

London Borough of Bromley

Annual Report  
And  
Statement of Accounts

2006/07

# Contents

## **ANNUAL REPORT**

Foreword from the Leader of the Council	1
Building a Better Bromley Initiatives	2
Development Control Committee	8
Council Meetings / Contacting your local councillor	9
Getting it Right	10

## **STATUTORY STATEMENTS**

Approval of the Statement of Accounts	11
Director of Resources' Explanatory Foreword	12
Auditor's Report	17
Statement of Responsibilities	20
Statement on the System of Internal Control	21
Statement of Accounting Policies	27
Income and Expenditure Account	33
Statement of Movement on the General Fund Balance	34
Statement of Total Recognised Gains and Losses	35
Balance Sheet	36
Cash Flow Statement	37
Notes to the Core Financial Statements	39
The Collection Fund	67
Trust Funds	69
Former LRB Fund	70
Pension Fund	71
Glossary	74

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

Providing good quality, value-for-money services that meet our residents' needs is our top priority. Listening is crucial to planning what we do, and what local people told us mattered most to them for 2006/07 included:

- a safe and attractive environment
- more for young people to do
- good care and support for vulnerable people
- value for money and low council tax.

Here, we report on how we've listened and responded to these priorities including:

- helping to establish Safer Neighbourhood Panels in every ward to tackle local safety issues
- improving the effectiveness of street sweeping in residential areas and making our main shopping areas more attractive and accessible to all
- launching the Youth Opportunity Panel to give young people more choice and influence over activities and facilities in their area
- developing a range of schemes for people with learning disabilities as an alternative to residential care
- keeping our council tax the lowest in outer London, while maintaining your satisfaction levels with the way we provide services.

In addition to these improvements, and despite continued low levels of government funding, we have been awarded the highest possible four-star rating by the government's independent watchdog, and are now considered an 'excellent' council.

There are services we need to improve, so there is no room for complacency. In the coming year we aim to improve efficiency and better value-for-money. We'll continue to campaign for a fairer system of funding for Bromley. And we will continue to listen and respond to what matters most to our residents, as we look for ways to improve how we run our services and Build a Better Bromley.

Councillor Stephen Carr  
Leader of the Council

## **A Safer Bromley**

This year 22 Safer Neighbourhood Panels have been set up – one for each ward in the borough. The Panels are made up of local people, police and council representatives. They focus on the safety issues that really matter to residents in their local area.

### Safe and sound

The Safe and Sound campaign, a joint venture with our partners, has continued to tackle many of our residents top safety concerns. The problem of rowdy groups of people hanging around is often alcohol related. To help combat this we have worked with the police to set up new drinking control zones in Bromley and Penge. These have been so successful that we extended the zone in Bromley. We continue to enforce a strict licensing policy, and Trading Standards have run 25 operations to check that more than 150 licensed premises comply with the law and refuse underage sales. We have also helped to establish 13 dispersal zones. These enable the police to move on groups of people causing trouble.

New ‘envirocrime’ enforcement officers are patrolling our streets handing out fixed penalty notices to people who drop litter or conduct other antisocial acts that foul our streets. We have also begun multi-agency clean-up days which have seen rubbish cleared and graffiti removed. In addition to our seven-day-a-week graffiti removal service, our graffiti co-ordinator visits local schools warning children of the serious consequences of creating graffiti.

### Tackling antisocial behaviour

We seek Antisocial Behaviour Orders (ASBOs) from the courts to help curb the worst behaviour of a minority of people. Two of the six ASBOs imposed last year were breached, resulting in prison sentences. We also use Acceptable Behaviour Contracts (ABCs) where people sign up to mend their ways. 36 people have been helped to recognise the problem and agree to change their behaviour. Diversionary activities for those at risk of getting into trouble are another approach we have adopted. This year, we launched a pilot scheme with the Army Cadet Force for young people aged between 11 and 14 at risk of getting into trouble. Further schemes are planned next year.

### Keeping in the picture

We have spent £300,000 on upgrading our closed-circuit television (CCTV) control room, so that we can better monitor the images from our 160 cameras around the borough all day every day. This helps us keep an eye on the main town centres in the borough, while mobile CCTV apparatus allows us to target crime hot spots and take appropriate action. Last year, we had more than 700 visits to the control room to view and take footage as evidence.

## Violence in the home

The shocking truth is that 1,700 cases of domestic violence were reported in the borough last year, yet fewer than one in 10 resulted in conviction. We have employed two advocates to offer support to victims through the court process. The message is that there is no need to suffer in silence; we can help victims to fight back.

## **A Cleaner, Greener Bromley**

Together with local people we are recycling more, and now have one of the highest recycling rates in London. And together we're improving our streets and green spaces too. As well as reporting issues like graffiti to us, many residents have joined in community-based initiatives like friends groups who help manage our parks and open spaces.

### Increasing recycling

We have upgraded the Churchfields Road tip. The improvements reflect residents' comments and now make it easier for us to recycle more of what gets thrown away. For example, user-friendly ramps have been installed to make lifting items into the containers easier. Since facilities here and at Waldo Road were improved, there has been a 20 per cent increase in the amount of waste recycled at them.

Around 10,000 households have requested recycling boxes so they can fully participate in our Recycling for All scheme. We know many residents want to do more and we are looking at ways to further improve and expand our services, including piloting a weekly paper recycling service in parts of Bromley and Mottingham. Overall, our recycling rate has improved by 3 per cent from 2005/06, and now stands at over 30 per cent.

### Cleaner streets

We have increased street sweeping, particularly in busy areas like high streets. And, in direct response to residents' concerns, we have worked with our contractor to tackle the issue of cleaning residential streets where there are parked cars. Now, with prior warning, we temporarily close roads and lift vehicles where necessary so that we can clean under them and ensure a more thorough job.

### New park and study facilities

Last year we promised to build and open a new park near Bromley Common and construction is well underway. We have also upgraded the Norman Park athletics track from six to eight tracks. And the contract to build BEECHE, our new environmental education centre, has begun and is scheduled for completion later this year.

### Protecting our green spaces

Our revised local land use plan came into force after we complied with a government directive. It provides the statutory planning framework for the borough, and reaffirms our commitment to preserving the Green Belt and protecting against over-velopment.

### Tackling congestion

We have agreed 11 new work-based travel plans with local employers in addition to those already in place with schools. These aim to reduce the number of cars on the road and ease congestion hotspots by promoting other forms of transport. We have made improvements to roads served by key bus routes to help improve traffic flow. And we have taken legal action against utility companies who have carried out substandard road repairs.

### Green garden waste scheme extended

In direct response to requests from residents, we extended the opening season of our green garden waste scheme this year. So we composted more green garden waste than ever before, a record 1,360 tonnes. This was before the special, one-weekend-only winter collection in December, which we set up to take account of the late leaf fall. In January 2007, we changed the traditional Christmas tree recycling scheme to allow residents to dispose of other garden waste at the same time. Of course, whilst composting is good for the environment, home composting is even better, and almost 5,000 households took advantage of our compost bin give-away.

### **A Vibrant, Thriving Bromley**

Despite a challenging trading year nationally, our towns continue to attract retail investment, with an extension to The Glades due for completion in 2008 and top-name shops opening in Nugent Retail Park, Orpington. Although there has been a high turnover of shops, many in centres such as West Wickham and Biggin Hill have been taken over by well-known supermarket chains. Redevelopment of Station Road car park in Orpington by Tesco has also begun. In all, a great sign that the borough remains a thriving place for business.

Our commitment to making our towns more vibrant and competitive continues. We have introduced more attractions, including: continental markets across the borough; a family fun day and international market in Beckenham; and a temporary ice-skating rink over the Christmas period in Bromley. Alongside steps to make town centres safer, these activities enticed more visitors to enjoy our shops, restaurants, cinemas and theatres.

## Planning for the future

An overall vision for Bromley town centre, identifying a planning framework to maximise development opportunities over the next 15 years, is moving forward. Already two council owned sites have been marketed to test developer interest, including the potential for a new cinema complex. More than £1m of improvements have been made to the southern end of the High Street. We've listened to local stakeholders in Beckenham, and have made improvements to the appearance of the high street, including removing unnecessary signs and painting posts and fences. Lighting in the Village Way car park has also been upgraded. A 'makeover' for Beckenham Green, including heritage lighting, new pathways, seating and a new town sign, is now complete, with new landscaping planned for the autumn.

Having asked what residents do and don't like about Orpington town centre, we have appointed consultants to develop a masterplan to guide improvements to the town. Meanwhile, a temporary car parking scheme has been installed to ensure businesses, visitors and local residents continue to use the town during the redevelopment of Station Road car park, which began in February 2007. It will be about two years before the new store and car park open.

## **Supporting Independence**

When people need care because of disability, age, ill health or mental health needs, we work hard to make sure our services help them maintain dignity and choice in their life.

### A choice of care

Direct Payments is a way of giving people control over their own care budgets, and the number of people using these has increased by 21 per cent in 2006/07. Meanwhile, our Staying Put scheme helps people remain in their own homes through improvements and adaptations to their accommodation, along with schemes to provide essential equipment such as bath aids, specialist beds and walking frames.

If someone moves into residential care, we want them to maintain their dignity and independence for as long as possible. We have transferred management of our six residential care homes this year and 95 per cent of people are now given a single room rather than a shared one, up from 73 per cent in 2003/04.

### Learning disability services

We increased spending on learning disability services by £1.6m last year and are working hard to modernise these services. We want people with care needs to have the same choices about how they live their lives as their families, friends and neighbours.

We launched the Bromley Scheme for Adult Placement, aimed at those with learning disabilities, at adults with mental health needs or physical disabilities, and at older people. It places them with host families for long-term, short-term or respite care. The scheme can also be a stepping-stone for a young person with learning disabilities towards moving away from home and gaining independence.

We also launched two new Keyring schemes that give people with learning disabilities the opportunity to live independently with support and help. The schemes have featured in a BBC documentary, and already 19 people have moved into them. Another Keyring scheme is planned.

We are determined to improve the employment opportunities of people with learning disabilities. By the end of the year, 87 people were involved in a social business developed with the Shaw Trust charity, up from the 35 places available the previous year. And we have opened a learning disability unit at our Cotmandene Crescent community shop, where users are able to shop for lunch, cook and socialise, as well as work in the heart of the community.

### Working together for you

We know we can't improve care services alone, and working with our health partners and others is very important to us. We are trying out a new way of working by putting district managers and nurses in the same team. Together, we can step in early where there's a problem and cut waiting times for care assessments, so we can quickly provide a good care package.

### A place to live

Becoming homeless can be devastating. 68 per cent of people who said they were at risk have been helped to keep their homes over the last year. But homelessness, waiting lists and the supply of affordable housing are still serious concerns. We are working with landlords and developing innovative schemes to help people understand their options and improve the advice and information available.

### **Children matter**

The way we provide services for children and young people across the borough has changed. We are working more closely than ever with our partners, as well as getting our council services working together, to improve the lives of all children in the borough.

### Empowering young people

This year we launched the Youth Opportunity Fund and Youth Capital Fund, giving young people a central role as decision makers, grant givers, project leaders and participants in developing opportunities for young people in Bromley. We are working closely with them and our partners to ensure that all young people, including those in the most disadvantaged areas and hard-to-reach groups, benefit from the funds. In addition, we started a mobile youth café. The van visits different places in the borough and provides a safe, secure and alcohol-free point for young people to meet, relax and socialise.

### Extending services

Following the launch of The Priory in Orpington as our first extended school, we continue to work with our partners to extend the range of services available to local communities in this way. These include: wider community access to ICT, sports and arts facilities; a variety of after-school activities for children and young people; access to high quality childcare; parenting support such as family learning sessions; and swift and easy referral to specialist support services.

### Flagship special school

Work continues on developing a new flagship school for those with special needs. It will provide better facilities and address the educational needs of an increasing number of pupils with more complex difficulties and disabilities. A new head teacher has been appointed and the school is due to open in September 2007.

### Making admissions easier

The Choice Advisor Service was introduced this year. Working in partnership with others, we provide independent, impartial advice and support to parents and carers making a secondary school application for their child – in particular for those with poor literacy or complex social and emotional problems, or non-English speakers. Meanwhile, e-admissions joined the growing number of online services to become available via our website, providing a new way for parents and carers to apply for a school place. Academic standards in the borough remain high.

### Building for the future

Pupils at Langley Park School for Boys will benefit from better facilities thanks to a significant redevelopment totalling £30m. This will include improvements to science and sport provision and also create better social space. This will improve after-school education and adult classes too. The rebuild is due for completion in September 2009, with new facilities becoming available as they are completed.

## **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 859 complaints about alleged unauthorised development and breaches in planning law.
- Making over 50 new tree preservation orders bringing the borough total to over 2200.
- Encouraging good design through the Architectural Panel, Advisory Panel for Conservation Areas and the Building Design Awards Scheme.
- Adopting the new Unitary Development Plan on 20<sup>th</sup> July 2006 so it is the Council's primary statement of planning policy.
- Responding to the government's agenda for change in planning including developing the Local Development Framework (LDF).
- Adopting a Statement of Community Involvement in September 2006 which included two periods of consultation with over 1000 businesses, organisations and individuals.

The Government recognised the improvements made in the Council's handling of development control planning applications and consequently awarded £195,553 for the Development Control element of the Planning Development Grant (PDG) which was the third best performance in London.

## **COUNCIL MEETINGS**

Over 300 meetings were held during 2006/07, 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 9 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) 8313 4745. 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 and Democratic 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 and Democratic 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**

Bromley Council is committed to serving the people of the Borough in the best possible way, but recognises that there are times when people may not be happy with the service they receive. We welcome complaints and suggestions on how services can be improved, and compliments on a job well done.

We aim to provide our services fairly to all members of the community. We wish to know if people feel that they have been treated unfairly because of, for example, race, gender, age, disability, marital status, sexuality, political or religious belief, class or because of where they live.

We want it to be as easy as possible for members of the public to give us their comments. Help, if needed, is available from staff, voluntary agencies, or local councillors. Names, addresses and telephone numbers of local councillors are available on our website, at any Council enquiry point or library or by phoning (020) 8464 3333 ext 7818 or 7819. Comments, complaints and suggestions can be given by using the Getting it Right form, by letter, in person, over the phone, by e-mail, by fax or by going to “Complaints, Comments and Suggestions” on the Council’s website at [www.bromley.gov.uk](http://www.bromley.gov.uk).

We deal with complaints through a simple three-stage procedure:

- Usually, the best people to deal with a complaint are those who provide the service. They should be contacted first. They will try to sort out the problem as quickly as possible. Mistakes and misunderstandings can often be sorted out on the spot. A reply should be received within five working days. If the complaint is very complicated, it may take longer, but members of the public will be told if that is the case and who is dealing with the complaint.
- If the member of the public is not satisfied with the outcome of stage 1, they can take the matter further by contacting a senior officer in the department, who will investigate the complaint.
- If a complainant is still unhappy after the stage 2 investigation, they can contact the Chief Executive.

We are keen to be given the chance 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 at The Oaks No. 2, Westwood Way, Westwood Business Park, Coventry CV4 8JB. Telephone: 024 7669 599, website: [www.lgo.org.uk](http://www.lgo.org.uk).

The Council produces an Annual Report called Getting it Right. It provides information and statistics about the feedback we have received. Copies are available at Council enquiry points or by ringing (020) 8464 3333.

In 2006/07 around 3,500 complaints were received by the Council, which represents a decrease from the previous twelve months period. There were 72 complaints referred to the Local Ombudsman but in none of these was maladministration found.

## APPROVAL OF THE STATEMENT OF ACCOUNTS

---

I hereby confirm that the Statement of Accounts for the year ending 31 March 2007, as signed by the Director of Resources on the 20th June 2007, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 27th June 2007.

A handwritten signature in black ink that reads "Tony Owen". The signature is written in a cursive style with a horizontal line underneath the name.

Councillor Tony Owen  
Chairman of the General Purposes and Licensing Committee  
27th June 2007

# DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

---

## ***Introduction***

I am pleased to introduce the Council's Statement of Accounts for 2006/07. These statements summarise the financial performance of the Council during 2006/07 showing expenditure on all services during the year and the financial position at 31<sup>st</sup> March 2007.

## ***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. A glossary of terms is included at the back of this document.

## ***Financial Statements***

It is also worth noting that the form of the main statements has changed significantly for 2006/07 in line with the 2006 SORP. These changes are being made to bring local authority accounts more in line with the principles of *UK Generally Accepted Accounting Principles (UK GAAP)*, which apply to most organisations required to produce accounting statements.

The main change is that Consolidated Revenue Account and the Statement of Total Movement in Reserves is being replaced by the following statements:

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses

The Consolidated Revenue Account had two roles: to set out the Council's financial performance for the year and to determine the net expenditure to be charged against council tax in the year. These purposes have now been separated in the new statements, as described below.

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

Statement on the System of Internal Control - 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.

## DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

---

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).

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.

### ***Prior Year Adjustments***

The 2006 Code of Practice has also introduced new accounting policies that have a significant impact on the Council's statement of Accounts. These are:

- Gains and losses on the disposal of fixed assets are now recognised in the Income and Expenditure Account.
- Capital financing costs, as measured by notional interest on capital employed, are no longer charged to individual services. Service Revenue Accounts within the Net Cost of Service in the Income and Expenditure Account are now only charged with depreciation to reflect their use of fixed assets with a finite life.
- Government Grants deferred – capital grants which are amortised to services to offset the depreciation on the asset concerned are now credited to services rather than treated as an item of general capital income.

The 2005/06 comparative figures have been restated to reflect these changes in accounting policies as explained in note 1 of the Notes to the Core Financial Statements.

## DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

---

### *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	174.9	172.7	(2.2)
Funded by:			
Grant and Council Tax	(171.4)	(171.4)	0
Utilisation of General Reserves:			
To support the Revenue Budget	3.5	1.3	(2.2)
To support the Capital Programme	0	0	0
Net Contribution to Earmarked Reserves		1.4	1.4
2005/06 underspends carried forward		0.9	0.9
Total call on General Reserves	3.5	3.6	0.1

In 2006/07 the Council used £3.6m of General Reserves compared to the £3.5m planned when the budget for the year was set. Due to the level of capital receipts anticipated the Council did not plan to use any general reserves to support the capital programme in 2006/07.

### *Revenue Summary*

Overall the Council's net revenue expenditure was £2.2m less than budgeted, a variation of 1.2%. Within this small underspend the main variation related to interest income on revenue balances which was higher than expected. This was offset by a variety of minor other variances. In addition the Council was also able to take a decision to take any income for landfill permits not required to a reserve rather than treat them as revenue income. Given the uncertainty around the value of these permits this has reduced the risk to the Council's financial position.

The Council was able to make a net contribution to Earmarked Reserves of £1.4m. This was in respect of the LPSA Reward Fund which represents the reward grant received as a result of successfully meeting the Council's targets in the first Local Public Service Agreement (LPSA). This is the second and final year in which such grant will be received. The reserve will be used to fund one-off initiatives in support of the Council's priorities.

Overall Earmarked Reserves increased by £4.9m in 2006/07. Other than the LPSA Reward Fund the most significant movement was a £2.5m increase in relation to schools.

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

Further details of the variations in 2006/07 were reported to the Council's Executive on the 18<sup>th</sup> June 2007 and is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

### *Capital Summary*

Capital expenditure totalled £28.6m compared to planned expenditure of £31.7m 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 55).

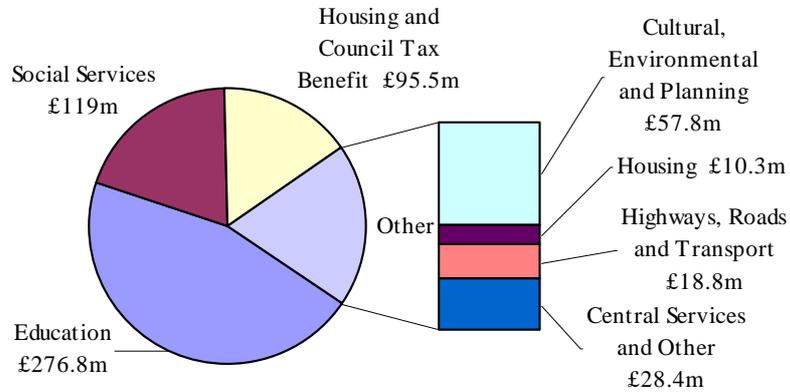
The Council generated significant capital receipts of £24.5m in 2006/07. This is higher than the level usually generated in recent years and is due to the sale of a significant asset. During the year £8m of receipts were applied to finance capital expenditure.

Further information can be found in the Capital Programme Outturn report to the Executive on 18<sup>th</sup> June 2007 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

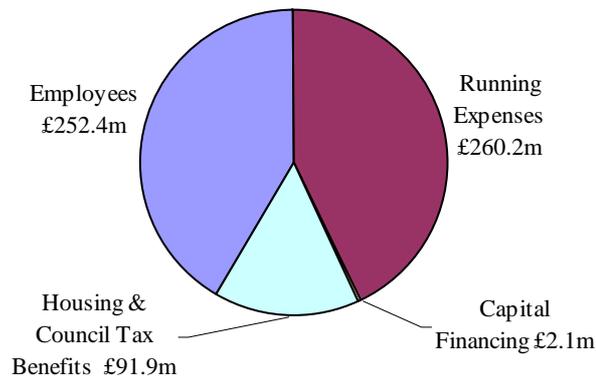
# DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

---

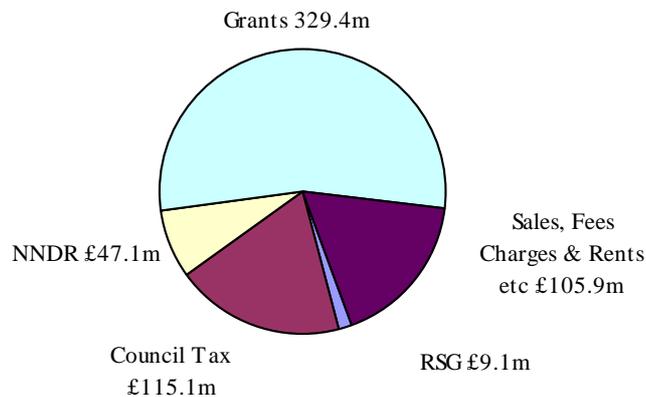
## Services Provided - £606.6m



## Gross Expenditure - £606.6m



## Gross Income £606.6m



## **DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD**

---

All of the capital programme has been financed without the need to raise loans and the Council remains debt free in respect of its own capital investment. However, during 2005/06 the Council took over a lease entered into by one of its schools. In line with accounting practice this has been recognised as long term borrowing on the Balance Sheet.

At the year end the Council held significant investments of £128.8m. 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 2006/07 the net assets of the Pension Fund increased by some £14.2m. This was due to a £8.4m return on investments and the fact that contributions were greater than benefits paid and other expenses (£5.8m).

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 45). 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:

Chief Accountant  
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

---

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

### **Opinion on the financial statements**

We have audited the financial statements and pension fund accounts of the London Borough of Bromley for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the 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 financial statements have been prepared under the accounting policies set out within them.

This report is made solely to 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 Chief Finance Officer and auditors***

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements 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 financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- The financial position of the Authority and its income and expenditure for the year; and
- The financial transactions of its 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 statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. We report if it does not comply with proper practices specified by CIPFA 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 statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

### ***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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

## AUDITOR'S REPORT (cont.)

---

### *Opinion*

In our opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority at 31 March 2007 and its income and expenditure for the year then ended; and
- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007 and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, 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*

*28 September 2007*

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

#### *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.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;

## AUDITOR'S REPORT *(cont.)*

---

- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **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 2007.

### **Best Value Performance Plan**

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 December 2006. 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 28 September 2007*

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

---

## *The Authority's Responsibilities*

The Authority is required:

- \* to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of 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 31 March 2007.

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 27 to 79 represent the true position of the Authority as at 31 March 2007 and its income and expenditure for the year ended.



P. Dale  
Director of Resources  
20 June 2007

# STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

---

## **Statement on Internal Control 2006/07**

This statement is provided for the use of Bromley Council in support of its Statement on Internal Control (required under Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended during 2006).

### **Scope of Responsibility**

Bromley is responsible for ensuring 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 functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromley is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of Bromley's functions and which includes arrangements for the management of risk.

### **The Purpose of the System of Internal Control**

The system of internal control is designed to manage rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process which is designed to identify and prioritise the risks to the achievement of Bromley's policies, aims and objectives. It also evaluates the likelihood of those risks being realised and the impact should they be realised as well as managing them efficiently, effectively and economically.

The system of internal control has been in place at Bromley for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

### **The Internal Control Environment**

The internal control environment encompasses all the organisation's policies, procedures and operations in place. At Bromley the system of control 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.

# STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

---

## 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 2006/07 this contained the Leader and eight Executive members. Seven majority members of the Executive were responsible for their portfolios. Each portfolio holder annually outlines their aims over the coming three years, what they will be doing towards achieving their goals and their performance targets.

## Formulation of policies and decision making

Policy and decision-making are managed and controlled within a strong well-established framework. The Council's written constitution sets out in detail how the council operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. 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 at 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.

# STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

---

## 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.

## **Review of Effectiveness**

Bromley has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- the work of internal auditors;
- comments made by the external auditors;
- senior managers within the authority with responsibility for the internal control environment;
- the work of the Risk Management Group;
- other review agencies and inspectorates.

## 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.

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.

# STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

---

## 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.

Strategic and Annual Audit Plans are used to map out the cyclical coverage of fundamental financial systems and other audits. These plans are based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance (CIPFA) Code of Practice for Internal Audit in Local Government. The effectiveness 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.

## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

---

### External Audit

Last year the external auditors in their assessment of Bromley's use of resources scored the Council 3 out of 4 for each of the 5 aspects that go to make up the overall judgement detailed below:

<i>Element of the audit</i>	<i>Latest score</i>
<i>Financial reporting</i>	<i>3 out of 4</i>
<i>Financial Management</i>	<i>3 out of 4</i>
<i>Financial Standing</i>	<i>3 out of 4</i>
<i>Internal Control</i>	<i>3 out of 4</i>
<i>Value for Money</i>	<i>3 out of 4</i>

3 = consistently above minimum requirements – performing well

### **External Inspections**

There have been no Audit Commission inspections published during 2006/07 although their overall judgement, under the 2006 Comprehensive Performance Assessment, is that the Council has robust internal control and governance arrangements.

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

#### **Commission for Social Care Inspection - Adult Social Care Services**

Rated as two star out of three and 'serving most adults well with promising capacity to improve'.

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

Rated as Good (level 3), with the Council meeting 5 of the 12 performance measures where the Department had set a Standard and 52 of the 65 enablers.

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

#### **Ethical governance audit**

This audit was carried out by external audit and the results have been reported to the Standards Committee.

# STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

---

## Significant Internal Control issues

In 2006/07 a number of control issues have been identified as a result of the Internal Audit work undertaken in the year. Improvement points and action plans have been agreed for all these areas and scrutiny will be maintained to ensure that all priority control weaknesses are fully addressed by management.

In addition, as part of the assessment of controls each Chief Officer has signed a statement giving assurance on the level of controls with areas of improvement. This process was based on an assessment of key controls within Departments.

Although no new significant control weakness have been identified for 2006/07, the issues in previous years remain as those which will require ongoing monitoring, namely:

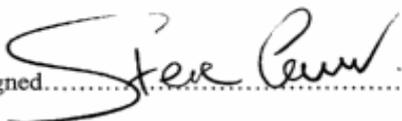
- 1) Embedding a risk management process throughout the Council
- 2) Full implementation of the procurement strategy
- 3) Greater and consistent use of sound programme and project management disciplines for large scale projects
- 4) Business continuity plans

Although continuing progress has been made on all of the above, further work remains before these control issues can be reported as fully implemented. Arrangements for managing significant business risks need further work. Specifically, a detailed review of partnership / contractual risks needs to be completed and management training made available to all elected members targeted to relevant members initially. The procurement strategy is being implemented. Project and Programme management are still areas for further development, however the approved standards are being implemented across the Council. There is an approved continuity plan in place as required by civil contingencies legislation, and work continues on developing service continuity plans.

Signed 

Chief Executive

Date 23/5/07

Signed 

Leader of the Council

Date 23.5.07

# STATEMENT OF ACCOUNTING POLICIES

---

## **1 General Principles**

These accounts have been prepared in accordance with the requirements of the Accounts and Audit Regulations 2003 and the principles adopted are those recommended by the Chartered Institute of Public Finance and Accountancy within the *Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice* (the SORP).

## **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 in the year to to which it relates, on a basis that reflects the overall effect of the loan or investment.
- 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 57).
- 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 34 on page 59.

## **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 35 on pages 60 and 62.

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*

---

## **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, these amounts are not material in the context of the Statement of Accounts.

## **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 2006*. 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 Department for Children, Schools and Families (DCSF).
- The Local Government Pensions Scheme, administered by the council itself under national regulations.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified 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 45 to 47.

# STATEMENT OF ACCOUNTING POLICIES

## *Continued*

---

### *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 5.2%.

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 on the Movement in 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 2007.

## **11 Deferred Charges**

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. 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 Financing 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.

## STATEMENT OF ACCOUNTING POLICIES

### *Continued*

---

#### *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 October 2006 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 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.

The initial surpluses that arose from the revaluation of Bromley's fixed assets when revised capital arrangements were introduced in 1994/95 were credited to the fixed asset restatement account. Revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations are adjusted as they occur. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise the unrealised gains.

#### *Impairment*

The value of assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment 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 Fixed Asset Restatement Account. In 2006/07 Bromley had no impairment losses.

# STATEMENT OF ACCOUNTING POLICIES

*Continued*

---

## *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). A proportion of housing capital receipts are 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.

## *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.

## **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.
- 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 in the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account.

# STATEMENT OF ACCOUNTING POLICIES

*Continued*

---

## **14 Capital Reserves**

There are three capital reserves in the consolidated balance sheet:

- the Fixed Asset Restatement Account, which principally represents the movement in asset values arising from the original and periodic revaluation of fixed assets;
- the Capital Financing Account, which represents amounts applied from revenue resources and capital receipts to finance expenditure on fixed assets and certain other capital financing transactions;
- 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 will be used 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 Investments**

Investments are generally shown at cost in the Balance Sheet. However where the value of the investment is below cost, a provision is made for the unrealised loss. This provision is netted off the investment value. All investments which mature within 12 months of the balance sheet date are shown as short term investments.

## 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.

2005/06 Net Expenditure (Restated) £000	Service	Notes	2006/07 Gross Expenditure £000	2006/07 Gross Income £000	2006/07 Net Expenditure £000
1,239	Central services to the public	1	4,217	(2,478)	1,739
31,912	Cultural, environmental and planning services	1 & 2	43,195	(7,131)	36,064
12,900	Refuse collection and disposal	1	18,186	(4,736)	13,450
151,719	Education services	1, 3 & 4	286,925	(271,084)	15,841
4,582	Highways, roads and transport services	1	21,939	(17,747)	4,192
4,629	Housing services	1	11,842	(7,965)	3,877
2,589	Benefits	1	95,640	(93,058)	2,582
88,167	Social services	1 & 5	123,139	(28,249)	94,890
7,031	Corporate and democratic core	1 & 6	6,890	-	6,890
1,268	Non distributed costs	1 & 7	527	-	527
<b>306,036</b>	<b>Net Cost of Services</b>	8 to 13	<b>612,500</b>	<b>(432,448)</b>	<b>180,052</b>
(184)	Gain on the disposal of fixed assets	1 & 14			(7,044)
(2,572)	Deficits / (surpluses) on trading undertakings	1 & 15			(2,232)
20	Interest payable and similar charges	1 & 16			62
71	Contribution of housing capital receipts to government pool	17			43
(4,923)	Interest and investment income				(6,160)
7,643	Pensions interest cost and expected return on pensions assets	13			5,353
(35)	Distribution of ex LRB balances	18			(23)
2,006	Levies by other authorities				1,954
<b>308,062</b>	<b>Net Operating Expenditure</b>				<b>172,005</b>
(110,108)	Demand on the collection fund				(115,102)
(101,925)	General government grants	1 & 4			(12,758)
(99,348)	Non-domestic rates redistribution	4			(47,159)
<b>(3,319)</b>	<b>Surplus for the Year</b>				<b>(3,014)</b>

## 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>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
(3,319)	Surplus for the year on the Income and Expenditure Account	(3,014)
2,613	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 19)	4,159
(706)	(Increase)/Reduction in General Fund Balance for the Year	1,145
(55,946)	General Fund Balance brought forward	(56,652)
(56,652)	General Fund Balance carried forward	(55,507)
(10,812)	Amount of General Fund Balance held by governors under schemes to finance school	(13,275)
(45,840)	Amount of General Fund Balance generally available for new expenditure	(42,232)
(56,652)		(55,507)

## 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>2005/06</b>		<b>2006/07</b>
<b>£000</b>		<b>£000</b>
(3,319)	Surplus for the year on the Income and Expenditure Account	(3,014)
(76,230)	Surplus arising on revaluation of fixed assets (note 35a)	(32,167)
(6,454)	Actuarial (gains)/losses on pension fund assets and liabilities (note 13e)	11,908
(721)	Other movements (see note 20)	(148)
<u>(86,724)</u>	Total recognised gains for the year	<u>(23,421)</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.

2005-2006 £000	Notes	£000	2006-2007 £000
<b>Revenue Activities</b>			
<i>Cash Outflows</i>			
240,753	Cash paid to and on behalf of employees	252,429	
238,932	Other operating costs	256,032	
71,725	Housing Benefit	75,247	
66,226	National non-domestic rate payments to pool	70,777	
33,442	Precepts	38,110	
<u>651,078</u>			692,595
<i>Cash Inflows</i>			
(7,597)	Rents	(7,136)	
(129,975)	Council Tax income	(137,636)	
(99,348)	National non-domestic rate payments from pool	(47,159)	
(68,582)	Non-domestic rate income	(70,161)	
(97,934)	Revenue support grant	(9,103)	
(85,538)	Government grant towards Housing and Council Tax benefit	(91,740)	
(76,393)	Other Government grants	38 (232,288)	
(96,593)	Cash received for goods and services	(98,873)	
<u>(661,960)</u>			(694,096)
(10,882)	<b>Net Cash Flow on Revenue Activities</b>	<b>39</b>	(1,501)
<b>Servicing of Finance</b>			
<i>Cash Inflows</i>			
(5,338)	Interest received		(6,633)
<b>Capital Activities</b>			
<i>Cash Outflows</i>			
11,056	Purchase of fixed assets	12,097	
-	Purchase of Long Term Investments	-	
21,461	Deferred Charges	15,484	
<u>32,517</u>			27,581
<i>Cash Inflows</i>			
(1,273)	Sale of fixed assets	(20,967)	
(28,630)	Capital grants received	38 (16,958)	
(9,999)	Sale of Long Term Investments	(10,001)	
(280)	Other capital receipts	(4,211)	
<u>(40,182)</u>			(52,137)
<u>(23,885)</u>	<b>Net Cash Outflow before Financing c/f</b>		(32,690)

## CASH FLOW STATEMENT

---

(23,885)	<i>Net Cash Outflow before Financing b/f</i>		(32,690)
	<b>Management of Liquid Resources</b>		
-	Decrease (Cr) in short term deposits		-
	<b>Financing</b>		
	<i>Cash Outflows</i>		
10,800	New short term investments	35,500	
10,052	Repayment of amounts borrowed	-	
	<i>Cash Inflows</i>		
-	Repayment of short term investments	-	
-	New short term Loans Raised	(9)	35,491
<u>(3,033)</u>	<b>Decrease / (Increase) in cash</b>	<b>40 &amp; 41</b>	<u>2,801</u>

## Notes to the Core Financial Statements

### 1 Explanation of prior period adjustments - Income and Expenditure Account

In the 2006/07 Statement of Accounts, Bromley has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure (I & E) Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- gains and losses on the disposal of fixed assets are recognised in the I&E Account.

In addition, past-service contributions and payments to pensioners (previously included in Non Distributed Costs) are now shown in the Statement of Movement on the General Fund Balance and LPSA Reward Grant is now identified as a general grant.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only changed figures are included below).

	CRA in 2005/06 Statement of Accounts £000	Relocation of government grants deferred credits £000	Relocation of gains and losses on fixed asset disposals £000	Relocation of Pension Costs £000	Relocation of LPSA Reward Grant £000	Restated 2005/06 CRA in I&E Account £000
Central services to the public	1,289	(50)	-	-	-	1,239
Cultural, environmental & planning	38,058	(5,866)	(280)	-	-	31,912
Refuse Collection and Disposal	12,933	(33)	-	-	-	12,900
Education services	187,324	(15,570)	(20,035)	-	-	151,719
Highways, roads & transport	13,313	(3,271)	(5,460)	-	-	4,582
Housing services	4,830	(68)	(133)	-	-	4,629
Benefits	2,618	(29)	-	-	-	2,589
Social Services	89,735	(1,568)	-	-	-	88,167
Corporate and Democratic Core	7,176	(145)	-	-	-	7,031
Non Distributed Costs	10,824	(2)	-	-	(9,554)	1,268
<b>Net Cost of Services</b>	<b>368,100</b>	<b>(26,602)</b>	<b>(25,908)</b>	<b>0</b>	<b>(9,554)</b>	<b>306,036</b>
Trading undertakings	(301)	(2,271)	-	-	-	(2,572)
LPSA Reward Grant	(1,356)	-	-	-	1,356	0
(Gain)/Loss on disposal of fixed assets	-	-	-	(184)	-	(184)
AMRA (interest payable & similar charges in 6/7) *	(35,298)	28,873	32	-	-	(6,393)
<b>Net Operating Expenditure</b>	<b>331,145</b>	<b>0</b>	<b>(25,876)</b>	<b>(184)</b>	<b>(9,554)</b>	<b>296,887</b>
General government grants	(97,934)	-	(2,635)	-	-	(101,925)
	<b>233,211</b>	<b>0</b>	<b>(28,511)</b>	<b>(184)</b>	<b>(9,554)</b>	<b>194,962</b>

\* From 2006/07, the Asset Management Revenue Account no longer exists and the revised balance shown above is now included in the 2005/06 accounts as follows:

I&E Account - interest payable and similar charges	£000
Statement of Movement on General Fund Balance	20
- Depreciation of fixed assets (reversal of amount in Net Cost of Services)	(6,503)
- Amortisation of Government Grants Deferred	32
- Voluntary revenue provision for capital financing	58
	<u>(6,393)</u>

## Notes to the Core Financial Statements

---

### 2 *Building Regulations Charging Account*

With effect from the 1st April 1999 local authorities are required to publish the nature, turnover and surplus/deficit resulting from chargeable Building Control services.

<b>Chargeable 2005/06 £000</b>		<b>Non-chargeable 2006/07 £000</b>	<b>Chargeable 2006/07 £000</b>
	<b>Expenditure</b>		
628	Employees	242	655
45	Premises	21	57
30	Transport	12	32
77	Office Expenses	40	108
131	Central and support service charges	49	133
<u>911</u>		<u>364</u>	<u>985</u>
	<b>Income</b>		
(982)	Building regulations charges		(1,118)
(22)	Miscellaneous income		(21)
<u>(1,004)</u>			<u>(1,139)</u>
<u>(93)</u>	<b>Surplus for the Year</b>		<u>(154)</u>

The non-chargeable expenditure relates to work carried out internal to the London Borough of Bromley and building regulations in respect of work on behalf of disabled clients. The surplus on the Building Regulations Charging Account is credited to the General Fund.

### 3 *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 £741,200 as at 31st March 2007. Further repayments of £423,542 and £317,658 will be made in 2007/08 and 2008/09 respectively.

### 4 *Dedicated Schools Grant*

For 2006/07, the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the council's overall Revenue Support Grant. In 2006/07, the council has received a specific grant - the Dedicated Schools Grant. £155.5m has therefore been credited against the Education service outturn in the Income and Expenditure Account that would previously have been treated as part of Revenue Support Grant in corporate income. The difference between the 2006/07 figures and comparative figures for 2005/06 for these two lines is substantially explained by this change.

## Notes to the Core Financial Statements

### 4 Dedicated Schools Grant (continued)

The Council's expenditure on schools is funded by grant provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of pupil related services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately.

#### Schools Budget funded by Dedicated Schools Grant

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s	Notes
Original grant allocation to Schools Budget for the current year in the Authority's budget	21,020	136,294	157,314	(a)
Adjustment to finalised grant allocation	(897)	-	(897)	(b)
Additional funding delegated to Schools in-year	(71)	71	-	
DSG receivable for the year	20,052	136,365	156,417	
Actual expenditure for the Year	19,731	136,365	156,096	
(Over)/Underspend for the year	321	0	321	
Underspend from prior year	603	-	603	(c)
(Over)/Underspend carried forward to 2007/08	924	0	924	(d)

- (a) The DSG grant allocation and matching 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 DfES limit at its meeting on 22 February 2006.
- (b) The Department for Children, Schools and Families may update its initial DSG allocation after the start of the financial year. As a result Bromley's grant was reduced by £897,000, mainly due to a reduction in the number of three and four year olds in the data underlying the grant allocations.
- (c) The Council's Executive authorised the carry forward of unspent 2005/06 budgets into 2006/07 these items relate to schools Budget expenditure.
- (d) Overall there was an underspend of £924,000 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 2007/08. DSG is treated as applied when it is delegated to schools as their budget shares.

## Notes to the Core Financial Statements

### 5 Pooled Budgets

There are two pooled budgets with Bromley PCT which operate under Section 31 of the Health Act 1999 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.

2005/06			2006/07	
Learning Disabilities	Integrated Community Equipment Store		Learning Disabilities	Integrated Community Equipment Store
£000	£000		£000	£000
		<b>Income</b>		
787	151	Bromley PCT contribution	807	146
303	-	Learning Disabilities Development Fund	222	-
2,858	679	London Borough of Bromley contribution	2,717	740
200	-	Other income	225	-
<b>4,148</b>	<b>830</b>	<b>Gross Income</b>	<b>3,971</b>	<b>886</b>
		<b>Expenditure</b>		
4,148	-	Learning disabilities day services	4,077	-
-	830	Occupational therapy equipment store		886
<b>4,148</b>	<b>830</b>	<b>Gross Expenditure</b>	<b>4,077</b>	<b>886</b>
<b>-</b>	<b>-</b>	<b>Surplus (-) / deficit for the year</b>	<b>106</b>	<b>-</b>

The deficit in 2006/07 on the Learning Disabilities pooled budget has been funded by LBB.

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:

2005/06			2006/07	
Mental Health Services			Mental Health Services	
£000			£000	
		<b>Income</b>		
17,504		Oxleas NHS Foundation Trust contribution	17,063	
1,520		London Borough of Bromley contribution	1,519	
-		Other income	-	
<b>19,024</b>		<b>Gross Income</b>	<b>18,582</b>	
		<b>Expenditure</b>		
19,017		Mental Health Functions	18,648	
<b>19,017</b>		<b>Gross Expenditure</b>	<b>18,648</b>	
<b>(7)</b>		<b>Surplus (-) / deficit for the year</b>	<b>66</b>	

The deficit in 2006/07 on the Mental Health pooled budget has been funded by Oxleas.

### 6 Members' Allowances

The total of Members' Allowances paid during the year was £922,469 (£875,702 in 2005/06).

## Notes to the Core Financial Statements

### 7 Non Distributed Costs

The Best Value Accounting Code of Practice requires past service pensions costs and settlements / curtailments be charged to non-distributed costs. Past service pensions contributions, which are made to reduce the pension fund deficit over time, and payments to pensioners in respect of discretionary benefits awarded are charged to the SMGFB. This approach was agreed on the basis that pensions costs relating to past service contributions are in no sense part of the cost of the current service and that charging them to services would distort spending comparisons.

In 2006/07 Non Distributed Costs included £259,000 (the sum specified by the Council's actuary in the FRS17 valuation as at 31st March 2007) and additional costs relating to the Teachers' scheme.

### 8 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 2006 £	Service	Income £	Expenditure £	31 March 2007 £
<b><u>Revenue</u></b>				
376	Highway Improvement works	23	7	392
87	CCTV	-	-	87
109	Road safety schemes	-	2	107
-	Local economy & Town Centres	225	179	46
76	Biggin Hill Heritage Centre	-	-	76
44	Parking	-	-	44
-	Education	17	-	17
-	Healthcare Services	12	-	12
10	Community use	-	-	10
7	Other	-	-	7
<u>709</u>		<u>277</u>	<u>188</u>	<u>798</u>
<b><u>Capital</u></b>				
400	Local economy & Town Centres	481	-	881
-	Education	495	-	495
55	Housing	2,803	-	2,858
-	Healthcare Services	66	-	66
-	Community use	12	-	12
<u>455</u>		<u>3,857</u>	<u>-</u>	<u>4,312</u>
<u>1,164</u>		<u>4,134</u>	<u>188</u>	<u>5,110</u>

### 9 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.

2005/06 £000		2006/07 £000
474	Provision of Press and Public Relations Service	333
605	Recruitment Advertising	353
222	Other Expenditure (publications, leaflets, bulletins, etc.)	221
<u>1,301</u>		<u>907</u>

## Notes to the Core Financial Statements

### 10 Officers Emoluments

The Accounts and Audit Regulations (2003) require disclosure of the number of employees whose remuneration is above £50,000.

2005/2006 Number of Employees	Annual Remuneration	2006/2007 Number of Employees
115	£50,000-£59,999	142
35	£60,000-£69,999	49
17	£70,000-£79,999	12
7	£80,000-£89,999	12
5	£90,000-£99,999	8
4	£100,000-£109,999	5
2	£110,000-£119,999	2
-	£120,000-£129,999	-
-	£130,000-£139,999	-
1	£140,000-£149,999	1

### 11 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 2006/07, LBB paid £2.9m to Mission Care for services to these clients.
- Councillor Carr was a Non - Executive Director of the Bromley Primary Care Trust which coordinates the services people need from their General Practitioners, Dentists, Pharmacists and Opticians. In 2006/07 the Council spent £1.3m with the organisation.
- Councillor W. Huntington-Thresher is a board member of Broomleigh Housing Association (Affinity Homes Group) to which Bromley paid £4.2m in 2006/07.
- 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 2006/07.

### 12 Audit Costs

This statement provides an estimate of the audit fees relating to the audit of the 2006/07 accounts. These fees are analysed as follows:

2005/06 £000		2006/07 £000
234	Fees payable to Baker Tilly with regard to external audit services carried out by the appointed auditor (including Whole of Government Accounts)	240
19	Fees payable to the Audit Commission in respect of statutory inspection and NFI fee	142
120	Fees payable to Baker Tilly for the certification of grant claims and returns	100
<u>373</u>		<u>482</u>

## 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 2007, prepared by the Council's actuary, Barnett Waddingham LLP.

	2005/06 £000	2006/07 £000
Past service cost (the increase in the present value of scheme liabilities arising in the current year from previous years' service)	113	-
Curtailements (reduction in expected years/accrual of defined benefit of future service)	194	259
Current service cost ( the increase in the present value of scheme liabilities expected to arise from current year service)	13,123	16,470
Total included in Net Cost of Services	<u>13,430</u>	<u>16,729</u>
Pensions interest cost (the expected increase in the present value of scheme liabilities because benefits are due one year sooner)	23,517	25,442
Expected return on assets (the average rate of return expected over the remaining life of the scheme assets)	(15,874)	(20,089)
Total included in Net Operating Expenditure	<u>21,073</u>	<u>22,082</u>

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 2007, are as follows:

	31 March 2006 £000	31 March 2007 £000
Estimated liabilities in scheme	(517,651)	(545,913)
Estimated assets in scheme	308,799	321,846
Net Liability	<u>(208,852)</u>	<u>(224,067)</u>

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, the Council plans that the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary.

## 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 2004. Since then, the actuary has prepared FRS17 valuation reports each year. The main financial assumptions used as at 31st March 2006 and 2007 were:

	31 March 2006	31 March 2007
	%pa	%pa
Inflation Rate	3.0	3.3
Discount rate (pre and post retirement)	4.9	5.2
Expected rate of salary increases	4.8	5.1
Rate of increases in pensions and deferred pensions	3.0	3.3

Recent changes to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Our actuary has assumed that 50% of employees retiring after this date will take advantage of this change and estimates that this will reduce the valuation of their liabilities by around 3.5%. Further changes to the Scheme, relating to the payment of benefits and the Rule of 85, only affect benefits accruing 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 £349.6m for the whole Fund as at 31st March 2007 (£336.3m as at 31st March 2006). The Fund's assets consist of the following categories, by proportion of the assets held by the Fund.

	Long-term return	31 March 2006	31 March 2007
	%	%	%
Equity investments	7.1	83	84
Bonds	4.9	15	14
Other assets	5.0	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 2006/07 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 2006 SORP, figures are provided for the current year and for the previous four accounting periods.

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£000	%	£000	%	£000	%	£000	%	£000	%
Actual less expected return on assets	(57,000)	(33.9)	24,488	11.8	4,265	1.8	54,717	17.7	(11,908)	(3.7)
Changes in assumptions on present value of liabilities	-	-	-	-	(88,080)	(19.9)	(48,263)	-9.3	-	-
Gains and losses on liabilities	-	-	-	-	4,615	1.0	-	-	-	-
Total	<u>(57,000)</u>		<u>24,488</u>		<u>(79,200)</u>		<u>6,454</u>		<u>(11,908)</u>	

## Notes to the Core Financial Statements

---

### *13 Disclosure of information about retirement benefits - continued*

#### *(f) Bromley Employees*

During 2006/07 Bromley paid into the Pension Fund a total contribution of £18,364,000, including a past deficit contribution of £9,590,000 (31.3% of total pensionable pay), which represents no change in percentage terms from the 2005/06 contribution. The underlying contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The increase in 2006/07 incorporates the results of the last 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.

#### *(g) Teachers*

Teachers employed by the authority are members of the Teachers' Pension Scheme. It provides teachers with defined benefits upon their retirement and the authority makes contributions towards the costs based on a percentage of members' pensionable salaries.

In 2006/07 Bromley paid £5,146,000 to the Department for Children, Schools and Families in respect of teachers' pension costs, which represented 13.6% of teachers' pensionable pay. In addition, Bromley is responsible for all pension payments relating to added years it has awarded. No payments relating to added years were made in 2006/07.

## Notes to the Core Financial Statements

### 14 Loss / (gain) on disposal of fixed assets

From 2006/07, 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 2005/06 and 2006/07 accounts are shown below.

	2005/06 £000	2006/07 £000
Income & Expenditure Account		
- asset disposal proceeds	(834)	(21,010)
- carrying value of fixed assets	650	13,966
	<u>(184)</u>	<u>(7,044)</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.

### 15 Surplus on Trading Operations

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

2005/06 £000		Notes	2006/07 £000
(2,616)	Properties Held for Investment	(1)	(2,196)
7	Markets	(2)	36
(49)	Biggin Hill Airport	(3)	(72)
85	Promotion and Design	(4)	0
<u>(2,573)</u>			<u>(2,232)</u>

- (1) Covers the revenue activities relating to the group of fixed assets identified on the Balance Sheet under note 1. 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.
- (4) Promotion and Design offers an in-house graphic design service for all Council printed literature and the arranging of printing. Some web design for Bromley Knowledge (the Council's internet site) is also carried out.

### 16 Interest payable and similar charges

Before 2006/07, the Council was required to charge interest payable to an Asset Management Revenue Account (AMRA) that was merged into the Consolidated Revenue Account. Changes in accounting treatment in 2006/07 have resulted in the removal of the AMRA and its replacement by a specific new line relating to 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 (£20,000 in 2005/06 and £62,000 in 2006/07).

## Notes to the Core Financial Statements

---

### ***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 £71,000 and £43,000 were made into the pool in 2005/06 and 2006/07 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 2006/07. Bromley's share of the distribution was £22,969.

## Notes to the Core Financial Statements

### 19 Note of reconciling items for the Statement of Movement on the General Fund Balance

2005/06 £000		Notes	2006/07 £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>			
(6,503)	Depreciation and impairment of fixed assets	(a)	(7,284)
28,543	Government Grants Deferred	(b)	18,374
(22,733)	Write downs of deferred charges to be financed from capital resources	(c)	(15,594)
184	Net gain / (loss) on sale of fixed assets	(d)	7,044
(21,073)	Net charges made for retirement benefits in accordance with FRS17	(e)	(22,082)
<u>(21,582)</u>			<u>(19,542)</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>			
-	Minimum revenue provision for capital financing	(f)	47
3,057	Capital expenditure charged in-year to the General Fund Balance	(g)	1,700
(71)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(h)	(43)
17,398	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	(e)	18,775
<u>20,384</u>			<u>20,479</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>			
58	Voluntary revenue provision for capital financing	(f)	296
3,753	Net transfer to or from earmarked reserves	(i)	2,926
<u>3,811</u>			<u>3,222</u>
<u>2,613</u>			<u>4,159</u>

## Notes to the Core Financial Statements

---

### **19 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 charged to the Net Cost of Services in the Income & Expenditure Account are reversed out of the I&E Account here to ensure that there is no charge to the General Fund. A total of £7,284,000 was charged for depreciation in 2006/07 (£6,503,000 in 2005/06). The methodology for charging depreciation is outlined in the Statement of Accounting Policies. There was no impairment of assets in 2005/06 and 2006/07.

#### **(b) Government grants deferred**

From 2006/07, credits for government grants deferred are posted to the Income & Expenditure Account rather than being credited as a corporate income item. Credits allocated to the Net Cost of Services (£31,000 in 2006/07 and £32,000 in 2005/06) represent the release of depreciation on government grants received to services using relevant assets. Government grants of £18,343,000 (£28,511,000 in 2005/06) are also shown in the I & E Account. Where grants can be identified to specific services, they are shown in the Net Cost of Services (£16,510,000 in 2006/07 and £25,876,000 in 2005/06). Otherwise they are included under 'General Government Grants' (£1,833,000 in 2006/07 and £2,635,000 in 2005/06). The entries are reversed out of the I & E Account in the SMGFB 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 2006/07, £15,594,000 was charged to the Net Cost of Services, compared to £22,733,000 in 2005/06.

#### **(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 at the beginning of the year. Bromley's only debt as at 1st April 2006 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 2006 (£1,165,000) = £47,000

In practice, however, the revised lease allows for the Council to repay significantly more than this and, accordingly, a voluntary revenue provision of £296,000 was also set aside in 2006/07, 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 £1,700,000 in 2006/07 (£2,832,000 in 2005/06). 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

---

### 19 Note of reconciling items for the Statement of Movement on the General Fund Balance - continued

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

2005/06 £000		2006/07 £000
0	Net contribution to / (from) Adult Education	(8)
2,584	Net contribution to / (from) LPSA Reward Grant	1,973
892	Net contribution to / (from) Landfill Allowance Trading Scheme	215
273	Interest to Insurance Fund	260
68	Net contribution to / (from) Technology Fund	71
	Net contribution to / (from) Town Centre Improvement Fund	437
(2)	Net contribution to / (from) other reserves	(8)
(62)	Net contribution to / (from) Partnership Fund	(14)
<u>3,753</u>		<u>2,926</u>

### 20 Other movements on the Statement of Total Recognised Gains & Losses

2005/06 £000		2006/07 £000
477	Transfer from insurance reserve	520
(1,052)	Deferred credits	(375)
(48)	Ravensbourne lease income	(190)
(98)	Repayment of transferred college debt	(103)
<u>(721)</u>		<u>(148)</u>

## Notes to the Core Financial Statements

### 21 Explanation of prior period adjustments - Balance Sheet

Bromley has also made some presentational changes on the Balance Sheet in line with the 2006 SORP:

- The Government Grants Deferred Account has been removed from the Total Equity section of the balance sheet and now appears under Long Term Liabilities.
- The Contributions and Government Grants Receivable Account has also been removed from the Total Equity section and now appears within Creditors and Receipts in Advance under Current Liabilities.
- The Liability to DEFRA for Landfill Usage has been removed from the Long Term Liabilities section and now appears under Current Liabilities.
- Revenue Reserves have been split between the General Fund Balance and Earmarked Reserves.

In addition, the treatment of Council Tax and NNDR arrears has been reviewed together with the provision for potential repayment of Housing & Council Tax Benefit subsidy resulting in re-allocations between Debtors, Receipts in Advance and Provisions.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only changed figures are included below).

	Balance Sheet in 2005/06 Statement of Accounts £000	Govt. Grants Deferred £000	Conts. & Govt Grants Receivable £000	Liability for Landfill Usage £000	Council Tax / NNDR / Housing Benefits £000	Revenue Reserves £000	Restated 2005/06 Balance Sheet £000	Overall Move- ment in Equity £000
<b>Current Assets</b>								
Debtors and Payments in Advance	30,684				1,636		32,320	
<b>Current Liabilities</b>								
Creditors and Receipts in Advance	(52,661)		(680)		(843)		(54,184)	
Liability to DEFRA for Landfill Usage	0			(1,158)			(1,158)	
<b>Long Term Liabilities</b>								
Government Grants Deferred	0	(1,235)					(1,235)	
Provisions	(10,356)			1,158	(793)		(9,991)	
<b>Total Assets less Liabilities</b>	<b>(32,333)</b>	<b>(1,235)</b>	<b>(680)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(34,248)</b>	<b>(1,915)</b>
<b>Equity</b>								
Government Grants Deferred	(1,235)	1,235					0	
Conts. & Government Grants Receivable	(680)		680				0	
Revenue Reserves	(66,412)					66,412	0	
General Fund Balance	0					(56,652)	(56,652)	
Earmarked Reserves	0					(9,760)	(9,760)	
<b>Total Equity</b>	<b>(68,327)</b>	<b>1,235</b>	<b>680</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(66,412)</b>	<b>1,915</b>

## Notes to the Core Financial Statements

### 22 Fixed Assets

The movements in fixed assets during the year were:

Balance at 31.3.06 £000		Revaluations & Restatements * £000	Additions £000	Depreciation £000	Disposals £000	Balance at 31.3.07 £000
652,041	Land & Buildings	27,331	1,190	(5,178)	(13,966)	661,418
104	Vehicles	17	83	(19)		185
28,253	Furniture & Equipment	136	671	-		29,060
1,830	Community Assets	(14)	-	(76)		1,740
643	Feasibility Studies	-	16	-		659
56,082	Infrastructure Assets	(124)	7,351	(2,011)		61,298
67,229	Investment Properties	4,821	-	-		72,050
1,636	Assets under Construction	-	4,163	-	(953)	4,846
<b>807,818</b>		<b>32,167</b>	<b>13,474</b>	<b>(7,284)</b>	<b>(14,919)</b>	<b>831,256</b>

\* details regarding the basis of fixed asset valuation are set out in the Statement of Accounting Policies.

Fixed Assets owned by the Council include the following:

	Number as at 31.3.06	Number as at 31.3.07	Range of estimated useful lives (Years)
<b>Operational Buildings</b>			
Civic Centre	1	1	82
Other Offices	5	5	26-58
Primary Schools	57	56	54-94
Secondary Schools	1	1	64
Special Schools/Units	6	6	14-84
Social Services - Homes & Day Centres	28	27	54-94
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	6	6	54-94
Libraries	15	15	53-94
Golf Courses	3	3	7-30
Churchill Theatre	1	1	86
Cemeteries	7	7	7-74
Surface Car Parks	31	31	20
Multi-Storey Car Parks	5	4	4-84
Public Conveniences	23	23	64-94
<b>Investment Properties</b>			
Investment Properties	189	185	n/a
Surplus Properties	9	11	n/a
Agricultural Properties	17	16	n/a
Biggin Hill Airport	1	1	n/a
<b>Operational Equipment</b>			
Vehicles	17	18	5-10
<b>Infrastructure Assets</b>			
Road (Kilometres)	877.6	878.6	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

The total Capital Expenditure of £28,598,000 in 2006/07 (£33,454,000 in 2005/06) was financed as follows:-

	<b>2005/06</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
Usable Capital receipts	1,539	7,961
Government Grants	28,803	18,937
Other Grants & Contributions	280	-
Revenue Contributions	2,832	1,700
General Fund	-	-
	<u>33,454</u>	<u>28,598</u>

### Capital Commitments

As at 31st March 2007, the Council was committed to expenditure on capital projects relating to works, fees, grants and contributions totalling approximately £7.1 million. Major projects include the following:

	<b>£000</b>
Post- 16 Infrastructure - improvements to Secondary Schools	3,177
SEN phase 2 - Glebe Special School	681
IT improvements - financial systems upgrade/new server room	1,055
Station Road Car Park - miscellaneous works	603
The BEECHE centre at high Elms	468
Other Schemes	1,105
	<u>7,089</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.

### 23 Deferred Charges

In Bromley deferred charges are written out of the accounts through the Income & Expenditure Account as and when payments (expenditure) are made. The SORP requires capital accounts to be prepared on a full accruals basis (ie. all capital accruals / creditors have to be financed in-year). As a result, all expenditure on deferred charges (including accruals) is written out to revenue.

	<b>£000</b>	<b>£000</b>
<b>Balance as at 31st March 2006</b>		-
<b>Expenditure</b>		
Renovation Grants / Mortgages	749	
Other Deferred Charges	<u>14,845</u>	
		15,594
<b>Amounts written out</b>		
Renovation Grants / Mortgages	(749)	
Other Deferred Charges	<u>(14,845)</u>	
		(15,594)
<b>Balance as at 31st March 2007</b>		<u>-</u>

The figure for Other Deferred Charges represents capital expenditure incurred during 2006/07 that adds no value to fixed assets on the balance sheet. This mainly comprises of improvements/maintenance works to education premises (£9.7m), capitalised IT system developments (£2.0m), works to Council properties, including asbestos removal (£1.5m), capitalised maintenance works at Leisure Centres and Parks (£0.9m) and other schemes £0.7m).

## Notes to the Core Financial Statements

### 24 Investments as at 31st March

2006 £000		2007 £000
	<i>Long Term Investments (1 year and over to maturity)</i>	
10	Government Stock	9
41,500	Banks	35,500
38,500	Building Societies	34,500
<u>80,010</u>		<u>70,009</u>
	<i>Short Term Investments (up to 364 days to maturity)</i>	
23,300	Banks	39,800
-	Building Societies	19,000
<u>23,300</u>		<u>58,800</u>
<u>103,310</u>		<u>128,809</u>

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

2006 £000		2007 £000
	<i>Mortgages</i>	
4,859	Loans to Housing Associations #	1,545
346	Loans to Council House Purchasers	263
233	Loans to Private House Purchasers	214
<u>5,438</u>		<u>2,022</u>
	<i>Others</i>	
3,279	Broomleigh Housing Association (Affinity Homes Group) Property Transfer	
176	- Sale of Council Houses *	-
864	- Deferred Interest Earnings	-
864	Loans for Miscellaneous Advances	1,091
228	Loans for Transferred Services	126
9	Loans to Private Street Work Frontagers	9
<u>4,556</u>		<u>1,226</u>
<u>9,994</u>		<u>3,248</u>

# The reduction in the balance for Housing Associations is mainly the result of a significant repayment of a loan by an organisation.

\* Under the Housing Stock Transfer agreement concluded with Broomleigh Housing Association (Affinity Homes Group) in 1992, the Council receives a proportion of the income from the sale of Council Houses every three years. A deferred credit of £3.644m is included in the Balance Sheet as at 31 March 2007 (as shown in note 35(d)), representing the accrued income due for the three years 2004-2007 which is not receivable until 2007/08. As this deferred credit is due to be paid in 2007/08 it has been treated as a debt due within one year and included within short term debtors (see note 28).

## Notes to the Core Financial Statements

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

2006 £000		2007 £000
	<i>Stocks</i>	
115	Road Salt	110
21	Highways and Street Lighting Equipment	21
8	Other	9
<u>144</u>		<u>140</u>
	<i>Works in Progress</i>	
129	Highways	178
18	Building Maintenance	19
<u>147</u>		<u>197</u>
<u>291</u>		<u>337</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 2006/07 Bromley was allocated allowances valued at £1.077m, in excess of the £0.469m required to match the actual use of landfill. In addition, the remaining balance of unused allowances from 2005/06 has been valued at £0.499m. Given the uncertainty over the value of the allowances held above those required, the Council has decided to reflect this in an earmarked reserve, shown in note 35.

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

2006 Net £000		Gross £000	Bad Debt Provision £000	2007 Net £000
	<i>Debtors</i>			
9,744	Government	12,092	-	12,092
2,274	Local Authorities	2,238	-	2,238
3,174	Accrued Interest from Investments	2,814	-	2,814
4,343	Council Tax	13,038	8,330	4,708
975	NNDR	1,128	765	363
-	Broomleigh Housing Association* (Affinity Homes Group)	3,966	-	3,966
8,105	General Debtors	<u>20,244</u>	<u>6,193</u>	<u>14,051</u>
<u>28,615</u>		<u>55,520</u>	<u>15,288</u>	<u>40,232</u>
3,705	<i>Payments in Advance</i>			3,249
<u>32,320</u>				<u>43,481</u>

\* See note 25.

## Notes to the Core Financial Statements

### 29 Short Term Borrowing (Temporary Loans)

Balance at 31.3.06 £000		Loans Raised £000	Loans Repaid £000	Balance at 31.3.07 £000
609	Pension Fund	559	-	1,168
1,173	ex-LRB Fund	-	561	612
73	Trust Funds	11	-	84
<u>1,855</u>		<u>570</u>	<u>561</u>	<u>1,864</u>

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

2006 £000		2007 £000
	<b>Creditors</b>	
4,431	Government	5,049
3,420	Local Authorities	2,374
1,335	Council Tax	1,245
4,181	NNDR	4,091
28,949	General creditors	37,852
<u>42,316</u>		<u>50,611</u>
	<b>Receipts in Advance</b>	
2,311	Government	3,558
225	Local Authorities	68
2,360	Council Tax	2,506
1,309	NNDR	1,416
5,663	Other	7,765
<u>11,868</u>		<u>15,313</u>
<u>54,184</u>		<u>65,924</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 31.3.06 £000		Balance at 31.3.07 £000
(23,862)	Bank Balance	(29,868)
19,123	Schools Balances	22,320
50	Cash in Hand	58
<u>(4,689)</u>	Cash Overdrawn	<u>(7,490)</u>

### 32 Long Term Borrowing

2006 £000		2007 £000
1,165	Long Term Lease (a)	741
228	Transferred Services	126
<u>1,393</u>		<u>867</u>

- (a) During 2005/06 the Council took over a lease entered into by the Ravensbourne School. In accordance with SSAP 21 this is recognised as a long term liability in the Balance Sheet. Of the sum outstanding, £423,542 is repayable in 2007/08 and the remaining £317,658 is payable in 2008/09.

## Notes to the Core Financial Statements

### 33 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 £32,000 in 2007/08). Further details are included in note 19(b).

### 34 Provisions at 31st March

2006 £000		Movement in 2006/07		2007 £000
		Expenditure £000	Income £000	
5,003	Income Support (a)	-	-	5,003
1,201	Unsettled Insurance Claims (b)	860	961	1,302
1,029	Section 117 (c)	19	-	1,010
793	Housing & Council Tax Benefit (d)	296	900	1,397
1,965	Other (e)		298	2,263
<u>9,991</u>		<u>1,175</u>	<u>2,159</u>	<u>10,975</u>

- (a) Income Support has been received for some residents in homes for the elderly. Subject to Counsel's opinion, it is uncertain as to whether these monies can be retained by the Local Authority or whether they are to be repaid to the DWP.
- (b) This provision represents the estimated potential cost of insurance claims received but not settled by the Council as at 31st March 2007 (696 claims with a total estimate of £1,301,874).
- (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 £19k have been made during 2006/07.
- (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.
- (e) Represents numerous minor provisions including £835k relating to NNDR and council tax credit balances, £194k for car parking spaces, £120k for IT contract costs, £150k for residential care beds and £100k for repayment of grant income.

## Notes to the Core Financial Statements

### 35 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 2006 £000</b>	<b>Net Movement in Year £000</b>	<b>Balance 31 March 2007 £000</b>	<b>Purpose of Reserve</b>	<b>Note</b>
Fixed Asset Restatement Account	699,563	18,201	717,764	Store of net gains on revaluation of fixed assets.	(a)
Capital Financing Account	105,856	5,691	111,547	Store of capital resources set aside to meet past expenditure	(b)
Usable Capital Receipts	687	16,524	17,211	Proceeds of fixed asset sales available to meet future capital investment	(c)
Deferred Credits	8,760	(3,041)	5,719	Loans to Housing Associations, etc. Repayment due on deferred terms.	(d)
Pensions Reserve	(208,852)	(15,215)	(224,067)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(e)
General Fund	56,652	(1,145)	55,507	Resources available to meet future running costs for non-housing services	(f)
Earmarked Reserves	9,760	2,406	12,166	Resources earmarked to meet specified schemes, projects, etc	(g)
<b>Total</b>	<b>672,426</b>	<b>23,421</b>	<b>695,847</b>		

#### (a) Fixed Asset Restatement Account

This account represents the difference between the valuation of assets under the previous system of capital accounting (in Bromley this is nil) and the revaluation as at 1 April 1994. Each year the reserve is written down by the net book value of assets as they are disposed of, and debited or credited with the deficits or surpluses arising on revaluations.

	£000
Balance brought forward at 1 April 2006	699,563
Gains on revaluation of fixed assets	32,167
Impairment losses on fixed assets due to changes in prices	0
Value of assets sold, disposed of or decommissioned	(13,966)
Balance carried forward at 31 March 2007	<u>717,764</u>

## Notes to the Core Financial Statements

---

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

Changes in valuations are reflected in fixed asset balances in the capital balance sheet, with a corresponding entry to the Fixed Asset Restatement Account. Revised valuations during 2006/07 caused the total value of the Council's assets to increase by £32,167,000 (an increase of £76,230,000 in 2005/06). Asset disposals totalling £13,966,000 (£650,000 in 2005/06) were written out of the balance sheet. Further details on fixed assets can be found in Note 22.

#### (b) Capital Financing Account

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

	Total £000
Balance brought forward at 1 April 2006	105,856
Capital receipts set aside - usable receipts applied	7,962
Revenue receipts set aside - capital spend through revenue	1,700
Grants and contributions - applied to capital investment	18,343
Finance Lease - principal repaid	533
Depreciation	(7,253)
Deferred charges written down	(15,594)
Balance carried forward at 31 March 2007	<u><u>111,547</u></u>

#### (c) Usable Capital Receipts

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

	Total £000
Balance brought forward at 1 April 2006	687
Amounts receivable in 2006/07	24,486
Amounts applied to finance new capital investments	(7,962)
Balance carried forward at 31 March 2007	<u><u>17,211</u></u>



## Notes to the Core Financial Statements

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

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

Details of the net increase of £2,406,000 on Earmarked Reserves is set out below :

<b>2006</b>		<b>Expenditure</b>	<b>Contributions</b>	<b>2007</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
82	Adult Education	8		74
3,952	Insurance Fund	920	660	3,692
2,584	LPSA Reward Grant	796	2,769	4,557
1,393	Technology Fund		71	1,464
892	Landfill Allowance Trading Scheme		215	1,107
483	Street Services Reinstatement Fund			483
-	Town Centre Improvement Fund		437	437
197	Ex Glaxo Land Maintenance	15	10	192
162	Partnership Fund	21	7	148
15	Public Halls Fund	3		12
<u>9,760</u>		<u>1,763</u>	<u>4,169</u>	<u>12,166</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 2006/07 internal premiums of £400,000 were charged and interest earnings of £260,000 were received. Claims and other expenditure totalling £920,000 were met from the Fund.
- Local Public Service Agreement (LPSA) Reward Grant - during 2006/07 the Council again set aside the reward grant it received from Government as a result of achieving targets under the LPSA scheme to fund one off initiatives supporting the Council's priorities. A provision of £250,000 was included in 2006/07 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 was recently notified of 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.
- Ex Glaxo Land Maintenance - an endowment has been received for future maintenance of land conveyed to the London Borough of Bromley.
- Partnership Fund - the aim of this earmarked reserve is to enable the Council to enhance its work with public agencies, business and the voluntary sector.

## Notes to the Core Financial Statements

---

### ***36 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 2006/07 there was one contingent liability to be disclosed:

- a) There is an outstanding claim against the Council made by Broomleigh Housing Association (Affinity Homes Group) in relation to the warranties given by the Council on the transfer of the housing stock to Broomleigh in 1992. The Council continues to dispute the claim which could potentially be in the region of £5m although the final amount, if any, is still unclear at this stage.

### ***37 Post Balance Sheet Events***

This Statement of Accounts for 2006/07 was authorised for issue by the Director of Resources, Paul Dale, on 25th September 2007. 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

<i>38 Analysis of Government Grants</i>	<b>2005/06</b> <b>£000</b>	<b>2006/07</b> <b>£000</b>
<b>Revenue</b>		
Dedicated Schools Grant	-	156,417
Learning Skills Council - Sixth Form direct funding	21,542	23,160
Standards Fund Grant	10,800	15,176
School standards grant	4,974	6,754
Supporting People	5,583	5,489
General Sure Start (Childcare and Early Years) (Education Grant)	2,715	4,014
Access & Systems Capacity	3,058	2,859
Learning Skills Council - other Education funding	1,377	2,478
Preserved Rights Grant (Adults & Older People)	2,088	1,797
Child care grants	1,323	1,313
Council Tax & Housing Benefits administration	1,590	1,590
Landfill Allowances Trading Scheme - 2006/07 Allowances	2,050	1,077
Learning Skills Council - Adult Education direct funding	1,637	1,040
Care in the community for adults	992	972
Training Support Grant (Social Services)	803	781
Mental illness	704	715
Waste Performance & Efficiency Grant	442	659
Delayed Discharges (Social Services)	524	524
Children's Fund (Education)	543	478
Asylum Seekers	-	574
Verification Framework - DWP Funding	318	370
Home Office Drug Action Team	590	309
Employment Service	412	280
Youth Justice Board	200	290
Planning Delivery Grant	605	271
Fraud Prevention Grant	293	232
Higher Education Funding Council	220	226
Home Office - Community Safety	228	623
Local Authority Business Growth Incentive Scheme	-	437
Teachers pay	5,578	-
Residential Care Allowances	1,309	-
Transitional Support Grant (Education)	1,230	-
Safeguarding Children Grant	491	-
Local Public Service Agreement Reward Grant	1,356	-
Other Miscellaneous Grants	818	1,383
	<u>76,393</u>	<u>232,288</u>
<b>Capital</b>		
Transport for London	5,428	6,586
Children's Services - Formula Devolved Capital	4,056	4,849
- Modernisation Fund	3,142	1,410
- Additional Standards Fund Grant	2,210	840
- Specialist Secondary Schools	988	825
- National Grid for Learning	308	200
- Surestart - Children Centres	197	167
- Youth Capital Fund	-	144
- School Travel Plans	8,569	-
New Opportunities Fund - PE & Sport in Schools	419	607
E-government - Standards & Accreditation Body	961	308
LPSA Reward Grant	1,356	-
Other miscellaneous	996	1,022
	<u>28,630</u>	<u>16,958</u>

## Notes to the Core Financial Statements

### 39 The following analysis reconciles the net decrease shown on the Statement of Movement on the General Fund Balance to the Net Cash Flow on Revenue Activities :

	£000	£000
Net Surplus for year		
Movement in the General Fund Balance (see page 34)	1,145	
Collection Fund (see page 67)	-	1,145
Adjustments :		
Contributions from funds		(4,106)
Interest earned, accounted for elsewhere		6,260
Movement in Current Assets and Liabilities		
Debtors (net of provisions)		2,570
Landfill Allowances		(474)
Stocks and works in progress		46
Creditors		(6,770)
Movement in other balances		
Provisions		(661)
Long term debtors		(2,654)
Long term borrowing - Transferred Services		102
Deferred credits		3,041
Net Cash Flow on Revenue Activities		<u>(1,501)</u>

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

	Balance 31st March 2007 £000
Decrease in Cash	2,801
Fixed Asset Restatement Account	18,201
Other	2,419
Movement in balance sheet net equity	<u>23,421</u>

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

	Balance 31st March 2006 £000	Movement in Year £000	Balance 31st March 2007 £000
Short Term Investments	23,300	35,500	58,800
Temporary Borrowing	(1,855)	(9)	(1,864)

## 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	2005/06 £000	2006/07 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	131,069	139,428
Transfer from the General Fund for Council Tax benefit		14,350	15,267
Income collectable from Business Rate payers	(2)	66,884	71,742
		212,303	226,437
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		110,108	115,102
- Greater London Authority		33,442	38,110
Business Rates	(2)		
- Payments to National Pool		66,526	71,388
- Cost of Collection		358	354
Bad and Doubtful Debts / Appeals			
- Write offs		1,094	907
- Increase / (decrease) in bad debt provision		775	576
Contribution			
- Towards previous years surplus		-	-
		212,303	226,437
<b>Net Movement on Fund Balance</b>		-	-
		<b>£000</b>	<b>£000</b>
<b>Fund Balance</b>			
Balance at 1st April		-	-
Net movement for year		-	-
Balance at 31st March - deficit / (surplus)		-	-

# THE COLLECTION FUND

## Notes to the Accounts

### 1 Council Tax Base

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

<b>Band</b>	<b>Number of Properties</b>	<b>Multiplier</b>	<b>Band D Equivalent Dwellings</b>
A	1,346	6/9	897
B	7,321	7/9	5,694
C	22,331	8/9	19,850
D	30,271	9/9	30,271
E	25,808	11/9	31,543
F	15,843	13/9	22,884
G	12,418	15/9	20,697
H	1,015	18/9	2,029
			<hr/>
			133,865
Allowance for MOD properties, changes in exemptions, discounts and number of properties			194
			<hr/>
			134,059
Estimated Collection Rate			98.50%
Council Tax Base 2006/07			<hr/>
			132,048

### 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 2005 was assessed by the Government's District Valuer as £195,151,182. The national non-domestic multiplier for the year was 42.6p. The income collectable for the year of £72m 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

These funds are held in the Council's accounts on behalf of the trustees, mainly to finance various prizes and grants for pupils and students. Trust Funds are not consolidated within the Council's main financial statements but are shown separately below.

### Revenue Account

2005-2006 £		2006-2007 £
	<b>Income</b>	
3,627	Interest Earnings	3,986
-	Investment transferred to LA	4,378
789	Investment disposal	1,850
<u>4,416</u>		<u>10,214</u>
	<b>Expenditure</b>	
-	Grants/Prizes	-
143	Investments written out	1,805
<u>143</u>		<u>1,805</u>
<u>( 4,273)</u>	Surplus for year	<u>( 8,409)</u>

### Balance sheet as at 31st March

2006 £		2007 £
70,870	Trust Fund Balance - Brought forward	75,143
4,273	- Surplus for year	8,409
<u>75,143</u>		<u>83,552</u>
	Financed By :	
1,805	Investments - Government Securities	-
73,338	Cash - Invested internally	83,552
<u>75,143</u>		<u>83,552</u>
1,900	<b>Market Value of Investments</b>	-

## 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 2007*

	<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 2006	( 284)	( 307)	( 591)
Movement in year on ex LRB functions:			
Income	( 2)	( 531)	( 533)
Interest earnings on Fund balance	( 14)	( 29)	( 43)
Expenditure	26	27	53
Distribution (note 1)	2	500	502
Balance as at 31st March 2007	<u>( 272)</u>	<u>( 340)</u>	<u>( 612)</u>

### *Balance Sheet as at 31st March 2007*

<b>2006</b>		<b>2007</b>
<b>£000</b>		<b>£000</b>
37	<i>Assets</i>	
1,173	Debtors	1
<u>1,210</u>	Cash	<u>612</u>
		<u>613</u>
284	<i>Liabilities</i>	
307	Fund 1	272
619	Fund 2	340
<u>1,210</u>	Creditors	<u>1</u>
		<u>613</u>

### *Notes to accounts*

#### 1) *2006/07 Distribution*

In 2006/07 net revenue receipts of £502,483 were received and distributed to London Boroughs on 31 March 2007. There were no capital receipts during 2006/07.

#### 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

## 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 2007.

### 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 £128,058,461 and purchases of £137,539,461 took place in 2006/07

### 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 2007 was:

Fidelity Institutional Asset Management Ltd	£150,060,655	(42.9%)
Baillie Gifford & Co	£156,028,393	(44.6%)
Credit Agricole Asset Management	£43,545,788	(12.5%)
Total	<u>£349,634,836</u>	

Stock market values have risen since 31st March 2007 and the total market value of the fund had increased to £360,132,652 as at 31st August 2007.

### 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 at that time, Punter Southall & Co, carried out a full valuation of the Fund at 31st March 2004, when its solvency level was calculated at 66%, a reduction of 6% since the 2001 valuation, which was carried out by the previous actuary, R. Watson & Sons. The 2004 actuarial valuation set the level of employers contributions required to attain 100% solvency within 15 years. The employer's contributions for the years ended 31st March 2006, 2007 and 2008 were set by the 2004 actuarial valuation at 200% of members' contributions. The 2004 valuation also specified that additional lump sum contributions of £9.338m, rising in line with inflation, should be made. The following economic assumptions were employed in calculating the contributions:

	% per annum		% per annum
Increases in earnings .....	4.6	Investment return-equities .....	7.4
General Inflation .....	2.8	-gilts .....	4.8
Increases in pensions .....	2.8	-bonds .....	5.6
		-discount rate.....	6.7

The next full valuation of the Fund as at 31st March 2007 will be carried out by the Fund's current actuary, Barnett Waddingham LLP, during 2007/08.

## PENSION FUND

Notes to the Accounts

### 8 *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 2006/07 the total cost of early retirement on grounds of ill-health was around £80,000 below the actuary's assumptions, which will have a small beneficial impact on the next valuation as at 31st March 2007.

### 9 *Membership as at 31 March*

	2006	2007
Employees	4,651	4,980
Pensioners	3,896	3,976
Deferred Pensioners	2,506	2,924

### 10 *Non London Borough of Bromley Contributors*

There are 27 scheduled and 3 admitted bodies (ie outside organisations) that are permitted under the regulations to contribute to the Pension Fund. A total of 24 of the scheduled bodies are foundation schools, which returned to Local Authority financial control in 1999/00. In 2006/07 the scheduled and admitted bodies contributed a total of £3.56m (£2.48m from employers and £1.08m from employees). The bodies are listed below :

#### *Scheduled Bodies - Foundation Schools*

All Saints School	Newstead Wood School
Beaverwood School	Raglan School
Bullers Wood School	Ravenswood School
Charles Darwin School	St Mary's RC Primary School
Coopers School	St Olave's School
Crofton Junior School	The Glebe Special School
Darrick Wood School	The Priory School
Hayes Primary School	The Ravensbourne School
Hayes School	<b><i>Scheduled Bodies - Other</i></b>
Highfield Infants School	Bromley College
Highfield Junior School	Orpington College
Holy Innocents Primary School	Ravensbourne College
Kelsey Park School	<b><i>Admitted Bodies</i></b>
Kemnal Technology College	Beckenham and District Mind
Langley Park Boys School	Bromley Mytime
Langley Park Girls School	Broomleigh Housing Association

### 11 *Employer and Employee Contributions*

The total employer and employee contributions in 2005/06 and 2006/07 are shown on the following table:

	2005/06 £000	2006/07 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B. Bromley payroll	16,510	17,216
Foundation Schools	1,022	1,148
	<u>17,532</u>	<u>18,364</u>
Other scheduled bodies	858	900
Admitted bodies	449	431
	<u>18,839</u>	<u>19,695</u>
Employee Contributions		
L.B. Bromley part of Fund		
L.B. Bromley payroll	3,560	3,738
Foundation Schools	520	583
	<u>4,080</u>	<u>4,321</u>
Other scheduled bodies	330	352
Admitted bodies	155	141
	<u>4,565</u>	<u>4,814</u>

## **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.

### **AEF-Aggregate External Finance**

Central government revenue support towards total assumed Local Authority spending. It comprises RSG, NNDR (in the case of net AEF) and also includes certain specific grants (in the case of gross AEF).

### **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 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 Financing Account**

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

### **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.

**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.

**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.

**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.

**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.

**Earmarked Reserves**

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

**Fixed Assets**

Assets purchased, not for resale, but for use to provide services over more than one accounting period.

**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).

**Greater London Authority**

A strategic authority for London, created on 1 July 2000.

**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.

**Housing Benefit**

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

**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.

**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.

**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.

**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.

**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.

**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.

**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 અકાઉન્ટનું 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 ਚਾਹੋ, 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