.

### Trust Funds as at 31st March 2011

Notes	31st March 2010 £'000	Receipts in Year £'000	Payments in Year £'000	31st March 2011 £'000
<b>Registered with the Charity Commission</b>				
1 Douglas Feltham Scholarship	11		11	-
2 Sutton Foundation	70		70	-
3 Lindley Jones Trust Fund	5		5	-
<b>Other Trust Funds</b>				
4 Sayers Foundation	3		3	-
5 Marian Vian Prize Fund	3		3	-
6 Dr Appleby Memorial Prize	2		2	-
7 FW Robinson Service Prize	1		1	-
8 Other Trust Funds valued under £1,000	1		1	-
<b>Total</b>	<b>96</b>	<b>-</b>	<b>96</b>	<b>-</b>

### Notes

- 1 Established in 1961 to provide an education scholarship to a boy resident in the Parish of Chislehurst
- 2 Established in 1913 to assist children to pursue secondary or further education in the former Urban District of Beckenham
- 3 Established in 1920 to encourage and stimulate pupils in the Borough of Bromley to take an interest in their school work
- 4 Established in 1881 for the promotion of secular education
- 5 Established in 1978 to award a prize for special contributions to Marian Vian School
- 6 Established in 1956 to provide awards to pupils on the roll of schools in the Chislehurst, Orpington or Sidcup areas
- 7 Established in 1964 to award a prize for outstanding service to Penge Secondary School for Boys
- 8 There are four other Trust Funds where the current value is less than £1,000 so are included as one line in the table above:
  - (i) CA Elgood Service Prize which was established in 1938 to award a prize to a girl attending the Beckenham County Girls School who has rendered service of outstanding value to the school
  - (ii) Lady Hislop Prize Fund which was established in 1929 to award prizes to the boys of the Hawes Down County Secondary School who have shown most eminently qualities of determination and tenacity of purpose
  - (iii) C Dallaway & E Elson Memorial Prize which was established in 1962 to award prizes for domestic science and literature to pupils at Rock Hills School
  - (iv) The Claire Vian Prize Fund was established in 1961 to award a prize to a girl who has attended Marian Vian School for four years, has not been academically outstanding but who has faithfully and quietly followed the tenets of Miss Marian Vian - truth, duty and service.

## 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 2011*

	<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 2010	( 322)	( 362)	( 684)
Movement in year on ex LRB functions:			
Income	( 2)	( 701)	( 703)
Interest earnings on Fund balance	( 5)	( 14)	( 19)
Expenditure	12	12	24
Distribution (note 1)	2	701	703
Balance as at 31st March 2011	<u>( 315)</u>	<u>( 364)</u>	<u>( 679)</u>

### *Balance Sheet as at 31st March 2011*

<b>2010</b>		<b>2011</b>
<b>£000</b>		<b>£000</b>
	<i>Assets</i>	
	Debtors	( 1)
	Less provision for bad debts	-
-		<u>( 1)</u>
( 684)	Cash	( 678)
<u>( 684)</u>		<u>( 679)</u>
	<i>Liabilities</i>	
322	Fund 1	315
362	Fund 2	364
-	Creditors	-
<u>684</u>		<u>679</u>

### *Notes to accounts*

#### 1) *2010/11 Distribution*

In 2010/11 revenue receipts of £703,353 were received and distributed to London Boroughs on 31 March 2011.

#### 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

2009/10		PENSION FUND ACCOUNT		Note	2010/11	
£000	£000				£000	£000
		<b>Dealings with members and employers</b>				
		<b>Contributions and similar payments</b>		<b>2</b>		
6,152		Contributions - from members			6,040	
14,410		- from employers - normal			13,275	
8,618		- deficit funding			8,929	
4,457		Transfers in			4,757	
	33,637					33,001
		<b>Benefits</b>		<b>3</b>		
(18,350)		Pensions			(19,223)	
(5,530)		Lump sum benefits - retirement			(5,674)	
(328)		- death			(332)	
	(24,208)					(25,229)
		<b>Payments to and on account of leavers</b>				
(12)		Refunds of contributions			(17)	
(4,223)		Transfers out			(2,734)	
	(4,235)					(2,751)
	(763)	<b>Administrative expenses</b>		<b>4</b>		(731)
	4,431	<b>Net addition from dealings with Fund members</b>				4,290
		<b>Returns on investments</b>		<b>5</b>		
7,141		Investment income			7,478	
139,256		Change in market value			32,119	
(2,185)		Investment management expenses			(2,318)	
	144,212	Net return on investments				37,279
	148,643	<b>Net Fund increase during year</b>				41,569
	299,153	Opening net assets				447,796
	447,796	<b>Closing net assets</b>				489,365
<b>31st March 2010</b>		<b>NET ASSETS STATEMENT</b>			<b>31st March 2011</b>	
£000	£000				£000	£000
		<b>Investment assets</b>		<b>5</b>		
111,971		Equities - UK			127,853	
118,585		- overseas			132,862	
	230,556					260,715
	211,646	Pooled investment vehicles				219,816
	4,148	Cash deposits held by investment managers				10,560
-		Other investment balances - sales			201	
(75)		- purchases			(1,701)	
	(75)					(1,500)
	446,275			<b>5</b>		489,591
		<b>Current assets and liabilities</b>		<b>6</b>		
2,076		Cash			586	
901		Current assets - sundry debtors			619	
(1,456)		Current liabilities - sundry creditors			(1,431)	
	1,521					(226)
	447,796	<b>Closing net assets</b>				489,365

The fund's financial statements include all assets and liabilities of the fund as at 31st March 2011, but do not take account of liabilities to pay pensions and other benefits after the period end. In the Actuarial valuation as at 31st March 2011, under IAS19 the actuary valued the present value of promised retirement benefits for the whole fund at £657,265k and the net liability at £179,913k. Pension Fund disclosures included in note 45 relate solely to the London Borough of Bromley share of the Fund's assets and liabilities.

# PENSION FUND

## Notes to the Accounts

### 1 General

These accounts comply with the recommendations of the CIPFA Code of Practice on local authority accounting in the United Kingdom 2010/11 and have been prepared in accordance with the provisions of Chapter 6, Section 5 "Accounting and reporting by pension funds". The Council's Pension Fund is a defined benefit Fund operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2008/09 for the purpose of providing pension benefits for its employees. In addition to the provision of retirement pensions, the benefits include lump sum retirement grants and widows' pensions. A Statement of Investment Principles was approved by the Pensions Investment Sub-Committee on 8th September 2010 and is published on the Council's website.

### 2 Employer and Employee Contributions

#### (a) Contributions - general

Members contribute between 5.5% and 7.5% of pensionable salary. Some members have also made voluntary contributions to secure additional benefits. The employer pays the balance required to fund the benefits and to meet fund administration costs. Normal contributions, both from members and employers, are accounted for on an accruals basis in the payroll period to which they relate. Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of such an agreement, when they are received. The totals of employer and employee contributions in 2009/10 and 2010/11 are shown in the following table:

	2009/10	2010/11
	£000	£000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	11,304	10,202
- deficit funding	8,300	8,600
Scheduled bodies - Foundation Schools	1,862	1,932
	<u>21,466</u>	<u>20,734</u>
Other		
Other scheduled bodies - normal	941	885
- deficit funding	201	208
Admitted bodies - normal	303	256
- deficit funding	117	121
	<u>23,028</u>	<u>22,204</u>
Employee Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	4,764	4,658
Scheduled bodies - Foundation Schools	792	835
	<u>5,556</u>	<u>5,493</u>
Other		
Other scheduled bodies	454	419
Admitted bodies	142	128
	<u>6,152</u>	<u>6,040</u>

#### (b) Additional Voluntary Contributions (AVCs)

In accordance with Regulation 5 (2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831), AVCs are not included in the Pension Fund accounts. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and are invested separately on behalf of those members who elect to make AVCs. Members' contributions in 2010/11 totalled £32,030 (£35,144 in 2009/10), which comprised £31,886 to Aviva and £144 to Equitable Life (£34,801 and £343 respectively in 2009/10). Up to 2010, members of the Aviva AVC scheme received an annual statement as at 31st March confirming the amounts held in their accounts and the movements in the year. From 2010/11, however, these statements have been produced and sent to Members on their birthdays and Aviva has not been able to provide the total value of benefits as at 31st March 2011 (as at 31st March 2010 it was £1,182,920). The total value of benefits in the Equitable Life AVC scheme was £234,691 as at 31st March 2011 (£284,534 as at 31st March 2010).

# PENSION FUND

Notes to the Accounts

## 2 Employer and Employee Contributions continued

### (c) Non- London Borough of Bromley contributors

During 2010/11, 27 scheduled and 3 admitted bodies (ie outside organisations) were permitted under the regulations to contribute to the Pension Fund. A total of 24 of the scheduled bodies were former foundation schools, which returned to Local Authority financial control in 1999/2000. In 2010/11, the scheduled and admitted bodies contributed a total of £4.784m (£3.402m from employers and £1.382m from employees). The bodies are listed below:

#### Scheduled Bodies - Foundation Schools

Beaverwood School for Girls	Kelsey Park Sports College
Bishop Justus CE School	Kemnal Technology College
Bullers Wood School	Langley Park School for Boys
Charles Darwin School	Langley Park School for Girls
Coopers Technology College	Newstead Wood School for Girls
Crofton Junior School	Raglan Primary School
Darrick Wood School	Ravens Wood School
Hayes Primary School	St Mary's Catholic Primary School
Hayes School	St Olave's & St Saviour's Grammar School
Highfield Infant School	The Glebe Special School
Highfield Junior School	The Priory School
Holy Innocents Catholic Primary School	The Ravensbourne School

#### Scheduled Bodies - Other

Bromley College  
Orpington College  
Ravensbourne College

#### Admitted Bodies

Beckenham and District Mind  
Bromley Mytime  
Broomleigh Housing Association

## 3 Benefits

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.

## 4 Administrative Expenses

Administrative expenses incurred by the Council and investment expenses, including fees paid to advisers, are accounted for on an accruals basis and are charged to the fund as provided by the LGPS Regulations 2008/09. A breakdown of administrative expenses is shown below.

	2009/10	2010/11
	£000	£000
Audit fee	33	35
Bank charges	16	21
Advice & other costs	29	48
Internal recharges	685	627
	<u>763</u>	<u>731</u>

## 5 Returns on Investments

### (a) Investment income

Income from equities and pooled investment vehicles is accounted for on an accruals basis on the date stocks are quoted ex-dividend / interest. Investment income includes withholding taxes but excludes any other taxes, such as attributable tax credits, not payable wholly on behalf of the recipient. Withholding tax is accrued on the same basis as investment income. A breakdown of investment income is shown below.

	2009/10	2010/11
	£000	£000
Dividends from equities	7,088	7,436
Interest on securities	12	23
Internal interest on cash	41	19
	<u>7,141</u>	<u>7,478</u>

## PENSION FUND

### Notes to the Accounts

#### 5 Returns on Investments continued

##### (b) Investment management fees

Investment management fees are accounted for on an accruals basis and totalled £2,318,000 in 2010/11 (£2,185,000 in 2009/10). This included a performance fee of £1,282,000 (£1,325,000 in 2009/10) payable to one of the Fund managers (Fidelity) in accordance with the terms of their agreement.

##### (c) Investments

All investments are managed by external fund managers. Equities traded through the Stock Exchange Electronic Trading Service are valued at bid price at the close of business on 31st March. Other quoted investments and pooled investment vehicles are also valued at the closing bid price.

The change in bid price value 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 includes income, net of withholding tax, which is re-invested in the Fund.

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

	Bid Price			Change in	Bid Price
	31/03/2010	Purchases	Sales	Bid Price	31/03/2011
	£000	£000	£000	£000	£000
Fidelity	210,858	63,529	(59,673)	12,256	226,970
Baillie Gifford	235,417	34,833	(31,793)	24,164	262,621
Total	<u>446,275</u>	<u>98,362</u>	<u>(91,466)</u>	<u>36,420</u>	<u>489,591</u>

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 £37,872,251 - 7.73%)

- Institutional Europe Fund (value £28,822,030 - 5.89%)

- Institutional Exempt America Fund (value £28,275,537 - 5.78%)

- Institutional Global Focus Fund (value £29,522,582 - 6.03%)

#### 6 Current Assets and Current Liabilities

Debtors and Creditors are raised for all income and expenditure outstanding at 31st March 2011, with the exception of transfers receivable and payable, which are accounted for on a cash basis. Significant items are shown below.

	2009/10	2010/11
	£000	£000
<u>Debtors (current assets)</u>		
Contributions due from employers	260	255
Investment income	641	352
Other	-	12
	<u>901</u>	<u>619</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	1,447	1,416
Pension advice fees	6	15
Other	3	0
	<u>1,456</u>	<u>1,431</u>

#### 7 Value Added Tax

VAT is reimbursed to the fund by HM Customs and Excise and the accounts exclude VAT.

## PENSION FUND

### Notes to the Accounts

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#### 8 Membership as at 31 March

	2010	2011
Employees	5,360	5,246
Pensioners - widows / dependents	710	706
- other	3,703	3,816
Deferred Pensioners	3,607	3,859

#### 9 The Actuarial Position of the Fund

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2007. 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 number of schools adopted academy status during 2010/11 and many more are expected to follow the same route in 2011/12. 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

#### 10 Monitoring of Fund Liabilities

Under the Regulations, Bromley is required, as the Fund's administering Authority, to monitor factors which might lead to an increase in the liabilities of any body in the fund in excess of the actuary's assumptions. In 2010/11 the total cost of early retirement on grounds of ill-health (£94,000) was well below the actuary's assumption (£800,000), which will have a positive impact on the next valuation as at 31st March 2013.

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## Scope of Responsibility

Bromley Council 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 2011 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 are set out in the following sections:

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

Our purpose is to enhance quality of life in the Borough. Our vision for Bromley is that it remains the place where people choose to live and do business. We want to be seen as excellent in the eyes of local people.

'Building a Better Bromley - 2020 Vision' is our shared 'sustainable community strategy' for improving quality of life in the Borough. This is a comprehensive 10-year strategy to improve the economic, social and environmental well-being and health of people who live and work in Bromley. The plan sets the

# ANNUAL GOVERNANCE STATEMENT

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direction and policies which other plans should help to deliver and has been agreed by the Council and our partners in consultation with other stakeholders having an interest in effective public services in the Borough.

The strategy is used as a basis for corporate and service planning. Short term priorities are detailed in 'Building a Better Bromley 2010-12' which highlights the key actions that form a focus for the Council's Executive.

The strategy and individual portfolio plans are published on the Council's website.

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

In July 2004 the London Borough of Bromley announced its priorities for the future:

- A safer Bromley
- A quality environment
- Vibrant, thriving town centres
- Supporting independence
- Children and young people
- An excellent council

This statement reflects the messages obtained from public feedback, and has been refined through annual consultation events. At the same time, the outcomes within Bromley's long-term strategy have also been revised to ensure a greater alignment with each of the partners' and the public's priorities.

Following unprecedented cuts to public spending and increased demand for some of our services the priority this year has been on managing our existing resources well and focusing on where they are needed most.

This is supported by strategies that are already in place to provide a 'Fit for Purpose' organisation. Our 'Corporate Operating Principles' which act as an operational model for our organisation are being reviewed to test their relevance in the new financial and political environment. 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.

We review our governance arrangements in response to changes in legislation and to reflect good practice.

## **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 reserves:**

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

# ANNUAL GOVERNANCE STATEMENT

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The 'Are we on track?' report highlights specific areas of good performance and identifies areas of concern. The focus is on the Building a Better Bromley priorities and Member objectives.

## **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 which are 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.

The Council's decision making structure is divided between executive and non-executive matters. Executive duties are carried out by an Executive body of six Councillors with specific Portfolio responsibilities, chaired by the Leader of the Council. Non-executive duties are performed by the Development Control Committee and the General Purposes and Licensing Committee.

Six Policy Development and Scrutiny (PDS) Committees discharge the overview and scrutiny functions of the Local Government Act 2000.

The Council elects a leader for a four year term from amongst the sixty elected councillors, although there is a provision for the full Council to remove the leader during that time. 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.

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. The recommendation from the Communications Working Group's report 'Receiving you loud and clear' that the Council's current media protocols should be reviewed is still being progressed to encompass new media streams.

## **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.

The Standards Committee has continued to have discussions with leading councillors and officers on ethical governance issues both at Committee meetings and in small groups or one to ones outside the meetings.

Following the May 2010 elections the Standards Committee played an active role in new councillor induction to ensure they were aware of the role the Committee plays in working with them to reinforce positive behaviour at all levels across the Council.

In their annual report the Standards Committee commented that 'Over the past 12 months we have monitored the operation of the Council as a whole against a variety of ethical governance indicators, including Audit Commission public interest reports, objections to the Council's accounts on ethical grounds, whistle-blowing issues, employment issues and complaints. We were pleased to note that these showed a relatively small number of issues raised, and no major ethical issues arising from them that required further investigation by the Committee.'

## ANNUAL GOVERNANCE STATEMENT

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**6) Reviewing and updating 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 Monitoring Officer reviews and updates the constitutional framework including standing orders and the scheme of delegation on a regular basis.

The Scheme of Delegation to Officers sets out formal delegation of various powers to the Council's Chief Officers and their staff. Changes to executive arrangements required under the Local Government and Public Involvement in Health Act 2007 mean that any executive powers delegated to officers have to be delegated not by the Council, but by the Leader of the Council. The Scheme was updated and presented to the Council's annual meeting in May 2010.

The 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. These are reviewed on a regular basis.

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 Chief Internal Auditor, 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 Section 151 Officer has the role of Chief Financial Officer.

During the year Bromley's Code of Corporate Governance was updated to incorporate the additional governance requirements resulting from the Statement.

**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 and probity specifically including; financial regulations, fraud prevention, internal and external audit reports (in particular audit plans and monitoring audit delivery) and risk management (including the Annual Governance Statement).

It is a sub-committee of the General Purposes and Licensing Committee.

## ANNUAL GOVERNANCE STATEMENT

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

The 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 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 Chief Officers' Executive, 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.

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. This is designed to enable people to raise concerns without fear of victimisation, subsequent discrimination or disadvantage. The code is widely publicised via posters, internal newsletters, the intranet and on the Council's website. The Monitoring Officer has overall responsibility for maintenance and operation of the code and provides an annual report to the Standards Committee.

In the last year three issues have been reported under the scheme, all of which related to schools employment matters, and whilst not matters that fell for action under this scheme they were considered and dealt with speedily and appropriately.

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 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 Monitoring Officer monitor how complaints are handled within departments. Bromley produces an annual report on 'Getting it Right' together with details of complaints referred to the Local Government Ombudsman.

All complaints about Bromley councillors are considered by the Standards Committee in the first instance rather than at national level. The Committee has established structures and procedures for local filtering and hearing of complaints. They monitor the conduct of councillors against their compliance with the Code of Conduct, and any complaints received against them. Over the year, six formal complaints were received, involving nine councillors. These were filtered by Initial Assessment Sub-Committees of the Standards Committee. In all cases the Initial Assessment Sub-Committee decided to take no further action and all these were held within the 20 day national target timescale.

The one case from last year which was passed on to the First-Tier Tribunal (Local Government

# ANNUAL GOVERNANCE STATEMENT

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Standards, England) for determination, resulted in the councillor being disqualified for a period of 12 months.

## **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.

Following the May 2010 elections a full programme of induction events was organised for new councillors. In addition specific training for Members targets areas where local authorities are subject to most challenge. This is supported by a dedicated Member Development site on the intranet.

Officer training needs are identified as part of the annual Performance and Appraisal Development Scheme and there is a comprehensive training programme for all staff. 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.

A new managerial and leadership development programme has been agreed to incorporate our existing talent management initiatives. The 'Management Essentials Programme' will provide training for newly appointed, potential and existing managers who wish to improve or further develop their leadership and/or specific skills.

The Council has formed a partnership with Bromley Adult Education College for delivery of IT training.

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

We continue to review how we can improve our channels of communication. Recently we have piloted the use of social media and other on-line communications to support the Communications Strategy. Besides the Council's website we now have pages on Twitter and Facebook with an automatic feed from the website.

A series of Council public meetings was held during November and December 2010 as part of the budget consultation. Residents and businesses were invited to attend so that senior Councillors could talk and listen to the people of Bromley about their priorities for Building a Better Bromley to help inform the Council as it set the budget for 2011/12. 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.

Under the Local Democracy, Economic Development and Construction Act 2009 Bromley was required to put in place a Petition Scheme by June 2010. Residents can now submit an e-petition online through the website in addition to the normal paper submissions. 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:**

While the coalition government places less emphasis than the previous government on formalised local

# ANNUAL GOVERNANCE STATEMENT

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partnership arrangements, collaboration and joint working remains a key part of our agenda.

The Local Strategic Partnership (LSP) is a broad-based partnership of local organisations representing the views of residents, and the public, private and voluntary sectors of Bromley. The LSP Executive is the body with the ultimate responsibility for monitoring and holding the thematic partnerships to account for delivering against the borough's priorities. Both the LSP and the main thematic partnerships operate under the 'LSP Terms of Reference and Code of Conduct' setting out the ground rules for the operation of the LSP Family. They are designed to support LSP Family members in understanding their roles and responsibilities and in ensuring the business of the LSP is carried out in an effective, professional and transparent way.

## **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 Chief Officer Executive, which is the officer managerial board within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, the Policy Development and Scrutiny annual report, the Standards Committee annual report and also by comments made by the external auditors and other review agencies and inspectorates.

As part of this review the Assistant Directors 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:

### Corporate Framework

Bromley's plans outline how we will deliver our priorities and include specific actions and targets that allow us to measure our level of success. Some plans are produced in partnership with other agencies, which help us to focus our resources. The planning framework is arranged under portfolio headings. 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 (for example, the Executive, an individual member of the Executive, or certain senior officers). The Executive contains the Leader and six members each responsible for a portfolio. Each portfolio holder annually outlines, in a 'portfolio plan', their aims over the coming three years, and what they will be doing towards achieving their goals and their performance targets.

### Formulation of policies and decision making

Policy and decision-making are managed and controlled within a strong well-established framework. The Council's written constitution sets out in detail how the Council operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. The Council maintains the policy and budgetary framework. Political and management control is exercised through the Executive who work to defined and established processes.

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## Compliance with policies, laws and regulations

Compliance with policies, laws and regulations is dealt with through a range of written rules and procedures which are regularly reviewed and updated. These include the Constitution, Financial Regulations, Codes of Conduct, and the Anti-Fraud and Corruption Strategy.

## Performance management

Performance management in Bromley is considered through a range of review arrangements including external inspections, external/internal audit reviews and the monitoring and reporting of departmental key performance indicators.

The Improvement, Efficiency and Effectiveness programme provides a planning/budget framework to support divisional, departmental and cross-cutting efficiencies and provides specific reviews to Members and Chief Officers. The work is governed by the Improvement and Efficiency Sub-Committee who are responsible for developing and implementing a Council strategy to achieve greater improvement and efficiency.

## Financial management

The financial management of the Authority is organised through a wide range of well-established processes and procedures which delivers strong financial control arrangements. Bromley has in place a strategic budget planning process which includes detailed written procedures and which is supported by comprehensive financial regulations and procedures. Members and Chief Officers receive and consider detailed financial information on a regular basis and this facilitates the political decision-making process.

## Policy Development and Scrutiny Committees

There are six Policy Development and Scrutiny (PDS) Committees who 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 the Executive and the Council as a whole on its policies, budget and service delivery. PDS Committees also monitor the decisions of the Executive. 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.

## The Audit Sub-Committee

The Audit Sub-Committee has the responsibility for developing and keeping under review all aspects of the Council's arrangements for audit and probity specifically including:

- financial regulations
- fraud prevention

# ANNUAL GOVERNANCE STATEMENT

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- Internal and external audit (including approval of the Annual Audit Plan)
- Risk management (including approval of the Annual Governance Statement)

## The Standards Committee

The Standards Committee has responsibility for promoting and maintaining high standards of behaviour within the authority with respect to all aspects of ethical conduct including member conduct. The Committee now has a membership of 10 of whom 5, including the Chairman, are independent members. The Committee provides an Annual Report to full Council including details of its forward programme of work.

## Chief Financial Officer

The role of Chief Financial Officer is performed by the Section 151 Officer. He is a member of the Chief Officers' Executive and is responsible for ensuring the proper management of all Bromley's financial affairs.

## Internal Audit

Internal audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the system of internal control, financial and other, as a contribution to the efficient use of resources within the Authority.

Internal Audit's service aims are to:

- independently review and appraise systems of control throughout the authority and its activities
- ascertain the extent of compliance with procedures, policies, regulations and legislation
- provide assurance to management and Members that their agreed policies are being carried out effectively
- facilitate good practice in managing risks
- recommend improvements in control, performance and productivity in achieving corporate objectives
- work in partnership with the external auditors
- identify fraud as a consequence of its reviews and to deter crime

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.

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. 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 Chief Internal Auditor 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 Chief Internal Auditor confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that I am able to place

# ANNUAL GOVERNANCE STATEMENT

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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. 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. Although CIPFA are planning to launch a local government version in May 2011 it applies the same principles and roles set out in that document. 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 Chief Internal Auditor meets these requirements and that we will be updating Bromley’s Code of Corporate Governance once new guidance is issued.

## External Inspections

In their *2009/10 Report to those charged with governance* published in September 2010, the external auditors PricewaterhouseCoopers LLP reported that:

- We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit. We are pleased to report that we have not identified any material weaknesses, however, we have identified a number of minor control points and recommendations which we have reported to management.
- In May this year, the government announced its intention to abolish the annual Comprehensive Area Assessment (CAA). Shortly afterwards, we were instructed by the Audit Commission to halt all work on the Use of Resources Assessment. As the work was not completed we cannot report Use of Resources scores. However, we are able to report that the Council showed continued strong performance in the areas where the Council was previously assessed as performing well. In addition improvements were noted in the area of performance management and data security, which were areas identified for development in 2008/09.

A number of areas of good practice were identified, including the impact that the Council’s Standards Committee has on the wider governance arrangements and how the Council has implemented a new Employee Budget Management system to enable managers to monitor their staff costs on a real time basis, which has helped to strengthen budgetary control further within the Council.

- We reviewed the 2009/10 Annual Governance Statement (AGS) 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:

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

Rated 3 - Performs Well

### **Care Quality Commission / Ofsted - Inspection of safeguarding and looked after children services**

Grade 3 - Adequate

### **Care Quality Commission – Adult Social Services Assessment of Performance 2009/10**

Performing Well.

# ANNUAL GOVERNANCE STATEMENT

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Robust development and 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

Given the scale of budget cuts and ongoing uncertainties as to future funding the following significant issues are subject to ongoing review:

- Capacity to achieve further budget savings
- Period of significant and continuing change across the Council, and our ability to continue to manage our resources well and minimise the impact on frontline services
- Uncertainty with the Council's major partnerships due to political changes and governance issues arising from shared services

In addition the Localism Bill which is currently going through Parliament contains a number of proposals which will have an impact on how the Council works.

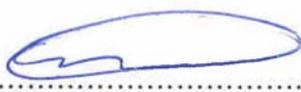
Amongst other things, it promises to abolish the requirement for authorities to have Standards Committees and the national code of conduct. In place of the national Standards Board regime, authorities will have a duty to promote and maintain high standards of conduct by members, and be able to establish their own voluntary codes of conduct. The view in Bromley is that we should still retain some form of lead body on ethical governance issues.

The Bill also introduces:

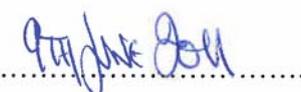
- new freedoms and flexibilities for local government
- new rights and powers for communities and individuals
- reform to make the planning system more democratic and more effective
- reform to ensure that decisions about housing are taken locally

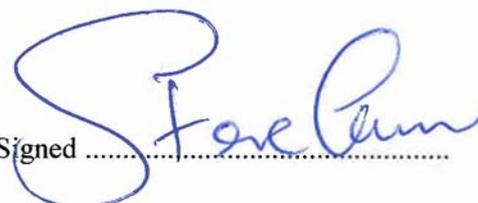
Any resulting governance issues will need to be addressed.

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 the Council

Date .....  
9. 06. 2011

## 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 (ዶኩመንት) መግለጫ ካስፈልግዎት፡ በታች፡ ሳጹገ ውስጥ ከተጻፈው አድራሻ ጋር ለሂሳብ ሹም መጻፍ ይችላሉ። እናመሰግናለን።**

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، يان زانیاری زۆرتان لەسەر ئەم نووسراوھێ دەوێت، تکایە بۆ ژمیریاری سەرھکی بەم ناوئیشانیە کە لەم کادرە ی 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 :

ዘኹነ ርእይቶ ምስዘህልዎኩም ወይ ብዛዕባ'ዚ ሰነድ'ዚ ዘምልከት ተወሳኺ ዝርዝር ሓበሬታ ምስትደልዩ፡ ብክብረትኩም 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 doriți 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 دې 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.



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