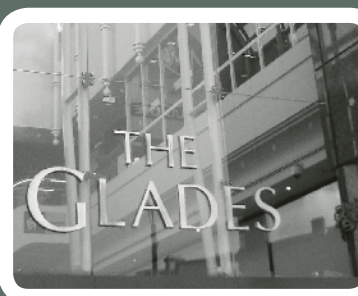
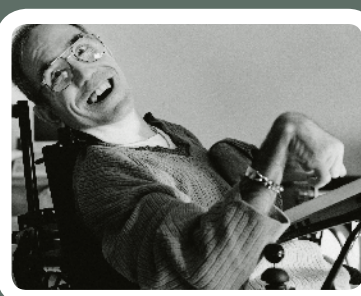


London Borough of Bromley  
Annual Report & Statement of Accounts

2007/08



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

Our aim is to provide high quality, value for money services that meet our residents' needs. So are we delivering?

Early in 2008, independent watchdog the Audit Commission awarded us their top score of 4 for 'use of resources'. This contributed to our overall three star rating as a council, recognising improvements in many of our service areas. But the real test of how well we are performing is what local people think, and our latest independent research shows:

"80% of residents feel the Council is making the area a better place to live"  
General Satisfaction Survey, 2007

This is despite continued low levels of government funding, and balancing resident expectations with keeping our part of the council tax bill as low as possible is an ongoing challenge. Key to this is listening to what matters most to local people, and here we report on how we've responded to some of these priorities including:

- Reducing antisocial behaviour through new prevention schemes and better enforcement
- Improving our domestic recycling and composting rate through innovative schemes
- Maintaining high academic standards and promoting leisure activities for young people
- Increasing choice for those with care needs through schemes that give people more control over their own care budgets

But what about the future? How will the borough look in 2020? We've been consulting with our partners including the police, health service and the many public, voluntary and private sector bodies locally to develop a plan for the future. These organisations make a huge contribution, working with us to shape and deliver public services that meet the needs of residents today and in the future. Together we can continue to Build a Better Bromley.

**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:

- Safer communities;
- A quality environment;
- Vibrant, thriving town centres;
- Supporting independence;
- Ensuring all children and young have the opportunity to achieve their full potential; 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.

## **Safer Bromley**

Crime has fallen in Bromley. The British Crime Survey shows 3,700 fewer crimes reported last year. We are a leading member of the Safer Bromley Partnership working closely with other members to make Bromley even safer.

During 2007/08 we have:

- Supported the development of 22 Safer Neighbourhood Panels to engage people to set priorities and provide public reassurance
- Made effective use of antisocial behaviour orders and acceptable behaviour contracts to address antisocial behaviour
- Improved surveillance techniques to detect and prosecute offences such as fly-tipping, graffiti and littering
- Run successful Safe and Sound joint ventures to increase visible ‘responsible guardians’ in the high streets
- Maintained a tough licensing policy and extended the alcohol exclusion zone in Bromley
- Introduced CCTV in Petts Wood at local people’s request
- Run multi-agency clean-ups to discourage antisocial behaviour
- Increased test-purchasing operations to reduce the under-age alcohol and tobacco purchasing
- Launched a proof of age card through schools
- Intervened to prevent rogue traders stealing up to £300,000 from vulnerable older people
- Worked through Junior Citizen in schools and youth services to prevent antisocial behaviour
- Introduced the Scores on the Doors scheme to publicise standards of food hygiene in individual premises
- Controlled noise with abatement notices, prosecutions and by seizing equipment

Now we plan to:

- Continue to play a leading role in the Safer Bromley Partnership to reduce crime and antisocial behaviour and provide reassurance
- Introduce further diversionary activities for young people such as Army Cadet Force to focus the energies of young people at risk of getting into trouble
- Promote further multi-agency clean-ups where identified as a priority by residents
- Expand the range of services for survivors of domestic violence with a 'self-help' support group
- Use more intelligence-led methods to focus enforcement activities where they are most needed to ensure best value for money

You can find further information in:

Document	Availability and Key Content
o Public Protection and Safety Portfolio Plan	Agreed on 15 March 2008 this document sets out the key activities to be undertaken by the Council this year in order to deliver our 3-year outcomes.
o Crime and Disorder Audit Summary 2005	Available online at: <a href="http://www.bromley.gov.uk/community/safety">www.bromley.gov.uk/community/safety</a> Outlines the level of crime and disorder across the borough, helping to set target areas for police and partner activity.
o Bromley Community Safety Strategy	Identifies community safety priorities for all agencies in the Borough over the next 3 years, as well as identifying key activities for each partner.

### **Cleaner, greener Bromley**

How the local area looks affects the daily lives of every resident, as well as those working in and visiting our borough. Maintaining and enhancing our environment is important not just today, but for the future.

During 2007/08 we have:

- Trialled weekly kitchen waste and paper collections, improving our domestic recycling and composting rate
- Opened the Bromley Environmental Education Centre at High Elms
- Increased the number of Friends Groups supporting our parks and open spaces
- Opened the new park in Richmal Crompton Fields
- Reduced road accidents to their lowest level
- Worked with local companies to develop travel plans for their staff
- Taken successful legal action against utility companies to improve the standard of their work on our streets
- Introduced the national standard form for planning applications
- Improved processing times for major planning applications

Now we plan to:

- Extend weekly kitchen waste and paper collection trials, and expand recycling services for flats
- Continue to improve street cleanliness
- Improve road and pavement maintenance standards
- Ensure that every school has an agreed travel plan
- Begin construction of the new Biggin Hill leisure and community facility
- Complete the redevelopment of St. Paul's Cray Hill Country Park
- Introduce management plans for six conservation areas
- Improve the management of Local Sites of Importance for Nature Conservation

You can find further information in:

<b>Document</b>	<b>Availability and Key Content</b>
o Environment and Leisure Portfolio Plan	Agreed on 1 July 2008 this document sets out the key activities to be undertaken by the Council this year in order to deliver our 3-year outcomes.
o Bromley Biodiversity Action Plan	Available online at: <a href="http://www.bromley.org/ciswebpl/bbap/bbapsections.asp">www.bromley.org/ciswebpl/bbap/bbapsections.asp</a> Sets out how we and partner organisation intend to protect local areas of conservation and environmental importance.
o Street Care Charter	Available online at: <a href="http://www.bromley.gov.uk/transportandstreets">www.bromley.gov.uk/transportandstreets</a> Sets out our service standards for street services.
o Carbon Reduction Strategy	Available online at: <a href="http://www.bromley.gov.uk/housing/energy/climate/bromleys_carbon_footprint_progress_report_2007_2008.htm">www.bromley.gov.uk/housing/energy/climate/bromleys_carbon_footprint_progress_report_2007_2008.htm</a> Summary report containing information and analysis of the Council's carbon footprint.

### **A vibrant, thriving borough**

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

During 2007/08 we have:

- Worked with stakeholders to create a Masterplan for Orpington to improve the appearance of the High Street and other public spaces, and identify possible new schemes for the central part of the town
- Progressed an Area Action Plan (AAP) for new development in Bromley Town Centre
- Run pilots to extend library opening hours, and introduced a modern, new mobile vehicle on a revised route to improve access for more users

- Launched the People into Employment initiative, aimed at getting single parents and people on long-term incapacity benefits back into work
- Improved information signposting and run business networking events for local businesses

Now we plan to:

- Forge ahead with our town centre renewal programme by approving the Orpington Masterplan and submitting the Bromley Town Centre AAP which will be driven by maximising value of Council-owned sites
- Run a 'Meet the Buyers' event combined with an Olympic Opportunities presentation to local businesses
- Invite major local businesses to a networking function with local councillors at the Kent County Cricket Club
- Develop more activities through Town Centre Managers to encourage shoppers and help traders in our shopping centres
- Continue to expand the range and client-base of our libraries, introduce self-service schemes and seek more accessible locations where appropriate
- Further develop education and employment opportunities for adults through the Life Long Learning Partnership and the voluntary and community sector

You can find further information in:

Document	Availability and Key Content
<ul style="list-style-type: none"> <li>○ Local Economy Portfolio Plan</li> </ul>	A draft of this was agreed in January 2008. However, following re-organisation within the council this plan is to be re-agreed in the Autumn. The document sets out the key activities to be undertaken by the Council this year in order to deliver our 3-year outcomes.
<ul style="list-style-type: none"> <li>○ Bromley Town Centre Area Action Plan</li> <li>○ Orpington Town Centre Masterplan</li> </ul>	<p>Available online at:  <a href="http://www.bromley.gov.uk/environment/planning">www.bromley.gov.uk/environment/planning</a></p> <p>These documents set out the strategic vision for the Borough's 2 main town centres, and include recommendations for a variety of possible development sites.</p>
<ul style="list-style-type: none"> <li>○ Library Strategy</li> <li>○ Reading Development Strategy</li> <li>○ Learning Strategy</li> </ul>	<p>Available online at:  <a href="http://www.bromley.gov.uk/libraries/library_policy_documents.htm">www.bromley.gov.uk/libraries/library_policy_documents.htm</a></p> <p>These documents set out how the library service intends to improve and how it is seeking to improve the skills of local residents, both for qualifications and also the personal enjoyment of the citizen.</p>
<ul style="list-style-type: none"> <li>○ Bromley's Personal and Community Development Learning Prospectus 2008/09</li> </ul>	<p>Available online at:  <a href="http://www.bromley.gov.uk/education/lifelong/">www.bromley.gov.uk/education/lifelong/</a></p> <p>This document sets out how the Council and partners intend to improve the skills of local residents, both for formal qualifications and also the personal enjoyment of the citizen.</p>

## Children matter

Giving children a good start in life makes all the difference to the adults they become. We work closely with our partners to improve the lives and life chances of all children and young people in the borough.

During 2007/08 we have:

- Launched a mobile youth café providing a place for young people to relax as well as get information, advice and support
- Celebrated the commitment and success of Bromley's youth sports teams who won the London Youth Games
- Maintained above national average results at Key Stage 1 and 2, GCSE and 'A' level
- Run successful summer play schemes for families across the borough, bringing communities together
- Opened Riverside School, our new flagship facility for those with special education needs
- Continued with our drive to achieve national Healthy School Status in all our schools
- Reduced the number of days children have missed school
- Opened the redeveloped Kingswood Centre, an education centre for more vulnerable young people in the borough
- Commenced work to enhance facilities at Langley Park School for Boys as well as establishing a state-of-the-art performance space to showcase our young talent

Now we plan to:

- Further improve educational achievement, well-being and employment prospects for children and young people by working with our partners
- Continue reshaping our special education needs services
- Improve life chances of vulnerable children through early identification of needs and providing appropriate support
- Continue to target support to reduce school exclusions and improve attendance and behaviour

You can find further information in:

Document	Availability and Key Content
o Every Child Matters 2006-09 and Annual Reviews	Available online at: <a href="http://www.bromley.gov.uk/community/youngpeople/trust/Trustplans">www.bromley.gov.uk/community/youngpeople/trust/Trustplans</a>  The documents analyse the needs of children, young people, and their families and carers in Bromley, and lists the priorities that the Children's Trust will work towards between 2006 to 2009.



## **Supporting independence**

We want people in Bromley to live as independently as possible whatever their age, health, disability or mental health needs. We believe when people need care and support they can still make choices about how they live their lives.

During 2007/08 we have:

- Given more people in Bromley control over their care budgets through Direct Payments so they choose who provides the services they need
- Introduced an innovative 'brokerage service' for older people paying for care and support to help them get the right services at the right time
- Improved employment opportunities for people with learning disabilities – Bromley is amongst the top three councils in London supporting people with a learning disability into employment including those with complex needs
- Reduced the number of people who are made homeless in Bromley
- Launched a new transport fleet designed for maximum comfort for people getting to and from day centres
- Given improvement grants totalling £290,000 to 28 care homes in Bromley
- Improved freedom pass distribution so these can be picked up from over 37 post office branches in Bromley and post offices in neighbouring boroughs
- With the Primary Care Trust made sure those recovering from illness, disability or who need nursing care quickly get the equipment they need to remain safely in their own homes
- With the Primary Care Trust introduced an integrated health and social care team to help people who are very high users of both services

Now we plan to:

- Launch Bromley Homeseekers, a scheme for allocating property in Bromley that helps people make informed choices
- Expand the highly successful brokerage service to people with learning disabilities and their families who need support to arrange care
- Work with the Primary Care Trust to provide person centred living options for people with learning disabilities who currently live in NHS accommodation
- Continue to provide more work-based opportunities for people with learning disabilities or those recovering from mental ill health
- Reduce the number of people living in temporary accommodation

You can find further information in:

Document	Availability and Key Content
<ul style="list-style-type: none"> <li>Adult and Community Services Portfolio Plan</li> </ul>	Agreed on 22 April 2008 this document sets out the key activities to be undertaken by the Council this year in order to deliver our 3-year outcomes.
<ul style="list-style-type: none"> <li>Housing Strategy</li> <li>Homelessness Strategy</li> </ul>	<p>Available online at:  <a href="http://www.bromley.gov.uk/housing/strategy">www.bromley.gov.uk/housing/strategy</a></p> <p>These plans identify priorities for housing in Bromley and give details of spending plans.</p>
<ul style="list-style-type: none"> <li>Supporting People Strategy and</li> <li>Annual Reports</li> </ul>	<p>Available online at:  <a href="http://www.bromley.gov.uk/housing/supportingpeople">www.bromley.gov.uk/housing/supportingpeople</a></p> <p>These documents co-ordinate the housing related support for people who need some assistance to continue to live independently, and to enable people to acquire the skills to move into their own tenancies and to sustain them.</p>
<ul style="list-style-type: none"> <li>Older People Strategy 2008 - 2012</li> </ul>	<p>Available online at:  <a href="http://www.bromley.gov.uk/socialcareandhealth/Help+for+adults/older_people_strategy_2008_2012">www.bromley.gov.uk/socialcareandhealth/Help+for+adults/older_people_strategy_2008_2012</a></p> <p>This strategy sets out how the agencies and organisations that provide housing, health and social care in Bromley will work together to help older people lead fulfilling, independent lives in the community.</p>

## Excellent Council

In addition to the information above the following documents, which set out the council's ways of working and our efforts to improve how we operate, can be found on the council's website at [www.bromley.gov.uk](http://www.bromley.gov.uk) .

- Community Plan
- Performance Plan Full document
- Performance Plan Summary A3 poster
- Performance Plan Public summary
- Resources Portfolio Plan
- Financial Strategy 2008/09 to 2011/12
- Financial Control Budget 2008/09
- Asset Management Plan
- Customer Access Strategy
- Customer service charter
- Equal opportunities policy
- Race equality scheme
- Complaints, comments and suggestions policies
- Human Resources Strategy

Alternatively, email [corporate.strategy@bromley.gov.uk](mailto:corporate.strategy@bromley.gov.uk), call 020 8313 4486 or write to:

Corporate Strategy & Improvement  
 Civic Centre, Stockwell Close  
 Bromley BR1 3UH

## **DEVELOPMENT CONTROL COMMITTEE**

The Development Control Committee and Bromley's Planning staff continue to be among the busiest in the country with a continued increase in planning applications and enquiries. During the year, the Committee progressed a number of major proposals, with a workload including:

- Dealing with just under 4,500 planning applications
- Investigating over 1000 complaints about alleged unauthorised development and breaches in planning law
- Making over 50 new tree preservation orders bringing the borough total to over 2,280
- Handling over 350 appeals against refusals of planning applications and enforcement notices
- Serving 200 enforcements in respect of breaches of planning control
- Encouraging good design through the Architectural Panel, Advisory Panel for Conservation Areas and the Building Design Awards Scheme
- Responding to the government's agenda for change in planning including developing the Local Development Framework (LDF)
- Progressing the Bromley Town Area Action Plan and the Orpington Master Plan as part of the new development plan structure

## **COUNCIL MEETINGS**

Over 300 meetings were held during 2007/08, the great majority of which were open to the public and media. They were mainly meetings of Portfolio Holders and Policy Development and Scrutiny Committees (PDSs). The full Council met on 7 occasions (including the annual meeting) and most Portfolio Holders met at least six times each during the year.

Copies of the agenda for meetings are available at libraries, the Civic Centre and the Council website ([www.bromley.gov.uk](http://www.bromley.gov.uk)) five days prior to the meeting. If you want to know more about a particular item on an agenda you can ring the Council's Democratic Services Division on (020) 8461 7743. A full calendar of meetings is also available and dates are advertised in "Borough Briefing", the Council's monthly page in the News Shopper.

### Public speaking

Council meetings, including Portfolio holders and PDS committees, set aside 15 minutes at the start of each ordinary meeting so that members of the public can ask questions. The Legal, Democratic and Customer Services Department must receive notice of a question by 10am on the working day before the meeting. Questions must be about something the Council can influence, 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 reports, 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 with the Legal, Democratic and Customer Services Department 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 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 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 our website ([www.bromley.gov.uk](http://www.bromley.gov.uk)), at any Council enquiry point or library or by phoning (020 8464 3333). We welcome comments, complaints and suggestions made through any means, including:

- our website
- the “Getting it Right” form
- letter
- e-mail
- phone
- 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, the Chief Officer of the department 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 by telephone (0845 602 1983), text (0762 4804323), e-mail ([advice@lgo.org.uk](mailto:advice@lgo.org.uk)) or by letter at PO Box 4771, Coventry CV4 0EH. The Ombudsman’s website address is [www.lgo.org.uk](http://www.lgo.org.uk).

The Council produces an Annual Report called Getting it Right which provides information and statistics about the feedback we have received. This is available on our website, Council enquiry points or by ringing (020) 8464 3333.

In 2007/08 around 3,500 complaints were received by the Council, which is consistent with the previous twelve months period. The Local Ombudsman determined 47 complaints referred to him about Bromley but none of these resulted in a finding of maladministration.

## APPROVAL OF THE STATEMENT OF ACCOUNTS

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I hereby confirm that the Statement of Accounts for the year ending 31st March 2008, as signed by the Director of Resources on the 13th June 2008, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 25th June 2008.



Councillor Stephen Wells  
Vice Chairman of the General Purposes and Licensing Committee  
25th June 2008

# DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

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## ***Introduction***

I am pleased to introduce the Council's Statement of Accounts for 2007/08. These statements summarise the financial performance of the Council during 2007/08 showing expenditure on all services during the year and the financial position at 31<sup>st</sup> March 2008.

## ***Background***

The Council's Accounts are prepared in accordance with Statute, the Accounts and Audit Regulations 2003 and the Code of Practice on Local Authority Accounting, which is a Statement of Recommended Practice (SORP), produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and endorsed by the Accounting Standards Board.

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 Director of Resources.

Annual Governance Statement - provides assurances on internal controls spanning the whole range of the Council's activities and encompassing policies, processes, tasks, behaviours and other aspects of the organisation.

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

Income and Expenditure Account - summarises revenue expenditure and income on all services in line with UK GAAP, showing whether the authority has fully used up the resources generated in the year.

Statement of the Movement on the General Fund Balance - is a reconciliation statement showing how the net balance at the end of the Income and Expenditure Account relates to the statutory requirements for raising council tax. The Income and Expenditure Account and the Statement of the Movement on the General Fund Balance should be considered together.

Statement of Total Recognised Gains and Losses - Shows how the change in the net worth of the Authority shown on the Balance Sheet has arisen from the Income and Expenditure Account and other unrealised gains and losses.

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

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

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

Trust Fund Accounts - shows the transactions and position of a number of small Funds held in trust by the Council, mainly small endowments for school prizes.

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).

## DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

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**Pension Fund** – shows the income and expenditure of the pension fund in relation to current employees and pensioners, investment transactions and the position of the Fund at year end. To comply with Financial Reporting Standard 17: Retirement Benefits, the actuarially calculated Pension Fund deficit 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 *	181.7	174.4	(7.3)
Funded by:			
Grant and Council Tax	(178.2)	(178.2)	0
Utilisation of General Reserves:			
To support the Revenue Budget	3.5	(3.8)	(7.3)
To support the Capital Programme	0	0	0
2006/07 underspends carried forward *		0.8	0.8
Reduction / (Increase) in General Reserves	3.5	(3.0)	(6.5)

\* Net expenditure on Bromley's Services of £175.2m (including £0.8m carried forward from 2006/07) is made up of £186.6m Net Operating Expenditure, £13.3m cr Net Additional Amount Required to be Credited to the General Fund, £1.2m cr General Government Grants and £3.1m Increase in Balances held by Schools, as presented in the Income and Expenditure Account and Statement of Movement on the General Fund Balance.

### **Revenue Summary**

Overall the Council's net revenue expenditure was £7.3m less than budgeted, a variation of 4%. Within this underspend the main variations related to interest income on revenue balances which was higher than expected and the release of a provision relating to income support.

Earmarked Reserves reduced by £1.3m, mainly as a result of the re-valuation of landfill permits which, due to the uncertainty around value, the Council had previously taken into a reserve rather than treating as revenue income.

The overall pattern of the Council's total income and expenditure is summarised in the graphs on page 15.

Excluding savings from budgets carried forward into 2008/09 (from underspends in 2007/08), there was an underspending on service spending of £0.3m, net additional interest earnings on General Fund Balances of £1.7m and other net underspend variations of £0.2m. There were further underspendings of £1.8m which relates to carry forward items. In addition, there is a one off release of income support monies totalling £3.3m, providing a total variation of £7.3m.

The final movement on General Fund Balances, excluding balances held by schools, was an increase of £6.5m compared with the 2007/08 budget assumptions.

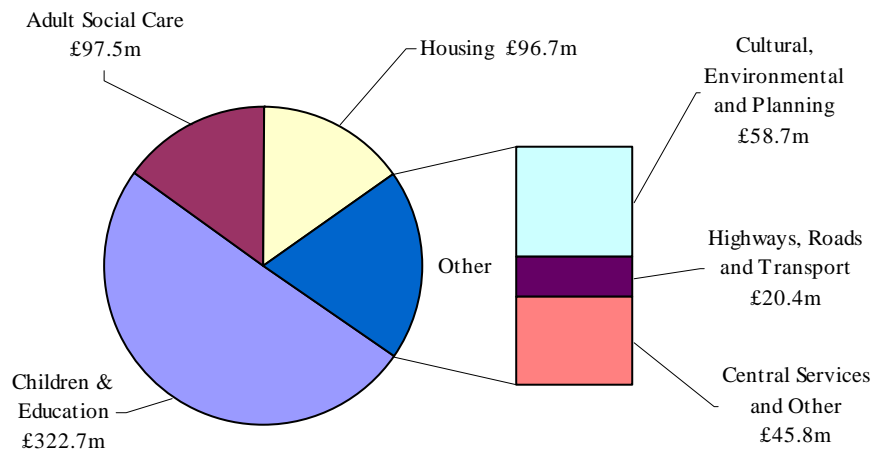
Further details of the variations in 2007/08 were reported to the Council's Executive on the 16<sup>th</sup> June 2008 and is available through <http://sharepoint.bromley.gov.uk/default.aspx>.



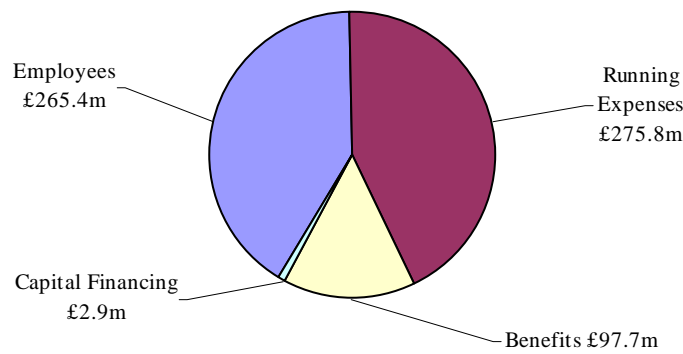
# DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

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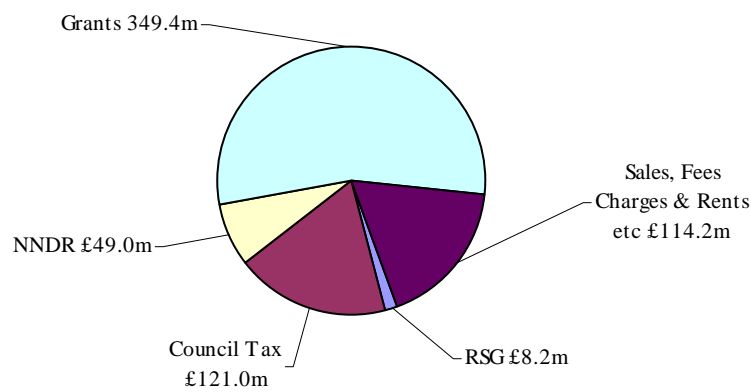
## Services Provided - £641.8m



## Gross Expenditure - £641.8m



## Gross Income £641.8m



## DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

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### ***Capital Summary***

Capital expenditure totalled £35.6m compared to planned expenditure of £36.2m when the programme was originally agreed, the difference being due to slippage. Capital expenditure has been financed mainly from Government grants and capital receipts without recourse to general reserves. Further details of capital financing are shown in the notes to the accounts (note 22 on page 57).

The Council generated new capital receipts of £7.0m in 2007/08. This is considerably lower than the level generated in 2006/07, which included the sale of a significant asset. During the year £7.4m of receipts were applied to finance capital expenditure.

Further information can be found in the Capital Programme Outturn report to the Executive on 16<sup>th</sup> June 2008 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

Most of the capital programme has been financed without the need to raise loans, but a total of £3.0m has been left unfinanced as at 31<sup>st</sup> March 2008. This relates to expenditure incurred on the reprovision of Special Education services, for which the Executive has previously agreed prudential borrowing. Although the Council did not borrow to finance this expenditure, leaving it unfinanced will increase our Capital Financing Requirement, effectively creating a need to borrow in 2008/09. Borrowing costs will be met from the schools' budget with no impact on the Council's General Fund. In addition, during 2005/06, the Council took over a lease entered into by one of its schools. This will be fully repaid during 2008/09 and it has, therefore, been recognised as short term borrowing on the Balance Sheet.

At the year end the Council held significant investments totalling £144.5m (principal sum). These investments generate income to support the revenue budget and represent the Council's general and earmarked reserves, provisions and net working capital.

### ***Pension Fund***

During 2007/08 the net assets of the Pension Fund increased by some £10.7m. This was due to a total return on investments of £5.1m and the fact that contributions to the fund were greater than benefits paid and other expenses (£5.6m).

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 13 on page 48). 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 contributions over the remaining working life of employees.

**Paul Dale**

**Director of Resources**

### ***Further Information***

Further Information about the accounts is available from:

Head of Co-ordination & Control (Finance)  
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 the London Borough of Bromley Council**

### ***Opinion on the accounting statements***

We have audited the Authority accounting statements, pension fund accounts and related notes of the London Borough of Bromley for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Bromley in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### ***Respective responsibilities of the Director of Resources and auditor***

The Director of Resources responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority accounting statements, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority accounting statements, pension fund accounts and related notes and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword and the Pension Fund Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements, pension fund accounts and related notes. Our responsibilities do not extend to any other information.

# AUDITOR'S REPORT

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## *Basis of audit opinion*

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority accounting statements, pension fund accounts and related notes.

## *Opinion*

In our opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

*Baker Tilly UK Audit LLP*

*Baker Tilly UK Audit LLP  
Chartered Accountants  
Lancaster House  
7 Elmfield Road  
Bromley  
BR1 1LT*

*Date 29 September 2008*

# AUDITOR'S REPORT

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## **Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. 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.

### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006. We are satisfied that, in all significant respects, the London Borough of Bromley made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

### ***Best Value Performance Plan***

We have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 19 December 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### ***Certificate***

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

*Baker Tilly UK Audit LLP*

*Baker Tilly UK Audit LLP  
Chartered Accountants  
Lancaster House  
7 Elmfield Road  
Bromley  
BR1 1LT*

*Date 29 September 2008*

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## *The Authority's Responsibilities*

The Authority is required:

- \* to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Resources;
- \* 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 Director of Resources Responsibilities*

The Director of Resources is responsible for the preparation of the Authority's statement of accounts in accordance with the Code of Practice on Local Authority Accounting in Great Britain and Best Value Accounting Code of Practice. These accounts must present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

In preparing this statement of accounts, the Director of Resources has:

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

The Director of Resources has also:

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

## *Director of Resources*

I certify that that the accounts set out on pages 30 to 87 represent the true position of the Authority as at 31st March 2008 and its income and expenditure for the year ended.



P. Dale  
Director of Resources  
13th June 2008

# ANNUAL GOVERNANCE STATEMENT

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## Scope of Responsibility

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

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

Bromley has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE 'Corporate Governance in Local Government – A Keystone for Community Governance: Framework' published in 2001. This is being revised and updated to reflect the principles of the new CIPFA/SOLACE *Delivering Good Governance in Local Government* framework. A copy of the current code is on our website at [www.bromley.gov.uk](http://www.bromley.gov.uk).

This statement explains how Bromley has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

## 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 2008 and up to the date of approval of the annual report and statement of accounts.

## The Governance Framework

Bromley is working towards adopting a new 'Local Code of Corporate Governance' that recognises that effective governance is achieved through the following core principles:

## ANNUAL GOVERNANCE STATEMENT

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- 1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area:
  - The authority's purpose and vision is communicated in 'Building a Better Bromley' which sets out key priorities, actions for the coming year and annual performance targets through to 2010. It identifies those actions that form the focus of the Executive's work. It also reports back on past performance and our key achievements in the previous year. It is also used as a basis for corporate and service planning and integrated with the Sustainable Community Strategy and Local Area Agreement.
  - The Council works in partnership with many local organisations representing the views of residents and the public, private and voluntary sectors of Bromley. To ensure that they are 'fit for purpose' in helping deliver key outcomes we are reviewing current partnership governance arrangements.
  - Our public General Satisfaction Survey keeps track of what residents think about the Council, the services we provide, and how it feels to live in Bromley. Residents are surveyed annually with 3,500 households randomly selected to receive the 2007 questionnaire using a postal methodology. The survey is used to track progress made on the key issues included within the national General User Satisfaction Survey and also local measures identified by councillors as critical to our 'Building a Better Bromley' work.
- 2) Members and officers working together to achieve a common purpose with clearly defined functions and roles:
  - Bromley has agreed a 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. This is supported by a framework of management documents, including Financial Regulations and a Scheme of Delegation to officers, which collectively control and co-ordinate the financial affairs of the Council.
  - The Constitution is being reviewed to comply with the requirements of the Local Government & Public Involvement in Health Act 2007 which contains revisions to the decision making process. This includes strengthening the role of the Leader and the Executive and giving enhancements to the role of scrutiny. The review will also address key elements of the Member/Chief Officer protocols which provide a basis for effective working relationships and trust between Members and Chief Officers.
  - Work continues on developing the Performance Centre Manager concept to ensure we have the right structure, the right finance and the right people in place to continue to deliver 'Building a Better Bromley'.
- 3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:
  - Bromley has adopted a number of codes and protocols that govern both Member and officer activities including codes of conduct covering conflicts of interest and gifts and hospitality.



## ANNUAL GOVERNANCE STATEMENT

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- Bromley is committed to the highest possible standards of openness, probity and accountability. Arrangements are in place for whistle-blowing and receiving and investigating complaints from the public. The Council's confidential reporting policy 'Raising Concerns' is designed to enable members of staff to raise concerns without fear of victimisation, subsequent discrimination or disadvantage. This enables employees to raise serious concerns within the Council rather than either overlooking a problem or "blowing the whistle" outside. This policy applies to all employees and those contractors working for the Council on council premises.
- Every organisation must create its own values and use them to inform and influence other organisational drivers. Bromley has adopted REAL leadership values as the basis for leadership development training for all staff and managers. This is being embedded in our recruitment, performance appraisal and reward and recognition processes.

The REAL leadership values are focused around:

- Respect
- Empower
- Ambition
- Learn

- 4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:
  - The Council has several committees which carry out regulatory or scrutiny functions and encourage constructive challenge.
  - Bromley approved a Risk Management Policy and Strategy in July 2003, as amended in November 2006. This sets out the roles and responsibilities of Members and officers in the risk management process and established a Risk Management Group representing all areas of the Council to support and facilitate this process. The Risk Management Group reports to Audit Sub-Committee.
- 5) Developing the capacity and capability of Members and officers to be effective.
  - Bromley ensures that Members and senior officers have the necessary skills, resources and support to perform effectively in their roles, and that these roles are properly understood throughout the authority.
- 6) Engaging with local people and other stakeholders to ensure robust public accountability.
  - Bromley has developed a Community Engagement Strategy to support the delivery of the aspirations in 'Building a Better Bromley' and of being 'excellent in the eyes of local people'. The strategy has a single aim *'listen to, and engage with, our communities and create greater opportunities for their involvement in shaping the delivery of a better Bromley for all'*. Given significant recent developments affecting 'community engagement' the strategy is being reviewed to meet future 'Building a Better Bromley' needs.

## ANNUAL GOVERNANCE STATEMENT

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- The Council is committed to developing methods of involving local people and obtaining feedback on services that can be used to measure performance, inform decision making and to improve services for the future.
- Consultation on specific services or issues is carried out through surveys, discussion groups, workshops and public meetings. The 2007 General Satisfaction Survey showed that overall satisfaction stands at 62% and there has been an increase in the proportion of residents who feel that the Council provides good value for money and is efficient and well run. In addition 56% of residents felt very or fairly well informed about the Council's services and benefits.
- The 'Getting it Right' annual report on complaints, comments and compliments procedures sets out the number of complaints received and our speed of response. It also gives some examples of how we put things right as a result of learning from the comments we have received, and how we are using them to look for ways to continuously improve the services we provide.

### **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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's 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 the governance framework including the system of internal control includes the following elements:

#### Corporate Framework

Bromley's plans outline how we will deliver our services and include specific 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 operate with a Leader and an Executive. The Council maintains the policy and budgetary framework and appoints the Executive. In 2007/08 this contained the Leader and eight Executive Members. Six majority members of the Executive were responsible for their portfolios. Each portfolio holder annually outlines their aims over the coming three years, and what they will be doing towards achieving their goals and their performance targets.

# ANNUAL GOVERNANCE STATEMENT

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## 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. Political and management control is exercised through the Executive who work to defined and established processes.

## 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 inspection bodies, external/internal audit reviews and the detailed reporting of national and local performance indicators.

The Improvement, Efficiency and Effectiveness programme provides a planning/budget framework to support performance centre, 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.

A quarterly integrated performance monitoring report, 'Are we on track?', is sent to all Members.

## 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 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. Policy Development and Scrutiny 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.

# ANNUAL GOVERNANCE STATEMENT

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## 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
- Internal and external audit
- Risk management

Internal audit reports all significant weaknesses to management and Members in the form of prioritised recommendations. All such recommendations are followed up for implementation or appropriate management action.

## The Standards Committee

The Standards Committee promotes and maintains a high standard of conduct by Bromley councillors and co-opted members.

In response to a view clearly expressed during public consultation the majority (four) of its members are people independent of the Council, who sit with three non-Executive councillors. The Chairman of this committee is one of the independent members. The committee's task is to maintain and monitor high standards of conduct in all the Council's activities.

## Internal Audit

Internal audit is an independent appraisal function that acts as a control that measures, evaluates and reports upon the effectiveness of internal controls, financial and others, 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 reassurance 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.

## ANNUAL GOVERNANCE STATEMENT

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Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance (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.

Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal financial control. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. The supporting summaries of audit reports help inform the overall assessment of internal financial 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.

### External Audit

Last year the external auditors in their assessment of Bromley's use of resources scored the Council 4 out of 4 for the 5 aspects that go to make up the overall judgement detailed below:

Element of the audit	Score
Financial reporting	3 out of 4
Financial Management	4 out of 4
Financial Standing	4 out of 4
Internal Control	3 out of 4
Value for Money	3 out of 4

4 = well above minimum requirements – performing strongly

3 = consistently above minimum requirements – performing well

### External Inspections

The Audit Commission carried out the following inspections during 2007/08:

#### **Corporate Assessment Report**

Overall score 3 out of 4 'performing well, with good and improving performance in some areas'.

#### **Supporting People**

Rated as one star 'the service provided is fair and has promising prospects for improvement'.

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

#### **Commission for Social Care Inspection – Adults' Social Services**

Rated as two star 'Delivery of outcomes – Good, Capacity to improve services – Promising'.

#### **Ofsted – Annual Performance Assessment for children and young people**

Rated as Grade 2 'consistently delivers services for children and young people at an adequate level with some significant strengths and an overall trend of improvement'.

## ANNUAL GOVERNANCE STATEMENT

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### **Ofsted – Bromley Fostering Service**

Rated as Good ‘a well run service and staff and foster carers are being effectively managed and supervised’.

### **Ofsted – Pupil Referral Service**

Judged as satisfactory and with a good capacity to improve.

### **Ofsted – Youth Service**

Judged good with very good features.

### **Ofsted – 14-19 Developments in Bromley**

Judged as good overall.

### **The Benefit Fraud Inspectorate - Comprehensive Performance Assessment of the Benefits Service**

Rated as Excellent (level 4), with the Council achieving a rating of excellent against 8 of the 13 performance measures and meeting 56 of the 65 enablers.

Action plans to address the 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**

Whilst progress has been made on all these control issues identified last year they remain to be fully embedded:

Governance Issue	Action Required
The need to ensure that risk management is fully embedded throughout the Council. The need to ensure that key partnership risks are identified and shared amongst all parties.	Continue to fully embed risk management through a training programme for Members and officers and improve the links between risks and key performance indicators. New risk management training programme for key partners. This will be achieved by a rolling programme of training and awareness coordinated by the Risk Management Group.
Full implementation of a practical procurement strategy including strengthening contract management arrangements.	Further roll out of three year procurement strategy strands during 2008/9 as intended.
Business continuity plans – including work on developing service continuity plans and development of an affordable disaster recovery plan.	Major test of plans late in 2008 including multi agency approach.
Greater and consistent use of sound project and programme management disciplines.	All major programmes to conform with agreed programme and project management standards.

## ANNUAL GOVERNANCE STATEMENT

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New issues:

Governance Issue	Action Required
Existing code of corporate governance needs to be reviewed to reflect the principles of the new CIPFA/SOLACE <i>Delivering Good Governance in Local Government</i> framework and to ensure best practice.	Review of code of corporate governance to reflect the principles of the CIPFA/SOLACE Framework <i>Delivering Good Governance in Local Government</i> . This will be put in place during 2008/9
Develop partnership risks and governance arrangements to ensure a uniform approach based on good practice.	Partnership risks and engagement need to be further developed to ensure the 'Building a Better Bromley' objectives remain on track. This will be an ongoing process which has already started through the Local Area Agreement processes.

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 9/6/08 .....

Signed  .....

Leader of the Council

Date 9.6.08 .....

# STATEMENT OF ACCOUNTING POLICIES

---

## **1 General Principles**

The Statement of Accounts summarises the council's transactions for the 2007/08 financial year and its position at the year-end of 31st March 2008. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## **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:

- Fees, charges and rents are accounted for as income at the date on which the council provides the relevant goods or services.
- 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 stock on the Balance Sheet.
- Works are charged as expenditure when they are completed; prior to this they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 28 on page 60).
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

## **3 Provisions**

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement but where the timing of that transaction is uncertain. For example, the council may be involved in a court case that will eventually result in the making of a settlement. Provisions are charged to the appropriate service revenue account in the year the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up on the Balance Sheet. Details of all provisions are set out in note 33 on page 62.

## **4 Reserves**

The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account within the net cost of service in the Income and Expenditure Account for the relevant year. The reserve is then appropriated back in the General Fund balance statement so that there is no net charge against council tax for the expenditure. Details of Bromley's revenue reserves are set out in note 34 on pages 63 and 66.

Certain reserves are kept to manage the accounting processes for fixed assets and retirement benefits. These reserves do not represent usable resources for the council and are explained further at policy 9 and 14 below.



# STATEMENT OF ACCOUNTING POLICIES

## *Continued*

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### **5 Government Grants and Contributions (Revenue)**

Government grants and third party contributions are recognised as income in the year that the council satisfies the conditions of entitlement to the grant/contribution, there is a reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the expenditure to which they relate within the net cost of service in the Income and Expenditure Account.

Grants to cover general expenditure, such as Revenue Support Grant, are credited at the foot of the Income and Expenditure account after net operating expenditure.

### **6 VAT**

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.

### **7 Stocks and Work in Progress**

Stock is valued at latest cost. This departure from SSAP 9, which recommends the lower of costs or net realisable value, has no material effect on the accounts. The value of work in progress is taken as costs to date.

### **8 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 2007. The exceptions are:

- Corporate and Democratic Core - costs relating to the council's status as a multi-functional, democratic organisation that are over and above those that would be incurred in the provision of services alone.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of the net cost of service.

### **9 Retirement 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.

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contribution scheme. No liability for future payments of benefits is recognised in the Balance Sheet and service revenue accounts are charged with the employer's contributions payable for teachers' pensions in the year.

Disclosures in relation to retirement benefits can be found in note 13 on pages 48 to 50.

# STATEMENT OF ACCOUNTING POLICIES

## *Continued*

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### *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 also recognised in the accounting periods in which they arise.

The accounts have been prepared on the basis of FRS17: Retirement Benefits and on the advice of the council's actuary, Barnett Waddingham LLP, in accordance with Guidance Note 36 Accounting for Retirement Benefits under FRS 17, 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 6.3%.

The assets of the Bromley pension fund attributable to the council are included in the Balance Sheet at their fair value.

Statutory provisions limit the council to charging against council tax only the amounts payable by the council to the pension fund or pensioners in the year. In the Statement of Movement on the General Fund Balance there are appropriations to and from the Pensions Fund Reserve to remove the entries for retirement benefits in the Income and Expenditure Account and replace them with the amount due to the Fund and pensioners.

### *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.

## **10 Intangible Fixed Assets**

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the council is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment. Bromley had no such assets at 31st March 2008.

## **11 Deferred Charges**

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in, or remain matched with, assets controlled by the Council. Deferred charges incurred during the year have been written off as expenditure to the relevant service account in the year. Where the council has determined to meet the cost of the deferred charges from capital resources such as capital receipts an adjustment is made in the Statement of Movement on the General Fund Balance. The deferred charges are removed and a transfer made to the Capital Adjustment Account.

## **12 Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

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# STATEMENT OF ACCOUNTING POLICIES

## *Continued*

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### *Recognition*

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets which is charged direct to service revenue accounts.

### *Measurement*

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

The freehold and leasehold properties which comprise the Authority's property portfolio are re-valued on a five year rolling programme by the Authority's property management division. The last set of re-valuations were carried out as at 1st April 2007 under the responsibility of Jane Pocknall BSc FRICS, Head of Valuation and Estates, on the undermentioned bases:

- land, operational properties and other operational assets are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use (where there is a market for such an asset);
- furniture and equipment is valued as a predetermined percentage of the building value, based on the actual value of furniture and equipment expenditure incurred on new-build capital schemes;
- vehicles are valued at cost less depreciation as determined by the Transport Manager;
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value for an alternative use for which there is an existing planning consent. In the case of investment properties, this is normally open market value;
- infrastructure assets and community assets are included in the Balance Sheet at historical cost, net of depreciation. Individual infrastructure and community assets are not identified.

Further revaluations are also carried out where there are known to have been material changes in the value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date, which were previously credited to the former Fixed Asset Restatement Account, have been consolidated into the Capital Adjustment Account.

### *Impairment*

Asset values are reviewed at the end of each financial year for evidence of reductions in value (impairment loss). Where impairment loss is identified as part of this review or as a result of a valuation exercise this is charged to the relevant service revenue account where it is clearly attributable to the consumption of economic benefits; otherwise it is written off against the Revaluation Reserve.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account. In 2007/08, all impairment losses identified were charged to service revenue accounts.

# STATEMENT OF ACCOUNTING POLICIES

## *Continued*

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### *Disposals*

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. A proportion of housing capital receipts is payable to the Government.

The 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 meet any underlying need to borrow. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

### *Depreciation*

Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- in accordance with the requirements of the SORP (FRS 15), depreciation is charged on all assets based on a professional valuation and assessment of estimated remaining useful life;
- 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;
- depreciation is calculated using the straight-line method.

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 their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### *Grants and Contributions*

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## **13 Charges to Revenue**

General Fund service revenue accounts, central support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- any impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- amortisation of intangible fixed assets or deferred charges attributable to the service.

However, the council is not required to raise council tax to cover depreciation, impairment losses or amortisations. It is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is defined in statute as 4% of the underlying need to borrow - the adjusted Capital Financing Requirement. Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

# STATEMENT OF ACCOUNTING POLICIES

## *Continued*

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### **14 Capital Reserves**

There are three capital reserves in the balance sheet:

- the Revaluation Reserve, which records accumulated gains on fixed assets arising from increases in asset values and depreciation charges that have been incurred only because the asset has been revalued. When an asset is sold, the Revaluation Reserve balance is written out to the Capital Adjustment Account. The balance on the Reserve therefore represents the amount by which the current value of fixed assets is greater because they are carried at revalued amounts rather than depreciated historical cost.
- the Capital Adjustment Account, which comprises the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment or written off on disposal and resources that have been set aside to finance capital expenditure. The balance on the account represents timing differences between historical cost that has been consumed and the amount that has been financed.
- the Usable Capital Receipts Reserve, which represents receipts from disposals that are available for financing capital schemes. Receipts are used in the year the income is received and any balance remaining on the reserve is carried forward to finance capital expenditure in a future accounting period.

With the exception of the Usable Capital Receipts Reserve these accounts do not constitute a funding resource available to the council, rather they are balanced within the Balance Sheet by fixed assets.

### **15 Leases**

#### *Finance Leases*

Leases are accounted for as finance leases when substantially all the risks and rewards relating to the asset transfer to the council. Both the asset and the liability are recognised on the Balance Sheet and the asset is accounted for using the policies applied generally to fixed assets. The rental payments under finance leases are split between the finance charge, which is debited to Net Operating Expenditure in the Income and Expenditure Account, and the outstanding liability which reduces as the lease payments are made.

#### *Operating Leases*

Leases that do not meet the definition of finance leases are accounted for as operating leases. The rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease.

### **16 Government Grants and Other Contributions (Capital)**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with, and there is reasonable assurance that the grant or contribution will be received.

Where the acquisition of an identifiable fixed asset is financed either wholly or in part by a government grant or other contributions, the amount of the grant or contribution is credited to the Government Grants Deferred Account. Amounts are released to the relevant service revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

### **17 Euro Preparation Costs**

To date, expenditure on preparation for possible entry of the UK into the Single European Currency, the Euro, has been minimal. We do not anticipate undertaking further work on this matter until a firm decision has been reached that the UK will join the Single European Currency.

# STATEMENT OF ACCOUNTING POLICIES

## *Continued*

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### **18 Financial Assets**

Financial Assets can be classified into two main 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

#### *Loans and Receivables*

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are usually therefore based on the interest rate applying to the financial instrument (the coupon). However, there were a small number of forward deals and one de-escalator investment where the strict application of accounting treatment required the investments to be re-measured using the effective interest rate (EIR) calculation, whereby the EIR would differ from the instrument coupon rate. The result was found to be immaterial and the investments were therefore measured as above at their fair value.

For all of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (including accrued interest) and interest credited to the Income and Expenditure Account 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 SORP requires that when soft loans are made, a loss is recorded in the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance. 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.

#### *Available-for-sale Assets*

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Bromley currently has no available-for-sale assets.

## INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

<b>2006/07 Net Expenditure £000</b>	<b>Service</b>	<b>Notes</b>	<b>2007/08 Gross Expenditure £000</b>	<b>2007/08 Gross Income £000</b>	<b>2007/08 Net Expenditure £000</b>
1,568	Central Services to the Public		20,540	(18,257)	2,283
49,542	Cultural, Environmental and Planning services	1	64,555	(12,064)	52,491
37,291	Children's and Education Services	2 & 3	341,255	(299,713)	41,542
4,217	Highways, Roads and Transport Services		24,426	(18,994)	5,432
6,631	Housing Services		97,139	(90,697)	6,442
73,386	Adult Social Care	4	103,531	(30,975)	72,556
6,890	Corporate and Democratic Core	5	6,936	-	6,936
527	Non Distributed Costs	6	435	-	435
<b>180,052</b>	<b>Net Cost of Services</b>	7 to 13	<b>658,817</b>	<b>(470,700)</b>	<b>188,117</b>
(7,044)	Gain on the Disposal of Fixed Assets	14			-
(2,232)	(Surpluses) / Deficits on Trading Undertakings	15			(1,674)
62	Interest Payable and Similar Charges	16			33
43	Contribution of Housing Capital Receipts to Government Pool	17			58
(6,160)	Interest and Investment Income				(7,400)
5,353	Pensions Interest Cost and Expected Return on Pensions Assets	13			5,437
(23)	Distribution of former LRB Balances	18			(24)
1,954	Levies by Other Authorities	19			2,067
<b>172,005</b>	<b>Net Operating Expenditure</b>				<b>186,614</b>
(115,102)	Demand on the Collection Fund				(120,996)
(12,758)	General Government Grants				(9,442)
(47,159)	Non-domestic Rates Redistribution				(49,026)
<b>(3,014)</b>	<b>(Surplus) / Deficit for the Year</b>				<b>7,150</b>

Note: The service lines reflected in the Net Cost of Services above have been revised to reflect changes to the Service Expenditure Analysis as required by the Best Value Accounting Code of Practice 2007.

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but it is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and General Fund Balance.

<b>2006/07</b>		<b>2007/08</b>
<b>£000</b>		<b>£000</b>
(3,014)	(Surplus) / Deficit for the year on the Income and Expenditure Account	7,150
4,159	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see note 20)	(13,294)
1,145	(Increase)/Reduction in General Fund Balance for the Year	(6,144)
(56,652)	General Fund Balance brought forward	(55,507)
(55,507)	General Fund Balance carried forward	(61,651)
(13,275)	Amount of General Fund Balance held by governors under schemes to finance schools	(16,437)
(42,232)	Amount of General Fund Balance generally available for new expenditure	(45,214)
(55,507)		(61,651)



## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

<b>2006/07</b>		<b>2007/08</b>
<b>£000</b>		<b>£000</b>
(3,014)	(Surplus) / Deficit for the year on the Income and Expenditure Account	7,150
(32,167)	Surplus arising on revaluation of fixed assets (note 34a)	(17,254)
11,908	Actuarial (gains)/losses on pension fund assets and liabilities (note 13e)	(77,146)
(148)	Other movements (see note 21)	427
<u>(23,421)</u>	Total recognised gains for the year	<u>(86,823)</u>

# BALANCE SHEET

As at 31st March

2007 £000		Notes	£000	2008 £000
	<b>Fixed Assets</b>	<b>22</b>		
	<i>Operational Assets</i>			
661,418	Land and Buildings		665,288	
29,904	Vehicles, Plant, Furniture and Equipment etc		27,914	
61,298	Infrastructure Assets		66,006	
1,740	Community Assets		1,871	
	<i>Non-Operational Assets</i>			
68,435	Investment Properties		69,013	
3,615	Surplus Properties		6,795	
4,846	Assets under Construction		8,768	
<u>831,256</u>	<b>Total Fixed Assets</b>			845,655
71,789	<b>Long Term Investments</b>	<b>24</b>		112,878
3,248	<b>Long Term Debtors</b>	<b>25</b>		3,827
<u>906,293</u>	<b>Total Long Term Assets</b>			<u>962,360</u>
	<b>Current Assets</b>			
337	Stocks and Work in Progress	<b>26</b>	426	
1,576	Landfill Allowances	<b>27</b>	475	
40,667	Debtors and Payments in Advance	<b>28</b>	29,573	
59,834	Short Term Investments	<b>24</b>	34,992	
<u>102,414</u>				65,466
<u>1,008,707</u>	<b>Total Assets</b>			<u>1,027,826</u>
	<b>Current Liabilities</b>			
1,864	Short Term Borrowing	<b>29</b>	5,246	
65,924	Creditors and Receipts in Advance	<b>30</b>	77,143	
469	Liability to DEFRA for Landfill Usage	<b>27</b>	475	
7,490	Cash Overdrawn	<b>31</b>	3,508	
<u>75,747</u>				86,372
<u>932,960</u>	<b>Total Assets Less Current Liabilities</b>			<u>941,454</u>
	<b>Long Term Liabilities</b>			
867	Long Term Borrowing	<b>29</b>	48	
1,204	Government Grants Deferred	<b>32</b>	1,174	
10,975	Provisions	<b>33</b>	7,142	
224,067	Liability related to Defined Benefit Pension Scheme	<b>13</b>	150,420	
<u>237,113</u>				158,784
<u>695,847</u>	<b>Total Assets Less Liabilities</b>			<u>782,670</u>
	<b>Financed by:</b>	<b>34</b>		
-	Revaluation Reserve	<b>a</b>		15,353
829,311	Capital Adjustment Account	<b>b</b>		826,112
(224,067)	Pensions Reserve	<b>c</b>		(150,420)
17,211	Usable Capital Receipts Reserve	<b>d</b>		16,799
5,719	Deferred Capital Receipts	<b>e</b>		2,329
55,507	General Fund Balance	<b>f</b>		61,651
12,166	Earmarked Reserves	<b>g</b>		10,846
<u>695,847</u>	<b>Total Net Worth</b>			<u>782,670</u>

## CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2006-2007 £000	Notes	£000	2007-2008 £000
<b>Revenue Activities</b>			
<i>Cash Outflows</i>			
252,429	Cash paid to and on behalf of employees	265,413	
256,032	Other operating costs	272,595	
75,247	Housing Benefit	82,095	
70,777	National non-domestic rate payments to pool	72,470	
38,110	Precepts	40,240	
<u>692,595</u>			732,813
<i>Cash Inflows</i>			
(7,136)	Rents	(7,327)	
(137,636)	Council Tax income	(145,650)	
(47,159)	National non-domestic rate payments from pool	(49,026)	
(70,161)	Non-domestic rate income	(71,166)	
(9,103)	Revenue support grant	(8,228)	
(91,740)	Housing and Council Tax benefit grant	(98,435)	
(232,288)	Other Government grants	(247,594)	
(98,873)	Cash received for goods and services	(111,173)	
<u>(694,096)</u>			(738,599)
(1,501)	<b>Net Cash Flow on Revenue Activities</b>	<b>38</b>	(5,786)
<b>Returns on Investment and Servicing of Finance</b>			
<i>Cash Inflows</i>			
(6,633)	Interest received		(7,840)
<b>Capital Activities</b>			
<i>Cash Outflows</i>			
12,097	Purchase of fixed assets	11,909	
-	Purchase of Long Term Investments	41,089	
15,484	Deferred Charges	22,737	
<u>27,581</u>			75,735
<i>Cash Inflows</i>			
(20,967)	Sale of fixed assets	(10,118)	
(16,958)	Capital grants received	(26,296)	
(10,001)	Sale of Long Term Investments	-	
(4,211)	Other capital receipts	(1,453)	
<u>(52,137)</u>			(37,867)
(32,690)	<b>Net Cash Outflow before Financing</b>		24,242
<b>Financing</b>			
<i>Cash Outflows</i>			
35,500	New short term investments	-	
<i>Cash Inflows</i>			
-	Repayment of short term investments	(24,842)	
(9)	New short term Loans Raised	(3,382)	
<u>2,801</u>	<b>Decrease / (Increase) in cash</b>	<b>40</b>	(3,982)

## Notes to the Core Financial Statements

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### 1 *Building Regulations Charging Account*

Local Authority building control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control unit cannot be charged for, such as providing general advice and liaising with the statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities for 2007/08.

<b>Chargeable</b>		<b>Non-chargeable</b>	<b>Chargeable</b>
<b>2006/07</b>		<b>2007/08</b>	<b>2007/08</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>
	<b>Expenditure</b>		
655	Employees	206	731
57	Premises	0	0
32	Transport	11	39
108	Office Expenses	30	105
133	Central and support service charges	62	220
<u>985</u>		<u>309</u>	<u>1,095</u>
	<b>Income</b>		
(1,118)	Building regulations charges		(1,204)
(21)	Miscellaneous income		0
<u>(1,139)</u>			<u>(1,204)</u>
<u>(154)</u>	<b>Surplus for the Year</b>		<u>(109)</u>

### 2 *Lease Agreements*

The Council's leasing arrangements are limited to the provision of a number of finance leases taken over from Ravensbourne School during 2005/06. The total initial value of the leases was £1,270,625 and the Council is repaying the lessor over three years, with the school repaying the Council over ten years. The first payments were made in January 2006 and the outstanding liability stood at £317,660 as at 31st March 2008. This balance will be fully repaid in 2008/09.

## Notes to the Core Financial Statements

### 3 Dedicated Schools Grant

The Council's expenditure on schools and on certain centrally delivered education services is funded by the Dedicated Schools Grant (DSG), provided by the Department for Children, Schools and Families (DCSF). DSG is a ring-fenced grant and can only be applied to expenditure properly included in the Schools Budget.

The Schools Budget has two elements:

- (i) the Individual Schools Budget, which is divided into a budget share for each school;
- (ii) central expenditure - a restricted range of pupil related services provided on an authority-wide basis.

Over and underspends on the two elements are accounted for separately and are automatically carried forward from one year to the next.

#### Schools Budget funded by Dedicated Schools Grant

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s	Notes
Original grant allocation to Schools Budget for 2007/08 in the Authority's budget	23,179	142,806	165,985	(a)
Adjustment to finalised grant allocation	(357)	-	(357)	(b)
Additional funding delegated to Schools in-year	(268)	268	-	
DSG receivable for the year	22,554	143,074	165,628	
Actual expenditure for the Year	21,511	143,074	164,585	(a)/(c)
(Over)/Underspend for the year	1,043	0	1,043	
Underspend from prior years brought forward	924	-	924	
(Over)/Underspend carried forward to 2008/09	1,967	0	1,967	(d)

- (a) The DSG grant allocation and supported expenditure are shown net of Learning and Skills Council funding. The Council's Schools Forum used its powers to approve a central expenditure budget allocation greater than the DCSF limit at its meeting in February 2007.
- (b) The DCSF can update its initial DSG allocation after the start of the financial year. As a result Bromley's grant was reduced by £357,000, mainly due to reduced schools' pupil numbers in the data underlying the grant calculations.
- (c) DSG is treated as applied when it is delegated to schools.
- (d) There was an underspend of £1,967,000 on central items within the Schools Budget. This has been carried forward as a receipt in advance (see note 30) for application to Schools Budget Expenditure in 2008/09.

# Notes to the Core Financial Statements

## 4 Pooled Budgets

There are two pooled budgets with Bromley PCT which operate under Section 31 of the Health Act 1999 (revised to Section 75 of the NHS Act 2006) and 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.

2006/07			2007/08	
Learning Disabilities	Integrated Community Equipment Store		Learning Disabilities	Integrated Community Equipment Store
£000	£000		£000	£000
		<b>Income</b>		
807	146	Bromley PCT contribution	927	180
222	-	Learning Disabilities Development Fund	229	-
2,717	740	London Borough of Bromley contribution	2,710	892
225	-	Other income	163	-
<b>3,971</b>	<b>886</b>	<b>Gross Income</b>	<b>4,029</b>	<b>1,072</b>
		<b>Expenditure</b>		
4,077	-	Learning disabilities day services	3,963	-
-	886	Occupational therapy equipment store	-	1,072
<b>4,077</b>	<b>886</b>	<b>Gross Expenditure</b>	<b>3,963</b>	<b>1,072</b>
<b>106</b>	<b>-</b>	<b>Surplus (-) / deficit for the year</b>	<b>(66)</b>	<b>-</b>

The surplus on the Learning Disabilities pooled budget in 2007/08 has been shared between partners and 50% returned to the PCT.

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:

2006/07			2007/08
Mental Health Services			Mental Health Services
£000			£000
		<b>Income</b>	
17,063		Oxleas NHS Foundation Trust contribution	
1,519		London Borough of Bromley contribution	
-		Other income	
<b>18,582</b>		<b>Gross Income</b>	<b>19,219</b>
		<b>Expenditure</b>	
18,648		Mental Health Functions	
<b>18,648</b>		<b>Gross Expenditure</b>	<b>19,275</b>
<b>66</b>		<b>Surplus (-) / deficit for the year</b>	<b>56</b>

The parties agreed that the deficit in 2007/08 on the Mental Health pooled budget be funded by Oxleas.

## 5 Members' Allowances

The total of Members' Allowances paid during the year was £958,554 (£922,469 in 2006/07).

## Notes to the Core Financial Statements

### 6 Non Distributed Costs

As required by The Best Value Accounting Code of Practice, these costs comprise pension costs, as defined by FRS17, as follows:

- Past Service Costs, which are liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
- Curtailments, being an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of the defined benefit for some or all of their future service.
- Settlements which are an irrevocable action that relieves the employer (or defined benefit scheme) of the primary responsibility for the pension obligation and eliminates risks relating to the obligation and the assets used to effect the settlement.

### 7 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:

31 March 2007 £	Service	Income £	Expenditure £	Transfers (to)/ from Capital £	31 March 2008 £
<b><u>Revenue</u></b>					
392	Highway Improvement works	-	4	10	398
87	CCTV	-	-	-	87
154	Road safety schemes	3	3	-	154
-	Local economy & Town Centres	3	-	50	53
76	Biggin Hill Heritage Centre	784	-	-	860
44	Parking	3	-	-	47
-	Landscaping	35	-	-	35
17	Education	227	-	(244)	0
-	Housing	411	-	(411)	0
12	Healthcare Services	26	-	66	104
10	Community use	-	-	-	10
7	Other	9	8	-	8
<u>799</u>		<u>1,501</u>	<u>15</u>	<u>(529)</u>	<u>1,756</u>
<b><u>Capital</u></b>					
881	Local economy & Town Centres	20	226	(60)	615
495	Education	-	-	244	739
2,858	Housing	593	-	411	3,862
66	Healthcare Services	-	-	(66)	0
12	Community use	-	-	-	12
<u>4,312</u>		<u>613</u>	<u>226</u>	<u>529</u>	<u>5,228</u>
<u><u>5,111</u></u>		<u><u>2,114</u></u>	<u><u>241</u></u>	<u><u>0</u></u>	<u><u>6,984</u></u>

## Notes to the Core Financial Statements

### 8 Publicity

Under section 5 of the Local Government Act 1986 a Local Authority is required to keep a separate account of its expenditure on publicity.

2006/07		2007/08
£000		£000
333	Provision of Press and Public Relations Service	318
353	Recruitment Advertising	289
221	Other Expenditure (publications, leaflets, bulletins, etc.)	178
<u>907</u>		<u>785</u>

### 9 Officers Emoluments

The Accounts and Audit Regulations (2003) require disclosure of the number of employees whose remuneration, excluding employer's pension contributions, is above £50,000.

2006/2007	Annual	2007/2008
Number of Employees	Remuneration	Number of Employees
163	£50,000-£59,999	170
65	£60,000-£69,999	82
18	£70,000-£79,999	16
12	£80,000-£89,999	14
10	£90,000-£99,999	8
5	£100,000-£109,999	7
1	£110,000-£119,999	1
2	£120,000-£129,999	5
-	£130,000-£139,999	1
-	£140,000-£149,999	-
-	£150,000-£159,999	-
-	£160,000-£169,999	-
* 1	£170,000-£179,999	-

The 2007 SORP provides confirmation that remuneration should be gross of employee's pension contributions. The 2006/07 figures have been re-stated to reflect this change.

\* In accordance with the requirements of the 2007 SORP, this officer's remuneration includes payment for acting as returning officer in 2006/07.

### 10 Related Party Transactions

The Council has prepared this disclosure in accordance with its interpretation and understanding of FRS8 and its applicability to the public sector utilising current advice and guidance.

There are no declarable related party transactions with Chief Officers, Members, or their related parties with the exception of the following:-

- Councillor Bloom is Chief Executive of Mission Care, a local charity that supports older people and people with learning disabilities. In 2007/08, LBB paid £2.7m to Mission Care for services to these clients.
- Councillor W. Huntington-Thresher and Councillor Curry are council appointed directors of Broomleigh Housing Association (Affinity Homes Group) to which Bromley paid £5.0m in 2007/08. Councillor Gaster was also a board member for part of the 2007/08 financial year.
- Councillor Papworth is a member of the board of the Crystal Palace Community Development Trust to which Bromley paid £0.05m in 2007/08.
- Councillor Manning is Chairman of the Carers Organisation which receives support in kind by Carers Bromley, an organisation to which Bromley paid £0.4m in 2007/08.



## Notes to the Core Financial Statements

### 11 Audit Costs

The council incurred the following fees relating to external audit and inspection:

2006/07 £000		2007/08 £000
240	Fees payable with regard to external audit services carried out by the appointed auditor (including Whole of Government Accounts) - Baker Tilly UK Audit LLP	240
142	Fees payable to the Audit Commission in respect of statutory inspection and NFI fee	27
100	Fees payable for the certification of grant claims and returns - Baker Tilly UK Audit LLP	70
<u>482</u>		<u>337</u>

### 12 Local Area Agreements (LAA)

The council is a participant in an LAA - a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three-year agreement.

The purpose of the LAA is:

- to form an agreement between the London Borough of Bromley and Local Strategic Partners and other external agencies to ensure that together we achieve the outcomes set out in the LAA 2007-2010
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- to improve the effectiveness and efficiency of public services in Bromley by pooling and aligning funding streams.

The LAA partners are:

- Bromley Primary Care Trust
- Bromley Hospitals NHS Trust
- Community Links Bromley
- Bromley Borough Police
- Bromley Mytime

Details of the council's community plan and local area agreement are available on the council's website at [www.bromley.gov.uk/council/strategies](http://www.bromley.gov.uk/council/strategies).

The London Borough of Bromley acts as the accountable body for the LAA. This means that we are responsible for managing the distribution of grant paid by the government office to the partners involved. The council determines which bodies are due payments and the share of grant received by other partners. In this context, the council acts as a principal to the partnership and has therefore recognised the full amount of LAA grant in its financial statements.

The total amount of LAA grant received in 2007/08 was £3,304,757 and none of this was distributed to our partners.

As an accountable body, the council is potentially responsible for repaying to the government any element of grant that is found to have been misused by its partners. Systems are in place for distributing grant that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

## Notes to the Core Financial Statements

### 13 Disclosure of Information about Retirement Benefits

#### *(a) Participation in Pension Schemes*

The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 1997 and LGPS (Management and Investment of Funds) Regulations 1998, as amended, 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 widow's pensions. 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.

#### *(b) Transactions relating to Retirement Benefits*

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year, based on figures provided in the FRS17 report as at 31st March 2008, prepared by the Council's actuary, Barnett Waddingham LLP.

	2006/07 £000	2007/08 £000
Past service cost	-	2
Curtailments	259	158
Current service cost	16,470	17,434
Total included in Net Cost of Services	16,729	17,594
Pensions interest cost	25,442	26,954
Expected return on assets	(20,089)	(21,517)
Total included in Net Operating Expenditure	22,082	23,031

The totals are reversed in the Statement of Movement on the General Fund Balance.

#### *(c) Assets and Liabilities in relation to Retirement Benefits*

The underlying assets and liabilities for retirement benefits attributable to the authority, as estimated by the Council's actuary as at 31 March 2008, are as follows:

	31 March 2007 £000	31 March 2008 £000
Estimated liabilities in scheme	(545,913)	(491,639)
Estimated assets in scheme	321,846	341,219
Net Liability	(224,067)	(150,420)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The overall liability has a significant negative effect on the net worth of the authority as recorded in the balance sheet. However, contribution rates set by the actuary in the full valuation as at 31st March 2007 should enable the fund to become fully funded in 12 years.

## Notes to the Core Financial Statements

### 13 Disclosure of Information about Retirement Benefits - continued

#### (d) 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 2007. The main financial assumptions used as at 31st March 2007 and 2008 were:

	31 March 2007	31 March 2008
	%pa	%pa
Inflation Rate	3.3	3.6
Discount rate (pre and post retirement)	5.2	6.3
Expected rate of salary increases	5.1	5.1
Rate of increases in pensions and deferred pensions	3.3	3.6

A number of changes to the scheme will come into effect on 1st April 2008. These relate to benefits accruing and scheme member contributions from 1st April 2008 and thus do not impact on this year's FRS17 disclosures.

Assets in the Council's Pension Fund are valued at fair value, principally market value for investments, totalling £357.3m for the whole Fund as at 31st March 2008 (£349.6m as at 31st March 2007). The Fund's assets consist of the following categories, by proportion of the assets held by the Fund.

	Expected return	31 March 2007	31 March 2008
	%	%	%
Equity investments	7.0	84	70
Bonds	5.4	14	28
Other assets	5.3	2	2
		<u>100</u>	<u>100</u>

#### (e) Actuarial Gains and (Losses) on the Pensions Reserve

The actuarial gains/(losses) identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March. In line with the requirements of the 2007 SORP, figures are provided for the current year and for the previous four accounting periods.

	2003/04	2004/05	2005/06	2006/07	2007/08
	£000	£000	£000	£000	£000
Actual less expected return on assets	24,488	4,265	54,717	(11,908)	(8,845)
	11.8%	1.8%	17.7%	(3.7%)	(2.6%)
Changes in assumptions on present value of liabilities	-	(88,080)	(48,263)	-	54,537
		(19.9%)	(9.3%)		11.1%
Gains and losses on liabilities	-	4,615	-	-	31,454
		1.0%			6.4%
Total	<u>24,488</u>	<u>(79,200)</u>	<u>6,454</u>	<u>(11,908)</u>	<u>77,146</u>

### ***13 Disclosure of Information about Retirement Benefits - continued***

#### ***(f) Bromley Employees***

During 2007/08 Bromley paid into the Pension Fund a total contribution of £19,110,000 (31.0% of total pensionable pay), including a past deficit contribution of £9,935,000, which represents a reduction of 0.3% in percentage terms from the 2006/07 contribution. The underlying contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The increase in 2007/08 incorporates the results of the full valuation as at 31st March 2004, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over the next 15 years. Contribution rates for the three years 2008-2010 have been set by the actuary in the full valuation as at 31st March 2007, which was carried out during 2007/08. These should enable the fund to achieve a 100% funding level over the next 12 years.

#### ***(g) Teachers***

Teachers employed by the authority are members of the Teachers' Pension Scheme, a defined benefits scheme administered by the Teachers' Pensions Agency. The authority makes contributions towards the costs based on a percentage of members' pensionable salaries. As this scheme is unfunded, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees.

In 2007/08 Bromley paid £5,565,000 to the Teachers' Pensions Agency in respect of teachers' pension costs which represented 14.1% of teachers' pensionable pay. 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 2007/08.

## Notes to the Core Financial Statements

### 14 Loss / (Gain) on Disposal of Fixed Assets

The Council is required to account for gains and losses on the disposal of fixed assets in the Income & Expenditure Account. The gain or loss on disposal is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying value of the fixed asset on the balance sheet.

The reversing entry is shown in the Statement of the Movement on the General Fund Balance.

Entries in the 2006/07 and 2007/08 accounts are shown below.

	2006/07 £000	2007/08 £000
Income & Expenditure Account		
- asset disposal proceeds	(21,010)	(3,184)
- carrying value of fixed assets	13,966	3,184
	<u>(7,044)</u>	<u>0</u>

The significant variation between years is mainly due to a large receipt from the disposal of one of the Council's assets during 2006/07. In 2007/08, all assets disposed of were revalued to sale price.

### 15 Surplus on Trading Operations

The deficit/(surplus) on trading operations can be analysed as follows :

2006/07 £000		Notes	2007/08 £000
(2,196)	Properties Held for Investment	(1)	(1,639)
36	Markets	(2)	56
(72)	Biggin Hill Airport	(3)	(91)
<u>(2,232)</u>			<u>(1,674)</u>

- (1) Covers the revenue activities relating to the group of fixed assets identified on the Balance Sheet under note 22. These properties include holdings for investment purposes and properties surplus to requirements. All expenses associated with the upkeep, maintenance, lettings, promotion and sales are charged to the account and these costs are offset by rental income.
- (2) Comprises one market managed by the Council. Bromley market now has 65 stalls.
- (3) Biggin Hill Airport was leased to BHA Ltd with effect from April 1994. Under the terms of the lease the Council receives annual rent income, which is offset by support service charges and noise monitoring costs.

### 16 Interest Payable and Similar Charges

The interest element of amounts payable under finance leases entered into by The Ravensbourne School and taken over by the Council during 2005/06 is included here (£62,000 in 2006/07 and £33,000 in 2007/08).

### 17 Payment of Housing Capital Receipts into Government Pool

Since 2004/05, local authorities have been required to pay a proportion of specified housing capital receipts into a government pool for redistribution. The SORP requires amounts paid into the pool to be disclosed in the Income and Expenditure Account after Net Cost of Services. The resulting deficit is made good by an appropriation from Usable Capital Receipts to the Statement of Movement on the General Fund Balance. Payments totalling £43,000 and £58,000 were made into the pool in 2006/07 and 2007/08 respectively.

### 18 Income from Former LRB Accounts

A further distribution of balances, resulting from the income from the former LRB accounts (previously GLC assets), was made to London Boroughs in 2007/08. Bromley's share of the distribution was £24,003.

## Notes to the Core Financial Statements

### 19 Levies by Other Authorities

The council made the following payments to levying authorities.

2006/07 £000		2007/08 £000
134	Environment Agency	202
392	Lee Valley Park	402
360	London Pensions Fund Authority	396
1,068	London Boroughs Grants Scheme	1067
<u>1,954</u>		<u>2,067</u>

### 20 Note of Reconciling Items for the Statement of Movement on the General Fund Balance

2006/07 £000		Notes	2007/08 £000
<b>Amounts Included in the Income and Expenditure (I &amp; E) Account but Required by Statute to be Excluded when Determining the Movement on the General Fund Balance for the Year</b>			
(7,284)	Depreciation and Impairment of Fixed Assets	(a)	(11,421)
18,374	Government Grants Deferred Amortisation	(b)	21,517
	Write downs of Deferred Charges to be Financed from		
(15,594)	Capital Resources	(c)	(22,737)
7,044	Net Gain / (Loss) on Sale of Fixed Assets	(d)	-
(22,082)	Net Charges made for Retirement Benefits in accordance with FRS17	(e)	(23,031)
<u>(19,542)</u>			<u>(35,672)</u>
<b>Amounts not Included in the Income and Expenditure Account but Required to be Included by Statute when Determining the Movement on the General Fund Balance for the Year</b>			
47	Minimum Revenue Provision for Capital Financing	(f)	30
	Capital Expenditure Charged in-year to the		
1,700	General Fund Balance	(g)	2,894
	Transfer from Usable Capital Receipts to meet		
(43)	Payments to the Housing Capital Receipts Pool	(h)	(58)
	Employer's Contributions Payable to the Pension Fund		
18,775	and Retirement Benefits Payable Direct to Pensioners	(e)	19,532
<u>20,479</u>			<u>22,398</u>
<b>Transfers to or from the General Fund Balance that are Required to be taken into Account when Determining the Movement on the General Fund Balance for the year</b>			
296	Voluntary Revenue Provision for Capital Financing	(f)	203
2,926	Net Transfer to / (from) Earmarked Reserves	(i)	(223)
<u>3,222</u>			<u>(20)</u>
4,159	Net Additional Amount Required to be Debited or Credited to the General Fund Balance for the Year		<u>(13,294)</u>

## Notes to the Core Financial Statements

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### **20 Note of Reconciling Items for the Statement of Movement on the General Fund Balance - continued**

#### **(a) Depreciation and Impairment of Fixed Assets**

All amounts of depreciation and impairments charged to the Net Cost of Services in the Income & Expenditure Account are reversed out here to ensure that there is no charge to the General Fund. A total of £7,724,000 was charged for depreciation in 2007/08 (£7,284,000 in 2006/07). The methodology for charging depreciation is outlined in the Statement of Accounting Policies. Impairment losses totalling £3,697,000, relating to reductions in fixed asset valuations, were charged in 2007/08 (nil in 2006/07).

#### **(b) Government Grants Deferred**

Credits for government grants deferred are posted to the Income & Expenditure Account (I & E). Credits allocated to the Net Cost of Services (£30,000 in 2007/08 and £31,000 in 2006/07) represent the release of depreciation on government grants received to services using relevant assets. Government grants of £21,487,000 (£18,343,000 in 2006/07) are also shown in the I & E Account. In 2007/08, these are all shown in the relevant service lines within the Net Cost of Services (£16,510,000 in 2006/07). In 2006/07, grants that could not be identified to specific services (£1,833,000) were included under 'General Government Grants'. The entries are reversed out of the Income & Expenditure Account through the Statement of Movement on the General Fund Balance to ensure no impact on the General Fund.

#### **(c) Deferred Charges Written Out**

Under the Best Value Accounting Code of Practice, deferred charges, representing capital expenditure adding no value to Council assets, are chargeable to the relevant service areas in the Income and Expenditure Account. The charge is then reversed out here to ensure that there is no overall impact on the Council's General Fund. In 2007/08, £22,737,000 was charged to the Net Cost of Services, compared to £15,594,000 in 2006/07.

#### **(d) Net Gain/(Loss) on Sale of Fixed Assets**

Full details are shown in note 14.

#### **(e) Movement on Pensions Reserve**

Full details are shown in note 13(b).

#### **(f) Revenue Provision for Capital Financing**

The Council is required to set aside a Minimum Revenue Provision for the repayment of debt, equivalent to 4% of the Capital Financing Requirement (CFR) at the beginning of the year. Bromley's only debt as at 1st April 2007 related to the finance leases taken over by the Council from the Ravensbourne School during 2005/06. The calculation is shown below.  
Minimum Revenue Provision (MRP): 4% of CFR at 1st April 2007 (£741,200) = £30,000  
In practice, however, the revised lease allows for the Council to repay significantly more than this and, accordingly, a voluntary revenue provision of £203,000 was also set aside in 2007/08, which is also recognised in the Statement of Movement on the General Fund Balance.

#### **(g) Capital Expenditure Charged in-year to the General Fund**

A number of capital schemes are partly financed by revenue contributions, which are shown in the Statement of Movement on the General Fund Balance. These contributions total £2,894,000 in 2007/08 (£1,700,000 in 2006/07). Further details of the financing of capital expenditure are included in note 22.

#### **(h) Payment of Housing Capital Receipts into Government Pool**

Full details are shown in note 17.

## Notes to the Core Financial Statements

### 20 Note of Reconciling Items for the Statement of Movement on the General Fund Balance - continued

#### (i) Net Transfer to / (from) Earmarked Revenue Reserves

2006/07 £000		2007/08 £000
(8)	Net contribution to / (from) Adult Education	113
1,973	Net contribution to / (from) LPSA Reward Grant	(1,033)
-	Net contribution to / (from) LAA Pump Priming Grant	792
215	Net contribution to / (from) Landfill Allowance Trading Scheme	(1,107)
260	Interest to Insurance Fund	261
71	Net contribution to / (from) Technology Fund	82
437	Net contribution to / (from) Town Centre Improvement Fund	-
-	Net contribution to / (from) Building a Better Bromley Initiatives	162
-	Net contribution to / (from) Environmental Improvements	500
-	Net contribution to / (from) Community & Voluntary Sector Issues	150
(8)	Net contribution to / (from) other reserves	5
(14)	Net contribution to / (from) Partnership Fund	(148)
<u>2,926</u>		<u>(223)</u>

### 21 Other Movements on the Statement of Total Recognised Gains & Losses

2006/07 £000		2007/08 £000
520	Transfer from Insurance Reserve	1,097
(375)	Deferred Credits - Sale of Council Houses	(403)
(190)	Ravensbourne Lease Income	(190)
(103)	Repayment of transferred College Debt	(77)
<u>(148)</u>		<u>427</u>



## 22 Fixed Assets

The movements in fixed assets during the year were:

Balance at 31/3/08 £000	Revaluations £000	Reclass- ifications £000	Additions £000	Depreciation £000	Impairment £000	Disposals £000	Balance at 31/3/08 £000
<i>Operational Assets</i>							
661,418 Land and Buildings	14,030	(3,264)	726	(5,439)	(1,543)	(640)	665,288
185 Vehicles	0	0	75	(18)	0	0	242
29,060 Furniture and Equipment	0	0	0	0	(1,968)	0	27,092
659 Feasibility Studies	0	(62)	(17)	0	0	0	580
61,298 Infrastructure Assets	0	0	6,895	(2,187)	0	0	66,006
1,740 Community Assets	0	0	211	(80)	0	0	1,871
0 Intangible Assets	857	0	0	0	0	(857)	0
<i>Non-Operational Assets</i>							
68,435 Investment Properties	1,480	19	0	0	(186)	(735)	69,013
3,615 Surplus Properties	887	3,245	0	0	0	(952)	6,795
4,846 Assets under Construction	0	62	3,860	0	0	0	8,768
<u>831,256</u>	<u>17,254</u>	<u>0</u>	<u>11,750</u>	<u>(7,724)</u>	<u>(3,697)</u>	<u>(3,184)</u>	<u>845,655</u>

Details of the basis of fixed asset valuation are set out in the Statement of Accounting Policies.

## Notes to the Core Financial Statements

### Continuation of Note 22

Fixed Assets owned by the Council include the following:			
	Number as at 31.3.07	Number as at 31.3.08	Range of estimated useful lives (Years)
<b>Operational Buildings</b>			
Civic Centre	1	1	81
Other Offices	5	5	40-53
Primary Schools	56	56	53-93
Secondary Schools	1	1	63
Special Schools/Units	6	6	13-83
Social Services - Homes & Day Centres	27	25	53-83
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	6	6	53-93
Libraries	15	15	52-93
Golf Courses	3	3	6-29
Churchill Theatre	1	1	85
Cemeteries	7	7	6-73
Surface Car Parks	31	26	19
Multi-Storey Car Parks	4	4	3-83
Public Conveniences	23	23	64-93
<b>Investment Properties</b>			
Investment Properties	185	178	n/a
Surplus Properties	11	17	n/a
Agricultural Properties	16	16	n/a
Biggin Hill Airport	1	1	n/a
<b>Operational Equipment</b>			
Vehicles	18	19	5-10
<b>Infrastructure Assets</b>			
Road (Kilometres)	878.6	882.1	15-40
<b>Community Assets</b>			
Parks and Open Spaces (hectares)	1,261	1,261	n/a

## Notes to the Core Financial Statements

### Continuation of Note 22

Total capital expenditure and financing are shown below:	<b>2006/07</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
<i>Total Capital Expenditure</i>	<u>28,598</u>	<u>35,554</u>
<i>Financed by:</i>		
Usable Capital receipts	7,961	7,444
Government Grants	18,937	20,963
Other Grants & Contributions	-	1,291
Revenue Contributions	<u>1,700</u>	<u>2,894</u>
	<u>28,598</u>	<u>32,592</u>
<i>Explanation of Movement in Year:</i>		
Increase in underlying need to borrow	<u>-</u>	<u>2,962</u>
Increase in Capital Financing Requirement	<u>-</u>	<u>2,962</u>

(The increase in the underlying need to borrow is explained in the Explanatory Foreword - page 16)

### Capital Commitments

As at 31st March 2008, the Council was committed to expenditure on capital projects relating to works, fees, grants and contributions totalling approximately £7.5 million. Major projects include the following:

	<b>£000</b>
Post- 16 Infrastructure - improvements to Secondary Schools	1,874
Children Centres	2,597
Reprovision of Special Education services	2,082
Other Schemes	<u>984</u>
	<u>7,537</u>

### Foundation Schools

The School Standards and Framework Act 1998 changed the status of Grant Maintained Schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1st April 1999. Fixed assets and long term liabilities remain vested in the Governing Bodies of individual Foundation Schools and, therefore, values and amounts have not been consolidated in the council's Balance Sheet. There are 24 Foundation Schools in Bromley. In addition, Cator Park Girls' School has requested the council's approval to it becoming a Foundation School and this should be formalised during 2008/09.

## 23 Deferred Charges

This note records all capital expenditure on deferred charges (ie. expenditure on assets over which the council has no direct control). It is the council's policy to write off such expenditure in the year in which it is incurred.

	<b>£000</b>	<b>£000</b>
<b>Balance as at 31st March 2007</b>		-
<i>Expenditure</i>		
Renovation Grants / Mortgages	598	
Other Deferred Charges	<u>22,139</u>	
		22,737
<i>Amounts written out</i>		
Renovation Grants / Mortgages	(598)	
Other Deferred Charges	<u>(22,139)</u>	
		(22,737)
<b>Balance as at 31st March 2008</b>		<u>-</u>

## Notes to the Core Financial Statements

### 24 Financial Assets

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

2007 £000		2008 £000
	<b>Long Term Investments (1 year and over to maturity)</b>	
	<i>Loans and Receivables</i>	
9	- Government Stock	9
36,362	- Banks	47,876
35,418	- Building Societies	64,993
<u>71,789</u>		<u>112,878</u>
	<b>Short Term Investments (up to 364 days to maturity)</b>	
	<i>Loans and Receivables</i>	
40,372	- Banks	15,220
19,462	- Building Societies	19,772
<u>59,834</u>		<u>34,992</u>
<u>131,623</u>		<u>147,870</u>

In accordance with the requirements of the 2007 SORP, accruals for investment income due but not received are now included in the Balance Sheet with principal sums invested. The balances as at 31st March 2008 include accrued interest totalling £3,361,000. The balances as at 31st March 2007 have been restated to include accrued interest of £2,814,000 with a corresponding reduction to general debtors (see also note 28).

#### (b) Gains / Losses

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

	Financial Liabilities	Financial Assets Loans & Receivables	Total
	£000	£000	£000
Interest Expense	12	-	12
Interest Income	-	(9,012)	(9,012)
<b>Net (Gain)/Loss for the year</b>	<u>12</u>	<u>(9,012)</u>	<u>(9,000)</u>

The above analysis is purely for interest paid and received on loans and investments during the year. The figure shown for interest and investment income in the Income and Expenditure Account (£7,400k) includes the interest expense and income shown above and other interest received but has been netted off to reflect the payment of interest to a number of internally held funds.

## Notes to the Core Financial Statements

### (c) Fair Value of Financial Assets carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- (a) The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and also include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.
- (b) Where an investment has a maturity of less than 12 months, the fair value is taken to be the principal outstanding.

The fair values calculated are as follows:

	31st March 2007		31st March 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Investments less than 1 year	59,834	59,834	34,992	34,992
Investments greater than 1 year	71,789	71,094	112,878	113,668
<b>Total Investments</b>	<b>131,623</b>	<b>130,928</b>	<b>147,870</b>	<b>148,660</b>

The fair value as at 31st March 2008 is greater than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments in the market at the Balance Sheet date. The opposite applies for fair value as at 31st March 2007.

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

2007 £000		2008 £000
	<b>Mortgages</b>	
1,545	Loans to Housing Associations	1,523
263	Loans to Council House Purchasers	177
214	Loans to Private House Purchasers	173
<u>2,022</u>		<u>1,873</u>
	<b>Others</b>	
	Broomleigh Housing Association (Affinity Homes Group) Property Transfer	
-	- Sale of Council Houses *	392
-	- Deferred Interest Earnings	11
1,091	Loans for Miscellaneous Advances	1,228
126	Loans for Transferred Services	48
-	Loans to Schools #	265
9	Loans to Private Street Work Frontagers	10
<u>1,226</u>		<u>1,954</u>
<u>3,248</u>		<u>3,827</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 every three years. As the deferred credit for the previous three years was due to be paid in 2007/08, it was treated as a short-term debtor in the 2006/07 accounts (see note 28).

# In 2007/08 the Council made a loan of £300,000 to a foundation school. The loan is repayable over 5 years and £35,000 was repaid in the year.

## Notes to the Core Financial Statements

### 26 Stocks and Work in Progress at 31st March

2007 £000		2008 £000
	<b>Stocks</b>	
110	Road Salt	114
21	Highways and Street Lighting Equipment	20
9	Other	26
<u>140</u>		<u>160</u>
	<b>Works in Progress</b>	
178	Highways	190
19	Building Maintenance	76
<u>197</u>		<u>266</u>
<u>337</u>		<u>426</u>

### 27 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 2007/08 Bromley was allocated allowances valued at £0.994m. After allowing for estimated landfill usage of 47,451 tonnes, surplus allowances valued at £0.519m, were available for trading. After adjusting for the verified 2006/07 landfill usage, the surplus for 2007/08 was reduced to £0.508m.

In light of the low level of transactions actually taking place over recent years, the Council has determined that the net realisable value of the allowances held is currently zero. Therefore, the balance of unused allowances carried forward from 2006/07 of £1,107k, together with the surplus allowances for 2007/08 have been re-valued to zero resulting in an impairment charge to the Income & Expenditure Account.

However, given the uncertainty over the value of allowances held above those required, the Council had previously decided to reflect these as an earmarked reserve. The impairment charge to the Income & Expenditure Account is therefore offset by a net transfer from Earmarked Revenue Reserves through the Statement of Movement on the General Fund Balance (see note 20(i))

### 28 Debtors and Payments in Advance at 31st March

2007 Net £000		Gross £000	Bad Debt Provision £000	2008 Net £000
	<b>Debtors</b>			
12,092	Government	8,892	-	8,892
2,238	Local Authorities	2,558	-	2,558
4,708	Council Tax	13,420	8,534	4,886
363	NNDR	319	225	94
3,966	Broomleigh Housing Association* (Affinity Homes Group)	-	-	-
14,051	General Debtors	<u>17,029</u>	<u>7,744</u>	<u>9,285</u>
<u>37,418</u>		<u>42,218</u>	<u>16,503</u>	<u>25,715</u>
3,249	<b>Payments in Advance</b>			3,858
<u>40,667</u>				<u>29,573</u>

\* See note 25.

## Notes to the Core Financial Statements

### 29 Financial Liabilities

#### (a) Short Term Borrowing (Temporary Loans)

Balance at 31.3.07 £000		Loans Raised £000	Loans Repaid £000	Balance at 31.3.08 £000
1,168	Pension Fund	3,065	-	4,233
612	Former LRB Fund	-	4	608
84	Trust Funds	3	-	87
-	Finance Lease (i)	741	423	318
<u>1,864</u>		<u>3,809</u>	<u>427</u>	<u>5,246</u>

- (i) Loans raised of £741k represents the outstanding balance as at 31st March 2007 which has become a short term liability at 31st March 2008 - see (b)

#### (b) Long Term Borrowing

2007 £000		2008 £000
741	Long Term Lease (i)	-
126	Transferred Services	48
<u>867</u>		<u>48</u>

- (i) During 2005/06 the Council took over a lease entered into by the Ravensbourne School. In accordance with SSAP 21 this was recognised as a long term liability in the Balance Sheet. The balance of £317,660 will be repaid in 2008/09 and the outstanding balance as at 31st March 2008 is therefore shown as a short-term liability - see (a)

### 30 Creditors and Receipts in Advance at 31st March

2007 £000		2008 £000
5,049	Government	6,620
2,374	Local Authorities	2,436
1,245	Council Tax	1,408
4,091	NNDR	2,809
37,852	General creditors	41,407
<u>50,611</u>		<u>54,680</u>
	<b>Receipts in Advance</b>	
3,558	Government	7,583
68	Local Authorities	169
2,506	Council Tax	2,582
1,416	NNDR	1,941
7,765	Other	10,188
<u>15,313</u>		<u>22,463</u>
<u>65,924</u>		<u>77,143</u>

### 31 Cash Overdrawn

The cash overdrawn figure represents the balance on the Council's cash book and includes the value of cheques yet to be presented. The Council operates an integrated treasury management policy and aims to maintain a net zero balance on its pool of accounts including schools.

Balance at 31.3.07 £000		Balance at 31.3.08 £000
(29,851)	Bank Balance	(31,424)
22,320	Schools Balances	27,870
41	Cash in Hand	46
<u>(7,490)</u>	Cash Overdrawn	<u>(3,508)</u>

## Notes to the Core Financial Statements

### 32 Government Grants Deferred

This account represents the balance of grants paid to the Council by the Government and required to be used to contribute towards capital expenditure on fixed assets. The balance is reduced each year as the value of relevant fixed assets reduces due to wear and tear. Credits for depreciation are posted to the Net Cost of Services and are reversed in the Statement of Movement on the General Fund Balance (£31,000 in 2006/07 and £30,000 in 2007/08). Further details are included in note 20(b).

### 33 Provisions at 31st March

		Movement in 2007/08		2008 £000
		Expenditure £000	Income £000	
2007 £000				
5,003	Income Support (a)	5,003	-	-
1,302	Unsettled Insurance Claims (b)	1,375	1,595	1,522
1,010	Section 117 (c)	50	-	960
1,397	Housing & Council Tax Benefit (d)	497	749	1,649
2,263	Other (e)	-	748	3,011
<u>10,975</u>		<u>6,925</u>	<u>3,092</u>	<u>7,142</u>

- (a) Income Support has been received for some residents in homes for the elderly. Subject to Counsel's opinion around uncertainty as to whether these monies could be retained by the Local Authority, a provision was created to reflect a potential repayment to the DWP. Having sought legal advice and considering the amount of time that has elapsed, the Council considers the risk to be small and the provision has therefore been released. To comply with correct accounting practice, the accounts recorded a gross provision of £5,003k, offset by a debtor and receipt in advance of £1,678k. The net amount released to the General Fund is therefore £3,325k.
- (b) This provision represents the estimated potential cost of insurance claims received but not settled by the Council as at 31st March 2008 (274 claims with a total estimate of £1,521,622).
- (c) This provision 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 £50k, including tax on interest, have been made during 2007/08.
- (d) Provision has been made for the potential repayment of housing & council tax benefit subsidy mainly relating to transitional protection arising from changes to subsidy arrangements and uncertainty relating to government subsidy for overpayments generated from LA errors.
- (e) Represents numerous minor provisions including £785k relating to NNDR and council tax credit balances, £600k relating to the potential repayment of land charges, £443k relating to residential care homes, £100k for IT licences, and £100k for repayment of grant income with the balance relating to various other minor provisions.



## Notes to the Core Financial Statements

### 34 Detail of Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

<b>Reserve</b>	<b>Balance 1 April 2007 £000</b>	<b>Net Movement in Year £000</b>	<b>Balance 31 March 2008 £000</b>	<b>Purpose of Reserve</b>	<b>Note</b>
Revaluation Reserve	-	15,353	15,353	Store of gains on revaluation of fixed assets not yet realised through sales	(a)
Capital Adjustment Account	829,311	(3,199)	826,112	Store of capital resources set aside to meet past expenditure	(b)
Pensions Reserve	(224,067)	73,647	(150,420)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(c)
Usable Capital Receipts Reserve	17,211	(412)	16,799	Proceeds of fixed asset sales available to meet future capital investment	(d)
Deferred Capital Receipts	5,719	(3,390)	2,329	Loans to Housing Associations, etc. Repayment due on deferred terms.	(e)
General Fund	55,507	6,144	61,651	Resources available to meet future running costs for non-housing services	(f)
Earmarked Reserves	12,166	(1,320)	10,846	Resources earmarked to meet specified schemes, projects, etc	(g)
<b>Total</b>	<b>695,847</b>	<b>86,823</b>	<b>782,670</b>		

## Notes to the Core Financial Statements

### 34 Detail of Movements on Reserves (cont'd)

#### (a) Revaluation Reserve

This reserve records unrealised gains resulting from fixed asset revaluations. The reserve, which is a new requirement of the 2007 SORP, was created with a nil balance on 1st April 2007.

	<b>Total £000</b>
Balance brought forward at 1st April 2007	-
Gains on revaluation of fixed assets	17,254
Amounts written out on disposal	(1,901)
Balance carried forward at 31st March 2008	<u>15,353</u>

#### (b) Capital Adjustment Account

This account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system. The account, which is a new requirement of the 2007 SORP, was created on 1st April 2007. The opening balance represents balances transferred from the former Fixed Asset Restatement Account (£717,764,000) and the former Capital Financing Account (£111,547,000).

	<b>Total £000</b>
Balance brought forward at 1st April 2007	829,311
Capital Financing - usable capital receipts	7,444
- revenue contributions	2,894
- grants and contributions	21,486
Fixed Assets - impairments	(3,697)
- amounts written out on disposal	(1,283)
- depreciation	(7,694)
- deferred charges written down	(22,737)
Finance Lease - principal repaid	423
Loans to Schools - principal repaid	(35)
Balance carried forward at 31st March 2008	<u>826,112</u>

#### (c) Pensions Reserve

The underlying assets and liabilities for retirement benefits attributable to the council as at 31st March 2008 are as follows:

<b>2006-07 £000</b>		<b>Movement in 2007-08 £000</b>	<b>2007-08 £000</b>
321,846	Total market value of assets	19,373	341,219
(545,913)	Present value of scheme liabilities	54,274	(491,639)
<u>(224,067)</u>	Net Pension liability as at 31st March	<u>73,647</u>	<u>(150,420)</u>

## Notes to the Core Financial Statements

### 34 Detail of Movements on Reserves (cont'd)

#### (d) Usable Capital Receipts Reserve

This account includes capital receipts available from asset disposals, principal repayments, etc. to finance expenditure on fixed assets.

	<b>Total £000</b>
Balance brought forward at 1 April 2007	17,211
Amounts receivable in 2007/08	7,032
Amounts applied to finance new capital investments	(7,444)
Balance carried forward at 31 March 2008	<u>16,799</u>

#### (e) Deferred Capital Receipts

These mainly include loans to Housing Associations, etc. and receipts due from Broomleigh Housing association in respect of the sale of Council Houses. This account shows amounts to be paid on deferred terms and the balance is reduced each year by repayments made. Corresponding entries are included in Debtors (notes 25 and 28) and details of individual balances are shown below.

	<b>Total £000</b>
Balance brought forward at 1 April 2007	5,719
Loans advanced in 2007/08	450
Loans repaid in 2007/08	(3,840)
Balance carried forward at 31 March 2008	<u>2,329</u>

<b>2007 £000</b>		<b>2008 £000</b>
263	Sale of Council Houses	177
1,545	Housing Associations	1,523
214	Private House Purchasers	173
9	Private Street Work Frontagers	10
44	Loans to Employees (mainly Car Loans)	54
	Broomleigh Housing Association (Affinity Homes Group)	
3,644	- Sale of Council Houses	392
<u>5,719</u>		<u>2,329</u>

#### (f) General Fund

Full details are shown on the Statement of Movement on the General Fund Balance on page 38, which shows the split between the amount held by governors under schemes to finance schools and that generally available for future expenditure.

## Notes to the Core Financial Statements

### 34 Detail of Movements on Reserves (cont'd)

#### (g) Earmarked Reserves as at 31st March

Details of the net reduction of £1,320,000 on Earmarked Reserves is set out below :

2007 £000		Expenditure £000	Contributions £000	2008 £000
74	Adult Education	74	187	187
3,692	Insurance Fund	1,597	761	2,856
4,557	LPSA1 Reward Grant Investment Fund	1,176	143	3,524
-	LAA Pump Priming Grant	260	1,052	792
1,464	Technology Fund	-	82	1,546
1,107	Landfill Allowance Trading Scheme	1,615	508	-
483	Street Services Reinstatement Fund	-	-	483
437	Town Centre Improvement Fund	-	-	437
192	Ex Glaxo Land Maintenance	6	10	196
148	Partnership Fund	148	-	-
-	Building a Better Bromley Initiatives	-	162	162
-	Environmental Improvements	-	500	500
-	Community & Voluntary Sector Issues	-	150	150
12	Public Halls Fund	-	1	13
<u>12,166</u>		<u>4,876</u>	<u>3,556</u>	<u>10,846</u>

#### Notes on Earmarked Reserves

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

- Adult Education - as with schools, the Adult Education College is given their budgets to self manage. Any underspending on the budget remains at the disposal of the college.
- Insurance Fund - provides for the self-insurance of all losses up to a maximum in any year of £600,000 for material damage claims and £1,200,000 for Employers and Public Liability claims. External insurers are used to provide for losses in excess of these sums. In 2007/08 internal premiums of £500,000 were charged and interest earnings of £261,000 were received. Claims and other expenditure totalling £1,597,000 were met from the Fund.
- Local Public Service Agreement (LPSA) Reward Grant / LAA Pump-Priming Grant - During 2007/08 the council set aside the pump-priming grant received from Government to fund one-off initiatives supporting the council's priorities (£1,052,000). The LPSA reserve also benefited from a transfer of £143,000 on the closure of the former Partnership Fund. A provision of £250,000 was again included in 2007/08 for the potential repayment of reward grant to reflect a degree of uncertainty about some targets being met.
- Technology Fund - exists to provide resources to allow major computer investment within the Borough to help improve the efficiency of departments and provide more comprehensive information systems for Members, officers and the public.
- Landfill Allowance Trading Scheme (LATS) - further details are provided in note 27.
- Street Services Reinstatement Fund - sum received from NTL to provide for street services maintenance and reinstatement arising from indemnified works.
- Town Centre Improvement Fund - the Council has received a one-off grant of £437k through the Local Authority Business Growth Incentive Scheme which has been set aside to provide a contribution to the town centre development fund.

## Notes to the Core Financial Statements

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### **34 Detail of Movements on Reserves (cont'd)**

#### **(g) Earmarked Reserves as at 31st March (cont'd)**

##### **Notes on Earmarked Reserves**

- Ex Glaxo Land Maintenance - an endowment has been received for future maintenance of land conveyed to the London Borough of Bromley.
- Partnership Fund - this fund was closed in 2007/08 and, after allowing for funding of a Promoting Beckenham event, the balance of £143k has been transferred into the LPSA Reward Fund.
- Building a Better Bromley Initiatives - the council has received a further one-off grant of £162k through the Local Authority Business Growth Incentive Scheme which has been set aside for one-off spending initiatives.
- Environmental Improvements / Community & Voluntary Sector Issues -  
The council has set aside £650k for one off projects to address residents' priorities across the borough comprising £500k for local environmental issues (for example, improvements to highways or pathways) and £150k for community and voluntary sector issues.

### **35 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 2007/08 the Council has no contingent liabilities to be disclosed.

### **36 Post Balance Sheet Events**

This Statement of Accounts for 2007/08 was authorised for issue by the Director of Resources, Paul Dale, on 24th September 2008. The existence of post Balance Sheet Events has been considered up to this date and there are none to disclose.

## Notes to the Core Financial Statements

<b>37 Analysis of Government Grants</b>	<b>2006/07 £000</b>	<b>2007/08 £000</b>
<b>Revenue</b>		
Dedicated Schools Grant	156,417	165,628
Learning Skills Council - Sixth Form Direct Funding	23,160	24,800
Standards Fund Grant	15,176	13,460
School Standards Grant	6,754	8,479
Supporting People	5,489	5,649
General Sure Start (Childcare and Early Years) (Education Grant)	4,014	5,524
Access & Systems Capacity	2,859	2,848
Learning Skills Council - Other Education funding	2,478	1,847
Preserved Rights Grant (Adults & Older People)	1,797	1,673
Child Care Grants	1,313	1,618
Council Tax & Housing Benefits Administration	1,590	1,604
Landfill Allowances Trading Scheme - 2007/08 Allowances	1,077	994
Learning Skills Council - Adult Education Direct Funding	1,040	799
Care in the Community for Adults	972	1,048
Training Support Grant	781	760
Mental Illness	715	734
Waste Performance & Efficiency Grant	659	330
Delayed Discharges (Social Care)	524	524
Children's Fund (Education)	478	642
Asylum Seekers	574	635
Verification Framework - DWP Funding	370	373
Home Office Drug Action Team	309	432
Youth Justice Board	290	230
Planning Delivery Grant	271	475
Job Centre Plue - Set Up Grant	-	370
Fraud Prevention Grant	232	217
Higher Education Funding Council	226	235
Home Office - Community Safety	623	333
Connexions	-	579
Local Housing Allowance Implementation	-	210
Local Authority Business Growth Incentive Scheme	437	162
Local Public Service Agreement Reward Grant	-	2,562
Other Miscellaneous Grants	1,663	1,820
	<b>232,288</b>	<b>247,594</b>
<b>Capital</b>		
Transport for London	6,586	6,020
Children's Services- Formula Devolved Capital	4,849	5,086
- Modernisation Fund	1,410	2,869
- Building Schools for the Future	-	2,385
- National Grid for Learning	840	793
- Surestart - Children Centres	825	2,747
- Specialist Secondary Schools	200	100
- School Travel Plans	167	67
- Youth Capital Fund	144	144
Traveller Site Refurbishment	-	1,052
PCT - Learning Disabilities	-	1,245
New Opportunities Fund - PE & Sport in Schools	607	290
SE London Housing Partnership	-	677
LPSA Reward Grant	-	1,510
Other miscellaneous	1,330	1,311
	<b>16,958</b>	<b>26,296</b>

## Notes to the Core Financial Statements

### 38 The following analysis reconciles the net surplus/deficit on the Income & Expenditure Account to the Net Cash Flow on Revenue Activities :

	£000	£000
Net Deficit for the year	7,150	
Collection Fund (see page 74)	-	7,150
Adjustments :		
Depreciation and Impairment of Fixed Assets		(11,421)
Net Charges Made for Retirement Benefits in Accordance with FRS17		(23,031)
Employer's Contributions Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners		19,532
Government Grants Deferred Amortisation		21,517
Write Downs of Deferred Charges to be Financed from Capital Resources		(22,737)
Revenue Provision for Capital Financing		233
Contributions from funds		1,097
Interest earned, accounted for elsewhere		7,507
Movement in Current Assets and Liabilities		
Debtors (net of provisions)		(6,104)
Landfill Allowances		(1,101)
Stocks and works in progress		89
Creditors		(6,422)
Movement in other balances		
Provisions		3,858
Long Term Debtors		728
Long Term Borrowing - Transferred Services		78
Deferred Capital Receipts		3,241
Net Cash Flow on Revenue Activities		(5,786)

### 39 Reconciliation of items within Management of Liquid Resources and Financing

	Balance 31st March 2007 £000	Movement in Year £000	Balance 31st March 2008 £000
Short Term Investments	59,834	(24,842)	34,992
Temporary Borrowing	(1,864)	(3,382)	(5,246)

### 40 Reconciliation of movement in Cash to Movement in Net Worth

	Balance 31st March 2008 £000
Increase in Cash	(3,982)
Revaluation Reserve	15,353
Other	75,452
Movement in Balance Sheet Net Worth	86,823

## Notes to the Core Financial Statements

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### ***41 Disclosure of the Nature and Extent of Risk Arising from Financial Instruments***

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any debt exposure. As such, the key risks are in relation to financial assets and are:

- 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;
- Re-investment risk - the possibility that the Council might be requiring 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 rate movements.

### ***Overall Procedures for Managing Risk***

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- (i) by formally adopting the requirements of the Code of Practice
- (ii) by approving annually in advance prudential indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures of the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- (iii) by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved in January each year or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by the treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.



## Notes to the Core Financial Statements

### 41 Disclosure of the Nature and Extent of Risk Arising from Financial Instruments (cont'd)

#### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount (principal sum) at 31 March 2008 £'000	Historical experience of default %	Estimated maximum exposure to default £'000
	(a)	(b)	(a) * (b)
AA rated counterparties*	32,500	0.001%	0
A rated counterparties*	112,000	0.033%	37
	<u>144,500</u>		<u>37</u>

\* AAA - Highest credit quality, indicating strongest capacity for payment

AA - Very high credit quality, indicating very strong capacity for payment

A - High credit quality, indicating strong capacity for payment

The historical experience of default has been taken from Moody's, a Council's credit rating organisation used by the Council and applies to the period 1982 - 2005. Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. As a result of this high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

The Council has an investment with Northern rock plc, whose rating grade is A, and has been included in this category above. The bank is nationalised and so the rating is that applicable to Government borrowing (AAA). The nationalisation applies with a three month notice period for de-nationalisation and guarantees are currently in force for long standing deposits.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties.

The Council does not generally allow credit for its trade debtors, requiring immediate payment of invoices raised. Outstanding debt can be analysed by age as follows:

	£'000
Less than three months	5,682
Three to six months	874
Six months to one year	713
More than one year	463
	<u>7,732</u>

## Notes to the Core Financial Statements

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### 41 Disclosure of the Nature and Extent of Risk Arising from Financial Instruments (cont'd)

#### *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.

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. 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.

#### *Refinancing and Maturity Risk*

The Council maintains an investment portfolio. 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 prudential indicator limits 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.

The Council has no longer term financial liabilities. The maturity analysis of investments is as follows:

<b>Principal Sum Invested at 31/03/07 £000</b>		<b>Principal Sum Invested at 31/03/08 £000</b>
58,800	Less than one year	34,500
8,000	Between one and two years	73,500
40,500	Between two and three years	26,500
21,500	More than three years	10,000
<b>128,800</b>		<b>144,500</b>

# Notes to the Core Financial Statements

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## 41 Disclosure of the Nature and Extent of Risk Arising from Financial Instruments (cont'd)

### Market Risk

**Interest rate risk** - The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, 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 Income and Expenditure Account 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 Council's prudential 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 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.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>£000</b>
Increase in interest receivable on variable rate investments	(10)
Impact on Income and Expenditure Account	<u>(10)</u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 24(c) - Fair Value of Assets and Liabilities carried at Amortised Cost.

**Price Risk** - Excluding the pension fund, the Council does not hold any equity shares.

**Foreign Exchange Risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## THE COLLECTION FUND

This account reflects the statutory requirements for the London Borough of Bromley, as the billing authority, to maintain a separate Collection Fund, which shows the transactions in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the Authority.

	Notes	2006/07 £000	2007/08 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	139,428	146,980
Transfer from the General Fund for Council Tax benefit		15,267	15,646
Income collectable from Business Rate payers	(2)	71,742	73,095
		<u>226,437</u>	<u>235,721</u>
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		115,102	120,996
- Greater London Authority		38,110	40,240
Business Rates	(2)		
- Payments to National Pool		71,388	72,739
- Cost of Collection		354	356
Bad and Doubtful Debts / Appeals			
- Write offs		907	1,186
- Increase / (decrease) in bad debt provision		576	204
Contribution			
- Towards previous years surplus		-	-
		<u>226,437</u>	<u>235,721</u>
<b>Net Movement on Fund Balance</b>		<u>-</u>	<u>-</u>
<b>Fund Balance</b>			
Balance at 1st April		-	-
Net movement for year		-	-
Balance at 31st March - deficit / (surplus)		<u>-</u>	<u>-</u>

# THE COLLECTION FUND

## Notes to the Accounts

### 1 Council Tax Base

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

Band	Number of Properties	Multiplier	Band D Equivalent Dwellings
A	1,356	6/9	904
B	7,397	7/9	5,753
C	22,284	8/9	19,808
D	30,265	9/9	30,265
E	25,962	11/9	31,731
F	15,941	13/9	23,025
G	12,419	15/9	20,698
H	1,028	18/9	2,057
			<hr/>
			134,241
Allowance for MOD properties, changes in exemptions, discounts and number of properties			<hr/>
			196
			<hr/>
			134,437
Estimated Collection Rate			<hr/>
			98.50%
Council Tax Base 2007/08			<hr/>
			132,420

### 2 Business Rates

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

The total non-domestic rateable value at 31st December 2006 was assessed by the Government's District Valuer as £196,516,562. The national non-domestic multiplier for the year was 44.4p. The income collectable for the year of £73m is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory relief's as well as the part year effect of properties falling out / brought into rating during the year.

# TRUST FUNDS

## Introduction

The Council acts as trustee for the Trust Funds shown in the table below.

The funds are held by the Council largely to finance various prizes and grants for pupils and students. Brief details on each of the Trusts are also shown below.

The Trust Funds are not consolidated within the Council's main financial statements shown in the previous pages.

## Trust Funds as at 31st March 2008

Notes	31st March 2007 £'000	Receipts in Year £'000	Payments in Year £'000	31st March 2008 £'000
<b>Registered with the Charity Commission</b>				
1 Douglas Feltham Scholarship	9			9
2 Sutton Foundation	61	3		64
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
Total	84	3	0	87

## Notes

- Established in 1961 to provide an education scholarship to a boy resident in the Parish of
- Established in 1913 to assist children to pursue secondary or further education in the former District of Beckenham
- Established in 1920 to encourage and stimulate pupils in the Borough of Bromley to take an in their school work
- Established in 1881 for the promotion of secular education
- Established in 1978 to award a prize for special contributions to Marian Vian School
- Established in 1956 to provide awards to pupils on the roll of schools in the Chislehurst, Sidcup areas
- Established in 1964 to award a prize for outstanding service to Penge Secondary School for Boys

There are four other Trust Funds where the current value is less than £1,000 so are not included in the table above:

- 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
- 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
- C Dallaway & E Elson Memorial Prize which was established in 1962 to award prizes for science and literature to pupils at Rock Hills School
- 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 2008*

	<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 2007	( 272)	( 340)	( 612)
Movement in year on former LRB functions:			
Income	( 2)	( 525)	( 527)
Interest earnings on Fund balance	( 14)	( 34)	( 48)
Expenditure	26	26	52
Distribution (note 1)	2	525	527
Balance as at 31st March 2008	<u>( 260)</u>	<u>( 348)</u>	<u>( 608)</u>

### *Balance Sheet as at 31st March 2008*

<b>2007</b>		<b>2008</b>
<b>£000</b>		<b>£000</b>
	<b>Assets</b>	
1	Debtors	-
-	Less provision for bad debts	-
<u>1</u>		<u>-</u>
612	Cash	608
<u>613</u>		<u>608</u>
	<b>Liabilities</b>	
272	Fund 1	260
340	Fund 2	348
1	Creditors	-
<u>613</u>		<u>608</u>

### *Notes to accounts*

#### 1) *2007/08 Distribution*

In 2007/08 revenue receipts of £527,322 were received and distributed to London Boroughs on 31 March 2008. There were no capital receipts during 2007/08.

#### 2) *Fund 1*

Initial Fund set up in 1990 with a contribution of £2m from the LRB for properties transferred from LRB. Any surplus 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

<b>2006/07</b>		<b>PENSION FUND ACCOUNT</b>	<b>2007/08</b>	
£000	£000		£000	£000
		<b>Contributions &amp; similar payments</b>		
4,814		Contributions receivable - from employees	5,036	
19,695		- from employers	20,574	
2,893		Transfer values receivable	5,152	
	27,402			30,762
		<b>Benefits &amp; similar payments</b>		
(14,516)		Pensions payable	(15,798)	
(3,574)		Lump sum benefits payable	(4,660)	
(26)		Refunds of contributions	(29)	
(2,917)		Transfer values payable	(4,190)	
(536)		Administration & other scheme expenses	(454)	
	(21,569)			(25,131)
	5,833	<b>Net addition from dealings with Fund members</b>		5,631
		<b>Returns on investments</b>		
5,924		Investment income	5,898	
		Change in market value		
9,608		- realised investment gains/(losses)	7,990	
(6,488)		- unrealised investment gains/(losses)	(7,979)	
(621)		Investment management expenses	(877)	
	8,423	Net return on investments		5,032
	14,256	<b>Net Fund increase/(decrease) during year</b>		10,663
	336,760	Opening net assets		351,016
	351,016	<b>Closing net assets</b>		361,679
<b>31st March 2007</b>		<b>NET ASSETS STATEMENT</b>	<b>31st March 2008</b>	
£000	£000		£000	£000
37,951		Fixed interest Government securities - UK	41,184	
3,082		- overseas	15,095	
	41,033			56,279
9,415		Corporate bonds - UK	44,419	
0		- overseas	1,311	
	9,415			45,730
90,880		Equities - UK	85,870	
202,156		- overseas	163,132	
	293,036			249,002
	343,484			351,011
		<b>Current net assets/liabilities</b>		
305		- sundry debtors	293	
(92)		- sundry creditors	(101)	
	213			192
		<b>Cash temporarily invested</b>		
1,168		- internally	4,233	
6,151		- externally	6,243	
	7,319			10,476
	351,016	<b>Closing net assets</b>		361,679

The net assets statement includes all assets and liabilities of the fund as at 31st March 2008, but excludes long-term liabilities to pay pensions and benefits in future years.



# PENSION FUND

## Notes to the Accounts

### 1 General

These accounts comply with the recommendations of the CIPFA Code of Practice and the Statement of Recommended Practice (SORP), as applicable to local authorities. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 1997 and LGPS (Management and Investment of Funds) Regulations 1998, as amended, 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 General Purposes and Licensing Committee on 24th May 2006 and is published on the Council's web-site.

### 2 Administration Expenses

Pension fund administration expenses incurred by the Council and investment expenses, including fees paid to advisers, are charged to the fund as provided by the Local Government Pension Scheme Regulations 1997.

### 3 Debtors and Creditors

Debtors and Creditors are raised for all amounts outstanding at 31st March 2008.

### 4 Value Added Tax

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

### 5 Investment Transactions

Total investment transactions comprising sales of £83,069,000 and purchases of £90,790,000 took place in 2007/08.

### 6 Market Value of Investments

All investments are managed by external fund managers and all stocks are priced at the mid-point of the share index at the close of business on the last working day of the financial year. The market value of investments as at 31st March 2008 was:

Fidelity Institutional Asset Management Ltd	£151,287,000	(42.3%)
Baillie Gifford & Co	£161,974,000	(45.4%)
Credit Agricole Asset Management	£43,993,000	(12.3%)
Total	<u>£357,254,000</u>	

Stock market values have risen since 31st March 2008 and the total market value of the fund had increased to £366,798,000 as at 31st August 2008.

In May, the Council decided to terminate the agreement with Credit Agricole Asset Management with effect from 31st May 2008. Their fund holdings were distributed between the remaining two fund managers.

### 7 The Actuarial Position of the Fund

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 1997. The Fund's Actuaries, Barnett Waddingham LLP, carried out a full valuation of the Fund at 31st March 2007, when its solvency level was calculated at 81%, an increase of 15% since the 2004 valuation. The 2007 actuarial valuation set the level of employers contributions required to attain 100% solvency within 12 years. The employer's rate for the years ended 31st March 2009, 2010 and 2011 were set by the 2007 actuarial valuation at an average of 14.7% of pay. The 2007 valuation also specified that additional lump sum contributions of £8m, £8.3m and £8.6m should be made in the three years. The following economic assumptions were employed in calculating the contributions:

% per annum			% per annum		
Increases in earnings	.....	4.9	Investment return-equities	.....	7.6
General Inflation	.....	3.4	-gilts	.....	4.7
Increases in pensions	.....	3.4	-bonds	.....	5.4
			-discount rate.....		6.9

# PENSION FUND

Notes to the Accounts

## 8 Membership as at 31 March

	2007	2008
Employees	4,980	4,963
Pensioners	3,976	4,121
Deferred Pensioners	2,924	3,240

## 9 Monitoring of Fund Liabilities

The 1997 Regulations imposed a new responsibility on Bromley 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 2007/08 the total cost of early retirement on grounds of ill-health was around £90,000 above the actuary's assumptions, which will have a small adverse impact on the next valuation as at 31st March 2010.

## 10 Non London Borough of Bromley Contributors

During 2007/08, 28 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 foundation schools, which returned to Local Authority financial control in 1999/00. In 2007/08, the scheduled and admitted bodies contributed a total of £3.87m (£2.69m from employers and £1.18m from employees). The bodies are listed below :

### Scheduled Bodies - Foundation Schools

All Saints School (closed during 2007/08)  
 Beaverwood School  
 Bullers Wood School  
 Charles Darwin School  
 Coopers School  
 Crofton Junior School  
 Darrick Wood School  
 Hayes Primary School  
 Hayes School  
 Highfield Infants School  
 Highfield Junior School  
 Holy Innocents Primary School  
 Kelsey Park School  
 Kemnal Technology College  
 Langle Park Boys School  
 Langle Park Girls School

Newstead Wood School  
 Raglan School  
 Ravenswood School  
 St Mary's RC Primary School  
 St Olave's School  
 The Glebe Special School  
 The Priory School  
 The Ravensbourne School

### Scheduled Bodies - Other

Bishop Justus School  
 Bromley College  
 Orpington College  
 Ravensbourne College

### Admitted Bodies

Beckenham and District Mind  
 Bromley Mytime  
 Broomleigh Housing Association

## 11 Employer and Employee Contributions

The total employer and employee contributions in 2006/07 and 2007/08 are shown on the following table:

	2006/07 £000	2007/08 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley payroll	17,216	17,879
Foundation Schools	1,148	1,231
	<u>18,364</u>	<u>19,110</u>
Other scheduled bodies	900	1,042
Admitted bodies	431	422
	<u>19,695</u>	<u>20,574</u>
Employee Contributions		
L.B. Bromley part of Fund		
L.B.Bromley payroll	3,738	3,861
Foundation Schools	583	621
	<u>4,321</u>	<u>4,482</u>
Other scheduled bodies	352	419
Admitted bodies	141	135
	<u>4,814</u>	<u>5,036</u>

## PENSION FUND

### *Notes to the Accounts*

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#### **12 Additional Voluntary Contributions (AVCs)**

In accordance with Regulation 5 (2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1998, AVCs are not included in the Pension Fund accounts. AVCs are managed independently of the fund by specialist providers (Norwich Union and Equitable Life) and are invested separately on behalf of those members who elect to make AVCs. Members of the AVC scheme all received an annual statement to 31st March 2008 confirming the amounts held in their accounts and the movements in the year. In 2007/08, a total of £60,969 was paid by members (£72,234 in 2006/07) and the total value of AVCs as at 31st March 2008 was £1,569,992 (£1,635,396 as at 31st March 2007).

## **GLOSSARY OF TERMS**

### **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.

### **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 Requirement**

An amount calculated, in advance of each year. It is the authority's estimated net revenue expenditure allowing for movement in reserves. It is therefore, the estimate of the amount to be met from Formula Grant, GLA general grant and from council tax income.

### **Capital Adjustment Account**

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

### **Capital Charge**

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.

### **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 concept 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 on the occurrence or non-occurrence of one or more uncertain future events.

**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 pay their council tax.

**Current Asset**

An asset held which will be consumed or cease to have value within the next financial year; examples are stock 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 Pension Fund liabilities expected to arise from current year service.

**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.

**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.

**Deferred Charges**

Expenditure of a capital nature on assets over which the Council has no direct control.

**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 an asset due to the reduction in the useful economic life of a fixed asset, arising from use, passing of time or obsolescence through technological or other changes.

**Earmarked Reserves**

Reserves held by the council which are to be used for specified purposes.

**Emoluments**

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 either employer or employee are excluded.

**Expected Return on Assets**

The average rate of return expected over the remaining life of Pension Fund assets.

**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 Business Rates and Revenue Support Grant. There are no restrictions on what local government can spend it on. It makes up the largest part of Aggregate External Finance (AEF).

**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.

**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.

**Income and Expenditure Account**

The account which summarises revenue expenditure and income on all services in line with UK GAAP, showing whether the authority has fully used up the resources generated in the year. Other funds held by the Authority include a Collection Fund, Pension Fund and trust funds held for charitable purposes.

**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**

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. These represent expenditure of a capital nature where no fixed asset is created but which may properly be financed over a period of years, for example renovation grants. It is written down against revenue over appropriate periods.

**Investment Properties**

Interest in land and / or buildings, in respect of which construction work and development have been completed and which is held for its investment potential, any rental income being negotiated at arm's length.

**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.

**Minimum Revenue Provision**

The minimum amount that the Council must charge to the revenue account to provide for the repayment of debt.

**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 now 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.

**Pensions Interest Cost**

The expected increase in the present value of Pension Fund liabilities because benefits are due one year sooner.

**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.

**Provision**

An amount put 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.

**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**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

**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.

**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.



**RSG - Revenue Support Grant**

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.

**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.

**Statement of the Movement on the General Fund Balance**

A reconciliation statement showing how the net balance at the end of the Income and Expenditure Account relates to the statutory requirements for raising council tax. The Income and Expenditure Account and the Statement of the Movement on the General Fund Balance together show the movement on the General Fund balance.

**Statement of Total Recognised Gains and Losses**

A statement showing how the change in the net worth of the Authority shown on the Balance Sheet has arisen from the Income and Expenditure Account and other unrealised gains and losses.

**Taxbase**

The number of Band D equivalent properties in a local authority's area. An authority's taxbase 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.

If you have comments or would like further details about the Statement of Accounts, please write to the Chief Accountant, Resources Directorate, Bromley Council, Civic Centre, Stockwell Close, Bromley BR1 3UH.

Si vous avez des observations ou vous voudriez plus de renseignements sur l'État de compte, veuillez écrire au Chef de la comptabilité, Département des ressources, le Conseil municipal de Bromley, Centre Civique, Stockwell Close, Bromley BR1 3UH.

Eğer hesap yılı için hazırlanan Yıllık Rapor (Statement of Account) hakkında yorumlarınız varsa ya da daha ayrıntılı bilgi istiyorsanız lütfen muhasebe şefine yazınız. Adres: Chief Accountant, Resources Directorate, Bromley Council, Civic Centre, Stockwell Close, Bromley BR1 3UH.

Haddii aad wax ka oran lahayd ama aad jeclaan lahayd faah-faahin dheeraad ah oo ku saabsan Qoraal Xisaabeedkii (Statement of Accounts), fadlan qoraal u dir Madaxa Xisaabaadka, Agaasinka Ilaha dhaqaalaha (Resources Directorate), Degmada Bromley, Xarunta Waddaniyada (Civic Centre), Stockwell Close, Bromley BR1 3UH.

若你對 年帳目表有任何意見或想索取它的詳細內容，請寫信給

Chief Accountant (首席會計), Resources Directorate, Bromley Council, Civic Centre, Stockwell Close, Bromley BR1 3UH.

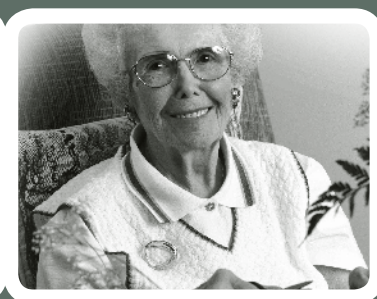
જો તમારે અકાઉન્ટના સ્ટેટમેન્ટ અંગે ટીકા (comments) કરવી હોય અથવા વધારે માહિતી જોઈતી હોય, તો મહેરબાની કરીને Chief Accountant ને આ સરનામે Resources Directorate, Bromley Council, Civic Centre, Stockwell Close, Bromley, BR1 3UH લખશો.

ਜੇ ਤੁਹਾਨੂੰ ਸਟੇਟਮੈਂਟ ਆਫ ਅਕਾਊਂਟਸ ਦੇ ਹੋਰ ਵੇਰਵਿਆਂ ਦੀ ਲੋੜ ਹੋਵੇ ਜਾਂ ਤੁਸੀਂ ਇਸ ਬਾਰੇ ਅਪਣੀ ਰਾਏ ਦੱਸਣੀ ਚਾਹਵੇ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਚੀਫ ਅਕਾਊਂਟੈਂਟ ਨੂੰ ਬਰੌਮਲੀ ਕੌਂਸਲ ਦੇ ਸਿਵਿਕ ਸੈਂਟਰ ਦੇ ਇਸ ਪਤੇ 'ਤੇ ਚਿੱਠੀ ਲਿਖੋ: Chief Accountant, Resources Directorate, Bromley Council, Civic Centre, Stockwell Close, Bromley BR1 3UH

আপনার যদি কোন মন্তব্য থাকে অথবা স্টেইটম্যান্ট অভ একাউন্টস সম্বন্ধে আরও বিষদভাবে জানতে চান, তাহলে পাশের ঠিকানায় লিখুন: Chief Accountant, Resources Directorate, Bromley Council, Civic Centre, Stockwell Close, Bromley BR1 3UH

إن كان لديك أي تعليقات أو أنك تريد مزيداً من التفاصيل عن كشف الحسابات فيرجى الكتابة إلى العنوان التالي :-

Chief Accountant, Resources Directorate, Bromley Council, Civic Centre, Stockwell Close, Bromley BR1 3UH



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