

LONDON BOROUGH OF BROMLEY

2009/10

STATEMENT

OF

ACCOUNTS

Draft Accounts submitted to General Purposes and Licensing Committee on 30th June 2010 for formal approval.

Accounts are subject to Audit

APPROVAL OF THE STATEMENT OF ACCOUNTS

I hereby confirm that the Statement of Accounts for the year ending 31st March 2010, as signed by the Director of Resources on the 18th June 2010, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 30th June 2010.

Councillor Tony Owen
Chairman of the General Purposes and Licensing Committee
30th June 2010

DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2009/10. These statements summarise the financial performance of the Council during 2009/10 showing expenditure on all services during the year and the financial position at 31st March 2010.

Background

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

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

Financial Statements

The main statements in this document are:

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

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 (Generally Accepted Accounting Principles), showing whether the Authority has fully used up the resources generated in the year.

Statement of 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 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 Former 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 (FRS17): 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.

DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

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

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	206.35	203.95	(2.40)
VAT settlement relating to claims from 1973	-	(3.20)	(3.20)
Funded by:			
Grant and Council Tax	(205.71)	(205.71)	-
Carry Forwards from 2008/09	(0.64)	-	0.64
Utilisation of General Reserves:			
To support the Revenue Budget	-	(4.96)	(4.96)
To support the Capital Programme	-	-	-
Reduction / (Increase) in General Reserves	-	(4.96)	(4.96)

Revenue Summary

The 2009/10 outturn shows an overall net improvement in balances of £5.6m which represents a variation of 2.7% compared with the final approved budget of £206.35 million. This consists of net underspends of £0.7m on services, net additional interest earnings (income) on General Fund balances of £0.5m, prior year adjustment relating to street services of £0.4m, recovery of VAT claims £3.2m, and other net variations of cr £0.8m. The overall net improvement in balances of £5.6m is partly offset by a sum of £0.64m for carry forwards funded from unspent budget provision in 2008/09.

Earmarked Reserves increased by £1.2m, mainly as a result of several new reserves established to fund General Member Priorities, Investment to the Community Fund, remedial measures to deal with Adverse Winter Weather, unrecoverable costs associated with Works to a Property and Support for Schools. Reserves relating to potential redundancy costs and the Town Centre Improvement Fund were also increased. These were offset by reductions to the LPSA/LAA Investment Fund and Funding for Resident's Priorities, which were utilised to fund expenditure in 2009/10.

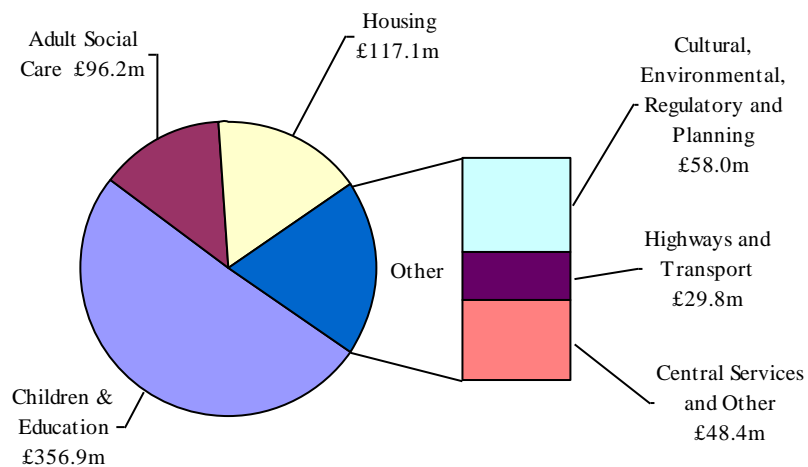
The final movement on General Fund Balances, excluding balances held by schools, was an increase of £4.96m compared with the 2009/10 budget assumptions.

Further details of the variations in 2009/10 were reported to the Council's Executive on the 16th June 2010 and are available through <http://sharepoint.bromley.gov.uk/default.aspx>.

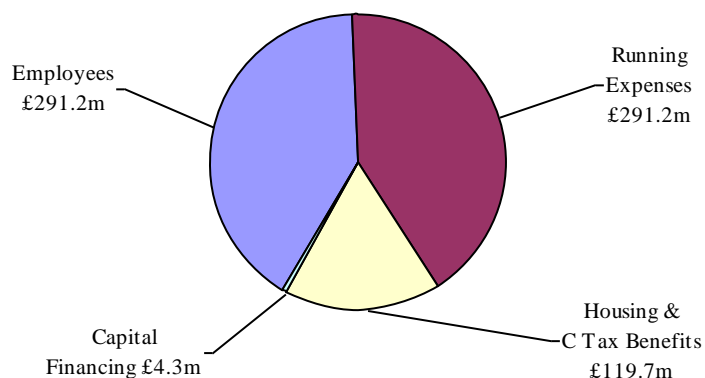
The overall pattern of the Council's total income and expenditure is summarised in the graphs on page 4.

DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

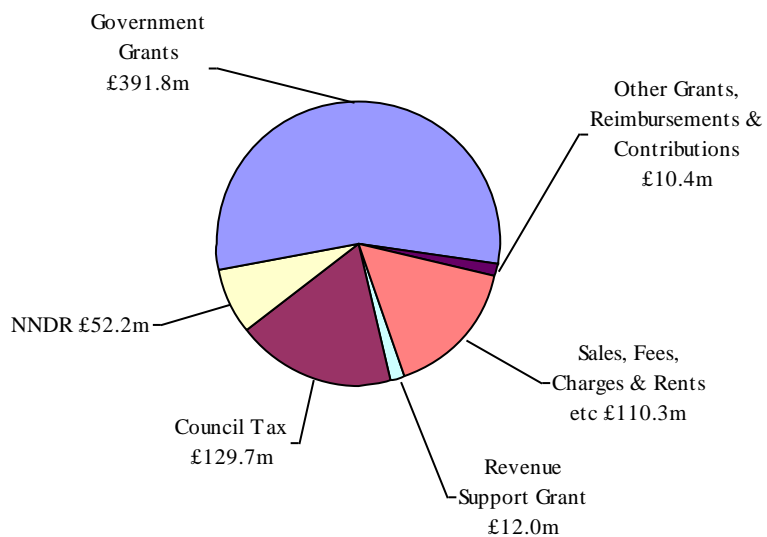
Services Provided - £706.4m



Gross Expenditure - £706.4m



Gross Income £706.4m



DIRECTOR OF RESOURCES' EXPLANATORY FOREWORD

Capital Summary

Capital expenditure totalled £42.5m compared to the final approved estimate of £52.6m, the difference being mainly due to slippage of expenditure into 2010/11. Capital expenditure was fully financed from Government grants and other external contributions, revenue contributions and capital receipts, without recourse to general reserves. Further details of capital financing are shown in the notes to the accounts (note 23 on page 44).

The Council generated new capital receipts of £3.0m in 2009/10 and, during the year, £3.8m of receipts were applied to finance capital expenditure.

Further information can be found in the Capital Programme Outturn report to the Executive on 16th June 2010 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

Investments

At the year end the Council held significant investments totalling £144.1m (principal sum). These investments generate income to support the revenue budget and represent the Council's general and earmarked reserves, provisions and net working capital.

Pension Fund

During 2009/10 the net assets of the Pension Fund increased by £148.6m. This was mainly due to investment gains arising from the recovery of the financial markets following significant falls in 2008/09.

The underlying assets and liabilities of the Fund for retirement benefits earned by Bromley employees past and present are recognised on the Council's Balance Sheet as a net liability (see note 12 on page 33). This liability has a significant negative effect on the net worth of the Council. However, the Council plans that the deficit on the scheme will be made good by increased employer contributions over the next 12 years.

Paul Dale
Director of Resources

Further Information

Further Information about the accounts is available from:

Head of Co-ordination & Control (Finance)
Resources Directorate
Bromley Council
Civic Centre
Stockwell Close
Bromley, BR1 3UH

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

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 proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the SORP).

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

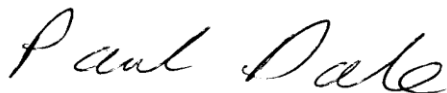
- * selected suitable accounting policies and then applied them consistently;
- * made judgments and estimates that were reasonable and prudent; and
- * complied with the Code of Practice.

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 the accounts set out on pages 12 to 69 provide a true and fair view of the financial position of the Authority as at 31st March 2010 and its income and expenditure for the year ended.



P. Dale
Director of Resources
18th June 2010

STATEMENT OF ACCOUNTING POLICIES

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2 Accruals of Income and Expenditure

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

- Fees, charges and rents are accounted for as income at the date on which the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stock on the Balance Sheet.
- Works are charged as expenditure when they are completed; prior to this they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (see note 28 on page 47).
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement but where the timing of that transaction is uncertain. For example, the council may be involved in a court case that will eventually result in the making of a settlement. Provisions are charged to the appropriate service revenue account in the year the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up on the Balance Sheet. Details of all provisions are set out in note 33 on page 49.

4 Reserves

The Council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account within the net cost of service in the Income and Expenditure Account for the relevant year. The reserve is then appropriated back in the General Fund balance statement so that there is no net charge against council tax for the expenditure. Details of Bromley's revenue reserves are set out in note 34 on pages 50 and 53.

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 policies 9 and 14.

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 and Area Based Grant are credited at the foot of the Income and Expenditure account after net operating expenditure.

6 VAT

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

7 Stocks and Work in Progress

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

8 Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008. 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 services.

9 Retirement Benefits

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

- The Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- The Local Government Pensions Scheme, administered by the Council itself under national regulations.

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

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

Disclosures in relation to retirement benefits can be found in note 12 on pages 32 to 35.

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 5.7% per annum (1.8% real), as determined by the Council's actuary (6.7% and 4.0% in 2008/09). This is based on the yield on the Merrill Lynch Non Gilt Sterling AA over 15 year Corporate Bond Index with an adjustment to reflect the duration of the liabilities relative to the duration of the index.

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

The change in the net pensions liability is analysed into 7 components:

- current service cost (the increase in liabilities as a result of years of service earned this year) - allocated to the relevant revenue accounts in the Income & Expenditure (I&E) Account.
- past service cost (the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years) - debited to Non-Distributed Costs in the I&E Account.
- interest cost (the expected increase in the present value of liabilities during the year as they move one year closer to being paid) - debited to Net Operating Expenditure in the I&E Account.
- expected return on assets (the annual investment return on fund assets attributable to the Council, based on an average of the expected long-term return) - credited to Net Operating Expenditure in the I&E Account.
- gains/losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of employee benefits) - debited to Non-Distributed Costs in the I & E Account.
- actuarial gains/losses (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuary's assumptions have been updated) - debited to the Statement of Recognised Gains and Losses.
- contributions paid to the Pension Fund (cash paid as employer contributions).

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated by the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

STATEMENT OF ACCOUNTING POLICIES

Continued

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 2010.

11 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

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.

Recognition

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (i.e. repair and maintenance) is charged direct to service revenue accounts.

Measurement

The freehold and leasehold properties which comprise the Authority's property portfolio are re-valued on the basis required by the SORP (i.e. at least every five years) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Further revaluations are also carried out where there are known to have been material changes. The most recent set of re-valuations were carried out as at 1st April 2009 under the responsibility of Jane Pocknall BSc FRICS, Head of Valuation and Estates.

Fixed assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

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

STATEMENT OF ACCOUNTING POLICIES

Continued

Measurement (cont)

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

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

Impairment

Asset values are reviewed at the end of each financial year for evidence of reductions in value (impairment loss). Where impairment loss is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits - the loss is charged to the relevant service revenue account.
- otherwise - written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of housing capital receipts is payable to the Government.

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

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

Depreciation

Depreciation is provided for on all fixed assets with a determinable finite useful life (except for investment properties) by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from its use.

The following depreciation policy is applied:

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

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

STATEMENT OF ACCOUNTING POLICIES

Continued

Government Grants and Other Contributions (Capital)

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.

13 Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- any impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- amortisation of intangible fixed assets 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 (equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by a revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

14 Capital Reserves

There are three capital reserves in the balance sheet:

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

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

15 Leases

Finance Leases

Leases are accounted for as finance leases when substantially all the risks and rewards relating to the leased property 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.

STATEMENT OF ACCOUNTING POLICIES

Continued

Leases (cont)

Operating Leases

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

16 Financial Assets

Financial Assets can be classified into two main types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are usually therefore based on the carrying amount of the asset multiplied by the effective interest rate for the financial instrument. For all of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (including accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

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.

2008/09 Net Expenditure £000	Service	Notes	2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000
1,306	Central Services to the Public		23,284	(21,504)	1,780
60,563	Cultural, Environmental, Regulatory and Planning Services	1	62,597	(11,303)	51,294
51,647	Children's and Education Services	3 & 4	377,538	(337,723)	39,815
16,160	Highways and Transport Services	1	33,053	(19,693)	13,360
6,116	Housing Services		117,753	(111,110)	6,643
74,480	Adult Social Care	5	97,004	(23,533)	73,471
7,106	Corporate and Democratic Core	6	7,140	-	7,140
2,047	Non Distributed Costs	7	1,022	-	1,022
219,425	Net Cost of Services	8 to 12	719,391	(524,866)	194,525
18,860	(Gain) / Loss on Disposal of Fixed Assets	13			-
10,340	(Surpluses) / Deficits on Trading Undertakings	3 & 14			(1,788)
5	Interest Payable and Similar Charges	15			-
49	Contribution of Housing Capital	16			33
	Receipts to Government Pool				
1,640	Investment Losses				(300)
(9,012)	Interest and Investment Income	1			(6,460)
(492)	Other Income	17			(1,576)
3,083	Pensions Interest Cost and Expected Return on Pensions Assets	12			9,274
(27)	Distribution of former LRB Balances	18			(28)
2,232	Levies by Other Authorities	19			2,330
246,103	Net Operating Expenditure				196,010
(126,267)	Demand on the Collection Fund				(129,715)
(19,501)	General Government Grants	20			(24,377)
(55,477)	Non-domestic Rates Redistribution				(52,176)
44,858	(Surplus) / Deficit for the Year				(10,258)

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.

2008/09		2009/10
£000		£000
44,858	(Surplus) / Deficit for the year on the Income and Expenditure Account	(10,258)
(46,037)	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 21)	(45)
(1,179)	(Increase)/Reduction in General Fund Balance for the Year	(10,303)
(61,651)	General Fund Balance brought forward	(62,830)
<u>(62,830)</u>	General Fund Balance carried forward	<u>(73,133)</u>
(15,939)	Amount of General Fund Balance held by governors under schemes to finance schools	(21,278)
(46,891)	Amount of General Fund Balance generally available for new expenditure	(51,855)
<u>(62,830)</u>		<u>(73,133)</u>

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 Pension Fund liability to cover the cost of retirement benefits.

2008/09		2009/10
£000		£000
44,858	(Surplus) / Deficit for the year on the Income and Expenditure Account	(10,258)
(124,019)	(Surplus)/Deficit arising on Revaluation of Fixed Assets (note 34a)	(13,536)
(11,475)	Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities (note 12c)	99,349
7	Other Movements (see note 22)	-
<u>(90,629)</u>	<u>Total Recognised (Gains)/Losses for the year</u>	<u>75,555</u>

BALANCE SHEET

As at 31st March

2009 £000		Notes	£000	2010 £000
	Fixed Assets	23		
	<i>Operational Assets</i>			
749,677	Land and Buildings		749,728	
29,463	Vehicles, Plant, Furniture and Equipment etc		31,779	
69,978	Infrastructure Assets		73,783	
1,780	Community Assets		1,700	
	<i>Non-Operational Assets</i>			
50,792	Investment Properties		49,103	
17,553	Surplus Assets held for Disposal		19,329	
7,965	Assets under Construction		13,714	
<u>927,208</u>	Total Fixed Assets		<u>939,136</u>	
45,510	Long Term Investments	24		15,009
4,119	Long Term Debtors	25		3,931
<u>976,837</u>	Total Long Term Assets			<u>958,076</u>
	Current Assets			
286	Stocks and Work in Progress	26	300	
32,936	Debtors and Payments in Advance	28	36,764	
91,200	Short Term Investments	24	130,585	
-	Cash in Hand	29	1,118	
<u>124,422</u>			<u>168,767</u>	
<u>1,101,259</u>	Total Assets			<u>1,126,843</u>
	Current Liabilities			
4,657	Short Term Borrowing	30	2,856	
70,049	Creditors and Receipts in Advance	31	79,143	
2,906	Cash Overdrawn	29	-	
<u>77,612</u>			<u>81,999</u>	
<u>1,023,647</u>	Total Assets Less Current Liabilities			<u>1,044,844</u>
	Long Term Liabilities			
1,145	Government Grants Deferred	32	1,116	
8,789	Provisions	33	6,181	
	Liability related to Defined Benefit Pension Scheme	12	239,803	
<u>140,414</u>			<u>247,100</u>	
<u>150,348</u>			<u>247,100</u>	
<u>873,299</u>	Total Assets Less Liabilities			<u>797,744</u>
	Financed by:	34		
138,537	Revaluation Reserve	a		149,830
784,266	Capital Adjustment Account	b		784,969
(140,414)	Pensions Reserve	c		(239,803)
14,032	Capital Receipts Reserve	d		13,236
2,517	Deferred Capital Receipts	e		3,635
62,830	General Fund Balance	f		73,133
11,531	Earmarked Reserves	g		12,744
<u>873,299</u>	Total Net Worth			<u>797,744</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.

2008/09 £000	Notes	£000	2009/10 £000
Revenue Activities			
<i>Cash Outflows</i>			
277,598		293,928	
303,586		313,699	
86,395		101,282	
<u>667,579</u>		<u>708,909</u>	
<i>Cash Inflows</i>			
(7,553)		(6,589)	
(110,320)		(112,617)	
(55,477)		(52,176)	
(7,723)		(12,043)	
(99,348)		(118,944)	
(256,502)	38	(272,571)	
(99,852)		(106,372)	
<u>(636,775)</u>		<u>(681,312)</u>	
30,804	39		<u>27,597</u>
Returns on Investment and Servicing of Finance			
<i>Cash Inflows</i>			
(9,051)			(6,441)
Capital Activities			
<i>Cash Outflows</i>			
8,497			11,349
<i>Cash Inflows</i>			
(1,755)		(2,641)	
(9,077)	38	(33,898)	
(63,999)		(30,501)	
(10,371)		(12,911)	
<u>(85,202)</u>		<u>(79,951)</u>	
<u>(54,952)</u>			<u>(47,446)</u>
Management of Liquid Resources			
	40		
52,839			39,385
922			2,236
Financing			
	40		
<i>Cash Outflows</i>			
589			1,801
<u>(602)</u>	41		<u>(4,024)</u>

Notes to the Core Financial Statements

1 Exceptional Items

In 2009/10, the Council was successful in seeking recoveries from HM Revenue and Customs relating to six separate historic VAT claims for different periods from April 1973 to May 1996. These claims relate to disrupted VAT liabilities on sporting services, sporting tuition, excess parking charges, special domestic waste collections, cultural services and libraries audio visual equipment.

The total sum recovered amounts to £1,576k and interest of £1,620k was also deemed payable. This one-off income, totalling £3,196k, is reflected in the Income and Expenditure Account within the relevant services to which it relates:

	£'000
Cultural, Environmental, Regulatory and Planning Services	1,496
Highways and Transport Services	80
	<u>1,576</u>
Interest and Investment Income	1,620
Total Income	<u>3,196</u>

2 Prior Period Adjustment

In line with changes to the Code of Practice on Local Authority Accounting for 2009 regarding accounting practice for the collection and distribution of Council Tax income and National Non-Domestic Rates (NNDR), prior year adjustments are required to figures contained in the published 2008/09 balance sheet and cash flow statement.

In its capacity as a billing authority, the Council acts as an agent which collects and distributes Council Tax income on behalf of our major preceptor, the Greater London Authority, and the Council itself. Income for National Non-Domestic Rates (NNDR) is not the income of the billing authority but collected on behalf of the Government.

Balance Sheet	Balance Sheet 31st March 2009 (published) £'000	NNDR Adjustments £'000	Council Tax Adjustments £'000	Balance Sheet 31st March 2009 (adjusted) £'000
Debtors & Payments in Advance	35,938	(2,246)	(756)	32,936
Creditors & Receipts in Advance	73,051	(2,246)	(756)	70,049

Cash Flow Statement	Cash Flow Statement 31st March 2009 (published) £'000	NNDR Adjustments £'000	Council Tax Adjustments £'000	Cash Flow Statement 31st March 2009 (adjusted) £'000
National Non-Domestic Rate Payments to Pool	77,942	(77,942)	-	-
Precepts	41,036	-	(41,036)	-
Council Tax Receipts	(151,588)	-	41,268	(110,320)
Non-Domestic Rate Income	(77,140)	77,140	-	-
Cash Received for Goods and Services	(99,500)	(352)	-	(99,852)
Net Cash Flow on Revenue Activities	31,726	(1,154)	232	30,804
Net Cash (In)/Outflow before Financing	(54,030)	(1,154)	232	(54,952)
Net Increase/(Decrease) in Other Liquid Resources	-	1,154	(232)	922

Notes to the Core Financial Statements

3 Lease Agreements

Operating Leases - Authority as Lessee

Land and Buildings:

The authority leases premises on Croydon Road, Penge. The rentals payable in 2009/10 were £85,173 (£85,173 in 2008/09).

The authority also leases premises on Masons Hill, Bromley. The rentals payable in 2009/10 were £157,000 (£119,000 in 2008/09).

Both of these leases have been accounted for as operating leases.

Vehicles, Plant, Furniture and Equipment:

The authority uses photocopiers financed under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £157,129 (£227,063 in 2008/09).

Operating Leases - Schools as Lessee

Vehicles, Plant, Furniture and Equipment:

Schools use photocopiers, telephone systems, ICT equipment, mini buses, and CCTV equipment which are all financed under the terms of an operating lease. The amount paid under these arrangements in 2009/10 was £893,000.

Commitments under Operating Leases:

The authority was committed at 31st March 2010 to making payments of £424,000 under operating leases in 2010/11 and schools were committed to making payments of £879,000, comprising the following elements:

	Land & Buildings	Vehicles, Plant & Equipment	Total
	£'000	£'000	£'000
Leases expiring in 2010/11	-	323	323
Leases expiring between 2011/12 and 2015/16	-	776	776
Leases expiring after 2015/16	204	-	204
	<u>204</u>	<u>1,099</u>	<u>1,303</u>

Operating Leases - Authority as Lessor

The authority has granted a number of lease agreements with regard to its portfolio of investment and other Council properties which are accounted for as operating leases. Rental income of £4,776,000 was received in 2009/10 in relation to these properties (£4,988,000 in 2008/09). The gross value of assets held at 31st March 2010 was £70,705,000 (valued at £69,740,000 on 31st March 2009 and subject to £146,000 depreciation to 31st March 2010) after accounting for revaluations during 2009/10.

Finance Leases

As at 31st March 2010, the authority holds no finance leases.

Notes to the Core Financial Statements

4 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s	Notes
Final DSG for 2009/10	28,320	151,080	179,400	(a)
Brought forward from 2008/09	2,368	-	2,368	(b)
Carry forward to 2010/11 agreed in advance	-	-	-	(c)
Agreed budgeted distribution in 2009/10	30,688	151,080	181,768	(d)
Actual central expenditure	28,276	-	28,276	(e)
Actual ISB deployed to schools	-	151,080	151,080	(f)
Local Authority contribution for 2009/10	753	-	753	(g)
Carry forward to 2010/11	3,165	-	3,165	(h)

- (a) Final figure as issued by DCSF on 25th June 2009.
- (b) Figure brought forward from 2008/09 as agreed with DSCF.
- (c) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2010/11 rather than distribute in 2009/10.
- (d) Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.
- (e) Actual amount of central expenditure items in 2009/10.
- (f) Amount of ISB actually distributed to schools.
- (g) Any contribution from the Local Authority in 2009/10 which will have the effect of substituting for DSG in funding the Schools Budget.
- (h) Carry forward to 2010/11.

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 (revised to Section 75 of the NHS Act 2006) and are hosted by the Council. One is for the provision of Learning Disabilities Day Services and the other, an arrangement for the provision of Integrated Stores. The transactions of these pooled budgets are summarised below.

2008/09			2009/10	
Learning Disabilities	Integrated Community Equipment Store		Learning Disabilities	Integrated Community Equipment Store
£000	£000		£000	£000
Income				
1,636	172	Bromley PCT contribution	3,027	187
3,355	890	London Borough of Bromley contribution	3,322	989
211	-	Other income	209	-
5,202	1,062	Gross Income	6,558	1,176
Expenditure				
5,115	-	Learning disabilities day services	6,612	-
-	1,084	Occupational therapy equipment store	-	1,200
5,115	1,084	Gross Expenditure	6,612	1,200
(87)	22	Surplus (-) / deficit for the year	54	24

The deficit on the Learning Disabilities pooled budget in 2009/10 is shared equally between partners.

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

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

2008/09		2009/10
Mental Health Services		Mental Health Services
£000		£000
Income		
18,246	Oxleas NHS Foundation Trust contribution	17,773
1,598	London Borough of Bromley contribution	1,392
19,844	Gross Income	19,165
Expenditure		
19,930	Mental Health Functions	20,124
19,930	Gross Expenditure	20,124
86	Surplus (-) / deficit for the year	959

The parties agreed that the net deficit in 2009/10 on the Mental Health pooled budget be funded by Oxleas.

6 Members' Allowances

The total of Members' Allowances paid during the year was £1,082,327 (£1,047,950 in 2008/09).

Notes to the Core Financial Statements

7 Non Distributed Costs

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

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

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 2009 £000	Service	Income £000	Expenditure £000	Transfers (to)/ from Capital £000	31 March 2010 £000
<u>Revenue</u>					
412	Highway Improvement Works	90	13	-	489
76	Road Safety Schemes	-	46	-	30
49	Local Economy & Town Centres	26	4	(26)	45
58	Parking	42	33	-	67
35	Landscaping	-	-	-	35
-	Education	136	-	(136)	-
118	Healthcare Services	98	-	-	216
10	Community Use	30	-	-	40
10	Other	5	-	-	15
768		427	96	(162)	937
<u>Capital</u>					
591	Local Economy & Town Centres	-	38	26	579
768	Education	-	-	136	904
1,790	Housing	-	87	-	1,703
860	Community Use	-	-	-	860
4,009		-	125	162	4,046
4,777		427	221	-	4,983

Notes to the Core Financial Statements

9 Officers Emoluments

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

2008/2009			Annual Remuneration	2009/10		
Non-School Employees	School Employees	Total Employees		Non-School Employees	School Employees	Total Employees
49	77	126	£50,000-£54,999	53	97	150
26	72	98	£55,000-£59,999	30	71	101
25	21	46	£60,000-£64,999	18	48	66
16	31	47	£65,000-£69,999	23	30	53
6	9	15	£70,000-£74,999	13	21	34
5	11	16	£75,000-£79,999	5	12	17
3	5	8	£80,000-£84,999	3	5	8
6	4	10	£85,000-£89,999	3	8	11
1	1	2	£90,000-£94,999	1	2	3
6	6	12	£95,000-£99,999	1	4	5
1	3	4	£100,000-£104,999	2	3	5
1	-	1	£105,000-£109,999	4	1	5
-	1	1	£110,000-£114,999	-	2	2
-	2	2	£115,000-£119,999	2	5	7
*1	-	1	£120,000-£124,999	1	1	2
1	3	4	£125,000-£129,999	-	1	1
2	-	2	£130,000-£134,999	2	1	3
-	-	-	£135,000-£139,999	1	-	1
-	-	-	£140,000-£144,999	-	1	1
-	-	-	£145,000-£149,999	-	-	-
-	-	-	£150,000-£154,999	-	-	-
-	-	-	£155,000-£159,999	-	-	-
-	-	-	£160,000-£164,999	-	-	-
-	-	-	£165,000-£169,999	-	-	-
1	-	1	£170,000-£174,999	-	-	-
-	-	-	£175,000-£179,999	-	-	-
-	-	-	£180,000-£184,999	-	-	-
-	-	-	£185,000-£189,999	*1	-	1
-	-	-	£190,000-£194,999	-	-	-

* In accordance with the requirements of the SORP 2009, remuneration includes payment for acting as a returning officer.

In order to comply with amendments to the Accounts and Audit Regulations 2003, remuneration bandings are required to be disclosed in brackets of £5,000. The 2008/09 figures in the above table have been restated to reflect this change.

The amended Regulations also introduce a new requirement to disclose individual remuneration details for senior employees.

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

Notes to the Core Financial Statements

9 Officers Emoluments - continued

The following table sets out the remuneration disclosures for senior employees whose salary is equal to or more than £50,000 per year.

Disclosure of remuneration for senior employees 2008-09	Salary (including Fees, Allowances Expenses)	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post holder information (Post title)	£	£	£	£	£
*Including Returning Officer Payment					
Chief Executive - D. Patterson	172,479	-	172,479	24,475	196,954
Director of Resources	129,720	4,394	134,114	19,069	153,183
Director of Legal & Democratic Services*	119,594	3,952	123,546	14,907	138,453
Assistant Chief Executive HR	101,913	-	101,913	14,981	116,894
Director of Renewal & Recreation#	85,893	-	85,893	12,626	98,519
Director of Environmental Services	104,504	4,643	109,147	15,359	124,506
Director of Children & Young People Services	125,488	2,984	128,472	18,768	147,240
Director of Adult & Community Services	127,425	3,642	131,067	18,725	149,792
	967,016	19,615	986,631	138,910	1,125,541

#The Director of Renewal & Recreation joined the London Borough of Bromley on 30th June 2008 with an annualised salary of £114,101.

Disclosure of remuneration for senior employees 2009-10	Salary (including Fees, Allowances Expenses)	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Post holder information (Post title)	£	£	£	£	£
*Including Returning Officer Payment					
Chief Executive - D. Patterson*	188,785	-	188,785	26,502	215,287
Director of Resources	133,352	2,615	135,967	19,603	155,570
Director of Legal & Democratic Services	104,006	4,666	108,672	15,354	124,026
Assistant Chief Executive HR	107,835	-	107,835	15,852	123,687
Director of Renewal & Recreation	116,839	-	116,839	17,175	134,014
Director of Environmental Services	112,772	4,940	117,712	16,542	134,254
Director of Children & Young People Services	134,452	-	134,452	19,749	154,201
Director of Adult & Community Services	130,958	3,726	134,684	19,250	153,934
	1,028,999	15,947	1,044,946	150,027	1,194,973

Notes to the Core Financial Statements

10 Related Party Transactions

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

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

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:-

- a) Councillor W. Huntington-Thresher and Councillor Curry are council appointed board members of Broomleigh Housing Association (Affinity Homes Group) to which Bromley paid £4.7m in 2009/10.
- b) Councillor Papworth is a member of the board of the Crystal Palace Community Development Trust to which Bromley paid £0.05m in 2009/10.
- c) Councillor Mrs Manning is Chairman of the Carers Organisation which receives support in kind by Carers Bromley, an organisation to which Bromley paid £0.5m in 2009/10.
- d) Councillor Hobbins is the Chairman of Trustees of Bromley Advocacy Project to which Bromley paid £0.05m in 2009/10.
- e) Councillor N. Bennett is a member of the Bromley MyTime Board of Trustees to which Bromley paid £1.3m in 2009/10.

11 Audit Costs

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

2008/09 £000		2009/10 £000
	Fees payable with regard to external audit services carried out by the appointed auditor (including Whole of Government Accounts)	
63	- Baker Tilly UK Audit LLP	-
177	- PricewaterhouseCoopers LLP	248
29	Fees payable to the Audit Commission in respect of statutory inspection and NFI fee	22
60	Fees payable for the certification of grant claims and returns - PricewaterhouseCoopers LLP	50
37	Fees payable in respect of other services provided by the appointed auditor - PricewaterhouseCoopers LLP	47
<u>366</u>		<u>367</u>

Notes to the Core Financial Statements

12 Disclosure of Information about Retirement Benefits

(a) Participation in Pension Schemes

The Council's Pension Fund is a defined benefit statutory scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007/08 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.

A number of changes to the scheme came into effect on 1st April 2008. These mainly related to benefits accruing and scheme member contributions after 1st April 2008. Two of the changes did, however, affect members' benefits earned before 1st April 2008; an increase in the period of the pension guarantee following retirement from 5 to 10 years and the introduction of contingent dependants' benefits for co-habitees. The appropriate past service cost of these benefit improvements has been calculated by the actuary and is included in the Income & Expenditure Account.

(b) Transactions relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of Services when benefits are earned by employees, rather than when they 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 on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year, based on figures provided in the FRS17 report as at 31st March 2010, prepared by the Council's actuary, Barnett Waddingham LLP.

	2008/09	2009/10
	£000	£000
Past service cost	1,518	-
Loss on Curtailments	242	727
Current service cost	16,470	11,937
Total included in Net Cost of Services	<u>18,230</u>	<u>12,664</u>
Pensions interest cost	25,584	26,871
Expected return on assets	(22,501)	(17,597)
Total included in Net Operating Expenditure	<u>21,313</u>	<u>21,938</u>
Actual return on scheme assets	<u>(77,987)</u>	<u>132,408</u>

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

Projected pension expenses for the year to 31st March 2011

	2010/11
	£000
Current service cost	25,715
Pension interest cost	36,760
Expected return on assets	<u>(28,631)</u>
Total	<u>33,844</u>
Employer Contributions	22,997

Notes to the Core Financial Statements

12 Disclosure of Information about Retirement Benefits - continued

(c) Assets and Liabilities in relation to Retirement Benefits

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme has been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the Fund being based on the most recent full valuation as at 31st March 2007.

The main financial assumptions used by the actuary for the purposes of the FRS17 calculations were:

	31/03/08	31/03/09	31/03/10
	% pa	% pa	% pa
Price increases	3.6	2.6	3.8
Discount rate (pre- and post-retirement)	6.3	6.7	5.7
Salary increases	5.1	4.1	5.3
Pension increases	3.6	2.6	3.8

The underlying assets and liabilities for retirement benefits attributable to the Authority, as estimated by the Council's actuary as at 31st March 2010, are as follows:

	31/03/08	31/03/09	31/03/10
	£000	£000	£000
Present value of funded obligation	488,715	400,230	636,621
Fair value of scheme assets (bid value)	342,106	263,021	400,559
	146,609	137,209	236,062
Present value of unfunded obligation	3,811	3,205	3,741
Net Liability	150,420	140,414	239,803

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. The contribution rates set by the actuary in the last full valuation as at 31st March 2007 should enable the fund to become fully funded in 12 years.

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

	31/03/08	31/03/09	31/03/10
	%	%	%
Equity investments	70	77	84
Gilts / Bonds	28	21	15
Other assets	2	2	1
	100	100	100

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period. The actuary has made the following assumptions:

	31/03/08	31/03/09	31/03/10
	%	%	%
Equity investments	7.0	7.0	7.5
Gilts / Bonds	5.4	5.1	5.2
Cash	5.3	3.0	3.0

Notes to the Core Financial Statements

12 Disclosure of Information about Retirement Benefits - continued

(c) Assets and Liabilities in relation to Retirement Benefits (cont)

Reconciliation of opening and closing balances of Assets and Benefit obligations

	2008/09	2009/10
	£000	£000
Opening Defined Benefit obligation	492,526	403,435
Current service cost	16,470	11,937
Interest cost	25,584	26,871
Actuarial (gain)/loss	(115,384)	214,160
Losses on curtailments	242	727
Estimated benefits paid (net of transfers in)	(22,297)	(22,530)
Past service costs	1,518	-
Contributions by scheme members	5,176	6,060
Unfunded pension payments	(400)	(298)
Closing Defined Benefit obligation	403,435	640,362
Opening fair value of scheme assets	342,106	263,021
Expected return on scheme assets	22,501	17,597
Change in asset valuation method	(3,421)	-
Actuarial gain/(loss)	(100,488)	114,811
Contributions by employer	19,844	21,898
Contributions by scheme members	5,176	6,060
Estimated benefits paid (net of transfers in)	(22,697)	(22,828)
Closing fair value of scheme assets	263,021	400,559
Deficit at beginning of the year	(150,420)	(140,414)
Current service cost	(16,470)	(11,937)
Employer contributions	19,444	21,600
Unfunded pension payments	400	298
Past service costs	(1,518)	-
Other finance income	(3,083)	(9,274)
Curtailments	(242)	(727)
Actuarial gain/(loss) (inc. change in asset valuation method)	11,475	(99,349)
Deficit at end of the year	(140,414)	(239,803)

(d) History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 and in previous years can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31st March.

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Differences between expected and actual return on assets	17.7	(3.7)	(2.1)	(38.2)	28.7
Experience gains and losses on liabilities	-	-	(6.0)	-	-

Notes to the Core Financial Statements

12 Disclosure of Information about Retirement Benefits - continued

(e) Demographic / Statistical assumptions

The actuary adopted the PA92 series post-retirement mortality tables projected to calendar year 2007 for current pensioners and 2017 for non-pensioners with a -2 year age rating and a 95% scaling factor. The assumed life expectations from age 65 were:

Retiring now:	Males 21.27 years	Females 24.33 years
Retiring in 20 years:	Males 22.21 years	Females 25.26 years

The actuary has assumed that 50% of retiring members will opt to convert pension in order to increase their lump sums to the maximum allowed.

(f) Sensitivity analysis

The following table sets out the impact of a change in the discount rates on the Total Obligation and Projected Service Cost along with a +/- 1 year age rating adjustment to the mortality assumption.

	£000	£000	£000
Adjustment to discount rate	+0.1%	0%	-0.1%
Present value of Total Obligation	627,142	640,362	653,898
Projected Service Cost	24,888	25,715	26,564
Adjustment to assumed mortality age	+ 1 year	None	- 1 year
Present value of Total Obligation	616,471	640,362	664,454
Projected Service Cost	24,578	25,715	26,858

(g) Balance Sheet Amounts for the current and previous four periods

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Defined Benefit Obligation	(517,651)	(546,523)	(492,526)	(403,435)	(640,362)
Scheme assets	308,799	322,456	342,106	263,021	400,559
Deficit	<u>(208,852)</u>	<u>(224,067)</u>	<u>(150,420)</u>	<u>(140,414)</u>	<u>(239,803)</u>
Experience adjustments on assets	54,717	(11,908)	(7,139)	(100,488)	114,811
Experience adjustments on liabilities	-	-	29,748	-	-

(h) Bromley Employees

In 2009/10, Bromley paid into the Pension Fund a total contribution of £21,466,000 (31.3% of total pensionable pay), including a past deficit contribution of £8.3m, which represents an increase of 1.4% in percentage terms from the 2008/09 contribution. The underlying contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations. The increase in 2009/10 incorporates the results of the full valuation as at 31st March 2007, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over the next 12 years.

(i) Teachers

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

In 2009/10, Bromley paid £6,018,000 to the Teachers' Pensions Agency in respect of teachers' pension costs which represented 14.1% of teachers' pensionable pay. In addition, Bromley is responsible for all pension payments relating to added years it has awarded. There were no payments relating to added years in 2009/10.

Notes to the Core Financial Statements

13 (Gain) / Loss on Disposal of Fixed Assets

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

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

Entries in the 2008/09 and 2009/10 accounts are shown below. In 2008/09, Cator Park Girls School attained Foundation School status and the fixed asset value of the school (£18.86m) transferred to the school's governing body. This was treated as an asset disposal with no proceeds in the accounts.

There were no gains or losses in 2009/10.

	2008/09 £000	2009/10 £000
Income & Expenditure Account		
- asset disposal proceeds	(1,755)	-
- carrying value of fixed assets	20,615	-
(Gain) / Loss on Disposal	<u>18,860</u>	<u>-</u>

14 Surplus on Trading Operations

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

2008/09 £000		Notes	2009/10 £000
10,474	Properties Held for Investment	(1)	(1,626)
(134)	Biggin Hill Airport	(2)	(162)
<u>10,340</u>			<u>(1,788)</u>

(1)

Covers the revenue activities relating to the group of fixed assets identified on the Balance Sheet under note 23. 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.

In 2008/09 the value of the Council's interest in the Glades shopping centre was reduced in the light of the adverse property market and a reduction of £12,250k was included under trading undertakings to reflect an impairment loss. This was reversed out in the Statement of Movement on the General Fund Balance to ensure that there was no charge to the General Fund. A further impairment loss of £500k was reflected in the 2009/10 accounts.

(2)

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.

15 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 (£5,000 in 2008/09) The leases were fully repaid in 2008/09, so there was no payment in 2009/10.

16 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. A total of £33,000 was paid into the pool in 2009/10 (£49,000 in 2008/09).

Notes to the Core Financial Statements

17 Other Income

Where capital receipts have been received that are not clearly attributable to a fixed asset disposal, these have been credited to the Income and Expenditure account as a separate category of 'Other Income' in Net Operating expenditure. They have been posted out to capital receipts in the Statement of Movement on the General Fund Balance. They include deferred capital receipts in respect of Broomleigh Housing Association Right-to-Buy house sales (£290,000 in 2009/10 - see note 34 (e)), and the repayment of a long-term lease obligation by the Ravensbourne School (£1,086,000 in 2009/10 - see note 34 (e)). Also included here, but not reversed in the SMGFB, is a contribution of £200,000 from the schools budget to offset the Minimum Revenue Provision.

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 2009/10. Bromley's share of the revenue distribution was £28,595.

19 Levies by Other Authorities

The Council made the following payments to levying authorities.

2008/09		2009/10
£000		£000
221	Environment Agency	220
404	Lee Valley Park	407
558	London Pensions Fund Authority	655
1,049	London Boroughs Grants Scheme	1,048
<u>2,232</u>		<u>2,330</u>

20 General Government Grants

The Council has received the following Government Grants which are not attributable to specific services.

2008/09		2009/10
£000		£000
(7,723)	Revenue Support Grant	(12,043)
(11,196)	Area Based Grant	(11,780)
(499)	Local Authority Business Growth Incentive Scheme	(427)
(83)	Housing and Planning Delivery Grant	(127)
<u>(19,501)</u>		<u>(24,377)</u>

Notes to the Core Financial Statements

<i>21</i>	<i>Note of Reconciling Items for the Statement of Movement on the General Fund Balance</i>		2009/10
2008/09		Notes	£000
£000			£000
Amounts Included in the Income and Expenditure (I & E) Account but Required by Statute to be Excluded when Determining the Movement on the General Fund Balance for the Year			
(29,844)	Depreciation and Impairment of Fixed Assets	(a) (11,246)	
22,116	Government Grants Deferred Amortisation	(b) 33,900	
(23,175)	Revenue Expenditure Funded from Capital under Statute	(c) (29,510)	
(18,860)	Gain / (Loss) on Disposal of Fixed Assets	(d) -	
(21,313)	Net Charges made for Retirement Benefits in accordance with FRS17	(e) (21,938)	
492	Other Income	(f) 1,376	
<hr/>		<hr/>	
(70,584)			(27,418)
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			
131	Statutory Revenue Provision for Capital Financing	(g) 147	
3,749	Capital Expenditure Charged in-year to the General Fund Balance	(h) 4,095	
(49)	Transfer from Usable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	(i) (33)	
19,844	Employer's Contributions Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners	(e) 21,898	
<hr/>		<hr/>	
23,675			26,107
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			
187	Voluntary Revenue Provision for Capital Financing	(g) 53	
685	Net Transfer to / (from) Earmarked Reserves	(j) 1,213	
<hr/>		<hr/>	
872			1,266
<hr/>			<hr/>
(46,037)	Net Additional Amount Required to be Debited or Credited to the General Fund Balance for the Year		(45)
<hr/> <hr/>			<hr/> <hr/>

Notes to the Core Financial Statements

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

(a) Depreciation and Impairment of Fixed Assets

All amounts of depreciation and impairments charged to the Net Cost of Services in the Income & Expenditure Account are reversed out here to ensure that there is no charge to the General Fund. A total of £9,459,000 was charged for depreciation in 2009/10 (£8,394,000 in 2008/09). The methodology for charging depreciation is outlined in the Statement of Accounting Policies. Impairment losses totalling £1,787,000, relating to reductions in fixed asset valuations, were charged in 2009/10 (£21,450,000 in 2008/09). The large reduction was primarily due to downward revaluations of the Council's interest in the Glades Shopping Centre (£12,250,000) and various properties in Crystal Palace Park (£6,930,000) in 2008/09.

(b) Government Grants Deferred Amortisation

Credits for government grants deferred are posted to the Income & Expenditure Account (I & E). Credits allocated to the Net Cost of Services (£28,000 in 2009/10 and £29,000 in 2008/09) represent the release of depreciation on government grants received to services using relevant assets. Government grants of £33,872,000 (£22,087,000 in 2008/09) are also shown in the 2009/10 I & E Account in the relevant service lines within the Net Cost of Services. The entries are reversed out of the Income & Expenditure Account through the Statement of Movement on the General Fund Balance to ensure no impact on the General Fund.

(c) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not add value to Council assets, is 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 2009/10 £29,510,000 was charged to the Net Cost of Services compared to £23,175,000 in 2008/09.

(d) Net Gain / (Loss) on Disposal of Fixed Assets

Full details are shown in note 13.

(e) Movement on Pensions Reserve

Full details are shown in note 12.

(f) Other Income

Full details are shown in note 17.

(g) Revenue Provision for Capital Financing

The Council is required by statute to set aside a Prudent Revenue Provision for the repayment of debt. For Bromley this is equivalent to 4% of the Capital Financing Requirement (CFR) at the beginning of the year. The Council's CFR as at 1st April 2009 related to capital expenditure left unfinanced as at 31st March 2009 (£3,666,000). Statutory Revenue Provision: 4% of CFR at 1st April 2009 (£3,666,000) = £147,000. In addition, the Council has set aside a voluntary revenue provision of £53,000, which is also recognised in the Statement of Movement on the General Fund Balance.

(h) 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 £4,095,000 in 2009/10 (£3,749,000 in 2008/09). Further details of the financing of capital expenditure are included in note 23.

Notes to the Core Financial Statements

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

(i) Payment of Housing Capital Receipts into Government Pool

Full details are shown in note 16.

(j) Net Transfer to / (from) Earmarked Revenue Reserves

2008/09 £000		2009/10 £000
(187)	Net contribution to / (from) Adult Education	-
(887)	Net contribution to / (from) LPSA Reward Grant	(398)
(290)	Net contribution to / (from) LAA Pump Priming Grant	(502)
644	Net contribution to / (from) Insurance Fund	(2)
101	Net contribution to / (from) Technology Fund	79
358	Net contribution to / (from) Town Centre Improvement Fund	427
(467)	Net contribution to / (from) Environmental Improvements	-
(91)	Net contribution to / (from) Community & Voluntary Sector Issues	(29)
1,000	Net contribution to / (from) Funding for Residents Priorities	(509)
500	Net contribution to / (from) Reserve for Potential Redundancy Costs	397
-	Net contribution to / (from) General Members Priorities	1,000
-	Net contribution to / (from) Adverse Winter Weather	250
-	Net contribution to / (from) Investment to Community Fund	250
-	Net contribution to / (from) Support to Schools	150
-	Net contribution to / (from) Works to Property	100
4	Net contribution to / (from) Other Reserves	-
685		1,213

22 Other Movements on the Statement of Total Recognised Gains & Losses

2008/09 £000		2009/10 £000
55	Deferred Credits - Sale of Council Houses	-
(48)	Repayment of transferred College Debt	-
7		-

Notes to the Core Financial Statements

23 Fixed Assets

The movements in fixed assets during the year were:

Operational Assets	Land and Buildings £000	Vehicles, Plant, etc. £000	Infra- structure Assets £000	Community Assets £000	Total £000
Cost or Valuation					
At 1st April 2009	781,548	29,492	89,198	2,491	902,729
Additions	-	194	6,333	3	6,530
Disposals	-	(12)	-	-	(12)
Reclassifications	-	-	-	-	-
Revaluations	9,830	2,181	-	-	12,011
At 31st March 2010	<u>791,378</u>	<u>31,855</u>	<u>95,531</u>	<u>2,494</u>	<u>921,258</u>
Depreciation and Impairments					
At 1st April 2009	(31,871)	(29)	(19,220)	(711)	(51,831)
Charge for 2009/10	(9,779)	(47)	(2,528)	(83)	(12,437)
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Revaluations	-	-	-	-	-
At 31st March 2010	<u>(41,650)</u>	<u>(76)</u>	<u>(21,748)</u>	<u>(794)</u>	<u>(64,268)</u>
Balance Sheet amount at 31st March 2010	<u>749,728</u>	<u>31,779</u>	<u>73,783</u>	<u>1,700</u>	<u>856,990</u>
Balance Sheet amount at 1st April 2009	<u>749,677</u>	<u>29,463</u>	<u>69,978</u>	<u>1,780</u>	<u>850,898</u>
Nature of Asset Holding					
Owned	<u>749,728</u>	<u>31,779</u>	<u>73,783</u>	<u>1,700</u>	<u>856,990</u>

Notes to the Core Financial Statements

Continuation of Note 23

Non-Operational Assets	Investment Properties £000	Surplus Assets held for Disposal £000	Assets Under Construction £000	Total £000
Cost or Valuation				
At 1st April 2009	63,129	17,811	7,965	88,905
Additions	-	-	5,749	5,749
Disposals	-	(2,629)	-	(2,629)
Reclassifications	(3,618)	3,618	-	-
Revaluations	2,677	1,490	-	4,167
At 31st March 2010	62,188	20,290	13,714	96,192
Depreciation and Impairments				
At 1st April 2009	(12,337)	(258)	-	(12,595)
Charge for 2009/10	(748)	(703)	-	(1,451)
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
At 31st March 2010	(13,085)	(961)	-	(14,046)
Balance Sheet amount at 31st March 2010				
	49,103	19,329	13,714	82,146
Balance Sheet amount at 1st April 2009				
	50,792	17,553	7,965	76,310
Nature of Asset Holding				
Owned	49,103	19,329	13,714	82,146

Notes to the Core Financial Statements

Continuation of Note 23

Fixed Assets owned by the Council include the following:			
	Number as at 31.3.09	Number as at 31.3.10	Range of estimated useful lives (Years)
Operational Buildings			
Civic Centre	1	1	84
Other Offices	5	5	39-52
Primary Schools	56	56	61-98
Special Schools/Units	5	5	71-91
Social Services - Homes & Day Centres	20	20	51-81
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	6	6	51-91
Libraries	15	15	51-91
Golf Courses	3	3	19-27
Churchill Theatre	1	1	83
Cemeteries	6	6	4-71
Surface Car Parks	24	24	17
Multi-Storey Car Parks	4	4	1-81
Public Conveniences	22	22	62-91
Investment Properties			
Investment Properties	177	172	n/a
Surplus Properties	17	21	n/a
Agricultural Properties	16	16	n/a
Biggin Hill Airport	1	1	n/a
Operational Equipment			
Vehicles	19	20	5-20
Infrastructure Assets			
Road (kilometres)	883.7	884.5	15-40
Community Assets			
Parks and Open Spaces (hectares)	1,261	1,261	n/a

Notes to the Core Financial Statements

Continuation of Note 23

Total capital expenditure and financing are shown below:	2008/09	2009/10
	£000	£000
<i>Total Capital Expenditure</i>	<u>32,179</u>	<u>42,479</u>
<i>Financed by:</i>		
Usable Capital receipts	4,930	3,822
Government Grants & other Contributions	22,797	34,562
Revenue Contributions	<u>3,749</u>	<u>4,095</u>
	<u>31,476</u>	<u>42,479</u>
<i>Explanation of Movement in Year:</i>		
Expenditure left unfinanced	<u>703</u>	<u>-</u>
	<u>703</u>	<u>-</u>

Capital Commitments

As at 31st March 2010, the Council was committed to expenditure on capital projects relating to works, fees, grants and contributions totalling approximately £13 million. Major projects include the following:

	£000
Secondary Investment Strategy	8,821
Children Centres	2,641
Playbuilder - Play Facilities in Parks	707
Biggin Hill Leisure Centre	701
Other Schemes	<u>148</u>
	<u>13,018</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. In 2008/09, Cator Park Girls School adopted Foundation School status, as a result of which there are now 24 Foundation Schools in Bromley.

Notes to the Core Financial Statements

24 Financial Assets

(a) Investments as at 31st March

2009 £000		2010 £000	2010 £000
	Long Term Investments (1 year and over to maturity)		
	<i>Loans and Receivables</i>		
10	- Government Stock		9
36,500	- Banks		15,000
9,000	- Building Societies		-
<u>45,510</u>			<u>15,009</u>
	Short Term Investments (up to 364 days to maturity)		
	<i>Loans and Receivables</i>		
32,709	- Banks	112,426	
(1,640)	- Impairment adjustment re Icelandic Bank deposit	<u>300</u>	
			112,726
60,131	- Building Societies		15,347
-	- Other		<u>2,512</u>
<u>91,200</u>			<u>130,585</u>
<u>136,710</u>			<u>145,594</u>

In accordance with the requirements of the 2009 SORP, accruals for investment interest income due during 2009/10 but not received as at 31st March 2010 are included with short term investments in the Balance Sheet. The balances as at 31st March 2010 include a total principal sum of £144,119,600 and total accrued interest of £1,174,026. In 2008/09, the carrying value of investments was reduced by £1,640,119 in respect of impairment entries actioned in accordance with CIPFA LAAP Bulletin 82, "Guidance on the impairment of deposits with Icelandic Banks".

An update to the Bulletin was issued in May 2010, as a result of which £299,923 of the 2008/09 impairment was reversed in 2009/10 and this has increased the carrying value of investments. Further details are given in the disclosure note on credit risk (note 42).

(b) Gains / Losses

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

	Financial Liabilities £000	Financial Assets Loans & Receivables £000	Total £000
Interest Expense	-	-	-
Interest Income	-	(4,887)	(4,887)
Net (Gain)/Loss for the year	<u>-</u>	<u>(4,887)</u>	<u>(4,887)</u>

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

Notes to the Core Financial Statements

24 Financial Assets continued

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

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

- (a) The fair values for loans and receivables have been determined by using indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.
- (b) Where an investment has a maturity of less than 12 months, the fair value is taken to be the total of principal outstanding and accrued interest.

The fair values calculated are as follows:

	31st March 2009		31st March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments less than 1 year	91,200	91,200	130,585	130,585
Investments greater than 1 year	45,510	48,536	15,009	16,237
Total Investments	136,710	139,736	145,594	146,822

The fair values for both years are greater than the carrying amount because the Council's portfolio of investments at both Balance Sheet dates included a number of fixed rate investments where the interest rate receivable was higher than the rates available for similar investments in the market.

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

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

* Under the Housing Stock Transfer agreement concluded with Broomleigh Housing Association (Affinity Homes Group) in 1992, the Council receives a proportion of the income from the sale of Council Houses and interest every three years. The next receipt is due in 2010/11 and this is shown as a short-term debtor (note 28) as at 31st March 2010.

In 2009/10, the Council set up a long-term debtor to recognise a loan of £1,085,420 repayable by The Ravensbourne School in respect of leases taken over from the school by the Council in 2005/06. The Council's liability in respect of the leases was fully discharged in 2008/09.

Notes to the Core Financial Statements

26 Stocks and Work in Progress at 31st March

2009 £000		2010 £000
	Stocks	
72	Road Salt	15
24	Other	11
<u>96</u>		<u>26</u>
	Works in Progress	
147	Highways	255
43	Building Maintenance	19
<u>190</u>		<u>274</u>
<u>286</u>		<u>300</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 2009/10 Bromley was allocated 76,569 allowances of which it is estimated that 38,169 will be required for landfill usage, leaving a balance of 38,400 unused allowances.

As at 31st March 2010, each allowance has a market value of zero and as such previous valuations have been written out of the balance sheet.

28 Debtors and Payments in Advance at 31st March

2009 Net £000		Gross £000	Bad Debt Provision £000	2010 Net £000
	Debtors			
8,304	Government	8,279	-	8,279
2,182	Local Authorities	2,714	-	2,714
3,383	Council Tax	11,773	9,334	2,439
-	NNDR	2,466	597	1,869
-	Broomleigh Housing Association* (Affinity Homes Group)	1,059	-	1,059
14,118	General Debtors	25,123	9,409	15,714
<u>27,987</u>		<u>51,414</u>	<u>19,340</u>	<u>32,074</u>
4,949	Payments in Advance			4,690
<u>32,936</u>				<u>36,764</u>

*Long Term Debtor - see note 25

Notes to the Core Financial Statements

29 Cash in Hand/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 31.3.09 £000		Balance at 31.3.10 £000
(26,987)	Bank Balance	(28,727)
24,039	Schools Balances	29,813
42	Cash in Hand	32
<u>(2,906)</u>	Cash in Hand / (Overdrawn)	<u>1,118</u>

30 Financial Liabilities

Short Term Borrowing (Temporary Loans)

Balance at 31.3.09 £000		Loans Raised £000	Loans Repaid £000	Balance at 31.3.10 £000
1,574	Pension Fund	502	-	2,076
690	Former LRB Fund	-	6	684
93	Trust Funds	3	-	96
2,300	Temporary Borrowing	-	2,300	-
<u>4,657</u>		<u>505</u>	<u>2,306</u>	<u>2,856</u>

31 Creditors and Receipts in Advance at 31st March

2009 £000	Creditors	2010 £000
4,104	Government	4,351
3,183	Local Authorities	3,650
1,111	Council Tax	1,272
255	Council Tax Precepts (GLA)	729
841	NNDR	-
37,939	General creditors	37,614
<u>47,433</u>		<u>47,616</u>
	Receipts in Advance	
7,281	Government	13,470
1	Local Authorities	8
2,083	Council Tax	2,310
13,251	Other	15,739
<u>22,616</u>		<u>31,527</u>
<u>70,049</u>		<u>79,143</u>

Notes to the Core Financial Statements

32 Government Grants Deferred

This account represents the balance of grants paid to the Council by the Government and required to be used to contribute towards capital expenditure on fixed assets. The balance is reduced each year as the value of relevant fixed assets reduces due to wear and tear. Credits for depreciation are posted to the Net Cost of Services and are reversed in the Statement of Movement on the General Fund Balance (£29,000 in 2008/09 and £28,000 in 2009/10). Further details are included in note 21(b).

33 Provisions at 31st March

2009		Contribution	Contribution	2010
£000		Out	In	£000
		£000	£000	
1,384	Unsettled Insurance Claims (a)	1,033	650	1,001
729	Section 117 (b)	68	-	661
220	Housing & Council Tax Benefit (c)	-	452	672
4,300	Provision for Equal Pay (d)	3,964	1,263	1,599
2,156	Other (e)	-	92	2,248
<u>8,789</u>		<u>5,065</u>	<u>2,457</u>	<u>6,181</u>

- (a) This provision represents the estimated potential cost of insurance claims received but not settled by the Council as at 31st March 2010 (276 claims with a total estimate of £1,000,835).
- (b) 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 £68k, including tax on interest, have been made during 2009/10.
- (c) Provision has been made for the potential repayment of housing & council tax benefit subsidy arising from uncertainty relating to government subsidy for overpayments generated from LA errors.
- (d) The Council has made provision for the financial implications arising from one off costs relating to the implementation of Single Status. A sum of £1,599k has been carried forward into 2010/11 to reflect potential outstanding liabilities under the terms of the agreement.
- (e) Represents a number of provisions including NNDR and Council Tax credit balances, Bromley Town hall - dilapidation, Newstead Woods Tennis Court and backdated care costs, with the balance relating to various other minor provisions.

Notes to the Core Financial Statements

34 Detail of Movements on Reserves

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

Reserve	Balance 1 April 2009 £000	Net Movement in Year £000	Balance 31 March 2010 £000	Purpose of Reserve	Note
Revaluation Reserve	138,537	11,293	149,830	Store of gains on revaluation of fixed assets not yet realised through sales	(a)
Capital Adjustment Account	784,266	703	784,969	Store of capital resources set aside to meet past expenditure	(b)
Pensions Reserve	(140,414)	(99,389)	(239,803)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(c)
Capital Receipts Reserve	14,032	(796)	13,236	Proceeds of fixed asset sales available to meet future capital investment	(d)
Deferred Capital Receipts	2,517	1,118	3,635	Loans to Housing Associations, etc. Repayment due on deferred terms.	(e)
General Fund (including schools)	62,830	10,303	73,133	Resources available to meet future running costs for non-housing services	(f)
Earmarked Reserves	11,531	1,213	12,744	Resources earmarked to meet specified schemes, projects, etc	(g)
Total	873,299	(75,555)	797,744		

Notes to the Core Financial Statements

34 Detail of Movements on Reserves (cont'd)

(a) Revaluation Reserve

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

	Total £000
Balance brought forward at 1st April 2009	138,537
Gains on revaluation of fixed assets	16,178
Impairment losses written out	(2,642)
Amounts written out on disposal	(2,243)
Balance carried forward at 31st March 2010	<u>149,830</u>

(b) Capital Adjustment Account

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

	Total £000
Balance brought forward at 1st April 2009	784,266
Capital Financing - usable capital receipts	3,822
- revenue contributions	4,095
- grants and contributions	33,900
Fixed Assets - impairments	(1,787)
- amounts written out on disposal	(398)
- depreciation	(9,459)
- revenue expenditure funded from capital under statute	(29,510)
Prudent Revenue Provision for repayment of debt	200
Loans to Schools - principal repaid	(160)
Balance carried forward at 31st March 2010	<u>784,969</u>

(c) Pensions Reserve

The underlying assets and liabilities for retirement benefits attributable to the Council as at 31st March 2010 are as follows:

2008/09 £000		Movement in 2009/10 £000	2009/10 £000
263,021	Fair value of assets (bid value)	137,538	400,559
(403,435)	Present value of scheme liabilities	(236,927)	(640,362)
<u>(140,414)</u>	Net Pension liability as at 31st March	<u>(99,389)</u>	<u>(239,803)</u>

Notes to the Core Financial Statements

34 Detail of Movements on Reserves (cont'd)

(d) Capital Receipts Reserve

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 2009	14,032
Amounts receivable in 2009/10	3,026
Amounts applied to finance new capital investment	(3,822)
Balance carried forward at 31 March 2010	<u>13,236</u>

(e) Deferred Capital Receipts

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

	Total £000
Balance brought forward at 1 April 2009	2,517
Loans advanced in 2009/10	1,376
Loans repaid in 2009/10	(258)
Balance carried forward at 31 March 2010	<u>3,635</u>

2009 £000		2010 £000
119	Sale of Council Houses	84
1,502	Housing Associations	1,477
149	Private House Purchasers	115
10	Private Street Work Frontagers	12
	Broomleigh Housing Association (Affinity Homes Group)	
693	- Sale of Council Houses	983
44	Transferred Services	39
-	Loan to Ravensbourne School *	925
<u>2,517</u>		<u>3,635</u>

* Loan to Ravensbourne School - see note 25

(f) General Fund

Full details are shown on the Statement of Movement on the General Fund Balance on page 20, which shows the split between the amount held by governors under schemes to finance schools and that generally available for future expenditure.

Notes to the Core Financial Statements

34 Detail of Movements on Reserves (cont'd)

(g) Earmarked Reserves as at 31st March

Details of the net increase of £963,000 on Earmarked Reserves is set out below :

2009 £000		Expenditure £000	Contributions £000	2010 £000
3,500	Insurance Fund	650	648	3,498
2,637	LPSA1 Reward Grant Investment Fund	398	-	2,239
502	LAA Pump Priming Grant	502	-	-
1,647	Technology Fund	-	79	1,726
483	Street Services Reinstatement Fund	-	-	483
500	Reserve for Potential Redundancy Costs	951	1,348	897
13	Public Halls Fund	-	-	13
795	Town Centre Improvement Fund	-	427	1,222
200	Ex Glaxo Land Maintenance	6	6	200
162	Building a Better Bromley Initiatives	-	-	162
33	Environmental Improvements	-	-	33
59	Community & Voluntary Sector Issues	29	-	30
1,000	Funding for Residents Priorities	509	-	491
-	General Members Priorities	-	1,000	1,000
-	Adverse Winter Weather	-	250	250
-	Investment to Community Fund	-	250	250
-	Support to Schools	-	150	150
-	Works to Property	-	100	100
<u>11,531</u>		<u>3,045</u>	<u>4,258</u>	<u>12,744</u>

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

> 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 2009/10 internal premiums of £500,000 were charged and interest earnings of £148,252 were received. Claims and other expenditure totalling £650,000 were met from the Fund.

> Local Public Service Agreement (LPSA) Reward Grant - relates to Reward Grant received in 2005/06 and 2006/07 as a result of achievement of performance targets in LPSA1. In 2009/10, £397,600 was spent on further service improvements.

> LAA Pump-Priming Grant - during 2007/08 the Council set aside the pump-priming grant received from Government (£1,052,000) to fund one-off initiatives supporting the Council's priorities. In 2009/10, the balance as at 31st March 2009 (£501,819) was fully spent on further service improvements.

> 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.

> Street Services Reinstatement Fund - sum received from NTL to provide for street services maintenance and reinstatement arising from indemnified works.

> Reserve for Potential Redundancy Costs - provision set aside to meet potential redundancy implications in future years.

> Public Halls Fund - used for property/access works to facilitate greater participation at charity and community halls.

Notes to the Core Financial Statements

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

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

Notes on Earmarked Reserves

- Town Centre Improvement Fund - the Council has received a further grant in 2009/10 of £427k through the Local Authority Business Growth Incentive Scheme which has been set aside to provide a contribution to the town centre development fund. A sum of £1,022k is ringfenced to contribute towards the costs associated with the relocation of Orpington Library. The balance of £200k is available for expenditure related to the development and sustainability of town centres.
- Ex Glaxo Land Maintenance - an endowment has been received for future maintenance of land conveyed to the London Borough of Bromley.
- Building a Better Bromley Initiatives - grant received from Local Authority Business Growth Incentive Scheme, set aside for one-off spending initiatives.
- Environmental Improvements / Community & Voluntary Sector Issues/Funding for Residents Priorities - the Council has set aside funding for one off projects across the borough such as dealing with with the maintenance of the Borough trees, highways and footpaths.
- General Members Priorities - provision set aside to deal with Member priorities relating to 'environmental initiatives.
- Adverse Winter Weather - funding for remedial measures to deal with the problems created by adverse winter weather.
- Investment to Community Fund - set up in 2009/10 to provide investment to the community and voluntary sector as determined by Members.
- Support to Schools - a new fund established in 2009/10 to ensure sufficient funds are available in 2010/11 to provide support to failing schools.
- Works to Property - a fund set aside to meet potential unrecoverable costs associated with works to a property.

35 *Contingent Liability - not provided for in the accounts*

Contingent liabilities are dependent upon the outcome of uncertain events and, consequently, cannot be quantified at the balance sheet date. For 2009/10 there are two contingent liabilities to disclose:

There have been a number of council tax banding appeals which, if successful, could result in refunds dating back to 1993. The claims are currently being considered by the District Valuer and could also have an impact on future Council Tax income levels. It is not possible to quantify the financial impact at this stage and the final outcome will depend on the number of appeals and the outcome of the findings from the District valuer.

There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Council repudiates any liability. It is difficult to give a much fuller assessment unless proceedings are actually issued and the completed particulars of the claim and quantified damages are known. However, it is estimated that the maximum claim could be in the region of £1m.

Notes to the Core Financial Statements

36 Contingent Asset - not provided for in the accounts

Contingent assets are possible assets that will only be confirmed by the occurrence of uncertain future events not wholly within the Authority's control. For 2009/10 there is one contingent asset to be disclosed:

The Council has been successful in recovering from HM Revenue and Customs separate historic VAT claims for different periods from April 1973 to December 1996. These claims related to disputed VAT liabilities on sporting services, sporting tuition, excess parking charges, special domestic waste collections, cultural services and libraries/audio visual charges. There are further claims being pursued which include claims for compound interest, off street parking and a claim for the period December 1996 to December 2000 in relation to libraries/audio visual charges, special collections of domestic waste and excess charges for off-street parking. It is not certain, at this stage, whether the claims will be successful.

37 Post Balance Sheet Events

This Statement of Accounts for 2009/10 was authorised for issue by the Director of Resources, Paul Dale, on 18th June 2010. 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

38 Analysis of Government Grants	2008/09	2009/10
	£000	£000
Revenue		
Dedicated Schools Grant	172,412	179,400
Learning Skills Council - Sixth Form Direct Funding	25,989	28,263
Standards Fund Grant	15,930	17,674
Area Based Grant	11,196	11,780
School Standards Grant	8,635	8,866
General Sure Start Grant	5,675	7,031
Supporting People - Services	5,428	5,428
Learning Skills Council - Adult Education & Libraries	2,669	2,536
Council Tax & Housing Benefits Administration	2,245	2,472
Learning Skills Council - Other Education funding	2,115	2,277
Social Care Reform	400	932
Learning Disability Campus Closure	394	873
London Pay Addition	328	683
Diploma Grant	104	398
Home Office - Drug Action Team	190	389
Youth Justice Board	318	386
Other Miscellaneous Grants	2,474	3,183
	<u>256,502</u>	<u>272,571</u>
	2008/09	2009/10
	£000	£000
Capital		
Children's Services - Targeted Capital Fund - Schools	-	8,529 (1)
- Formula Devolved Capital	5,015	6,826
- Building Schools for the Future	1,179	4,683
- Primary Capital Programme	-	3,459 (2)
- Modernisation Fund	-	3,019 (3)
- Children Centres	153	1,942
- Practical Cooking Spaces	-	1,416
- National Grid for Learning	891	877
- Standards and Diversity	500	-
- Early Years Capital	-	695
- Specialist Secondary Schools	-	525
- Extended Schools	449	475
- Aiming High for Disabled Children	-	185
- Youth Capital Fund	135	144
Playbuilder - Play Facilities in Parks	-	528
Other Miscellaneous Grants	755	595
	<u>9,077</u>	<u>33,898</u>

(1) One-off Targeted Capital Fund grant to improve facilities in Secondary Schools

(2) 1st year of two-year grant allocation

(3) 3 year Government funding re: modernisation of schools was brought forward into 2009/10

Notes to the Core Financial Statements

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

	£000	£000
Net (Surplus) for the year	(10,258)	
Collection Fund (see page 62)	<u>-</u>	(10,258)
Adjustments :		
Depreciation and Impairment of Fixed Assets		(11,246)
Net Charges Made for Retirement Benefits in Accordance with FRS17		(21,938)
Employer's Contributions Payable to the Pension Fund and Retirement Benefits Payable Direct to Pensioners		21,898
Government Grants Deferred Amortisation		33,900
Other Income		1,376
Interest earned, classified elsewhere in cashflow statement		6,441
Movement in Current Assets and Liabilities		
Debtors (net of provisions)		5,630
Stocks and works in progress		14
Creditors		(668)
Movement in other balances		
Provisions		2,608
Long Term Debtors		(160)
Net Cash Flow on Revenue Activities		<u>27,597</u>

40 Reconciliation of items within Management of Liquid Resources and Financing

	Balance 31st March 2009 £000	Movement in Year £000	Balance 31st March 2010 £000
Short Term Investments	91,200	39,385	130,585
Temporary Borrowing	(4,657)	1,801	(2,856)
Other Liquid Resources:			
NNDR (i)	(841)	2,710	1,869
Council Tax (ii)	(255)	(474)	(729)
	<u>(1,096)</u>	<u>2,236</u>	<u>1,140</u>

(i) the difference between cash collected on behalf of Government and the amount paid over to the national pool for National Non-Domestic Rates.

(ii) the difference between Council Tax collected on behalf of the Greater London Authority (GLA) and precepts and other payments made.

41 Reconciliation of movement in Cash to Movement in Net Worth

	Balance 31st March 2010 £000
Increase in Cash	(4,024)
Revaluation Reserve	11,293
Other	(82,824)
Movement in Balance Sheet Net Worth	<u>(75,555)</u>

Notes to the Core Financial Statements

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

The Council's activities expose it to a variety of financial risks. With regard to financial assets, these are mainly classified as loans and receivables (see note 24) and most of this note concentrates on the nature and extent of risk arising from these.

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

Overall Procedures for Managing Risk

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

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

These are required to be reported and approved before the start of the year to which they relate and are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is reported quarterly to Members.

The annual treasury management strategy for 2009/10, which incorporates the prudential indicators, was approved by Council on 16th February 2009 and is available on the Council website. The key issues within the strategy were:

- Authorised Limit (maximum limit of external borrowing and other long-term liabilities) £60m;
- Operational Boundary (expected maximum level of borrowing and long-term liabilities) £30m.

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

Notes to the Core Financial Statements

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

Credit Risk

Credit risk arises from deposits with banks and other financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria in accordance with the Fitch, Moody's and Standard & Poors credit ratings services. The Strategy also imposes a maximum amount to be invested with a financial institution at any time and sets a maximum time period for investment. Other factors, such as sovereign ratings, government support and external advice, are also taken into account.

The following analysis summarises the Authority's potential maximum exposure to credit risk. The table gives details of the global corporate finance average cumulative default rates for the period 1990 to 2009. Default rates are shown by long-term rating category on investments out to 1 year, which was the most common investment period during the year.

	Amount (principal sum)	Historical experience of default	Estimated maximum exposure to default
	3/31/2010		3/31/2010
	£'000	%	£'000
	(a)	(b)	(a) * (b)
AAA rated counterparties*	-	0.00%	-
AA rated counterparties*	127,500	0.03%	38
A rated counterparties*	5,000	0.08%	4
BBB rated counterparties*	10,000	0.24%	24
Other counterparties*	1,611	42.67%	687
	<u>144,111</u>		<u>753</u>

- * AAA - Highest credit quality, indicating strongest capacity for payment
- AA - Very high credit quality, indicating very strong capacity for payment
- A - High credit quality, indicating strong capacity for payment
- BBB - Good credit quality, indicating adequate capacity for payment
- Other - Heritable Bank (see note below)

Whilst the current credit crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties. No credit limits were exceeded during 2009/10 and the Council expects full repayment on the due date of all deposits with the exception of one placed in 2007/08 with Heritable Bank, a UK subsidiary of the Icelandic bank, Landsbanki.

Icelandic Bank deposit

In October 2008, the Icelandic banking sector defaulted on its obligations. The Council had £5m invested in this sector at that time, this having been placed with Heritable Bank for 2 years on 28th June 2007. Heritable Bank was placed in administration on 7th October 2008 and administrators, Ernst & Young, were appointed.

In the 2008/09 accounts, in line with Cipfa Guidance, an impairment loss of £1,640k was recognised, based on the administrators' estimate at that time of a recovery of 80%. The impairment was calculated by discounting the assumed cash flows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the Council until monies are recovered. The impairment was recognised in the Income & Expenditure Account and in the carrying amount of the investment on the Balance Sheet.

During 2009/10, the administrators paid 3 dividends totalling £1,779k, which represented 35% of the Council's claim of £5,087k and further dividends are due to be paid in future years. The latest estimate from the administrators is for a recovery of between 79% and 85% and, in accordance with further guidance from Cipfa, a part-reversal of the original impairment has been recognised in the 2009/10 accounts (£300k - based on a prudent recovery estimate of 82%).

Notes to the Core Financial Statements

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

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

	31/03/2009	31/03/2010
	£'000	£'000
Less than three months	5,857	4,866
Three to six months	1,140	1,421
Six months to one year	853	997
More than one year	981	696
	<u>8,831</u>	<u>7,980</u>

Liquidity Risk

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

In the event of an unexpected cash requirement, the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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

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

The Council has no long-term borrowing. The maturity analysis of investments is as follows:

Principal Sum Invested at 31/03/09 £000		Principal Sum Invested at 31/03/10 £000
89,500	Less than one year	129,111
30,500	Between one and two years	15,000
10,000	Between two and three years	-
5,000	More than three years	-
<u>135,000</u>		<u>144,111</u>

Notes to the Core Financial Statements

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

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its investments.

Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances)

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

During 2009/10, all of the Council's investments were placed at fixed interest rates, so there was no exposure to movements in variable interest rates.

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

THE COLLECTION FUND

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

	Notes	2008/09 £000	2009/10 £000
Income			
Amounts receivable from Council Tax payers	(1)	153,145	155,306
Transfer from the General Fund for Council Tax benefit		16,677	18,431
Income collectable from Business Rate payers	(2)	77,959	79,715
		247,781	253,452
Expenditure			
Precepts / Demands			
- London Borough of Bromley		126,267	129,715
- Greater London Authority		41,036	41,045
Business Rates	(2)		
- Payments to National Pool		77,601	79,352
- Cost of Collection		358	363
Bad and Doubtful Debts / Appeals			
- Write offs		1,004	775
- Increase / (decrease) in bad debt provision		1,515	2,202
		247,781	253,452
Net Movement on Fund Balance			
		-	-
		£000	£000
Fund Balance			
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:

Band	Number of Properties	Multiplier	Band D Equivalent Dwellings
A	1,355	6/9	903
B	7,384	7/9	5,743
C	22,824	8/9	20,288
D	30,729	9/9	30,729
E	25,984	11/9	31,758
F	16,090	13/9	23,241
G	12,424	15/9	20,707
H	1,081	18/9	2,162
			<hr/>
			135,531
Allowance for MOD properties, changes in exemptions, discounts and number of properties			(347)
			<hr/>
			135,184
Estimated Collection Rate			98.00%
			<hr/>
Council Tax Base 2009/10			<hr/>
			132,480

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 2008 was assessed by the Government's District Valuer as £194,856,297. The national non-domestic multiplier for the year was 48.5p. The income collectable for the year of £79.7m is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory relief's as well as the part year effect of properties falling out / brought into rating during the year.

TRUST FUNDS

Introduction

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

The funds are held by the Council largely to finance various prizes and grants for pupils and students. The Executive on 3 February 2010 approved the transfer of these funds to Capital Community Foundation for similar purposes. The transfer of the balances was completed in April 2010.

The Trust Funds are not consolidated within the Council's main financial statements shown in the previous pages. Brief details on each of the Trusts are also shown below.

Trust Funds as at 31st March 2010

Notes	31st March 2009 £'000	Receipts in Year £'000	Payments in Year £'000	31st March 2010 £'000
Registered with the Charity Commission				
1 Douglas Feltham Scholarship	10	1		11
2 Sutton Foundation	68	2		70
3 Lindley Jones Trust Fund	5			5
Other Trust Funds				
4 Sayers Foundation	3			3
5 Marian Vian Prize Fund	3			3
6 Dr Appleby Memorial Prize	2			2
7 FW Robinson Service Prize	1			1
8 Other Trust Funds valued under £1,000	1			1
Total	93	3	-	96

Notes

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

FORMER LRB FUND

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

Movement for year ending 31st March 2010

	Fund 1	Fund 2	TOTAL
	£000	£000	£000
Balance as at 1st April 2009	(331)	(359)	(690)
Movement in year on ex LRB functions:			
Income	(2)	(635)	(637)
Interest earnings on Fund balance	(10)	(22)	(32)
Expenditure	19	19	38
Distribution (note 1)	2	635	637
Balance as at 31st March 2010	<u>(322)</u>	<u>(362)</u>	<u>(684)</u>

Balance Sheet as at 31st March 2010

2009		2010
£000		£000
	<i>Assets</i>	
-	Debtors	-
-	Less provision for bad debts	-
<u>690</u>	Cash	<u>684</u>
<u>690</u>		<u>684</u>
	<i>Liabilities</i>	
331	Fund 1	322
359	Fund 2	362
-	Creditors	-
<u>690</u>		<u>684</u>

Notes to accounts

1) *2009/10 Distribution*

In 2009/10 revenue receipts of £637,467 were received and distributed to London Boroughs on 31 March 2010.

2) *Fund 1*

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

Fund 2

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

PENSION FUND

2008/09		PENSION FUND ACCOUNT	Note	2009/10	
£000	£000			£000	£000
Dealings with members and employers					
Contributions and similar payments					
5,850		Contributions - from members	9	6,152	
13,045		- from employers - normal	9	14,728	
8,000		- deficit funding	9	8,300	
3,174		Transfers in		4,457	
	30,069				33,637
Benefits					
(16,848)		Pensions		(18,350)	
(4,409)		Lump sum benefits - retirement		(5,530)	
(389)		- death		(328)	
	(21,646)				(24,208)
Payments to and on account of leavers					
(11)		Refunds of contributions		(12)	
(1,473)		Transfers out		(4,223)	
	(1,484)				(4,235)
	(788)	Administrative expenses	2		(763)
	6,151	Net addition from dealings with Fund members			4,431
Returns on investments					
7,818		Investment income	11	7,141	
		Change in market value			
2,724		- realised investment gains/(losses)		(1,137)	
(77,741)		- unrealised investment gains/(losses)		140,393	
(1,478)		Investment management expenses	2	(2,185)	
	(68,677)	Net return on investments			144,212
	(62,526)	Net Fund increase/(decrease) during year			148,643
	361,679	Opening net assets			299,153
	299,153	Closing net assets			447,796
31st March 2009 NET ASSETS STATEMENT					
£000				£000	
Investment assets					
74,029		Equities - UK		111,971	
75,075		- overseas		118,585	
	149,104				230,556
	144,067	Pooled investment vehicles			211,646
	4,350	Cash deposits held by investment managers			4,148
331		Other investment balances - sales		-	
(437)		- purchases		(75)	
	(106)				(75)
	297,415		4		446,275
Current assets and liabilities					
984		Current assets - sundry debtors	3	901	
(820)		Current liabilities - sundry creditors	3	(1,456)	
	164				(555)
	1,574	Internal cash temporarily invested			2,076
	299,153	Closing net assets			447,796

The fund's financial statements include all assets and liabilities of the fund as at 31st March 2010, but do not take account of liabilities to pay pensions and other benefits after the period end.

PENSION FUND

Notes to the Accounts

1 General

These accounts comply with the recommendations of the CIPFA Code of Practice and have been prepared in accordance with the provisions of Chapter 2, Recommended Accounting Practice, of the Pensions SORP 2007. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007 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 Investment Sub-Committee on 12th May 2009 and is published on the Council's website.

2 Administrative Expenses

Pension fund administrative 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 2007. A breakdown of administrative expenses is shown below.

	2008/09	2009/10
	£000	£000
Bank charges	14	16
Advice & other costs	58	62
Internal recharges	716	685
	<u>788</u>	<u>763</u>
Management fees	<u>1,478</u>	<u>2,185</u>

The total management fee has increased significantly in 2009/10 because a performance-related fee is payable to one of the fund managers (Fidelity) and, in the 3 years to 2009/10, they exceeded their rolling 3-year performance target by 4.56% (2.00% in the 3 years to 31/3/09). As a result, an additional fee of £1,324,997 was payable in 2009/10 (£717,604 in 2008/09).

3 Current Assets and Current Liabilities

Debtors and Creditors are raised for all income and expenditure outstanding at 31st March 2010, with the exception of transfers receivable and payable, which are accounted for on a cash basis. Significant items are shown below.

	2008/09	2009/10
	£000	£000
<u>Debtors (current assets)</u>		
Contributions due from employers	391	260
Investment income	586	641
Other	7	-
	<u>984</u>	<u>901</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	804	1,447
Pension advice fees	11	6
Other	5	3
	<u>820</u>	<u>1,456</u>

See Note 2 above for explanation of large increase in fund management fees in 2009/10.

4 Market Value of Investments

All investments are managed by external fund managers and all stocks as at 31st March 2010 are valued at current bid price at the close of business on the last working day of the financial year. The table below analyses movements in asset market values between the start and end of the year.

	Bid Price 3/31/2009	Purchases	Sales	Change in Bid Price	Bid Price 3/31/2010
	£000	£000	£000	£000	£000
Fidelity	142,996	49,352	(47,757)	66,267	210,858
Baillie Gifford	154,419	41,950	(35,078)	74,126	235,417
Total	<u>297,415</u>	<u>91,302</u>	<u>(82,835)</u>	<u>140,393</u>	<u>446,275</u>

PENSION FUND

Notes to the Accounts

4 Market Value of Investments (cont)

Stock market values have fallen since 31st March 2010 and the total bid price market value of investments held by the fund managers had fallen to £425,208,000 as at 31st May 2010.

5 The Actuarial Position of the Fund

The Fund is valued triennially in accordance with the provisions of the Local Government Pension Scheme Regulations 2007. The Fund's Actuaries, Barnett Waddingham LLP, carried out a full valuation of the Fund at 31st March 2007, when its solvency level was calculated at 81%, an increase of 15% over the 2004 valuation. The 2007 actuarial valuation set the level of employer contributions required to attain 100% solvency within 12 years. The employer rates for the years ended 31st March 2009, 2010 and 2011 were set by the 2007 actuarial valuation at an average of 14.7% of pay. The 2007 valuation also specified that additional lump sum past-deficit contributions of £8m, £8.3m and £8.6m should be made in the three years. The next full valuation of the Fund (as at 31st March 2010) will take place later in 2010 and will set employer rates and additional contributions for the years ending 31st March 2012, 2013 and 2014. The following economic assumptions were employed in the 2007 valuation:

Increases in earnings	4.9% p.a.	Investment return-equities	7.6% p.a.
General Inflation	3.4% p.a.	- Gilts	4.7% p.a.
Increases in pensions	3.4% p.a.	- Bonds	5.4% p.a.
		- Discount rate	6.9% p.a.

6 Membership as at 31 March

	2009	2010
Employees	5,179	5,360
Pensioners	4,270	4,413
Deferred Pensioners	3,415	3,607

7 Monitoring of Fund Liabilities

Under the Regulations, Bromley is required, as the Fund's administering Authority, to monitor factors which might lead to an increase in the liabilities of any body in the fund in excess of the actuary's assumptions. In 2009/10 the total cost of early retirement on grounds of ill-health (£45,000) was well below the actuary's assumption (£800,000), which will have a positive impact on the next valuation as at 31st March 2010.

8 Non London Borough of Bromley Contributors

During 2009/10, 27 scheduled and 3 admitted bodies (ie outside organisations) were permitted under the regulations to contribute to the Pension Fund. A total of 24 of the scheduled bodies were foundation schools, which returned to Local Authority financial control in 1999/00. In 2009/10, the scheduled and admitted bodies contributed a total of £4.812m (£3.424m from employers and £1.388m from employees). The bodies are listed below :

Scheduled Bodies - Foundation Schools

Beaverwood School	Kelsey Park School
Bishop Justus School	Kemnal Technology College
Bullers Wood School	Langley Park Boys School
Charles Darwin School	Langley Park Girls School
Coopers School	Newstead Wood School
Crofton Junior School	Raglan School
Darrick Wood School	Ravenswood School
Hayes Primary School	St Mary's RC Primary School
Hayes School	St Olave's School
Highfield Infants School	The Glebe Special School
Highfield Junior School	The Priory School
Holy Innocents Primary School	The Ravensbourne School

Scheduled Bodies - Other

Bromley College
Orpington College
Ravensbourne College

Admitted Bodies

Beckenham and District Mind
Bromley Mytime
Broomleigh Housing Association

PENSION FUND

Notes to the Accounts

9 Employer and Employee Contributions

The totals of employer and employee contributions in 2008/09 and 2009/10 are shown in the following table:

	2008/09 £000	2009/10 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	9,769	11,304
- deficit funding	8,000	8,300
Foundation Schools	1,725	1,862
	<u>19,494</u>	<u>21,466</u>
Other		
Scheduled bodies - other	1,128	1,142
Admitted bodies	423	420
	<u>21,045</u>	<u>23,028</u>
Employee Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	4,521	4,764
Foundation Schools	732	792
	<u>5,253</u>	<u>5,556</u>
Other		
Scheduled bodies - other	454	454
Admitted bodies	143	142
	<u>5,850</u>	<u>6,152</u>

10 Additional Voluntary Contributions (AVCs)

In accordance with Regulation 5 (2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831), AVCs are not included in the Pension Fund accounts. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and are invested separately on behalf of those members who elect to make AVCs. Members of the AVC scheme received an annual statement to 31st March 2010 confirming the amounts held in their accounts and the movements in the year. In 2009/10, a total of £35,144 was paid by members (£50,477 in 2008/09) and the total value of AVC benefits as at 31st March 2010 was £1,467,454 (£1,391,864 as at 31st March 2009).

11 Investment income

A breakdown of investment income is shown below.

	2008/09 £000	2009/10 £000
Dividends from equities	7,379	7,088
Interest on securities	285	12
Internal interest on cash	154	41
	<u>7,818</u>	<u>7,141</u>

12 Major investment holdings

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

Baillie Gifford - none
Fidelity - Institutional UK Aggregate Bond Fund (value £37,645,558 - 8.44%)
- Institutional Europe Fund (value £25,341,584 - 5.68%)
- Institutional Exempt America Fund (value £24,234,408 - 5.43%)
- Institutional Global Focus Fund (value £25,367,711 - 5.68%)

13 Value Added Tax

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

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Scope of Responsibility

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

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

Bromley has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.bromley.gov or can be obtained from Legal, Democratic and Customer Services, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Bromley for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

The Governance Framework

The key elements of the systems and processes that comprise Bromley's governance arrangements are set out in the following sections:

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

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

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

ANNUAL GOVERNANCE STATEMENT

the Borough. The plan sets the direction and policies which other plans should help to deliver and has been agreed by the Council and the Bromley Local Strategic Partnership in consultation with other stakeholders having an interest in effective public services in the Borough.

The future for Bromley is described in eight vision statements which cover:

- Children and Young People – ‘all children and young people achieve their potential’
- Housing – ‘housing of highest quality, meeting local needs’
- Safer Communities – ‘seen as one of London’s safest boroughs’
- Prosperous and Thriving – ‘one of the most prosperous, thriving and skilled boroughs in London’
- Quality Environment – ‘remains the ‘cleanest and greenest’ environment in London’
- Independence and Health – ‘everyone leads active, healthy and independent lives’
- Involving Communities and Citizens – ‘all communities and citizens actively involved and enabled to take greater control’
- Quality Public Service – ‘local public services of the very best quality, working seamlessly in partnership’

The strategy is used as a basis for corporate and service planning and integrated with the Local Area Agreement 2008-11, a 3 year multi-agency delivery plan for the Borough’s priorities. The Local Area Agreement (LAA) enables the Council and its partners to achieve reward monies from central Government subject to achieving agreed local and national outcomes.

Short term priorities are detailed in ‘Building a Better Bromley 2008-10’ which highlights the key actions that form a focus for the Council's Executive. A summary of the Council's delivery against our priorities for 2008-09 was published in the local free News Shopper in June 2009.

2) Reviewing Bromley’s vision and its implications for the authority’s governance arrangements:

In July 2004 the London Borough of Bromley announced its priorities for the future, the key aims are:

- Safer communities
- A quality environment
- Vibrant, thriving town centres
- Supporting independence
- Ensuring all children and young people have opportunities to achieve their potential
- An excellent council

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

To ensure that Bromley is best placed to deliver on Building a Better Bromley through to 2011, alongside new Financial and Human Resources strategies, a significant work programme has been undertaken to develop a ‘Fit for Purpose’ organisation, aligning our Member and departmental structures with our priorities.

As part of ‘Fit for Purpose’ 8 foundation strategy reviews were commissioned by the Chief Executive in 2008 to review how each of the corporate strategies are effectively taking our organisation forward and delivering on our corporate objectives in Building a Better Bromley. The review programme was designed to evaluate and determine how each strategy could be strengthened to achieve national standards and support Bromley’s local priorities to deliver improved outcomes over the next 3 to 5 years. The

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foundation strategies cover: Finance, Customer Focus, Information, Communication and Technology (ICT), Performance Management, Communications, Human Resources, Property and Procurement.

The strategies have been reviewed and revised during the year to ensure they are less standalone and more corporate given their reliance on each other and in particular on the finance and ICT support needed. All the strategies now refer to the 'Corporate Operating Principles' which act as an operational model for our organisation, describing how we will meet the challenge and deliver on our strategic objectives. The challenge is to use our limited resources as effectively as possible, reducing bureaucracy to free up staff to do their jobs to the best of their abilities while empowering our residents. Our 'Corporate Operating Principles' are a key part of the modernisation strategy being put together by senior managers and staff across the organisation as part of our 'Improvement, Efficiency and Effectiveness' agenda.

Equality is integral to all these strategies and is overarching 'does our strategy ensure that all our customers and staff are treated fairly whatever their age, race, gender, sexuality or abilities'. The Council uses equality impact assessment techniques to review and ensure that policies and service delivery are both fair and equitable.

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

We measure our success through a balanced scorecard of:

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

The Executive receives a quarterly performance monitoring report 'Are we on track?' which provides Members with an overview of Bromley's council-wide performance. The focus is on the Building a Better Bromley priorities, Member objectives and LAA targets. The report also highlights specific areas of good performance and identifies areas of concern.

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

Member/Officer roles are defined in the Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decision making is efficient, transparent and accountable to local people. The Constitution Improvement Working Group, which was established in 2008, previously examined the role of the full Council meeting and suggested ways to make it more relevant to the interests and concerns of our residents. In their second report, published in January 2009, they recommended reforms to the Portfolio Holder meeting process and as a result the need for more than 40 meetings was eliminated during the year by improving the pre-scrutiny arrangements in the Policy Development and Scrutiny committee meetings.

In their third report 'Proposals for Reform of Leadership, Executive and other functions', published in October 2009, the Working Group made a number of proposals to ensure that the Council's Constitution met the requirements of the Local Government and Public Involvement in Health Act 2007. The Act required all councils to choose from one of two models for its executive arrangements by the end of 2009

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for implementation after the elections in May 2010; either a directly elected mayor and cabinet or a 'new' leader and cabinet. Following a public consultation the Council held a special meeting in December 2009 and formally adopted the 'new' leader and cabinet model, also known as the 'strong leader' model.

Under this system:

- The Council elects a leader for a four year term from amongst the sixty elected councillors, although there is a provision for the full Council to remove the leader during that time.
- The leader appoints the cabinet (or executive), and decides portfolio holder arrangements and responsibilities and any delegation of executive functions.
- The leader is still elected to represent their ward, and so will need to balance this with their wider leadership role.
- The leader must appoint a deputy who will hold office until the end of the leader's term (although the deputy can be removed and replaced mid-term by the leader). This deputy would take up the role of the leader if the leader is unable to act or the office becomes vacant.

Bromley Council is bound by the government's 'Code of Practice on Publicity' in all its dealings including news releases, leaflets, web pages, exhibition material, events, presentations etc. A Communications Working Group was established by the Executive and Resources Policy Development and Scrutiny Committee in May 2009 to ensure that Bromley Council's communications are using all the channels available in the most effective and efficient ways to reach our diverse audiences.

The review included an assessment of what communications the Council needed to undertake to fulfil its statutory obligations, business requirements, and local residents' requirements; and to review this against current provision to recommend the best ways to undertake the tasks required in an effective and cost-effective way. The Working Group's report 'Receiving you loud and clear' - improving our communications to and from residents, issued in February 2010, included a recommendation that the Council's current media protocols be reviewed. The report is currently under discussion.

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

Bromley has adopted a number of codes and protocols that govern both Member and officer activities which are communicated as part of the induction process and made available via the intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality. This year reflected the increasing emphasis placed on ethical governance issues by key decision makers in Bromley. The Standards Committee had discussions with the Leader of the Council, the Leader of the Liberal Democratic Group and the Chief Executive. In addition the Committee heard from senior officers on the role of Internal Audit, partnership working (including the voluntary sector), planning and development control, and the work of Human Resources including its promotion of anti-bullying measures.

In their annual report the Standards Committee commented that "The Committee has been encouraged to see the personal interest, lead and commitment demonstrated by senior figures on ethical issues, and will be interested in following up how they promote and develop the ethical governance agenda further with their colleagues at all levels."

Bromley was shortlisted for the Standards and Ethics category at the Local Government Chronicle Awards 2010 in recognition of our commitment to communicating standards.

At the request of the Standards Committee information on the Code of Conduct has been included in nomination packs for prospective candidates in the May 2010 local elections and in briefings for candidates and agents. The Standards Committee will also be taking an active role in new councillor

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induction following the election to ensure that, once elected, they are aware of the role the Standards Committee plays in working with them to reinforce positive behaviour at all levels across the Council.

6) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks:

The Director of Legal, Democratic and Customer Services (and Monitoring Officer) reviews and updates the constitutional framework including standing orders and the scheme of delegation on a regular basis.

The Scheme of Delegation to Officers sets out formal delegation of various powers to the Council's Chief Officers and their staff, and is normally updated for approval at the Council's annual meeting each year. The General Purposes and Licensing Committee instigated a full review of the Scheme this year to ensure that this meets the requirements of the Local Government and Public Involvement in Health Act 2007, principally by clarifying whether powers are delegated by the Council, by the Leader in the case of executive powers, or both. The amended Scheme is subject to approval by full Council on 19 May 2010.

The Director of Resources (and Section 151 Officer) likewise reviews and updates financial regulations, contract procedure rules and the scheme of delegation (so far as it relates to financial matters), which are incorporated into the Constitution.

Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council. Following a consultation process revised Financial Regulations for Schools and Colleges were approved by full council on 29 March 2010 with effect from April 2010.

The Council's Risk Management Strategy is kept under review to reflect current procedures, guidance issued by CIPFA and best practice. This is overseen by the Risk Management Group, chaired by the Assistant Director Audit and Technical, with representation at a senior level from each department, reporting to Audit Sub-Committee. Each departmental representative acts as risk champion for their area to disseminate risk management information and facilitate the identification and assessment of risks.

7) Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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

The CFO in a public service organisation:

1. is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.
2. must be actively involved in, and able to bring influence to bear on, all material decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.
3. must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

4. must lead and direct a finance function that is resourced to be fit for purpose
5. must be professionally qualified and suitably experienced.

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We confirm that Bromley's financial management arrangements conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2010). The Director of Resources has the role of Chief Financial Officer.

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

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit and probity specifically including; financial regulations, fraud prevention, internal and external audit reports (in particular audit plans and monitoring audit delivery) and risk management.

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

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

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

The Director of Resources (and Section 151 Officer) is responsible for the proper administration of the Council's financial affairs, preparing the Council's statement of accounts in accordance with proper practices, keeping proper accounting records and taking reasonable steps to prevent and detect fraud.

Corporate leadership is provided by Chief Officers' Executive, led by the Chief Executive (and Head of Paid Service) who is responsible and accountable to the Council for all aspects of corporate and operational management.

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

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

Bromley is committed to the highest possible standards of openness, probity and accountability. The Council's confidential reporting code 'Raising Concerns' sets out how employees and contractors working for the Council on council premises can report their major concerns about any aspect of the Council's work including concerns about Members of the Council. This is designed to enable people to raise concerns without fear of victimisation, subsequent discrimination or disadvantage. The code is widely publicised via posters, internal newsletters, the intranet and on the Council's website. The Director of Legal, Democratic and Customer Services has overall responsibility for maintenance and operation of the code and provides an annual report to the Standards Committee.

In the last year three issues have been reported under the scheme, and the concerns have been dealt with appropriately.

Arrangements are in place for receiving and investigating complaints from the public under the Council's 'Getting it Right' procedures - how to complain, make a suggestion or pay a compliment about a council service. There are separate procedures in place for complaints about social care and housing and complaints about schools. Leaflets and forms are available from enquiry points and libraries. Information is also available on the Council's website. The Chief Executive and Director of Legal, Democratic and Customer Services monitor how complaints are handled within departments. Bromley produces an annual report on 'Getting it Right' together with details of complaints referred to the Local Government Ombudsman.

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From May 2008 all complaints about Bromley councillors have been considered by the Standards Committee in the first instance rather than at national level. The Committee has established structures and procedures for local filtering and hearing of complaints. They monitor the conduct of councillors against their compliance with the Code of Conduct, and any complaints received against them. Over the year, two formal complaints were received, relating to two specific incidents. These were filtered by Initial Assessment Sub-Committees of the Standards Committee. In both cases the Initial Assessment Sub-Committee decided to take no further action.

We also await the outcome of one case which was referred for further detailed investigation by the Standards Board in December 2008 and which has been passed on to the Adjudication Panel (now the First-Tier Tribunal (Local Government Standards, England)) for determination. In all cases we have achieved and published our decision well within the 20 day national target timescale.

In their annual report the Standards Committee commented that “we have received relatively few complaints that have required local filtering; we believe that this is a positive situation, and we do not wish to have to exercise this power more than we need to. As such, we look to our councillors to maintain their excellent record of responsible behaviour.”

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

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

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

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

The Chief Officer Executive has agreed four training and development priorities for the organisation to enable us to achieve our priorities and deliver an even Better Bromley. The priorities are Effective People Management, Strategy and Service Improvement, Personal Effectiveness and Customer Focus.

Every organisation must create its own values and use them to inform and influence other organisational drivers. Bromley has adopted REAL leadership values as the basis for leadership development training for all staff and managers. This is being embedded in our recruitment, performance appraisal and reward and recognition processes. The REAL leadership values are focused around:

Respect, Empower, Ambition, Learn

To support this four generic competencies have been developed to help embed behaviour values. The competences are about the key behaviours that combine with the professional and technical competences to get the job done; Communication, Building Relationships, Continuous Improvement, Responsibility and Accountability.

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

A detailed survey was carried out by Facts International during the year on the various aspects of two

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way communication (access into the Council and communications out) between residents and the Council. The top three most frequently used sources of information about the Council are free local newspapers, leaflets delivered to the door and the Council's website. The biggest change, since a previous survey in 2005, has been for the Council's website which is now considered the most useful source of information. However, older residents continue to cite the free local papers and leafleting as the most important source. Residents feel as well informed overall by the Council as they did in 2005, with 57% saying in both surveys that they feel very or fairly well informed.

The proportion of people who say they have contacted the Council in the last 12 months (apart from paying a bill) has risen to 55%, up from 44% in 2005. The main method of contact remains the telephone, although there has been increased use of the website and e-mail. As use of the internet has become more widespread, residents feel more comfortable doing things through the Council's website.

The Communications Working Group of the Executive and Resources Policy Development and Scrutiny Committee recently published their report 'Receiving you loud and clear' – improving our communications to and from residents. In addition our Communications Strategy was revised and updated as part of the foundation strategy review process. Both these will be used to drive forward improvements in how we communicate with our diverse audiences.

A public meeting 'Help set the budget' was held in December 2009 as part of a wider consultation prior to finalising the 2010/11 budget. Topics covered included: resources, sustainability and environment, town centre developments, young people's services and social care/voluntary sector. Consultation papers were also sent to local business representatives for their views and comments including the 20 largest business ratepayers in the borough. In addition, prior to finalising the schools budget the Children and Young People Portfolio Holder consulted Head Teachers, Governors and the Schools Forum.

In all we have carried out 49 consultations this year covering a range of issues including the commissioning of older people's day services, car parking in Bromley, the proposed expansion of four Bromley primary schools, licensing policy enforcement and various customer satisfaction surveys.

The results of the statutory 2008 Place Survey conducted by MORI about local quality of life and public services were released during the year and a summary published on the website. The findings are being used to identify where we need to improve our services. Residents' satisfaction with their local area has increased, with 84% now satisfied compared with 80% in 2007. Less positively, Bromley continues to be perceived as performing relatively less strongly on residents' ability to influence local decisions and on communications. These issues are being addressed as part of improving overall communications.

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

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

As part of their review the Constitution Improvement Working Group has recommended that the Policy, Development and Scrutiny (PDS) committees pre-scrutinise the agendas of the LSP thematic boards in

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their policy area with the chairman of the relevant board expected to attend the PDS meeting. In addition Members appointed as the Council's representatives on outside organisations with a significant role and budget, will be required to provide a short annual written report to the final Council meeting or relevant PDS Committee. Work has also been undertaken on refreshing the Compact which is an agreement between local public bodies and voluntary groups setting out the key principles and values underpinning the statutory / voluntary sector relationship. It makes commitments on both sides, clarifies what partners can expect from each other and how to work together. The shared principles are: Respect, Honesty, Independence, Diversity, Equality, Citizen Empowerment and Volunteering.

Review of Effectiveness

Bromley has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Officer Executive, which is the officer managerial board within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, the Policy Development and Scrutiny annual report, the Standards Committee annual report and also by comments made by the external auditors and other review agencies and inspectorates.

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

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

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

Corporate Framework

Bromley's plans outline how we will deliver our priorities and include specific actions and targets that allow us to measure our level of success. Some plans are produced in partnership with other agencies, which help us to focus our resources. The planning framework is arranged under portfolio headings. We currently operate with a Leader and an Executive. The Council maintains the policy and budgetary framework and appoints the Executive. In 2009/10 this contained the Leader and eight Executive members. Six majority members of the Executive were responsible for their portfolios. Each portfolio holder annually outlines, in a 'portfolio plan', their aims over the coming three years, and what they will be doing towards achieving their goals and their performance targets.

Under the Local Government and Public Involvement in Health Act 2007, the Council has adopted the 'new' leader and cabinet system also known as the 'strong leader model' with effect from April 2010. The Leader will personally control all decisions about the Council's executive functions. They can then choose whether to make all decisions personally, or to make arrangements for others to do so (for example, the cabinet, an individual member of cabinet, or certain senior officers).

Formulation of policies and decision making

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

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Improvement Working Group has proposed a number of changes to the Constitution this year in response to the 2007 Act. Political and management control is exercised through the Executive who work to defined and established processes.

Compliance with policies, laws and regulations

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

Performance management

Performance management in Bromley is considered through a range of review arrangements including external inspection bodies, external/internal audit reviews and the detailed monitoring and reporting of national and local performance indicators.

The Improvement, Efficiency and Effectiveness programme provides a planning/budget framework to support divisional, departmental and cross-cutting efficiencies and provides specific reviews to Members and Chief Officers. The work is governed by the Improvement and Efficiency Sub-Committee who are responsible for developing and implementing a Council strategy to achieve greater improvement and efficiency. A quarterly integrated performance monitoring report, 'Are we on track?' is sent to all Members.

Financial management

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

Policy Development and Scrutiny Committees

There are six Policy Development and Scrutiny (PDS) Committees who have a major role in policy development and pre-scrutinising the decisions of the Executive. They have no decision making powers but make reports and recommendations which advise the Executive and the Council as a whole on its policies, budget and service delivery. PDS Committees also monitor the decisions of the Executive. Any five Members can challenge or 'call-in' a decision that has been made by the Executive. This enables them to consider whether the decision of the Executive was appropriate. They may recommend that the Executive reconsider the decision. They may also be consulted by the Executive or the Council on forthcoming decisions and the development of policy.

This has been the first year of the new arrangements whereby there are usually no Portfolio Holder meetings but the appropriate PDS committee discusses the proposed decisions of the Portfolio Holder (PH) and makes recommendations to the PH. The PH then states whether the recommendations will be followed and later makes a decision without the need for a separate meeting. If the PH does not agree with the recommendation then a meeting will be held open to the public. The Executive and Resources PDS Committee has an over-arching, coordinating role on behalf of the other five PDS Committees and provides an Annual Report to full Council summarising the work that has been carried out during the year.

The Audit Sub-Committee

The Audit Sub-Committee has the responsibility for developing and keeping under review all aspects of the

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Council's arrangements for audit and probity specifically including:

- Financial regulations
- Fraud prevention
- Internal and external audit
- Risk management

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

The Standards Committee

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

Chief Financial Officer

The role of Chief Financial Officer is performed by the Director of Resources (and Section 151 Officer). He is a member of the Chief Officers' Executive and is responsible for ensuring the proper management of all Bromley's financial affairs. He also deputises for the Chief Executive when he is absent or unable to act.

Internal Audit

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

Internal Audit's service aims are to:

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

An Annual Audit Plan is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process.

Internal Audit operates to defined standards as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government. The effectiveness of the system of the system of Internal Audit is measured by compliance with this code and peer reviews. Internal Audit provides an independent opinion on the adequacy and effectiveness of the system of internal financial

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control. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. The supporting summaries of audit reports help inform the overall assessment of internal financial controls. The Chief Internal Auditor is empowered to report any matter of concern directly and independently, to the Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, if necessary.

External Inspections

The Audit Commission assessed the Council's performance under the new Comprehensive Area Assessment (CAA) as follows:

"Overall Bromley Council performs well and is doing well in improving the things which are its priorities. The Council's priorities are clear and ambitious for the area, and reflect local people's needs well."

Managing performance	3 out of 4
Use of resources (see 3 components below)	3 out of 4
Managing finances	3 out of 4
Governing the business	3 out of 4
Managing resources	3 out of 4

3 = An organisation that exceeds minimum requirements - Performs Well

This is a strong score, particularly as the 2009 assessment is new and is designed to be a harder test.

Under the new arrangements Children's Services was rated as 3 - Performs Well and Adult Social Care as 2 - Performs Adequately.

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

Care Quality Commission – Safeguarding Adults; Increased choice and control for older people

Performing adequately in safeguarding adults.

Performing adequately in supporting increased choice and control.

In conclusion the capacity to improve was promising.

Customer Service Excellence standard – Environmental Services Department

"Environmental Services were found to have maintained a deep understanding and a commitment to Customer Service Excellence. The commitment was found from Senior Management levels through to operation and front line staff."

Lexcel standard – Legal Services

Assessed as having a good level of compliance.

Ofsted – Bromley Adoption Agency

Rated as good – "This is a good service, and one in which the commitment of staff to good outcomes for children is clearly evident."

Ofsted – Children Social Care Services (Contact, Referral and Assessment Arrangements)

"Safeguarding arrangements are secure, well-established and effective with clear-decision making and timely action to ensure children's safety and well-being."

The Registrar General – Registrars

Rated as excellent, on both technical service delivery and on customer service.

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Youth Justice Board – Youth Offending Team Partnership (re-inspection)

“Good prospects for improvement”

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

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

Significant Governance Issues

Good progress has been made on the outstanding control issues identified in previous years. These are no longer considered as significant and now form part of the general ongoing work programme:

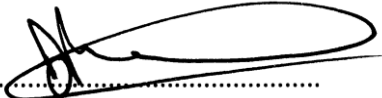
Governance Issue	Current Position
<p>The need to ensure that risk management is fully embedded throughout the Council.</p> <p>The need to ensure that key partnership risks are identified and shared amongst all parties.</p>	<p>Actions completed</p> <ul style="list-style-type: none"> • Dedicated risk management site on the intranet • Improvements to risk register to provide links to toolkit and corporate risks • Improvements to risk reporting in the ‘Are we on track?’ quarterly performance monitoring report
	<p>Actions in Progress</p> <ul style="list-style-type: none"> • Rolling programme of training and awareness • Work with Partnership Officer Group on finalising risk registers for the thematic partnerships and the LSP • Review of Risk Management strategy
<p>Full implementation of a practical procurement strategy including strengthening contract management arrangements.</p>	<p>Actions Completed</p> <ul style="list-style-type: none"> • Corporate training on the use of new Contract Procedure Rules • Foundation review outcomes incorporated in to the Procurement strategy • Work on sustainability; the use of whole life costing in decision making and SME engagement
	<p>Actions in Progress</p> <ul style="list-style-type: none"> • Monitor changing relationship with PCT • Review changing legislation for agency staff
<p>Business continuity plans – including work on developing service continuity plans and development of an affordable disaster recovery plan.</p>	<p>Actions Completed</p> <ul style="list-style-type: none"> • Review of issues arising from Exercise Coldplay (Flu Pandemic) including update of action plans. Follow-up exercise run by PCT in November 2009. • Work on ensuring each business area has a designated plan including a Business Impact Analysis and Business Continuity Plan (BCP) • Workshops run for staff and external contractors to enhance their BCP programmes
	<p>Actions in Progress</p> <ul style="list-style-type: none"> • Review existing BCPs as part of overall Business Continuity Management programme • Review of BCPs for main contractors and evidence of testing

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Governance Issue	Current Position
Greater and consistent use of sound project and programme management disciplines.	Actions completed <ul style="list-style-type: none"> • Training course developed and delivered in-house • Corporate programmes all now rationalised under Chief Executives' department • Health check methodology completed and carried out on the OneWay Programme
	Actions in Progress <ul style="list-style-type: none"> • Ensuring that the methods and support tools are used consistently
	Actions completed <ul style="list-style-type: none"> • Revised Code of Corporate Governance adopted
Existing code of corporate governance needs to be reviewed to reflect the principles of the new CIPFA/SOLACE <i>Delivering Good Governance in Local Government</i> framework and to ensure best practice.	Actions in Progress <ul style="list-style-type: none"> • Update of Code to incorporate new Chief Financial Officer requirements • Annual review
	Actions completed <ul style="list-style-type: none"> • Training for Partnership Officer Group on risk management • Risk registers for CYP Trust and Health, Social Care and Housing Partnership approved
Develop partnership risks and governance arrangements to ensure a uniform approach based on good practice.	Actions in Progress <ul style="list-style-type: none"> • Finalising risk registers for the Economic Partnership, Safer Bromley and the LSP

No further significant control issues have been identified during the current review.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed 
 Chief Executive

Signed 
 Leader of the Council

Date 08.06.2010

Date 08.06.2010