

**2013/14**  
**Annual Report**  
**and**  
**Statement**  
**of Accounts**

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

These remain challenging economic times and we face further cuts in government funding. In addition to significant savings over the past three years, we have to save £50 million per annum from our budget by 2017-18.

However, with a reputation for sound financial management we continue to scrutinise every aspect of Council activity to ensure we deliver the best value for money and are able to work with you and our partners across the borough to continue Building a Better Bromley. I am pleased to present our Annual Statement of Accounts where we highlight a number of our achievements over the past year and outline some of our plans for the future to keep our borough a place where people choose to live, work, study and visit. Among others, our achievements include:

- The decision made to develop a twenty first century library for Penge in addition to those recently built in Orpington and Biggin Hill
- Work continuing on the development of a 9 screen cinema complex to include restaurants, an hotel and approximately 180 new homes; the refurbishment and expansion of the Glades shopping centre and extensive improvements to Bromley North Village
- About to start a cinema/retail scheme in Orpington
- Proposals for a once in a life-time opportunity of a £500 million investment in Crystal Palace Park including the rebuild of Crystal Palace itself
- Supporting Bromley schools, with many achieving the best ever examination results in 2013; giving parents more choice with a high conversion rate to academies and a number of Free schools coming to the borough; a high level of safeguarding and child protection
- A fall in the crime rate and hosting our first Crime Summit; our Trading Standards prevented more than £280k being lost to doorstep criminals
- Developing our extra care housing schemes to support frail often elderly residents to be as independent as possible in high quality accommodation
- Extending our excellent, ground-breaking Friend's initiative; achieving the second highest recycling rate in London of 52%; recording 89% satisfaction from residents with the cleanliness of town centres
- Setting aside £1 million to deal with winter pressures including responding to the back log of repair and maintenance of our roads and pavements; a further £100k to deal with fallen trees caused by the recent storms and £250k to continue our highly successful community fund to support the initiatives of local organisations and people
- Identifying £25k to restore our war memorials as we commemorate the 100th anniversary of the WWI
- Though not the Council's direct responsibility, setting aside an additional contingency sum to help deal with the blight of rising groundwater
- Being actively involved in supporting the case for the provision of a health and wellbeing centre in Orpington to improve the health of residents
- Working with partners to secure the future of Orpington Hospital

We will continue to manage our resources well and our prudent budgeting means we can help minimise the ongoing impact of the financial pressures you face while protecting key front-line services for the most vulnerable in our borough. We will also continue to maximise our income through garden waste collection schemes, saving money through successful benefit fraud prosecutions, reducing management and staff costs and continuing to lobby government for a fairer funding deal for this borough.

Investing in the economic wellbeing of this borough remains a key priority and further plans include a multi-million pound improvement scheme for Beckenham having worked with residents and business to secure TFL funding; working with the GLA to bring forward a multi-million pound investment to introduce high technology industrial aviation business opportunities in Biggin Hill; working with a development partner to bring a boutique four star hotel to the town at the Old Town Hall site and securing and maximising further inward investment opportunities to demonstrate Bromley is forward thinking and open for business. And in this special year a series of events and exhibitions are also being planned to commemorate the centenary of World War One and to acknowledge Bromley's important contribution to the war effort.

Be assured our commitment to Building a Better Bromley remains steadfast and we will continue to work with you and our partners for the good of all our community and to keep this borough the special place it is.

Stephen Carr  
Leader  
Bromley Council

## **BUILDING A BETTER BROMLEY**

Since 2005 the Council has had an agreed framework to improve the life of all those that visit, live, study, or work in the borough. These were amended in 2013 to reflect our public health and health and wellbeing agenda as well as our priority to continue to invest in the economic wellbeing of our borough. This vision is called “Building a Better Bromley” and has seven key priority areas as follows:

- A Quality Environment
- Regeneration
- Vibrant, Thriving Town Centres
- Supporting our Children and Young People
- Supporting Independence
- Safer Bromley
- Healthy Bromley

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

### **A quality environment**

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

### **During 2013-14 we have:**

- Sustained our 50% recycling rate, and diverted three quarters of the borough’s waste away from landfill
- Introduced new bring banks for textile waste, and doorstep collection of waste electrical items
- Expanded take up of the Green Garden Waste collection service to more than 12,000 homes
- Improved the standard of street cleanliness
- Increased the number of Snow Friends by 17%, to almost 4,500 volunteers
- Increased the number of Street Friends by 7%
- Continued to support the activities of our 56 Friends of Parks groups
- Commenced the major ‘invest to save’ project to install modern street lights across the borough
- Sustained our investment in maintaining roads and pavements
- Played our part in reducing the number of deaths and serious injuries on Bromley’s roads by more than 20%
- Began work on key junctions of the A222 and A224 to reduce traffic congestion
- Developed our successful shared parking service in partnership with LB Bexley
- Introduced on-line parking permits for residents and businesses.

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

- Extend the range of recyclables we accept
- Pilot a kerbside textile waste collection service
- Increase take up of the Green Garden Waste collection service to 15,000 homes
- Sustain improved standards of street cleanliness
- Forge deeper links with ‘Friends’ groups and continue to work closely in partnership with local people
- Complete the major ‘invest to save’ programme to replace 8,000 lamp columns and 12,000 street lanterns by March 2015
- Invest in the quality of our roads and pavements, repair potholes and replace fallen trees
- Develop and adopt a Local Flood Risk Strategy
- Continue working on major road junctions to reduce traffic congestion
- Work with our partners to improve parking at Orpington rail station and Princess Royal University Hospital
- Continue to take effective action to improve road safety and reduce accidents
- Make it easier for customers to contact us on-line through Fix My Street.

## **Regenerating our borough and vibrant, thriving town centres**

We are setting out our vision for developing the borough over the next 15 years in our new Local Plan, guiding the development of town centres and built up areas whilst preserving our Green Belt and Metropolitan Open land. Our aim is for our borough to remain a thriving, vibrant place, to ensure our town centres are successful and competitive through a combination of sensitive planning and major private sector investment so our borough remains a place where people choose to live, work and shop.

### **During 2013-14 we have:**

- Granted planning permission for over 2000 developments that meet the Council's local requirements
- Substantially delivered the Bromley North Village public realm improvements
- Successfully secured Transport for London funding for a major public realm improvement scheme in Beckenham town centre
- Delivered the £2 million Outer London Fund Improvement Projects in Bromley town centre
- Progressed the town centre development programme including proposals to redevelop the Old Town Hall
- Reviewed the Council's operational and investment property portfolios to ensure that property assets were being efficiently managed and to identify opportunities to rationalise property ownership
- Continued to ensure income and capital receipts were maximised through vigorous estate management and acquisitions
- Supported town centre rejuvenation and other corporate priorities through the provision of property advice and the acquisition and disposal of properties
- Improved the efficiency of Planning Services, in particular when dealing with telephone calls
- Met with the senior management teams of all Registered Provider that own significant stock in the borough to discuss local housing priorities and to agree joint working practices going forward
- Acquired residential properties to assist the Council in meeting its statutory housing and homelessness duties
- Worked with partners to support the completion of 151 affordable housing units in 2013/14, of which 95 were for affordable rent and 56 for shared ownership.

### **Now we plan to**

- Complete our consultation with the local community on the new Local Plan
- Complete the successful delivery of the Bromley North Village Improvement Scheme
- Complete the detailed design for the Beckenham Town Centre Improvement Scheme
- Promote Churchill Place (site G) as a development opportunity
- Secure approval and funding for an Investment and Regeneration Programme in Biggin Hill, Bromley Town Centre and the Cray Business Corridor
- Bring forward proposals to attract investment and development in Crystal Palace
- Bring forward the development of key sites including the Old Town Hall (Bromley) and mixed use development in central Orpington
- Rigorously pursue opportunities to dispose of properties and to generate capital receipts
- Measure the performance of our income producing property investments against agreed criteria to ensure that they continue to fit our investment requirements
- Continue to manage our estate to maximise income and capital receipts
- Provide property advice and assistance to support the achievement of the Council's corporate priorities
- Promote, where appropriate, high quality, low density housing developments, to meet the borough's housing requirements
- Work in partnership with Registered Providers that own stock within the borough. We will seek to ensure that new and existing affordable housing is well-managed and maintained to a high standard
- Allocate local housing capital funds to best meet local housing priorities.

## **Supporting our children and young people**

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

### **During 2013-14 we have:**

- Delivered an additional 632 early years places for two year olds
- Supported 30 ‘satisfactory’ and 6 ‘inadequate’ Early Years settings. Additionally 5 new providers were assisted to prepare for their first Ofsted inspection, and those settings taking funded two year olds for the first time
- Created 375 reception places, with a further 195 places at three free schools opening for September 2014
- Created 240 ‘bulge’ class places and 30 permanent expansion places delivered for September 2013 at seven schools
- Supported sixteen primary schools to convert to academy status in 2013/14 (including three which converted on 1 April 2014) - one Roman Catholic School is to convert to academy status; a further six are in the process of conversion as part of a multi-academy trust supported by the Archdiocese, expected to convert in 2014/15. One CofE school has converted to academy status, sponsored by the Diocese of Rochester. Bishop Justus CofE school is operating as a multi-academy trust (the Aquinas Trust) which includes two primary CofE schools with others exploring potential conversion in partnership. As of 1 April 2014, 47 (49%) of the 96 Bromley Schools had converted to academy status (16 secondary schools, 31 primary) with a further 14 in the process of conversion
- Worked to support 15 schools to improve standards. Of the 14 schools judged to ‘require improvement’ and the one school judged as ‘inadequate’ receiving support in 2013, two have moved to ‘good’. Four are on track to be judged ‘good’ at their next inspection and two have become sponsored academies. 10 schools are now receiving intensive support including three judged as ‘requiring improvement’ in the last year
- Played our part to support the effective allocation of school places. 87% of pupils commencing secondary school education in September 2014 received a place at their first or second choice of school against a target of 82%. All of the 3,820 children who applied for a primary place on time received a school place, with 78% receiving their first choice against a target of 80%
- Created additional employment opportunities for 48 young unemployed people
- Launched the Local Offer on line directory of services for children, families and young people with Special Educational Needs, receiving 5,880 page views
- Delivered the planned additional 52 secondary school places to support the increasing numbers of pupils presenting with Autistic Spectrum Disorder
- Achieved 85% (6,098) of all school leavers aged 16 and 17 in Education, Employment and Training as at the end of March 2014
- Reduced the length of time for which children are subject to care proceedings in Bromley by 18 weeks to 24 weeks.

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

- Promote educational opportunity in the borough ensuring all families have a choice of good and outstanding schools and early years providers
- Enable young people with more complex Learning Disabilities to live, learn and work within their own community by developing mixed education packages across mainstream and specialist provision.
- Support the transition of young people leaving care and moving into independent living, further/higher education and employment
- Ensure stable placements for children and young people where foster care is identified in the plan, through the development of a range of support, including support groups and training, to ensure foster carers are able to meet the needs of children and young people with complex and challenging behaviour
- Take steps to implement strategies, policies and practice to target and safeguard vulnerable children through the work of the Bromley Children Safeguarding Board and engaging with partner agencies.

## **Supporting Independence**

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

### **During 2013-14 we have:**

- Successfully prevented or relieved homelessness for over 75% of the 2,489 applicants approaching the service through either in depth homelessness prevention casework assistance or access to alternative private sector housing solutions
- Achieved 438 enrolments on 51 courses designed to help support local people back into employment in the current academic year. Achieved 27% (147) sustainable employment of participants enrolled in the 2012/13 academic year, with 64% (9) of Level 1 award in Hospitality gaining employment
- Completed 55 Education, Health and Care Plans for young people moving from school to further education to support them in preparing for adult life, against a target of 60
- Supported over 20 pupils to become independent travellers opening up opportunities to participate in further and higher education, work experience/employment opportunities
- Supported 82% of our service users aged 65+ discharged from hospital with a reablement/rehabilitation package to remain in their own home 91 days after discharge
- In partnership with Vibrance, developed individual support plans for 50 service users who would ordinarily have been referred directly to a day centre
- Hosted the first adult stakeholder conference bringing together 124 delegates including service users and carers and representatives of the voluntary sector, community groups, providers, health and social care professionals
- Re-established the Carers Forum in partnership with Carers Bromley
- Directly reached 1,400 Adult Carers with the on line Carers Survey
- Consulted with over 250 young people and parents to develop the Youth Strategy
- Established Healthwatch 1st April 2013 with the Chair appointed in July 2013; in its role as the independent champion for Health and Social Care, Healthwatch Bromley consulted with residents of Bromley as part of the Care Quality Commission inspection of the Princess Royal University Hospital during December 2013
- Achieved 92.6% of assessments being completed within 28 days of first contact.

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

- Improve the lives of residents through the provision of locally relevant information and advice about care and support enabling people to live their lives to the full, receiving high quality support when they need it
- Develop integrated pathways of care with Bromley Clinical Commissioning Group focusing on supporting residents to self-manage long term conditions
- Have a diverse market in care and support services to offer choice and control to service users and their carers through a range of support at home and in the community
- Support older people to regain independence following illness or loss of mobility through reablement, occupational therapy and intermediate care
- In partnership with the voluntary and third sector, devise and deliver a programme of education support for hard to reach groups. Focus on preventing homelessness by working in partnership to maximise and make best use of the supply of affordable housing
- Better identify and support carers living in Bromley through the publication of a Carers Strategy which takes into account the requirements of the Care Act.



## **Safer Bromley**

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

### **During 2013-14 we have:**

- Received 224 calls to our Trading Standards Rapid Response number, resulting in immediate responses to 68 consumers, which saved vulnerable consumers over £236,000
- Carried out 21 under-age test purchases, resulting in 23 sales, including 7 sales of fireworks, 5 sales of tobacco, and 11 sales of alcohol – prosecutions and licence reviews are pending
- Conducted 321 enforcement visits to businesses in the borough as part of our investigations into consumer detriment, and we took 69 judicial (excluding prosecutions) actions against traders seeking corrective action of unfair trading activities
- Made 20 Best Bar None awards to businesses
- Undertook four multi-agency operations to ensure legal and appropriate management of licensed premises within the borough
- Seen 11,293 young people attend the summer diversion programme. 142 mentoring relationships were forged, with young people identified as at risk of criminal or anti-social behaviour.

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

- Take action against anti-social behaviour, by delivering reductions in crime against the person, against property, and in levels of anti-social behaviour and disturbance
- Maximise attendance in the summer youth diversion programme, which deters young people from anti-social and offending behaviour
- Support young people to remain in education, employment and training, through our mentoring service
- Maintain the conviction rate for domestic abuse in cases managed by advocates for people who have suffered from domestic abuse
- Work proactively with offenders and potential offenders to reduce noise nuisance
- Provide the CCTV monitoring service for town centres and other key areas
- Provide support for the Safer Bromley Partnership Board
- Take action against rogue traders, particularly those who target the vulnerable, through preventative and enforcement activity with banks and adult safeguarding partners
- Take action to protect victims of scams and bogus callers
- Tackle the sale of age-restricted products, particularly alcohol and tobacco, through test purchase operations
- Prevent consumer detriment through criminal investigations and civil sanctions
- Support local businesses by providing advice and education, and improving compliance by tackling problem traders
- Support food businesses with Zero FHRS to improve their ratings, through visits, notifications, and, where necessary, prosecutions
- Undertake Food, and Health and Safety inspections, as required by the Food Standards Agency, the Health and Safety Executive, DEFRA and the Home Office
- Administer the statutory licensing scheme to provide a quality service
- Deliver a minimum of four multi-agency operations (Operation Condor) to ensure licensing compliance, and take action against unlicensed activity
- Promote the Purple flag scheme in town centres, which improves the night-time economy through careful enforcement and management of licensing arrangements
- Provide support to the Council and its managers to ensure staff are safe and healthy at work
- Appoint a new coroner and deputy coroner for Coroner and Mortuary Services; develop and introduce a new mortuary contract
- Consolidate and expand the service for the investigation and reporting on asbestos in properties, developing the related income generation services in the private sector
- Retender the stray and abandoned dogs collection and kennelling service
- Retender the pest control contract
- Develop an automated, computerised system for contaminated land reporting

## **Healthy Bromley**

With health providers we focus on areas identified within the Health and Wellbeing Strategy to improve health and deliver public health outcomes. In this we are working to integrate health priorities in all our Building a Better Bromley priorities and ensure effective community engagement through Bromley Healthwatch, to help shape health and social care services.

### **During 2013-14 we have:**

- Signed up 33 schools to 'Healthy Schools Bromley'
- Piloted 24 hour and home blood pressure monitoring to diagnose hypertension in 21 practices with evaluation and learning shared across the borough
- Secured funding for a Prevention of Diabetes project, which is now in progress with an audit commenced to identify and manage those at high risk
- Seen the Bromley Working for Wellbeing Service for people with mild to moderate anxiety and depression identified as a service with very good recovery rates compared to other areas in both London and England
- Seen BMI recording increased from 29% in 2009 to 55% in 2013 with the Tier 2 service re-commissioned and capacity increased
- Continued working with ProActive Bromley to increase physical activity participation
- Ensured health priorities are fully embedded into the Care Services Portfolio Plan for 2013/14
- Reported regularly to the Health and Wellbeing Board detailing progress against the priorities in the Health and Wellbeing Strategy - established 1st April 2013 with the Chairman appointed in July 2013
- As reported against Supporting Independence achievements, we established Healthwatch 1st April 2013 with the Chair appointed in July 2013; in its role as the independent champion for Health and Social Care, Healthwatch Bromley consulted with residents of Bromley as part of the Care Quality Commission inspection of the Princess Royal University Hospital during December 2013.

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

- Improve health outcomes for those with health needs through improved prevention of Cardio vascular disease through the diabetes
- Promote emotional and health and wellbeing in young people through the self-harm prevention strategy.

## **Excellent Council**

In addition to the above information about our achievements and plans for the future in these key Building a Better Bromley areas, we also aim to be an Excellent Council. In support of this we will embrace the concept of community budgeting and provide the leadership and mechanisms to bring communities and partners together so we all contribute to the Building a Better Bromley objectives.

We will also continue to scrutinise everything we do and how we do it to ensure all areas of Council activity provide value for money and where we continue to provide services these are customer focussed and delivered in the most efficient and effective way possible. We will also ensure our work is free from bureaucracy and delays and continue to maximise the use of our resources, finance, people and assets.

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

- Building a Better Bromley Priorities
- Resources Portfolio Plan
- Financial Strategy to 2012-13 to 2015-16
- Financial Control Budget 2014-15
- Asset Management Plan
- Customer Access Strategy
- Customer Service Charter
- Equality Scheme
- Complaints, Comments and Suggestions policies
- Human Resources Strategy
- Health and Wellbeing Strategy
- Localised Pay and Conditions
- Corporate Operating Principles

## **DEVELOPMENT CONTROL COMMITTEE**

During the year, the Committee progressed a number of major proposals. Schemes now under construction include a part 4/5 storey building to provide 3 restaurant/café units, 4 retail units and a 7 screen cinema at The Walnuts shopping centre and the large mixed use development at Bromley South comprising a cinema, 200 flats, a hotel, retail units, restaurants and a drinking establishment is underway with the demolition of the car park.

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

- Dealing with around 4000 planning applications
- Investigating over 800 alleged breaches of planning control and serving 120 enforcement notices.
- Making 70 new tree preservation orders bringing the borough total to over 2500
- Handling almost 300 appeals against refusals of planning applications and enforcement notices
- Encouraging good design through the Advisory Panel for Conservation Areas (which met on 12 occasions during the year and advised on around 250 applications in conservation areas)
- Commenced role as collecting authority for the Mayor Community Infrastructure Levy, and implementation of CIL regulations.
- Responded to Government Consultations on changes to Permitted Development Rights.
- Responded to Mayor's consultation on Alterations to the London Plan
- Preparation and commencement of consultation on the Local Plan document.
- Preparation and publication of Bromley's Five Year Housing Land Supply Paper
- Preparation and publication of Bromley's Authorities' Monitoring Report

The Committee has progressed the development of the Local Plan and considered and responded to Government's continuing proposed planning reforms, and have considered responses to Government's and London wide planning policy and related matters.

## **COUNCIL MEETINGS**

Over 200 meetings were held during 2013/14, most of which were open to the public and media. The full Council met on 5 occasions (including the annual meeting.)

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

### Public speaking

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

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

### Contacting your Councillor

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

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

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

## **GETTING IT RIGHT**

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

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

We want it to be as easy as possible for people to give us their comments and help is available from staff, voluntary agencies, or local councillors. Names, addresses and telephone numbers of councillors are available on our website. We welcome comments, complaints and suggestions made through our on-line complaint form or if you prefer, contact us by letter, email, telephone or in person.

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

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

We are keen to put things right, but if a complainant is dissatisfied with our responses and feels they may have suffered injustice as a result of maladministration by the Council, they can ask the Local Government Ombudsman to investigate. For more information, visit their website at [www.lgo.org.uk](http://www.lgo.org.uk) or telephone 0300 061 0614.

Further information about our complaints procedure is available on our website.

## ENVIRONMENTAL REPORT

### Background

The Council has reported on key environmental data as a sustainability section within its Annual Report since 2010/11. This latest report highlights the Council's environmental impacts (and related financial data) as an organisation, rather than the environmental impact of its services or those of the borough more generally.

The 2013/14 HM Treasury guidance ([Public sector annual reports: sustainability reporting guidance](#)) sets out minimum reporting requirements for central government bodies and agencies. Although local government is not yet required to produce such reports, the rules constitute best practice and are part of a growing trend (for instance, LSE main market listed companies are now required [to report](#) on their Greenhouse Gas Emissions).

More generally, local authorities are required to [submit annual reports](#) on their Greenhouse Gas Emissions (GHG) to the government – the basis of this report. And the Carbon Reduction Commitment (a tax on carbon dioxide emissions) further reinforces the need to align the Council's financial and environmental data.

### Performance Summary

Although the Council has many programmes designed to improve service performance, the Carbon Management Programme (CMP) is the main initiative specifically designed to reduce environmental impacts and costs. The CMP's first phase (CMP1) ran from 2008/09 – 2012/13 and resulted in a 14% reduction (5,275 tCO<sub>2</sub>e) in the Council's GHG emissions. A second five-year phase (CMP2) has now commenced, with an ambition to drive down emissions and costs by a further 15% from 2013/14 to 2017/18.

The table below summarises performance for the last three years of CMP1 and the first year of CMP2 (2013/14). It is not possible to directly compare performance between the phases for the following reasons:

- A greater number of sites, energy and water meters, and activities are recorded under CMP2
- Different carbon factors are now used to measure energy consumption and resource use in carbon terms
- Electricity emissions are now sub-divided into 'generation' and 'transmission/distribution' losses

These changes required CMP1 2012/13 data to be recalculated to provide a new baseline for CMP2.

A better assessment is to compare 2013/14 performance with the CMP2 (2012/13) baseline. This shows that in 2013/14, emissions fell by 3,572t CO<sub>2</sub>e (10%) compared with 2012/13. The Council's 'carbon intensity' (the amount of carbon emitted relative to Council expenditure) decreased by 16% during 2013/14 – showing the Council is becoming more efficient in its use of resources and reducing its environmental impacts.

### Performance Summary Table

Impacts	Carbon Management Programme (CMP) 1			CMP 2*	
	2010/11	2011/12	2012/13	2012/13	2013/14
Greenhouse Gas Emissions (tCO <sub>2</sub> e)**	28,633	27,012	27,786	35,907	32,335
Net Portfolio Expenditure (£,000)	213,765	199,509	182,212	182,212	195,892
Carbon Intensity (tCO <sub>2</sub> e / £m expenditure)	134	135	152	197	165
Electricity Use (buildings) (MWh)	21,288	22,809	20,822	27,255	26,490
Electricity Use (street lighting) (MWh)	13,417	13,252	13,464	13,464	12,680
Gas Consumption (buildings) (MWh)	53,124	42,444	51,386	66,826	57,804
Total Energy Expenditure (elec. & gas, street lighting, transport fuel & heating oil) (£,000)	2,616	2,483	2,521	2,521	2,632
Civic Centre Waste Disposal (landfill/incineration) (tonnes)	98	98	93	93	80
Civic Centre Waste Expenditure (landfill/incineration costs) (£)	8,443	9,083	8,875	8,875	8,127
Civic Centre Water Consumption (m <sup>3</sup> )	-	15,862	14,415	14,415	17,066
Civic Centre Water Expenditure (£)	-	30,064	28,918	28,918	36,534

\*CMP2's scope includes more energy and water meters and paper use, and uses different carbon factors, so cannot be compared with CMP1

\*\* CO<sub>2</sub>e refers to carbon dioxide equivalent – a common metric for measuring the effect of six different Greenhouse Gases

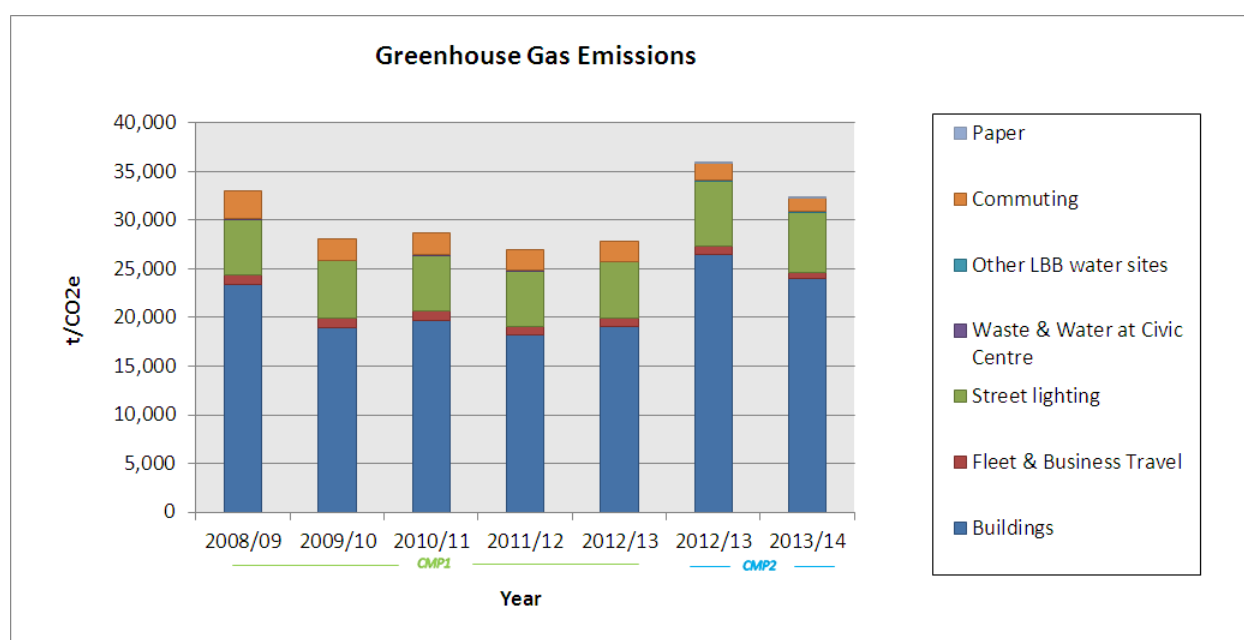
## Sustainability Report

The following sections show environmental progress since 2008/09, including information on: Greenhouse Gas emissions (gas, electricity and fuel); waste arisings (Civic Centre only); and water use. Information on biodiversity, procurement and governance is also included, illustrating the broader links between the Council's spending and related environmental quality and impacts.

Greenhouse Gas Emissions		2008/09	2009/10	2010/11	2011/12	2012/13	2012/13	2013/14
Non-financial indicator (tCO <sub>2</sub> e)	Buildings	23,366	18,913	19,636	18,157	19,092	26,504	23,997
	Fleet/Business Travel	971	1,042	991	917	827	802	666
	Street Lighting	5,729	5,841	5,769	5,699	5,790	6,683	6,132
	Water/Waste (Civic Centre)	56	56	48	50	48	24.5	26
	Water (other sites)	-	-	-	-	-	45	53
	Commuting	2,822	2,189	2,189	2,029	2,029	1,794	1,402
	Paper	-	-	-	-	-	54	59
<b>GHG Emissions</b>		<b>32,944</b>	<b>28,041</b>	<b>28,633</b>	<b>27,012</b>	<b>27,786</b>	<b>35,907</b>	<b>32,335</b>
Energy use (MWh)	Electricity (inc. St. Lt.)	36,442	34,285	34,705	36,061	34,286	40,719	39,170
	Gas	62,293	51,791	53,124	42,444	51,386	66,826	57,804
	Heating Oil	6,761	1,530	2,420	1,769	2,318	2,147	2,022
	<b>Energy Use</b>	<b>105,496</b>	<b>87,606</b>	<b>90,249</b>	<b>80,274</b>	<b>87,990</b>	<b>109,692</b>	<b>98,996</b>
Financial indicators (£,000)	Energy (exc. schools)	2,656	2,533	2,616	2,483	2,521	2,521	2,632
	CRC (exc. schools)	0	0	0	85	100	100	100*
	Business Travel	1,061	1,047	1,033	944	846	846	785

\* This figure is a cost estimate, as CRC allowances for 2013/14 have yet to be calculated and purchased

### Graphical Representation of GHG data



### Performance Commentary

Because more sites, meters, and activities are recorded under CMP2, emissions have increased compared with 2008/09 – 2012/13 data. However, a comparison of 2013/14 against the new 2012/13 baseline shows a significant decrease in emissions of 3,572t CO<sub>2</sub>e (10%) and decrease in energy use of 10,696 MWh.

### Controllable Impacts Commentary / Overview of Influenced Impacts

The Council's main controllable impacts are from energy and fuel use and this is controlled through: the Carbon Management Programme; the Carbon Management Fund invest-to-save programme; Property's Planned Maintenance Programme; and the CRC Programme (which led to improved data management). The Council does not control energy-use in schools, though it can seek to influence this in Maintained Schools. The Council can also seek to influence suppliers through its Sustainable Procurement Policy.

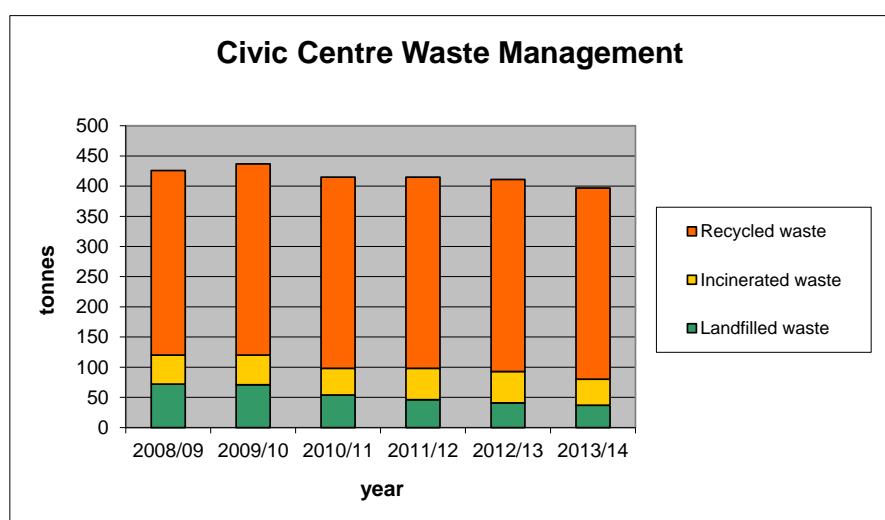
## Waste Disposal & Water Consumption

This section deals with Civic Centre waste disposal – rather than borough-wide waste management, reported elsewhere as a service matter – and water use at a number of LB Bromley sites, including the Civic Centre.

Waste (Civic Centre Only)		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
<b>Non-financial indicator (t)</b>	<b>Total waste collected</b>	<b>426</b>	<b>437</b>	<b>415</b>	<b>415</b>	<b>411</b>	<b>397</b>
	Recycled waste	306	317	317	317	318	317
	Landfilled waste	72	71	54	46	41	37
	Incinerated waste	48	49	44	52	52	43
<b>Financial Indicator (£)</b>	Cost of landfilled waste	5,688	6,420	5,444	5,238	5,003	4,837
	Cost of incineration	3,036	3,198	2,999	3,845	3,872	3,290
	<b>Total disposal cost</b>	<b>8,724</b>	<b>9,618</b>	<b>8,443</b>	<b>9,083</b>	<b>8,875</b>	<b>8,127</b>

In 2013/14, the 43t of incinerated waste generated 24,601 kWh of electricity at the SELCHP incinerator

### Graphical Representation



### Performance Commentary

Civic Centre waste has fallen steadily since 2009/10. While the tonnage recycled has remained broadly constant, the recycling rate has risen from 72% to 80% (because total waste has fallen). Incinerated waste tonnages have remained broadly static and the percentage of waste to landfill has fallen from 17% to 9%.

### Controllable Impacts Commentary

The Council's main controllable impacts relate to office waste and how it is treated. The key challenges are to reduce waste arisings and to increase the amount of recycling – both of which are happening. Waste management options accord with the waste hierarchy's preference for incineration with energy recovery (~26,401 kWh in 2013/14) over landfill (which is less environmental and attracts the landfill tax).

### Finite Resource Consumption: Water

Previously this report only recorded water consumption at the Civic Centre but now data is captured from a greater number of sites. In 2012/13, baseline data was recorded at 59 LB Bromley sites (excluding schools) accounting for 58,063 m<sup>3</sup> of consumption – equating to 60.2 tCO<sub>2e</sub>. In 2013/14, due to site closures such as public toilets, data was recorded at only 52 sites resulting in 69,420 m<sup>3</sup> of consumption – equating to 71.3 tCO<sub>2e</sub> – an 18% increase.

### Performance Commentary

Water consumption increased between 2012/13 and 2013/14, despite a small reduction in the number of sites using water. Therefore the Council now records water consumption data on its energy management system to identify demand management opportunities, possible billing errors, leaks, metering issues, and abatement opportunities.



## **Climate Change Adaptation**

To ensure the country is prepared for severe weather events – whether heat waves, droughts, floods or snow – the government published its [National Adaptation Programme](#) (NAP) in July 2013 – which is designed to improve resilience nationally. The NAP includes a section aimed at councils, which states “Local Government plays a central role in leading and supporting local places to become more resilient to a range of future risks and to be prepared for the opportunities from a changing climate”.

Bromley has some way to go before these issues are routinely considered in Council decision-making but climate change means that Bromley, and indeed all councils, needs to ensure that infrastructure (natural and built), the local economy, public health and service provision can all cope with weather extremes by identifying local risks, opportunities and responses. In addition, Council policy in respect of Planning, Public Health, Flood Management and Emergency Planning can also help to mitigate impacts on services, residents and the local economy. The NAP and the GLA’s [Climate Change Adaptation Strategy](#) both recognise that cities, with their high population densities and linked critical infrastructure, are especially vulnerable and that a larger regional response is required to complement more local action.

## **Biodiversity and Natural Environment**

‘A Quality Environment’ is one of the six Building a Better Bromley priorities and, naturally, there is a service focus on conserving Bromley’s green spaces. Council expenditure directly affects biodiversity through the maintenance of the Civic Centre estate and the management (with the help of 56 Friends of Parks groups) of 156 parks and open spaces across the borough.

The Council also has oversight of the borough’s natural environment, as set out in Bromley’s Biodiversity Action Plan (currently being reviewed by partner organisations). In terms of species management, more than 100k records have been logged and some 90 Sites of Importance for Nature Conservation (most of which have conservation management plans) have been designated in the Local Plan. The Council continues to work with partners to deliver action for biodiversity. This includes managing the rural landscape across five Local Nature Reserves and three Sites of Special Scientific Interest – supported through the Higher Level Stewardship and Woodland Improvement Grants.

## **Sustainable Procurement**

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

The Council spends around £180 million each year with some 3,000 suppliers and each transaction will have some form of associated environmental impact. In addition, Bromley’s Procurement Strategy includes a sustainable procurement policy and whole-life costing is incorporated into the Council’s Contract Procedure Rules – which allow for the consideration of these impacts. Sustainability benefits are also considered at the planning stage in Gateway Reviews, and at pre-qualification and tender stages when letting contracts.

## **Governance**

LB Bromley’s environmental objectives are delivered, in general terms, through Departmental Business Plans and themed Portfolio Plans, which support the Council’s ‘Quality Environment’ and ‘Excellent Council’ ambition as set out in Building a Better Bromley. The activity in this Environmental Report aligns with Building a Better Bromley’s ‘Excellent Council’ ambition in relation to ‘scrutinising everything we do and how we do it to provide efficient services’ and ‘continue a financial strategy that focuses on stewardship.

In addition to Member governance through the Policy Development & Scrutiny system, senior officers provide strategic oversight in respect of carbon and environmental management activity to ensure the objectives align with those of the Council. In particular, key programmes covering Carbon Management, Carbon Reduction Commitment, and Carbon Management Fund all benefit from senior officer input to ensure appropriate governance, transparency and effective programme delivery.

## APPROVAL OF THE STATEMENT OF ACCOUNTS

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I hereby confirm that the Statement of Accounts for the year ending 31st March 2014, as signed by the Director of Finance on the 17th September 2014, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 17th September 2014.

Councillor Tony Owen  
Chairman of the General Purposes and Licensing Committee  
17th September 2014

# DIRECTOR OF FINANCE EXPLANATORY FOREWORD

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## *Introduction*

I am pleased to introduce the Council's Statement of Accounts for 2013/14. This statement summarises the financial performance of the Council during the year and the financial position at 31<sup>st</sup> March 2014.

## *Background*

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

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

## *Financial Statements*

The main statements in this document are:

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

Movement in Reserves Statement – this statement provides a summary of the changes to the Council's financial reserves over the course of the financial year. Reserves are divided into 'usable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable' reserves which cannot. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

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

Cash Flow Statement - summarises the total movement on the Council's cash and cash equivalents resulting from transactions with external organisations. Cash equivalents are assets which may readily be converted into cash.

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

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

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

## DIRECTOR OF FINANCE EXPLANATORY FOREWORD

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

### *Financial Performance*

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

	Budget £m	Actual £m	Variation £m
Net expenditure on Bromley’s Services	214.24	201.67	(12.57)
Funded by:			
Grants, Council Tax and Business Rates	(213.38)	(215.46)	(2.08)
Carry Forwards from 2012/13	(0.86)	-	0.86
Increase in General Reserves	-	(13.79)	(13.79)
Contribution from General Reserves to Economic Development & Investment Fund	-	13.79	13.79
Reduction in General Reserves	-	-	-

### *Revenue Summary*

The 2014/15 Council tax report identified the latest financial projections and an increasing future year budget gap due to the impact of inflation, service cost pressures and ongoing significant reductions in government funding during this austerity period. More details were reported in the “2014/15 Council Tax” report to the Executive in February. Despite the recent significant improvements in the current economic situation, the high level of public debt and the government’s plans to achieve a budget surplus (and any possible future plans for tax cuts) will lead to significant further reductions in government funding particularly if health and education remain “protected” by central government.

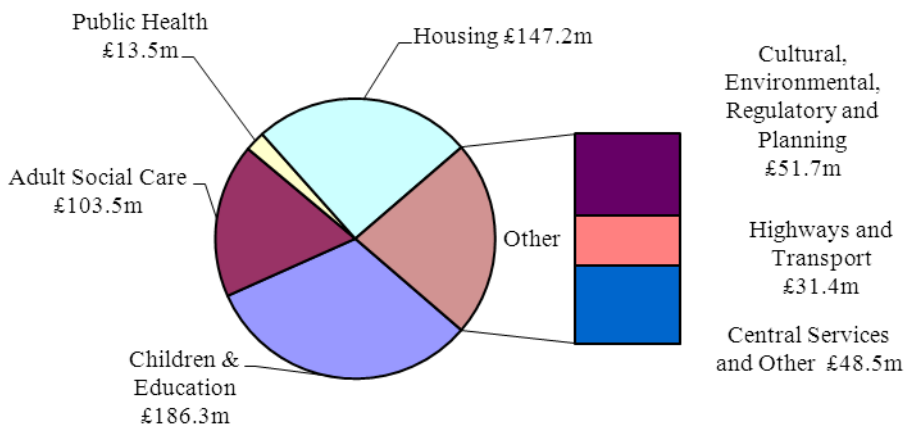
The 2013/14 outturn identifies underspends from prior year adjustments, departmental spend and the Council’s central contingency sum. The underspends from the Central Contingency Sum mainly relate to ongoing action to contain growth pressures, stringent cost controls, effective management of risk, effective use of government funding and meeting income targets. This financial position enables the Council to be “better placed” to meet the future years budget gap but also provides opportunities to achieve savings from transformation, economic development and investment income which will provide a more sustainable financial outcome for the future.

The Council’s general reserves remain at £20m, whilst a future years “budget gap” continues. However there is flexibility in the Council’s overall resources (including earmarked reserves) to allow this position to be revised in the future.

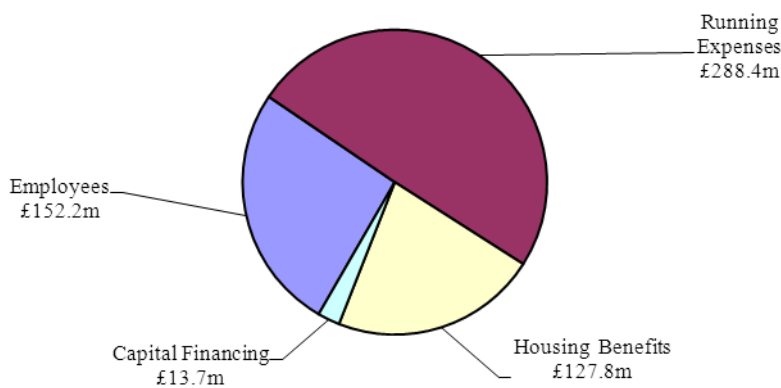
Further details of the variations in 2013/14 were reported to the Council’s Executive on the 10<sup>th</sup> June 2014 and are available through <http://sharepoint.bromley.gov.uk/default.aspx>. The overall pattern of the Council’s total income and expenditure is summarised in the graphs on page 4.

# DIRECTOR OF FINANCE EXPLANATORY FOREWORD

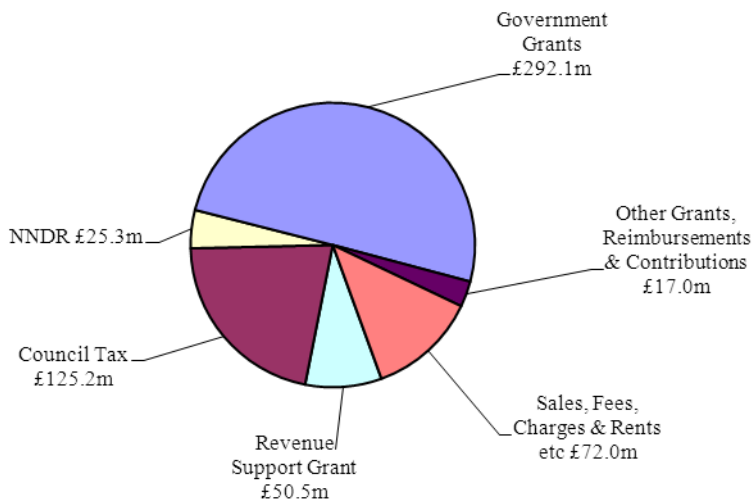
## Services Provided - £582.1m



## Gross Expenditure - £582.1m



## Gross Income £582.1m



## DIRECTOR OF FINANCE EXPLANATORY FOREWORD

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### ***Capital Summary***

Capital expenditure totalled £25.3m (including acquisitions recognised as finance leases) compared with the final approved estimate of £33.6m, the difference being mainly due to slippage of expenditure into 2014/15. Capital expenditure was fully financed from Government grants and other external contributions, revenue contributions and capital receipts, without recourse to general reserves. Further details of capital financing are shown in the notes to the accounts (note 41).

The Council generated new capital receipts of £10.7m in 2013/14 and, during the year, £0.5m of receipts were applied to finance capital expenditure.

Further information can be found in the Capital Programme Outturn report to the Executive on 10th June 2014 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

### ***Investments***

At the year end, the Council held significant investments totalling £247.1m (principal sum). These investments generated net income (£2.2m in 2013/14 compared to £2.7m in 2012/13) to support the revenue budget. This resulted in a surplus on interest on balances (total outturn of £2.244m against a budget of £1.591m). The investments represent the Council's general and earmarked reserves, provisions and net working capital.

### ***Pension Fund***

During 2013/14, the net assets of the Pension Fund increased by £43.9m (7.5%).

The underlying assets and liabilities of the Fund for retirement benefits earned by Bromley employees past and present are recognised on the Council's Balance Sheet as a net liability (see note 46). This liability has a significant negative effect on the net worth of the Council. However, the Council plans that the deficit on the scheme will be made good by increased employer contributions over a 15 year period from 1<sup>st</sup> April 2014.

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

The annual revaluations carried out in respect of the Council's long-term Property, Plant & Equipment, Investment Properties and current Held for Sale assets identified impairment losses of £42.0m and the balance sheet has been reduced accordingly. There were no material revenue or capital write offs during 2013/14.

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

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

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

The current economic and financial environment provides a difficult and challenging context for the medium term financial strategy. There continue to be financial pressures in many service areas and further action will be required in future years to moderate the underlying growth in spending, address ongoing reductions in Government funding, meet inflation pressures and achieve a revenue budget that does not require unsustainable levels of withdrawals from balances or unsustainable council tax rises.

## DIRECTOR OF FINANCE EXPLANATORY FOREWORD

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There have been increasing demands on various services which can be linked to the current economic climate, including requests for housing, as well as additional demands on various other services. Demand for financial assistance through housing benefits and council tax support remains high. The current economic climate will also have a negative impact on the Council's income levels.

Interest rates remain low which results in lower investment income and the Council's Treasury Management Strategy has been reviewed to include new lending options such as corporate bonds, fixed income investments and property investment funds which provide higher interest returns whilst seeking to preserve capital.

Even with an improvement in the UK economy there are not likely to be any significant improvements in funding at a local level over the next few years and austerity measures for the public sector are expected to continue until at least 2020. The Council needs to continue to address the medium term financial position and details will be reported to the Executive during the year as part of the update on the Council's financial strategy.

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

### ***Further Information***

Further Information about the accounts is available from:

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

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

# AUDITORS' REPORT

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## Independent auditors' report to the Members of the London Borough of Bromley (the "Authority")

### Report on the financial statements

#### Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Authority's affairs as at 31 March 2014 and of the Authority's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

#### What we have audited

The financial statements, which are prepared by the London Borough of Bromley, comprise:

- the Balance Sheet as at 31 March 2014;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Collection Fund for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 supported by the CIPFA Service Reporting Code of Practice 2013/14.

In applying the financial reporting framework, the Director of Finance has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Finance; and
- the overall presentation of the financial statements



## AUDITORS' REPORT

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In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on other matter prescribed by the Code of Audit Practice**

In our opinion the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Other matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the Director of Finance**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13 the Director of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14.

Our responsibility is to audit and express an opinion on the financial statements in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

# AUDITORS' REPORT

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## Report on the pension fund accounts

### Our opinion

In our opinion the pension fund accounts, defined below:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014, and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The pension fund accounts contained within the Statement of Accounts of the London Borough of Bromley for the year ended 31 March 2014, comprise:

- the Net Assets Statement as at 31 March 2014;
- the Fund Account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

In applying the financial reporting framework, the Director of Finance has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### What an audit of pension fund accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounts sufficient to give reasonable assurance that the pension fund accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Director of Finance; and
- the overall presentation of the Pension Fund Accounts.

In addition, we read all the financial and non-financial information in the Statement of Accounts to identify material inconsistencies with the audited pension fund accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# AUDITORS' REPORT

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## **Responsibilities for the pension fund accounts and the audit**

### **Our responsibilities and those of the Director of Finance**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 13 the Director of Finance is responsible for the preparation of the pensions fund accounts and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **Opinion on other matter prescribed by the Code of Audit Practice**

In our opinion the information given in the explanatory foreword for the financial year for which the pension fund accounts are prepared is consistent with the pension fund accounts.

# AUDITORS' REPORT

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission on 15 October 2013, we are satisfied that, in all significant respects, the London Borough of Bromley put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

### **What a review of the arrangements for securing economy, efficiency and effectiveness in the use of resources involves**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission on 15 October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Our responsibilities and those of the Authority**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

TBC – the wording for the 2013/14 certificate will be confirmed in due course. This is because of an outstanding matter in relation to an objection on the 2012/13 financial statements.

# AUDITORS' REPORT

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Janet Dawson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
September 2014

- (a) The maintenance and integrity of the London Borough of Bromley website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Statement of Accounts since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the Statement of Accounts may differ from legislation in other jurisdictions.

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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## *The Authority's Responsibilities*

The Authority is required:

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

## *The Director of Finance Responsibilities*

The Director of Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

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

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

The Director of Finance 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 Finance*

I certify that the accounts set out on pages 14 to 104 give a true and fair view of the financial position of the Authority as at 31st March 2014 and of its income and expenditure for the year ended 31st March 2014.

Peter Turner  
Director of Finance  
17th September 2014

## MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Notes
<b>Balance at 31st March 2012</b>	<b>31,609</b>	<b>52,414</b>	<b>14,002</b>	<b>16,006</b>	<b>114,031</b>	<b>601,930</b>	<b>715,961</b>	
<b>Movement in Reserves during 2012/13 (restated)</b>								
Deficit on the provision of services	(38,883)	-	-	-	(38,883)	-	(38,883)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	(16,473)	(16,473)	
<b>Total Comprehensive Income and Expenditure</b>	<b>(38,883)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,883)</b>	<b>(16,473)</b>	<b>(55,356)</b>	
Adjustments between accounting basis & funding basis under regulations	60,078	-	(2,206)	193	<b>58,065</b>	(58,065)	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>21,195</b>	<b>-</b>	<b>(2,206)</b>	<b>193</b>	<b>19,182</b>	<b>(74,538)</b>	<b>(55,356)</b>	
Transfers to Earmarked Reserves	(32,804)	32,804	-	-	-	-	-	8
<b>Increase / (Decrease) in 2012/13</b>	<b>(11,609)</b>	<b>32,804</b>	<b>(2,206)</b>	<b>193</b>	<b>19,182</b>	<b>(74,538)</b>	<b>(55,356)</b>	
<b>Balance at 31st March 2013</b>	<b>20,000</b>	<b>85,218</b>	<b>11,796</b>	<b>16,199</b>	<b>133,213</b>	<b>527,392</b>	<b>660,605</b>	

The restatement of the 2012/13 figures is primarily as a result of changes to IAS 19. The accounting for the defined benefit pension scheme obligations is set out in Note 46.

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Notes
<b>Balance at 31st March 2013</b>	<b>20,000</b>	<b>85,218</b>	<b>11,796</b>	<b>16,199</b>	<b>133,213</b>	<b>527,392</b>	<b>660,605</b>	
<b>Movement in Reserves during 2013/14</b>								
Deficit on the provision of services	(49,264)	-	-	-	(49,264)	-	(49,264)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	120,044	120,044	
<b>Total Comprehensive Income and Expenditure</b>	<b>(49,264)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,264)</b>	<b>120,044</b>	<b>70,780</b>	
Adjustments between accounting basis & funding basis under regulations	73,834	-	10,191	7,500	91,525	(91,525)	-	7
<b>Net Increase / (Decrease) before Transfers to Earmarked Reserves</b>	<b>24,570</b>	<b>-</b>	<b>10,191</b>	<b>7,500</b>	<b>42,261</b>	<b>28,519</b>	<b>70,780</b>	
Transfers to Earmarked Reserves	(24,570)	24,570	-	-	-	-	-	8
<b>Increase / (Decrease) in 2013/14</b>	<b>-</b>	<b>24,570</b>	<b>10,191</b>	<b>7,500</b>	<b>42,261</b>	<b>28,519</b>	<b>70,780</b>	
<b>Balance at 31st March 2014</b>	<b>20,000</b>	<b>109,788</b>	<b>21,987</b>	<b>23,699</b>	<b>175,474</b>	<b>555,911</b>	<b>731,385</b>	



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2012/13 Restated			2013/14			
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
24,593	(22,377)	2,216		6,543	(4,494)	2,049
39,128	(2,211)	36,917		26,615	(2,877)	23,738
31,435	(5,172)	26,263		31,303	(5,755)	25,548
5,590	(2,257)	3,333		5,476	(2,505)	2,971
207,524	(165,766)	41,758		199,320	(155,303)	44,017
35,425	(14,576)	20,849		37,323	(16,557)	20,766
142,188	(131,549)	10,639		149,830	(137,778)	12,052
102,633	(33,168)	69,465		101,133	(30,831)	70,302
161	(179)	(18)		12,374	(13,590)	(1,216)
5,913	-	5,913		5,800	-	5,800
(823)	-	(823)		(809)	-	(809)
<b>593,767</b>	<b>(377,255)</b>	<b>216,512</b>		<b>574,908</b>	<b>(369,690)</b>	<b>205,218</b>
24,152	(499)	23,653	9	66,393	(1,070)	65,323
16,282	(6,995)	9,287	10	5,796	(6,591)	(795)
-	(210,569)	(210,569)	11	-	(220,482)	(220,482)
<b>634,201</b>	<b>(595,318)</b>	<b>38,883</b>		<b>647,097</b>	<b>(597,833)</b>	<b>49,264</b>
		(5,100)	26			(11,740)
		24,094	26			19,264
		-	26			240
		(2,521)	46			(127,808)
		<b>16,473</b>				<b>(120,044)</b>
		<b>55,356</b>				<b>(70,780)</b>

The restatement of the 2012/13 figures is primarily as a result of changes to IAS 19. The accounting for the defined benefit pension scheme obligations is set out in Note 46.

## BALANCE SHEET

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

<b>31st March 2013 Restated £000</b>		<b>Notes</b>	<b>31st March 2014 £000</b>
718,947	Property, Plant and Equipment	<b>12</b>	610,155
1,017	Heritage Assets	<b>13</b>	1,017
61,422	Investment Property	<b>14</b>	71,548
25,010	Long Term Investments	<b>15</b>	39,270
2,747	Long Term Debtors	<b>15</b>	3,333
<b>809,143</b>	<b>Long Term Assets</b>		<b>725,323</b>
143,712	Short Term Investments	<b>15</b>	139,064
7,189	Assets Held for Sale (<1yr)	<b>16</b>	11,403
656	Inventories	<b>17</b>	666
21,348	Short Term Debtors	<b>19</b>	23,746
33,690	Cash and Cash Equivalents - Investments	<b>15</b>	69,698
<b>206,595</b>	<b>Current Assets</b>		<b>244,577</b>
6,664	Cash and Cash Equivalents	<b>20</b>	4,854
177	Short Term Borrowing	<b>21</b>	2,328
8,125	Provisions	<b>22</b>	9,100
64,836	Short Term Creditors	<b>23</b>	59,987
7,042	Grants Receipts in Advance - Revenue	<b>38</b>	14,908
5,869	Grants Receipts in Advance - Capital	<b>38</b>	6,032
<b>92,713</b>	<b>Current Liabilities</b>		<b>97,209</b>
262,420	Other Long Term Liabilities	<b>24</b>	141,306
<b>262,420</b>	<b>Long Term Liabilities</b>		<b>141,306</b>
<b>660,605</b>	<b>Net Assets</b>		<b>731,385</b>
133,213	Usable Reserves	<b>25</b>	175,474
527,392	Unusable Reserves	<b>26</b>	555,911
<b>660,605</b>	<b>Total Reserves</b>		<b>731,385</b>

The restatement of the 2012/13 figures is primarily as a result of changes to IAS 19. The accounting for the defined benefit pension scheme obligations is set out in Note 46.

## CASH FLOW STATEMENT

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

<b>2012/13 Restated £000</b>		<b>Notes</b>	<b>2013/14 £000</b>
38,883	Net Deficit on the Provision of Services		49,264
(76,675)	Adjustments to Net Deficit on the Provision of Services for Non-Cash Movements		(112,214)
18,596	Adjustments for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing Activities		28,434
<u>(19,196)</u>	Net Cash Flows from Operating Activities	<b>27</b>	<u>(34,516)</u>
12,789	Investing Activities	<b>28</b>	739
<u>(5,425)</u>	Financing Activities	<b>29</b>	<u>(4,041)</u>
(11,832)	Net Increase in Cash and Cash Equivalents		(37,818)
(15,194)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(27,026)
<u>(27,026)</u>	Cash and Cash Equivalents at the End of the Reporting Period	<b>20</b>	<u>(64,844)</u>

The restatement of the 2012/13 figures is primarily as a result of changes to IAS 19. The accounting for the defined benefit pension scheme obligations is set out in Note 46.

# Notes to the Core Financial Statements

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## **1 Statement of Accounting Policies**

### **1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31st March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which those Regulations require to be prepared in accordance with proper accounting practices. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and is based on International Financial Reporting Standards. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

The Statement of Accounts has been prepared with reference to:

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

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

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

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

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

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The cash equivalent figure shown on the Balance Sheet (£69.7m as at 31st March 2014) is the total value of cash investments in instant access AAA-rated Money Market Funds and other short-term accessible accounts.

In the Cash Flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## Notes to the Core Financial Statements

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

#### **4 Acquisitions and Discontinued Operations**

As a result of the Health and Social Care Act 2012, Public Health responsibilities transferred to the Council from 1st April 2013. The service is funded by grant and there was no transfer of balance sheet items. The Council does not consider the transactions relating to this transfer to be material and, as such, has not undertaken the specific accounting requirements for acquired and discontinued operations. These transactions have therefore been treated as in-year entries within the Council's accounts.

#### **5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

#### **6 Charges to Revenue for Non Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Property, Plant and Equipment during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses. However, it is required to make an annual contribution from revenue (the Minimum Revenue Provision) to reduce its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account and the Movement in Reserves Statement for the difference between the two.

#### **7 Employee Benefits**

##### *Benefits Payable During Employment*

Short-term benefits are those due to be wholly settled within twelve months of the year-end. They include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### *Termination Benefits*

Termination Benefits, payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or of an officer's decision to accept voluntary redundancy, are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

# Notes to the Core Financial Statements

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## 1 *Statement of Accounting Policies continued*

### 7 *Employee Benefits continued*

#### *Post Employment Benefits*

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

- The Teachers' Pension Scheme, administered by the Teachers Pensions Agency on behalf of the Department for Education.
- The Local Government Pensions Scheme, administered by the Council itself under national regulations.
- The NHS Pension Scheme, administered by the Department for Health.

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

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

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

#### *The Local Government Pension Scheme*

The Local Government Scheme is accounted for as a defined benefits scheme. Employees who participate in the scheme earn benefits that will not actually be payable until retirement. However, the Council has a commitment to make these payments and the accounts have been prepared to reflect the cost of providing retirement benefits in the accounting period(s) in which they are earned. Related finance costs and any other changes in the values of assets and liabilities are recognised in the accounting periods in which they arise.

The accounts have been prepared on the basis of International Accounting Standard 19 (IAS 19) and on the advice of the Council's actuary, Mercer Limited, in accordance with Technical Accounting Standard R: Reporting Actuarial Information and Technical Accounting Standard D: Data, issued by the Institute and Faculty of Actuaries.

The liabilities of the Bromley pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on corporate bond yields (in Bromley's case, the discount rate was based on the yields of AA rated corporate bonds of currency and term appropriate to the currency and term of the Fund's liabilities). In 2013/14, this discount rate was 4.4% compared to 4.3% in 2012/13. The higher the discount rate, the lower the value placed on liabilities, but this will have had only a minor impact on the total movement in the overall Pension Reserve deficit during 2013/14 (a reduction of £120m). The movement is explained in more detail in Note 46.

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 6 components:

#### a) Service Cost comprising:

- current service cost (the increase in liabilities as a result of years of service earned this year) - allocated in the Comprehensive Income and Expenditure Statement to the services for which employees worked.
  - past service cost (the increase in liabilities arising from a scheme amendment or curtailment whose effect relates to years of service earned in earlier years) - debited or credited as part of Non-Distributed Costs to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - gains/losses on settlement (the result of actions to relieve the Council of liabilities for all or part of the employee benefits provided under the plan) - debited or credited as part of Non-Distributed Costs to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
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# Notes to the Core Financial Statements

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## 1 *Statement of Accounting Policies continued*

### 7 *Employee Benefits continued*

b) Net interest costs:

the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure (Financing and Investment Income and Expenditure) in the Comprehensive Income and Expenditure Statement.

c) Remeasurements comprising:

- return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pension Fund Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains/losses (changes in the net pensions liability that arise because events have not followed assumptions in the last actuarial valuation or because the actuary has changed his assumptions) - debited or credited to Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

d) Contributions paid to the Pension Fund (cash paid as employer contributions to the fund in settlement of liabilities not accounted for as an expense).

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated by the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows and not as benefits are earned by employees.

#### *Discretionary Benefits*

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

## 8 *Events After the Balance Sheet Date*

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 9 *Financial Liabilities*

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

# Notes to the Core Financial Statements

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

### **10 Financial Assets**

Financial assets are classified as either:

- available for sale assets - those with a quoted market price and/or no fixed or determinable payments; or
- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.

Full details are given in Note 15 to the Core Financial Statements.

#### *Loans and Receivables*

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits for interest receivable to the Financing and Investment Income Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge is made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows.

### **11 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors or receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line or to Taxation and Non-Specific Grant Income (non- ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.



# Notes to the Core Financial Statements

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

### **12 Heritage Assets**

Where an asset is primarily held for its contribution to knowledge and culture, rather than for any operational or service-related purpose, it is designated as a heritage asset.

Heritage Assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Council has identified assets and valuations where possible, but, in some cases, it has not been possible to carry out or obtain valuations for a number of heritage assets. The Code permits non-disclosure of heritage assets in the financial statements where it would not be practicable to obtain a valuation for the assets at a cost that would be commensurate with the benefits to users of the financial statements. The Council has taken the view that it would not be practicable to obtain valuations of its war memorials and a number of other assets and they are not, therefore, recognised on the Balance Sheet. Further details are included in Note 50.

The Authority's heritage assets included on the Balance Sheet mainly comprise civic regalia and Bromley Museum art collections and are shown in more detail in Note 50. The items have indeterminate lives and are not, therefore, depreciated. They are also valued infrequently, due to their relatively low value in relation to the Authority's overall asset base and the high cost of valuing a diverse set of assets without comparative values.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment and any impairment is recognised and measured in accordance with the Council's general policy on impairment (see accounting policy 17). The proceeds of any disposals are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment and disposal proceeds are disclosed separately in the notes to the financial statements (see accounting policy 17).

### **13 Inventories**

The Code states that Inventories should be included in the Balance Sheet at the lower of cost and net realisable value. The Council values Inventories at latest cost, but this has no material effect on the accounts. The value of work in progress is taken as costs to date.

### **14 Investment properties**

Investment properties are those that are held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount for which the asset could be exchanged between knowledgeable parties at arms-length. Investment properties are not depreciated but properties of material value are revalued annually. Net gains and losses on revaluation and on disposal are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance and they are, therefore, reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to Financing and Investment Income and result in gains for the General Fund Balance.

# Notes to the Core Financial Statements

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## 1 Statement of Accounting Policies continued

### 15 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the property, plant or equipment. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

##### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the services benefitting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

#### The Council as Lessor

##### *Finance Leases*

As at 31st March 2014, the Authority holds no finance leases as lessor.

##### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## Notes to the Core Financial Statements

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

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

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

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

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year, are classified as Property, Plant and Equipment.

##### *Recognition*

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged to the Comprehensive Income and Expenditure Statement when it is incurred.

##### *Measurement*

The freehold and leasehold properties that comprise the Council's property portfolio are revalued on the basis required by the Code (i.e. at least every five years) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Further revaluations are also carried out where there are known to have been material changes. The most recent set of re-valuations were carried out as at December 2013 under the responsibility of Heather Hosking BSc FRICS, Head of Strategic Property.

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be at fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

# Notes to the Core Financial Statements

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## *1 Statement of Accounting Policies continued*

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Where there is no market-based evidence of fair value because of the specialist nature of the asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

#### *Impairment*

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### *Depreciation*

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

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

## Notes to the Core Financial Statements

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### *1 Statement of Accounting Policies continued*

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

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

#### *Disposals*

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use and when that sale is likely to be completed within one year of the Balance Sheet date, it is reclassified as an Asset held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised in the Surplus or Deficit on Provision of Services up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets (Property, Plant & Equipment) and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any valuation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals in excess of £10,000 are categorised as capital receipts. A proportion of housing capital receipts (75% of the proportion of Council House sales received every three years from Broomleigh Housing Association) is payable to the Government.

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

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

Assets held for sale that are expected to be sold within 1 year are shown on the Balance Sheet as Current Assets. Assets expected to be sold more than 1 year after the Balance Sheet date are shown as Surplus Assets under Property, Plant and Equipment.

# Notes to the Core Financial Statements

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

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

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

The Council has not entered into any PFI schemes but it has entered into a service concession arrangement, which grants to another company or organisation the right to provide services on behalf of the Council, using infrastructure assets owned by the Council or the contractor. Further details of this are provided in Note 43.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

### **19 Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Details of all provisions are set out in Note 22.

### **20 Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **21 Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts (Note 48) where it is probable that there will be an inflow of economic benefits or service potential.

## Notes to the Core Financial Statements

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

#### **22 Reserves**

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

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

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

Reserves are reported in two categories - Usable and Unusable.

##### *Usable Reserves*

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

##### *Unusable Reserves*

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

#### **23 Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing (the former in Bromley's case), a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

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

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

#### **25 Carbon Reduction Commitment Allowances**

Accounting for the costs of the Carbon Reduction Commitment Scheme.

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions (i.e. carbon dioxide produced as energy is used). As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

## Notes to the Core Financial Statements

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

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

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

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

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

Following the introduction of Business Rate Localisation, with effect from 1st April 2013, local authorities are responsible for collecting and distributing income from the business rates they collect rather than simply acting in an agency capacity for the DCLG NNDR Pool as they had done until 31st March 2013.

The Council will continue to maintain balances for NNDR arrears, impairment allowances, prepayments and overpayments in its underlying accounting records. However, for the final accounts purposes, NNDR transactions and balances are allocated between the Council, the GLA and Central Government.

#### ***28 Presentation of Items in Other Comprehensive Income & Expenditure***

The requirements of IAS 1 require Authorities to separately group items that will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met and those items that will not be reclassified. In 2013/14 the Council experienced a deficit arising from the downward revaluation of an Available-for-Sale financial asset but has determined that this does not need to be separately grouped as the value is immaterial.



## Notes to the Core Financial Statements

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 has introduced a number of changes in accounting policies which are due to be implemented on 1st April 2014. The new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosures of involvements in other entities.

#### *1 IFRS 10 Consolidated Financial Statements*

The standard introduces a new definition of control, which is used to determine which entities are consolidated for the purpose of group accounts. The Council does not have any group accounts and therefore this standard has no impact on the 2013/14 accounts.

#### *2 IFRS 11 Joint Arrangements*

This standard addresses the accounting for 'joint arrangements', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements and therefore this standard has no impact on the 2013/14 accounts.

#### *3 IFRS 12 Disclosure of Interests in Other Entities*

This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has a number of arrangements with other entities but further disclosure is not required as they are not deemed material in the context of the 2013/14 Financial Statements.

#### *4 IAS 27 Separate Financial Statements (as amended in 2011)*

IAS 27 has been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore no impact as a result of changes in IAS 27.

#### *5 IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)*

IAS 28 has been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, except for disclosure, due to changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore no impact as a result of changes in IAS 28.

#### *6 IAS 32 Financial Instruments: Presentation*

The Code references amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified in the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

#### *7 Annual Improvements to IFRSs 2009 – 2011 Cycle.*

The Annual Improvements to IFRS 2009 - 2011 Cycle are non urgent, but necessary, amendments to the following five standards, IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The amendments are effective for annual periods beginning on or after 1st January 2013 and the amendments are made retrospectively. Annual improvements are generally intended to clarify requirements and as a result of these amendments the Council's existing policies, procedures and disclosures have been re-evaluated.

## Notes to the Core Financial Statements

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### 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- a) There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities or reduce levels of service provision.
- b) There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Authority repudiates any liability and no provision for potential damages has been made in relation to the claim.
- c) A review in 2010/11 of significant contractual arrangements identified finance leases embedded within some of those contracts. This resulted in some Vehicles and Plant being brought on Balance Sheet from 1st April 2009 (restated in the 2010/11 financial statements). The most significant of these was on the contract for Refuse Collection, which was identified as a Service Concession. The vehicles used by the contractor are now included on the Balance Sheet under Property, Plant and Equipment. The value of these finance leases at 31st March 2014 was £2,565k.
- d) In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £5m deposited with Heritable at the time, which had been placed for two years on 28th June 2007 at a rate of 6.42%. Heritable Bank is a UK registered bank under English law and was placed in administration on 7th October 2008. As at 31st March 2014, a total of £4,783k had been received from the administrator (94% of the Council's total claim of £5,087k). In accordance with CIPFA advice, impairment losses have previously been made in the accounts and, as estimates of recovery have improved, part-reversals of those impairment losses have been made, including, most recently, £310k in 2013/14. This reduced the balance of the provision for potential loss to £300k (6% of the Council's total claim).

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

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

The items in the Authority's Balance Sheet at 31st March 2014 for which there is a risk of adjustment in the forthcoming financial year are as follows:

#### **Property, Plant and Equipment**

##### *Uncertainties*

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the asset. In any event, useful lives are reviewed regularly.

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

If the useful life of the assets is reduced, depreciation increases and the carrying amount of the asset falls.

#### **Business Rates**

Following the introduction on 1st April 2013 of the Business Rates Retention scheme, Local Authorities are liable for their proportionate share of successful appeals against business rates charged to businesses in 2012/13 and earlier financial years. A provision based on the best available information including Valuation Office (VAO) ratings list of appeals has been recognised for this liability.

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

#### Pensions Liability

##### *Uncertainties*

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

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

The effects on the net pensions liability of changes in individual assumptions can be significant. For instance, in 2010, the Government announced that pension increase orders would in future be linked to CPI rather than RPI. CPI is lower (2.7% assumed) than RPI (3.9% assumed) and this had the effect of reducing the Fund's net liability by £60m in 2010/11. Conversely, in 2011/12, the Fund's net liability increased by some £82m because a) actual investment returns in the year (2.2%) were lower than the actuary's assumption (6.6%), which caused asset values to reduce and b) the discount rate (corporate bond yield) used by the actuary to value the Fund's liabilities reduced from the original assumption of 5.5% to 4.6%, which caused liability values to go up. In 2012/13, the Council's net liability remained relatively stable (up by £8.5m, which was primarily due to interest emerging on the net liability figure of £251m as at 31st March 2012). In 2013/14, the net liability fell by some £120m (from £260m to £140m). This was mainly due to positive experience since the 2010 valuation that has been recognised at this year end. Other positive factors included favourable investment returns during the year and improved market conditions which reduced the value placed on the liabilities.

The impact in future years will be assessed by the Council's actuary in subsequent IAS 19 reports.

#### Arrears

##### *Uncertainties*

At 31st March 2014, the Authority had a balance of sundry debtors of £12,167k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 9.2% (£1,119k) was appropriate. However, in the current economic climate, it is not certain that such an allowance would be sufficient.

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

If collection rates were to deteriorate, the impairment of doubtful debts would need to increase resulting in an additional sum being set aside as an allowance.

### 5 Exceptional Items

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

During 2013/14, eight of the Council's Primary Schools adopted academy status (2 in 2012/13), as a result of which their Property, Plant & Equipment values, totalling £64.9m (£22.6m in 2012/13), have been removed from the balance sheet. This has been treated as a loss on disposal in these accounts, as the Council has effectively disposed of the schools for no receipt. In accordance with the accounting requirements of the Code, a debit of £64.9m has been posted in 2013/14 to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (see Note 9), with a corresponding reduction to long-term assets (property, plant & equipment - see Note 12). Accumulated revaluation gains of £11.3m (£6.6m in 2012/13) have been transferred from the Revaluation Reserve to the Capital Adjustment Account (both included in figures in Note 26) and, in order to ensure that the total "loss" does not impact on the General Fund, the debit of £64.9m has been reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

## Notes to the Core Financial Statements

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

The Statement of Accounts was authorised for issue by the Director of Finance on 17th September 2014. The existence of events after the Balance Sheet date has been considered up to this date and there are none to disclose. Events taking place after this date are not reflected in the financial statements or notes.

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

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

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

#### **General Fund Balance**

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

#### **Capital Receipts Reserve**

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

#### **Capital Grants Unapplied**

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

## Notes to the Core Financial Statements

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

<b>2013/14</b>	<b>Usable Reserves</b>			<b>Movement</b>
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</i>				
Depreciation and impairment of non-current assets	(32,036)	-	-	32,036
Movements in the fair value of investment properties	6,997	-	-	(6,997)
Capital grants & contributions applied	11,019	-	-	(11,019)
Revenue expenditure funded from capital under statute	(12,156)	-	-	12,156
Non current assets written off on disposal or sale	(74,825)	-	-	74,825
<i>Insertion of items not debited or credited to the Comprehensive I &amp; E Statement:</i>				
Statutory provision for capital financing	1,154	-	-	(1,154)
Capital expenditure charged against the General Fund	13,681	-	-	(13,681)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants unapplied credited to the CI&E Statement	7,500	-	(7,500)	-
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited to the CI&E Statement	9,915	(9,915)	-	-
Use of Capital Receipts Reserve to finance capital expenditure	-	510	-	(510)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(3)	3	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(789)	-	789
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited to the CI&E Statement	1,033	-	-	(1,033)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 46)	(25,294)	-	-	25,294
Employer's pension contributions and direct payments to pensioners payable in the year	17,687	-	-	(17,687)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax and non-domestic rating income credited to the CI&E Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	529	-	-	(529)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	965	-	-	(965)
<b>Total Adjustments</b>	<b>(73,834)</b>	<b>(10,191)</b>	<b>(7,500)</b>	<b>91,525</b>

## Notes to the Core Financial Statements

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

<b>2012/13 Comparative Figures</b>	<b>Usable Reserves</b>			<b>Movement</b>
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive I&amp;E Statement:</i>				
Depreciation and impairment of non-current assets	(34,455)	-	-	34,455
Movements in the fair value of investment properties	(2,588)	-	-	2,588
Capital grants & contributions applied	16,046	-	-	(16,046)
Revenue expenditure funded from capital under statute	(15,962)	-	-	15,962
Non current assets written off on disposal or sale	(24,881)	-	-	24,881
<i>Insertion of items not debited or credited to the Comprehensive I &amp; E Statement:</i>				
Statutory provision for capital financing	1,481	-	-	(1,481)
Capital expenditure charged against the General Fund	6,927	-	-	(6,927)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>				
Capital grants unapplied credited to the CI&E Statement	301	-	(301)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	108	(108)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>				
Transfer of cash sale proceeds credited to the CI&E Statement	2,249	(2,249)	-	-
Use of Capital Receipts Reserve to finance capital expenditure	-	4,636	-	(4,636)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(6)	6	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(187)	-	187
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited to the CI&E Statement	466	-	-	(466)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 46)	(28,516)	-	-	28,516
Employer's pension contributions and direct payments to pensioners payable in the year	17,534	-	-	(17,534)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>				
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	907	-	-	(907)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>				
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	419	-	-	(419)
<b>Total Adjustments</b>	<b>(60,078)</b>	<b>2,206</b>	<b>(193)</b>	<b>58,065</b>

## Notes to the Core Financial Statements

### 8 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13 and 2013/14.

2013/14	Balance at 31st March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31st March 2014 £000
Balances Held by Schools under a Scheme of Delegation	6,432	1,517	1,852	6,767
Insurance Fund	3,022	1,376	1,335	2,981
LPSA Reward Grant Investment Fund	301	88	83	296
LAA Reward Grant Investment Fund	830	80	-	750
Technology Fund	1,786	-	15	1,801
Street Services Reinstatement Fund	483	483	-	-
Reserve for Potential Redundancy Costs	1,097	1,202	220	115
Public Halls Fund	12	4	-	8
Town Centre Improvement Fund	66	-	-	66
Ex Glaxo Land Maintenance	189	7	1	183
Building a Better Bromley Initiatives	83	83	-	-
Prevent Funding	46	46	-	-
Building Control Charging Account	22	22	68	68
Grant Related Expenditure	1,070	1,014	2,296	2,352
Investment to Community Fund	408	3	250	655
Works to Property	100	-	-	100
Economic Development and Investment Fund	37,319	6,109	19,983	51,193
Invest to Save	17,301	3,518	2,192	15,975
Bromley Welcare	104	75	-	29
One-off Member Initiatives	1,528	366	-	1,162
Interest Rate Risk Reserve	1,185	-	-	1,185
Infrastructure Investment Fund	2,000	-	-	2,000
Provision for Impact of Recession	1,500	-	-	1,500
Commissioning Authority Programme	204	105	-	99
Health & Social Care Initiatives - Promise Programme	7,495	1,542	-	5,953
Housing Strategy Trading Account	50	50	29	29
Community Right to Bid & Challenge	13	-	17	30
Glades Refurbishment	572	-	-	572
Winter Pressures	-	-	1,542	1,542
Impact of Winter Damage - Potholes & Highways	-	-	1,000	1,000
Replacement of Fallen Trees - Storm Damage	-	100	100	-
Provision for Emergency Flood Damage	-	-	100	100
Refurbishment of War Memorials	-	-	25	25
Key Health & Social Care Initiatives	-	-	1,700	1,700
Integration of Health & Social Care Initiatives	-	-	1,937	1,937
Cheyne Woods & Cyphers Gate	-	-	192	192
Healthy Bromley Fund	-	-	2,670	2,670
Transformation Fund	-	-	4,753	4,753
	<b>85,218</b>	<b>17,790</b>	<b>42,360</b>	<b>109,788</b>

## Notes to the Core Financial Statements

### 8 Transfers to/from Earmarked Reserves continued

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12 and 2012/13.

2012/13	Balance at 31st March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31st March 2013 £000
Balances Held by Schools under a Scheme of Delegation	6,513	1,591	1,510	6,432
Insurance Fund	2,965	605	662	3,022
LPSA Reward Grant Investment Fund	855	554	-	301
LAA Reward Grant Investment Fund	1,537	707	-	830
Technology Fund	1,763	-	23	1,786
Street Services Reinstatement Fund	483	-	-	483
Reserve for Potential Redundancy Costs	2,770	2,270	597	1,097
Public Halls Fund	13	1	-	12
Town Centre Improvement Fund	66	-	-	66
Ex Glaxo Land Maintenance	194	7	2	189
Building a Better Bromley Initiatives	83	-	-	83
General Members Priorities	15	15	-	-
Prevent Funding	92	46	-	46
Building Control Charging Account	7	7	22	22
Grant Related Expenditure	720	392	742	1,070
Investment to Community Fund	225	67	250	408
Works to Property	100	-	-	100
Economic Development and Investment Fund	10,000	3,787	31,106	37,319
Invest to Save	13,920	3	3,384	17,301
Health & Social Care Initiatives - Promise Programme	4,995	-	2,500	7,495
Bromley Welcare	200	96	-	104
Diamond Jubilee Reserve	100	100	-	-
One-off Member Initiatives	2,620	1,092	-	1,528
Interest Rate Risk Reserve	1,185	-	-	1,185
New Homes Bonus	993	3,019	2,026	-
Infrastructure Investment Fund	-	2,463	4,463	2,000
Provision for Impact of Recession	-	-	1,500	1,500
Commissioning Authority Programme	-	96	300	204
Housing Strategy Trading Account	-	-	50	50
Community Right to Bid & Challenge	-	-	13	13
Glades Refurbishment	-	-	572	572
	<b>52,414</b>	<b>16,918</b>	<b>49,722</b>	<b>85,218</b>



## Notes to the Core Financial Statements

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### 8 Transfers to/from Earmarked Reserves continued

- Balances Held by Schools under a Scheme of Delegation - school balances represent sums delegated to schools in accordance with the Education Reform Act 1988 which had not been spent at 31st March. Any underspending on the budget of the school remains at the disposal of the school to spend in future financial years.
- Insurance Fund - provides for the self-insurance of all losses up to a maximum in any year of £500k for material damage claims and £1,353k for Employers and Public Liability claims. External insurers are used to provide for losses in excess of these sums.
- 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.
- LAA Reward Grant - relates to reward grant received from the Government as a result of the achievement of performance targets in our Local Area Agreement.
- Technology Fund - exists to provide resources to allow investment in ICT within the Borough to help improve the efficiency of departments and provide more comprehensive information and communication systems for Members, officers and the public.
- Street Services Reinstatement Fund - sum received from NTL to provide for street services maintenance and reinstatement arising from indemnified works.
- Reserve for Potential Redundancy Costs - provision set aside to meet potential redundancy implications in future years.
- Public Halls Fund - used for property/access works to facilitate greater participation at charity and community halls.
- Town Centre Improvement Fund - the Council has received funding through the Local Authority Business Growth Incentive Scheme which has been set aside to provide a contribution to the Town Centre Development Fund. A sum of £1,022k was ringfenced to contribute towards the costs associated with the relocation of Orpington Library. The balance is available for expenditure related to the development and sustainability of town centres.
- Ex Glaxo Land Maintenance - an endowment has been received for future maintenance of land conveyed to the London Borough of Bromley.
- Building a Better Bromley Initiatives - funding received by the Authority through the Local Authority Business Growth Incentive Scheme which has been set aside for one-off spending initiatives. In 2013/14, the remaining balance on the reserve (£83k) was transferred to the LPSA Reward Grant reserve.
- General Members Priorities - provision set aside to deal with Member priorities relating to environmental initiatives.
- Prevent Funding - an extended 3 year mentoring scheme for young people assessed as being at risk of developing criminal or anti-social behaviour. It is for the recruitment, matching and management of volunteer mentors for young people within the Borough.
- Building Control Charging Account - to account for surpluses and funding of deficits to be offset against future charges in accordance with Bromley's Building Regulations Charging Scheme.
- Grant Related Expenditure - established to account for the carry forward of underspends of grant related expenditure where there are no conditions attached to the associated grant income.

## Notes to the Core Financial Statements

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

- Investment to Community Fund - set up in 2009/10 to provide investment to the community and voluntary sector as determined by Members.
- Works to Property - a fund set aside to meet potential unrecoverable costs associated with works to a property.
- Economic Development & Investment Fund - a fund established to maximise economic growth which will include investment opportunities and undertaking key infrastructure improvements. A key strand of the Council's financial strategy relates to economic development and generating income. The fund will provide key regeneration opportunities whilst also being utilised to provide a long term alternative income stream.
- Invest to Save - a fund established in 2011/12 to support invest to save initiatives with any savings taking into account an element for repaying the fund whilst generating further savings that can be factored into future years' budgets.
- Bromley Welcare - set aside to commission a time limited, step up/step down service as part of a managed funding strategy.
- Diamond Jubilee Reserve - a fund set aside to meet the costs associated with the celebrations of the Queen's diamond jubilee.
- One-off Member Initiatives - a fund set aside to be earmarked against Member priority initiatives to be delivered by the Executive or Portfolio Holders as appropriate.
- Interest Rate Risk Reserve - funding set aside to partly mitigate against the risk of further reductions in investment income in light of increasing uncertainty about future investment returns.
- New Homes Bonus - established to set aside the income received to support key community initiatives that do not require ongoing funding.
- Infrastructure Investment Fund - funding set aside to partly reduce the risk of reducing levels of property and equipment maintenance which could result in more costly longer term costs being incurred.
- Provision for Impact of the Recession - monies set aside as a provision for impact of the recession.
- Commissioning Authority Programme - monies set aside to finance work associated with transforming LBB into a commissioning-based organisation.
- Health & Social Care 'Promise Programme' - monies set aside of funding from the PCT for investment in further integration of health and social care initiatives and the 'Promise Programme'.
- Housing Strategy Trading Account - to account for surpluses and funding of deficits to be offset against future affordable housing charges.
- Community Right to Bid and Challenge - funding set aside to specifically meet the costs arising from administering the scheme and to nominate officers to assess the asset of the community value nominations and any compensation claims from owners.
- Glades Refurbishment - monies set aside for the refurbishment of the Glades Shopping Centre
- Winter Pressures (Social Care & Health) - monies set aside of funding from the PCT to invest in social care services to benefit health and improve overall health gain.
- Impact of Winter Damage Potholes & Highways - a reserve established to meet additional maintenance costs following damage caused to the Borough's highways network during the 2013/14 winter.
- Replacement of Fallen Trees following Storm Damage - a reserve created to meet additional costs following damaged to trees across the Borough as a result of the 2013/14 winter storms.

## Notes to the Core Financial Statements

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

- Provision for Emergency Flood Damage - a reserve set up to meet costs of the clean-up operation associated with flooding across the Borough following heavy rainfall in the early months of 2014.
- Refurbishment of War Memorials - monies set aside for the refurbishment of war memorials.
- Key Health and Social Care Initiatives - funding set aside as part of the wider integration of health and social care to support future integration and investment initiatives.
- Integration of Health and Social Care Initiatives - funding set aside as part of the wider integration of health and social care to support future integration and investment initiatives.
- Cheyne Woods & Cypher's Gate - funding received to enable future land maintenance costs of these sites.
- Healthy Bromley Fund - monies set aside as a cross-Council fund to support key initiatives that will help improve the wellbeing of Bromley residents.
- Transformation Fund - a reserve set aside to meet severance costs arising from a need for significant budget savings to be achieved over the next few years, and additional costs arising from a need to support staff in a changing organisation.

## Notes to the Core Financial Statements

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### 9 Other Operating Expenditure

2012/13	2013/14
£000	£000
1,514 Levies	1,468
6 Payments to Government Housing Capital Receipts Pool	3
(466) Other Income	(1,033)
(33) Distribution of former LRB Balances	(37)
22,632 Losses on the Disposal of Non-Current Assets *	64,922
<b>23,653 Total</b>	<b>65,323</b>

\* The charge of £64.9m in 2013/14 (£22.6m in 2012/13) relates to losses on property, plant and equipment assets as a result of the adoption of academy status by a number of primary schools. Further details are provided in the Exceptional Items note (Note 5).

### 10 Financing and Investment Income and Expenditure

2012/13	2013/14
£000	£000
643 Interest Payable and Similar Charges	538
10,867 Net Interest on the Net Defined Benefit Liability	10,732
(2,955) Interest Receivable and Similar Income	(2,450)
732 (Income)/Expenditure in Relation to Investment Properties and changes in their fair value	(9,615)
<b>9,287 Total</b>	<b>(795)</b>

### 11 Taxation and Non Specific Grant Income

2012/13	2013/14
£000	£000
(135,860) Council Tax Income	(126,297)
- Business Rates Income	(24,673)
(61,743) Non-Domestic Rates Redistribution	-
(7,367) Non-Ringfenced Government grants	(65,021)
(5,599) Capital Grants and Contributions	(4,491)
<b>(210,569) Total</b>	<b>(220,482)</b>

# Notes to the Core Financial Statements

## 12 Property, Plant and Equipment

### Movements on Balances

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2013/14</b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2013	704,889	37,143	114,552	2,494	19,697	15,101	893,876
Additions	-	242	6,760	-	-	82	7,084
Revaluation increases recognised in Revaluation Reserve	7,830	7	-	-	2,504	-	10,341
Derecognition - disposals	(64,199)	(3,003)	-	-	-	-	(67,202)
Assets reclassified to Investment Properties	-	-	-	-	(395)	-	(395)
Other Assets reclassified	3,225	-	-	-	(3,225)	-	-
Assets reclassified to Assets Held for Sale	(6,008)	-	-	-	(3,500)	-	(9,508)
<b>As at 31st March 2014</b>	<b>645,737</b>	<b>34,389</b>	<b>121,312</b>	<b>2,494</b>	<b>15,081</b>	<b>15,183</b>	<b>834,196</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2013	(129,106)	(8,507)	(30,157)	(1,043)	(6,116)	-	(174,929)
Depreciation charge	(5,653)	(1,222)	(3,098)	(83)	(11)	-	(10,067)
Impairment losses recognised in Revaluation Reserve	(19,149)	-	-	-	(15)	-	(19,164)
Impairment losses recognised in deficit on Provision of Services	(19,916)	(1,856)	-	-	(197)	-	(21,969)
Derecognition - disposals	2,088	-	-	-	-	-	2,088
<b>As at 31st March 2014</b>	<b>(171,736)</b>	<b>(11,585)</b>	<b>(33,255)</b>	<b>(1,126)</b>	<b>(6,339)</b>	<b>-</b>	<b>(224,041)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2014</b>	<b>474,001</b>	<b>22,804</b>	<b>88,057</b>	<b>1,368</b>	<b>8,742</b>	<b>15,183</b>	<b>610,155</b>
<b>As at 31st March 2013</b>	<b>575,783</b>	<b>28,636</b>	<b>84,395</b>	<b>1,451</b>	<b>13,581</b>	<b>15,101</b>	<b>718,947</b>

# Notes to the Core Financial Statements

## 12 Property, Plant and Equipment continued

### Movements on Balances

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Movements in 2012/13</b>							
<b>Cost or Valuation</b>							
Balance at 1st April 2012	725,687	36,260	107,541	2,494	16,879	14,257	903,118
Additions	-	1,952	7,011	-	-	844	9,807
Revaluation increases recognised in Revaluation Reserve	2,704	-	-	-	18	-	2,722
Derecognition - disposals	(22,326)	(1,069)	-	-	-	-	(23,395)
Assets reclassified from Assets Held for Sale	(1,176)	-	-	-	2,800	-	1,624
<b>As at 31st March 2013</b>	<b>704,889</b>	<b>37,143</b>	<b>114,552</b>	<b>2,494</b>	<b>19,697</b>	<b>15,101</b>	<b>893,876</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
As at 1st April 2012	(78,217)	(4,923)	(27,223)	(960)	(6,105)	-	(117,428)
Depreciation charge	(7,190)	(1,543)	(2,934)	(83)	(11)	-	(11,761)
Impairment losses recognised in Revaluation Reserve	(23,719)	-	-	-	-	-	(23,719)
Impairment losses recognised in deficit on Provision of Services	(20,632)	(2,041)	-	-	-	-	(22,673)
Derecognition - disposals	652	-	-	-	-	-	652
<b>As at 31st March 2013</b>	<b>(129,106)</b>	<b>(8,507)</b>	<b>(30,157)</b>	<b>(1,043)</b>	<b>(6,116)</b>	<b>-</b>	<b>(174,929)</b>
<b>Net Book Value</b>							
<b>As at 31st March 2013</b>	<b>575,783</b>	<b>28,636</b>	<b>84,395</b>	<b>1,451</b>	<b>13,581</b>	<b>15,101</b>	<b>718,947</b>
<b>As at 31st March 2012</b>	<b>647,470</b>	<b>31,337</b>	<b>80,318</b>	<b>1,534</b>	<b>10,774</b>	<b>14,257</b>	<b>785,690</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment continued

#### (i) Depreciation

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

Land is not depreciated.

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

Community Assets - straight-line depreciation over 30 years.

Surplus Assets are not depreciated.

Vehicles, Plant, Furniture & Equipment – straight-line depreciation over 5 to 20 years down to residual value.

Infrastructure – straight-line depreciation over 15 to 40 years.

#### (ii) Capital Commitments

At 31st March 2014, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £11.8m. This mainly comprised commitments relating to the replacement of street lighting columns (£5.6m), Bromley North Village public realm improvements (£3.0m) and the Langley Park Boys School scheme (£1.3m), which is nearing final account stage. Commitments at 31st March 2013 totalled £3.2m.

#### (iii) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years. In 2013/14, all valuations were carried out by Wilks, Head and Eve. Up to and including 2011/12, all valuations were carried out internally.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The methodology for estimating the fair values of Property, Plant and Equipment is set out in the Statement of Accounting Policies (policy 17).

	Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infra-structure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant, & Equipment £000
<b>Carried at Historical Cost as at:</b>							
<b>31st March 2014</b>	-	30,952	88,057	1,368	-	15,183	135,560
<b>Valued at Fair Value as at:</b>							
31st March 2014	221,425	(5,832)	-	-	(170)	-	215,423
31st March 2013	(38,029)	(2,701)	-	-	2,836	-	(37,894)
31st March 2012	(52,087)	(3,941)	-	-	(577)	-	(56,605)
31st March 2011	275,042	4,326	-	-	5,673	-	285,041
31st March 2010 (restated)	67,650	-	-	-	980	-	68,630
<b>Total Assets at Fair Value</b>	<b>474,001</b>	<b>(8,148)</b>	<b>-</b>	<b>-</b>	<b>8,742</b>	<b>-</b>	<b>474,595</b>
<b>Total Property, Plant &amp; Equipment</b>							
<b>31st March 2014</b>	<b>474,001</b>	<b>22,804</b>	<b>88,057</b>	<b>1,368</b>	<b>8,742</b>	<b>15,183</b>	<b>610,155</b>

## Notes to the Core Financial Statements

### 12 Property, Plant and Equipment continued

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

	Number as at 31st March 2013	Number as at 31st March 2014	Range of estimated useful lives (Years)
<b>Operational Buildings</b>			
Civic Centre	1	1	40
Other Offices	4	4	42-45
Primary Schools	42	35	37-87
Special Schools/Units	5	5	38-87
Social Services - Homes & Day Centres	14	11	18-78
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	7	7	40-97
Libraries	15	15	40-97
Golf Courses	3	3	23-39
Churchill Theatre	1	1	40
Cemetery chapels	6	6	43-67
Surface Car Parks	22	22	n/a
Multi-Storey Car Parks	4	3	51-56
Public Conveniences	18	11	40-88
<b>Operational Equipment</b>			
Vehicles & Plant			
- owned	22	22	0-20
- held under finance leases	115	92	3-7
<b>Infrastructure Assets</b>			
Road (kilometres)	886.0	886.0	15-40
<b>Community Assets</b>			
Parks and Open Spaces (hectares)	1,261.0	1,262.7	n/a
<b>Surplus Properties</b>			
	25	25	n/a
<b>Investment Properties</b>			
Agricultural Properties	16	16	n/a
Biggin Hill Airport	1	1	n/a
Other Investment Properties	171	164	n/a



## Notes to the Core Financial Statements

### 13 Heritage Assets

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

	<b>Mayoral Regalia £000</b>	<b>Art Works £000</b>	<b>Total Assets £000</b>
<b>Cost or Valuation</b>			
1st April 2012	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2013</b>	<u>673</u>	<u>344</u>	<u>1,017</u>
<b>Cost or Valuation</b>			
1st April 2013	673	344	1,017
Movement during year	-	-	-
<b>Net Book Value 31st March 2014</b>	<u>673</u>	<u>344</u>	<u>1,017</u>

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

### 14 Investment Property

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

<b>2012/13 £000</b>	<b>2013/14 £000</b>
(4,040) Rental Income from Investment Property	(4,141)
2,184 Direct Operating Expenses arising from Investment Property	1,523
<u><b>(1,856) Net gain</b></u>	<u><b>(2,618)</b></u>

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

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

<b>2012/13 £000</b>	<b>2013/14 £000</b>
60,223 Balance at Start of Year	61,422
3,787 Purchases	6,047
- Reclassifications from PP&E assets	(2,918)
(2,588) Net Gains/(Losses) from Fair Value Adjustments	6,997
<u><b>61,422 Balance at End of Year</b></u>	<u><b>71,548</b></u>

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

## Notes to the Core Financial Statements

### 15 Financial Instruments

#### Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Council had two such investments as at 31st March 2014, the loss on which is recorded in the Available for Sale Reserve (see Note 26).

#### Loans and Receivables

Loans and receivables are divided on the Balance Sheet between Long Term Assets (long term investments placed for more than 1 year) and Current Assets (short term investments placed for less than 1 year). Investments that match the Code's definition of cash equivalents ("short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of a change in value") are shown as Cash and Cash Equivalents under Current Assets.

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

#### Financial Assets

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

2013 £000		2014 £000
	<b>Long Term Investments (placed for longer than 1 year)</b>	
	<i>Loans and Receivables</i>	
10	- Government Stock	10
25,000	- Local Authorities	34,500
	<i>Available for Sale</i>	
-	- Property Fund	4,760
<u>25,010</u>		<u>39,270</u>
	<b>Short Term Investments (placed for less than 1 year)</b>	
	<i>Loans and Receivables</i>	
128,677	- Banks	102,832
10,010	- Building Societies	10,017
5,025	- Local Authorities	25,156
	<i>Available for Sale</i>	
-	- Corporate Bonds	1,059
<u>143,712</u>		<u>139,064</u>
	<b>Cash and Cash Equivalents</b>	
33,690	- Money Market Funds and other short-term liquid deposits	69,698
<u>202,412</u>		<u>248,032</u>

In accordance with the requirements of the Code, accruals for investment interest income due during the year but not received as at 31st March are included with short term investments in the Balance Sheet. The balances as at 31st March 2014 include a total principal sum of £247,130k and total accrued interest of £902k (£201,636k and £776k as at 31st March 2013).

## Notes to the Core Financial Statements

### 15 Financial Instruments continued

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

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

2012/13			2013/14		
Financial Liabilities £000	Loans & Receivables £000	Total £000	Financial Liabilities £000	Loans & Receivables £000	Total £000
-	(2,833)	(2,833)	-	(2,360)	(2,360)
-	(2,833)	(2,833)	-	(2,360)	(2,360)
		Interest Income			
		<b>Net Gain for the year</b>			

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

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

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

2013 £000	2014 £000
<b>Mortgages</b>	
1,311 Loans to Housing Associations	1,311
29 Loans to Council House Purchasers	23
58 Loans to Private House Purchasers	36
<u>1,398</u>	<u>1,370</u>
<b>Others</b>	
Broomleigh Housing Association (Affinity Homes Group) Property Transfer	
- - Sale of Council Houses *	1,028
- - Deferred Interest Earnings *	8
868 Loans for Miscellaneous Advances	610
24 Loans for Transferred Services	20
442 Loans to Schools	281
15 Loans to Private Street Work Frontagers	16
<u>1,349</u>	<u>1,963</u>
<b><u>2,747</u></b>	<b><u>3,333</u></b>

\* Under the Housing Stock Transfer agreement concluded with Broomleigh Housing Association (Affinity Homes Group) in 1992, the Council receives a proportion of the income from the sale of Council Houses every three years. A debtor is included in the accounts until the money is actually received; a long-term debtor in the first two years and a short-term debtor in the final year.

The sum of £597k (including accrued interest) was received in April 2013 in respect of sales in the three years 2010/11 to 2012/13 and this cleared the short-term debtor included in the 2012/13 accounts. There were 14 sales in 2013/14 and a long-term debtor provision for £1,036k (including interest) is carried on the Balance Sheet as at 31st March 2014. The next receipt is due in 2016/17.

## Notes to the Core Financial Statements

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### 15 Financial Instruments continued

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

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

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

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

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

The fair values calculated are as follows:

	<b>31st March 2013</b>		<b>31st March 2014</b>	
	Carrying Amount <b>£000</b>	Fair Value <b>£000</b>	Carrying Amount <b>£000</b>	Fair Value <b>£000</b>
Investments less than 1 year	177,402	177,402	208,762	208,762
Investments greater than 1 year	25,010	24,953	39,270	39,250
<b>Total Investments</b>	<b>202,412</b>	<b>202,355</b>	<b>248,032</b>	<b>248,012</b>

For investments with less than 1 year to maturity, the carrying amount is the same as the fair value (i.e. principal plus interest). For investments with more than 1 year to maturity, the fair value is higher or lower than the carrying value depending on whether the relevant interest rate is higher or lower than rates available for similar loans at the Balance Sheet date.

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

## Notes to the Core Financial Statements

### 16 Assets Held for sale

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

2012/13 £000		2013/14 £000
9,080	<b>Balance outstanding at start of year</b>	7,189
	Assets newly classified/(declassified) as held for sale:	
(1,624)	Property, Plant and Equipment	9,508
-	Investment Properties	3,313
(396)	Revaluation losses	(100)
2,378	Revaluation gains	1,399
(2,249)	Assets sold	(9,906)
<b><u>7,189</u></b>	<b>Balance outstanding at year-end</b>	<b><u>11,403</u></b>

### 17 Inventories

	Road Salt		Other Consumables		Work in Progress Highways		Work in Progress Building Maintenance		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	<b>225</b>	<b>263</b>	<b>22</b>	<b>26</b>	<b>296</b>	<b>296</b>	<b>113</b>	<b>151</b>	<b>656</b>	<b>736</b>
Purchases	48	84	143	152	459	460	383	673	<b>1,033</b>	<b>1,369</b>
Usage/Payment/ Transfers during the year	(18)	(122)	(148)	(156)	(377)	(460)	(405)	(711)	<b>(948)</b>	<b>(1,449)</b>
Written off balances	-	-	-	-	(75)	-	-	-	<b>(75)</b>	<b>-</b>
<b>Balance outstanding at year-end</b>	<b><u>255</u></b>	<b><u>225</u></b>	<b><u>17</u></b>	<b><u>22</u></b>	<b><u>303</u></b>	<b><u>296</u></b>	<b><u>91</u></b>	<b><u>113</u></b>	<b><u>666</u></b>	<b><u>656</u></b>

### 18 Construction Contracts

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

## Notes to the Core Financial Statements

### 19 Short - Term Debtors

31st March 2013 Net £000		Gross £000	Allowance for Bad Debts £000	31st March 2014 Net £000
	<i>Debtors</i>			
3,828	Central Government Bodies	4,937	-	4,937
4,459	Other Local Authorities	3,721	-	3,721
1,110	NHS Bodies	2,676	-	2,676
-	Public Corporations and Trading Funds	139	-	139
965	Council Tax	10,945	10,070	875
18	NNDR	565	231	334
9,418	Other Entities and Individuals	26,342	16,536	9,806
19,798		49,325	26,837	22,488
1,550	<i>Payments in Advance</i>			1,258
<b>21,348</b>				<b>23,746</b>

### 20 Cash and Cash Equivalents

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

2012/13 £000		2013/14 £000
25	Cash held by the Authority	24
(6,689)	Bank Current Accounts	(4,878)
33,690	Short-term Deposits with Money Market Funds*	69,698
<b>27,026</b>	<b>Total Cash and Cash Equivalents</b>	<b>64,844</b>

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

## Notes to the Core Financial Statements

### 21 Financial Liabilities

#### Short Term Borrowing (Temporary Loans)

	Balance as at 31st March 2013 £000	Loans Raised £000	Loans Repaid £000	Balance as at 31st March 2014 £000
Pension Fund	(316)	2,412	-	2,096
Former LRB Fund	493	-	261	232
	<b>177</b>	<b>2,412</b>	<b>261</b>	<b>2,328</b>

### 22 Provisions

	Outstanding Legal Cases (a) £000	Injury & Damage Compensation Claims (b) £000	Other Provisions (c) £000	Total £000
Balance at 1 April 2013	391	1,090	6,644	8,125
Additional Provisions made in year	-	1,335	3,084	4,419
Amounts used in year	131	670	1,872	2,673
Unused amounts reversed in year	51	-	720	771
Balance at 31st March 2014	<b>209</b>	<b>1,755</b>	<b>7,136</b>	<b>9,100</b>

(a) Outstanding Legal Cases: the Council made provision for the financial implications arising from number of other Legal Cases totalling £209k.

(b) Injury and Damage Compensation Claims: this provision represents the estimated potential cost of insurance claims received but not settled by the Council as at 31st March 2014 (313 claims with a total estimate of £1,755k).

(c) Other Provisions include the following:

Provision has been made which represents the potential need to reimburse clients falling under Section 117 of the Mental Health Act who had previously been charged for residential care. No reimbursements have been made during 2013/14 and a sum £628k has been carried forward into 2013/14.

A provision of £690k for the potential repayment of housing benefit subsidy arising from uncertainty relating to government subsidy for overpayment generated from L.A. errors has been made.

There are uncertainties regarding potential funding streams and liabilities for Learning Disabilities clients and a provision of £638k has been made.

All other provisions are individually insignificant.

## Notes to the Core Financial Statements

### 23 Short - Term Creditors

<b>31st March 2013 £000</b>	<b>Creditors</b>	<b>31st March 2014 £000</b>
3,639	Central Government Bodies	3,492
4,395	Other Local Authorities	1,898
1,672	NHS Bodies	4,351
1,572	Council Tax	1,709
2,396	Council Tax Precepts (GLA)	3,065
5,812	NNDR Central Government	1,145
-	NNDR GLA	456
-	NNDR LBB	618
34,420	Other Entities and Individuals	36,055
53,906		52,789
	<b>Receipts in Advance</b>	
16	Central Government Bodies	103
7	Other Local Authorities	40
6,656	NHS Bodies	1,550
1,700	Council Tax	2,651
-	NNDR LBB	459
2,551	Other Entities and Individuals	2,395
10,930		7,198
<b>64,836</b>		<b>59,987</b>

### 24 Other Long Term Liabilities

<b>31st March 2013 £000</b>		<b>31st March 2014 £000</b>
259,827	Liability relating to Defined Benefit Pension Scheme #	139,626
2,593	Liability relating to Finance Leases *	1,680
<b>262,420</b>		<b>141,306</b>

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

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



## Notes to the Core Financial Statements

### 25 Usable Reserves

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

### 26 Unusable Reserves

<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
121,389 Revaluation Reserve	96,962
- Available for Sale Financial Instruments Reserve	(240)
663,349 Capital Adjustment Account	594,596
(259,827) Pensions Reserve	(139,626)
2,472 Deferred Capital Receipts Reserve	2,716
4,769 Collection Fund Adjustment Account	5,298
(4,760) Accumulated Absences Account	(3,795)
<b>527,392 Total Unusable Reserves</b>	<b>555,911</b>

#### Revaluation Reserve

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

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

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

<b>2012/13 £000</b>	<b>2013/14 £000</b>
147,734 <b>Balance as at 1st April</b>	121,389
5,100 Upward revaluation of assets	11,740
(24,094) Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(19,264)
(18,994) Surplus/deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services	(7,524)
(7,351) Accumulated losses on assets sold or scrapped	(16,903)
(7,351) Amount written off to Capital Adjustment Account	(16,903)
<b>121,389 Balance as at 31st March</b>	<b>96,962</b>

#### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains and losses made by the Authority arising from movements in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or when investments are disposed of and the gains are realised.

<b>2012/13 £000</b>	<b>2013/14 £000</b>
- <b>Balance as at 1st April</b>	-
- Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(240)
- <b>Balance as at 31st March</b>	<b>(240)</b>

## Notes to the Core Financial Statements

### 26 Unusable Reserves continued

#### Capital Adjustment Account

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

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

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

2012/13 £000		2013/14 £000
<b>704,686</b>	<b>Balance as at 1st April</b>	<b>663,349</b>
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</i>	
(34,455)	Charges for depreciation and impairment of non-current assets	(32,036)
(15,962)	Revenue expenditure funded from capital under statute	(12,156)
(17,530)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(57,922)
(67,947)	Net written out amount of the cost of non-current assets consumed in the year	(102,114)
	<i>Capital financing applied in the year:</i>	
4,636	Use of Capital Receipts Reserve to finance new capital expenditure	510
16,046	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	11,019
108	Application of grants to capital financing from the Capital Grants Unapplied Account	-
1,481	Statutory provision for capital financing charged against the General Fund	1,154
6,927	Capital expenditure charged against the General Fund balance	13,681
-	Other Movements	-
29,198		26,364
(2,588)	Movements in market value of Investment Properties debited or credited to CI&E Statement	6,997
<b>663,349</b>	<b>Balance as at 31st March</b>	<b>594,596</b>

## Notes to the Core Financial Statements

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### 26 Unusable Reserves continued

#### Pensions Reserve

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
(251,366)	<b>Balance as at 1st April</b>	(259,827)
2,521	Actuarial gains or losses on pensions assets and liabilities	127,808
(28,516)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CI&E Statement	(25,294)
17,534	Employer's pension contributions and direct payments to pensioners payable in the year	17,687
<u>(259,827)</u>	<b>Balance as at 31st March</b>	<u>(139,626)</u>

#### Deferred Capital Receipts Reserve

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

<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
2,193	<b>Balance as at 1st April</b>	2,472
466	New advances	1,033
(187)	Transfer to the Capital Receipts Reserve upon receipt of cash	(789)
<u>2,472</u>	<b>Balance as at 31st March</b>	<u>2,716</u>

## Notes to the Core Financial Statements

### 26 Unusable Reserves continued

#### Collection Fund Adjustment Account

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

<b>2012/13</b>	<b>2013/14</b>
<b>£000</b>	<b>£000</b>
3,862 <b>Balance as at 1st April</b>	4,769
907 Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	529
<b>4,769 Balance as at 31st March</b>	<b>5,298</b>

#### Accumulated Absences Account

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

<b>2012/13</b>	<b>2013/14</b>
<b>£000</b>	<b>£000</b>
(5,179) <b>Balance as at 1st April</b>	(4,760)
5,179 Settlement or cancellation of accrual made at the end of the preceding year	4,760
(4,760) Amounts accrued at the end of the current year	(3,795)
419 Amount by which officer remuneration charged to the CI&E Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	965
<b>(4,760) Balance as at 31st March</b>	<b>(3,795)</b>

## Notes to the Core Financial Statements

### 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

<b>2012/13</b>	<b>2013/14</b>
<b>£000</b>	<b>£000</b>
(3,220) Interest Received	(2,323)
18 Interest Paid	8
<u>(3,202) Net Interest Received</u>	<u>(2,315)</u>

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

<b>2012/13</b>	<b>2013/14</b>
<b>£000</b>	<b>£000</b>
(11,761) Depreciation	(10,067)
(22,694) Impairment and Downward Valuations	(21,969)
(1,625) Increase/Decrease in Creditors	(5,668)
(2,322) Increase/Decrease in Debtors (net of bad debts)	857
(80) Increase/Decrease in Inventories	10
(10,982) Movement in Pension Liability	(7,607)
(24,881) Carrying Amount of Non-Current Assets and Non-Current Assets Held-for-Sale, Sold or De-Recognised	(74,825)
(2,330) Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	7,055
<u>(76,675)</u>	<u>(112,214)</u>

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

<b>2012/13</b>	<b>2013/14</b>
<b>£000</b>	<b>£000</b>
2,249 Proceeds from the Sale of Property, Plant and Equipment and Investment Property	9,915
16,347 Other Items for which the Cash Effects are Investing or Financing Cash Flows	18,519
<u>18,596</u>	<u>28,434</u>

### 28 Cash Flow Statement - Investing Activities

<b>2012/13</b>	<b>2013/14</b>
<b>£000</b>	<b>£000</b>
12,070 Purchase of Property, Plant and Equipment and Investment Property	11,804
231,500 Purchase of Short-term and Long-term Investments	217,060
(2,249) Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(9,915)
(216,969) Proceeds from Short-term and Long-term Investments	(207,026)
(11,563) Other Receipts from Investing Activities	(11,184)
<u>12,789 Net Cash Flows from Investing Activities</u>	<u>739</u>

### 29 Cash Flow Statement - Financing Activities

<b>2012/13</b>	<b>2013/14</b>
<b>£000</b>	<b>£000</b>
- Cash Receipts from Short-term Borrowing	(2,151)
(8,883) Other Receipts from Financing Activities	(7,711)
1,977 Repayments of Short and Long-term Borrowing	-
- Other Payments for Financing Activities	4,667
1,481 Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases	1,154
<u>(5,425) Net Cash Flows from Financing Activities</u>	<u>(4,041)</u>

## Notes to the Core Financial Statements

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

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

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

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continued

Portfolio Income and Expenditure	Care Services £000	Public Protection and Safety £000	Education £000	Environment £000	Renewal and Recreation £000	Resources £000	Central Items £000	Total £000
<b><u>2013/14 Reported to Executive</u></b>								
Fees, Charges & Other Service Income	(38,592)	(571)	(15,392)	(23,266)	(3,901)	(9,708)	-	(91,430)
Government Grants & Contributions	(147,599)	(231)	(137,650)	(2,943)	(948)	(2,537)	14,028	(277,880)
<b>Total Income</b>	(186,191)	(802)	(153,042)	(26,209)	(4,849)	(12,245)	14,028	(369,310)
Employee Expenses	35,064	2,578	83,186	7,880	8,320	18,918	(3,902)	152,044
Other Service Expenses	257,283	1,548	63,232	47,606	4,827	30,248	978	405,722
Support Service & Other Recharges	10,055	(578)	5,212	463	2,077	(19,616)	-	(2,387)
Depreciation and Impairment	2,816	-	15,096	8,257	9,069	6,917	(42,155)	-
Capital Expenditure charged to the General Fund	446	-	3,847	3,031	608	212	-	8,144
<b>Total Expenditure</b>	305,664	3,548	170,573	67,237	24,901	36,679	(45,079)	563,523
<b>Net Expenditure</b>	<b>119,473</b>	<b>2,746</b>	<b>17,531</b>	<b>41,028</b>	<b>20,052</b>	<b>24,434</b>	<b>(31,051)</b>	<b>194,213</b>

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continued

Portfolio Income and Expenditure	Care Services £000	Public Protection and Safety £000	Education £000	Environment £000	Renewal and Recreation £000	Resources £000	Central Items £000	Total £000
<b>2012/13 Comparative Figures Reported to Executive</b>								
Fees, Charges & Other Service Income	(28,550)	(435)	(15,874)	(19,831)	(3,871)	(8,769)	-	(77,330)
Government Grants & Contributions	(137,823)	(129)	(147,684)	(1,165)	(221)	(20,600)	10,447	(297,175)
<b>Total Income</b>	<b>(166,373)</b>	<b>(564)</b>	<b>(163,558)</b>	<b>(20,996)</b>	<b>(4,092)</b>	<b>(29,369)</b>	<b>10,447</b>	<b>(374,505)</b>
Employee Expenses	33,990	2,836	92,397	8,400	8,886	20,079	(6,608)	159,980
Other Service Expenses	232,548	1,334	60,875	45,031	5,206	48,116	899	394,009
Support Service & Other Recharges	9,137	321	5,477	1,406	1,960	(20,409)	-	(2,108)
Depreciation and Impairment	2,387	-	16,159	7,126	20,989	2,249	(48,910)	-
Capital Expenditure charged to the General Fund	-	-	1,767	604	619	147	-	3,137
<b>Total Expenditure</b>	<b>278,062</b>	<b>4,491</b>	<b>176,675</b>	<b>62,567</b>	<b>37,660</b>	<b>50,182</b>	<b>(54,619)</b>	<b>555,018</b>
<b>Net Expenditure</b>	<b>111,689</b>	<b>3,927</b>	<b>13,117</b>	<b>41,571</b>	<b>33,568</b>	<b>20,813</b>	<b>(44,172)</b>	<b>180,513</b>



## Notes to the Core Financial Statements

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### 30 Amounts Reported for Resource Allocation Decisions continued

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

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

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Net Expenditure in the Portfolio Analysis	180,513	194,213
Net Expenditure of Services and Support Services not included in the Analysis	44,064	27,891
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	(5,875)	(7,207)
	<hr/>	<hr/>
	218,702	214,897
Deduct Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(2,190)	(9,679)
Cost of Services in the Comprehensive Income and Expenditure Statement	<hr/>	<hr/>
	<b>216,512</b>	<b>205,218</b>

# Notes to the Core Financial Statements

## 30 Amounts Reported for Resource Allocation Decisions continued

### Reconciliation to Subjective Analysis

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

<b>2013/14</b>	<b>Portfolio Analysis</b>	<b>Services and Support Services not in Analysis</b>	<b>Amounts Reported for Management Decision Making</b>	<b>Amounts not included in CI &amp; E Cost of Services</b>	<b>Allocation of Recharges</b>	<b>Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, Charges & Other Service Income	(91,430)	-	-	10,333	3,315	(77,782)	(1,070)	(78,852)
Interest and Investment Income	-	-	-	-	-	-	(6,591)	(6,591)
Income from Council Tax	-	-	-	-	-	-	(126,297)	(126,297)
Business Rates Income	-	-	-	-	-	-	(24,673)	(24,673)
Government Grants and Contributions	(277,880)	(14,028)	-	-	-	(291,908)	(69,512)	(361,420)
<b>Total Income</b>	<b>(369,310)</b>	<b>(14,028)</b>	<b>-</b>	<b>10,333</b>	<b>3,315</b>	<b>(369,690)</b>	<b>(228,143)</b>	<b>(597,833)</b>
Employee Expenses	152,044	3,902	(8,192)	-	(11,699)	136,055	-	136,055
Other Service Expenses	405,722	(3,996)	959	(11,120)	(24,082)	367,483	-	367,483
Capital Expenditure charged to the General Fund	8,144	-	-	(8,144)	-	-	-	-
Support Service Recharges	(2,387)	-	-	(748)	32,466	29,331	-	29,331
Depreciation & Impairment	-	42,013	26	-	-	42,039	-	42,039
Interest and Investment Expenditure	-	-	-	-	-	-	(4,936)	(4,936)
Precepts & Levies	-	-	-	-	-	-	1,468	1,468
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	3	3
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	-	64,922	64,922
Net Interest on the Net Defined Liability	-	-	-	-	-	-	10,732	10,732
<b>Total Expenditure</b>	<b>563,523</b>	<b>41,919</b>	<b>(7,207)</b>	<b>(20,012)</b>	<b>(3,315)</b>	<b>574,908</b>	<b>72,189</b>	<b>647,097</b>
<b>Deficit on the Provision of Services</b>	<b>194,213</b>	<b>27,891</b>	<b>(7,207)</b>	<b>(9,679)</b>	<b>-</b>	<b>205,218</b>	<b>(155,954)</b>	<b>49,264</b>

## Notes to the Core Financial Statements

### 30 Amounts Reported for Resource Allocation Decisions continue

	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not Reported for Management Decision Making	Amounts not included in CI & E Cost of Services	Allocation of Recharges	Cost of Services	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(77,330)	-	-	5,102	2,909	(69,319)	(69,818)
Interest and Investment Income	-	-	-	-	-	-	(6,995)
Income from Council Tax	-	-	-	-	-	-	(135,860)
NNDR Redistribution	-	-	-	-	-	-	(61,743)
Government Grants and Contributions	(297,175)	(10,447)	(314)	-	-	(307,936)	(320,902)
<b>Total Income</b>	<b>(374,505)</b>	<b>(10,447)</b>	<b>(314)</b>	<b>5,102</b>	<b>2,909</b>	<b>(377,255)</b>	<b>(595,318)</b>
Employee Expenses	159,980	7,444	(5,529)	-	(13,129)	148,766	-
Other Service Expenses	394,009	(2,548)	(58)	(3,581)	(17,810)	370,012	-
Capital Expenditure charged to the General Fund	3,137	-	-	(3,137)	-	-	-
Support Service Recharges	(2,108)	-	-	(574)	28,030	25,348	-
Depreciation & Impairment	-	49,615	26	-	-	49,641	-
Interest and Investment Expenditure	-	-	-	-	-	-	5,415
Precepts & Levies	-	-	-	-	-	-	1,514
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	6
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	-	22,632
Net Interest on the Net Defined Liability	-	-	-	-	-	-	10,867
<b>Total Expenditure</b>	<b>555,018</b>	<b>54,511</b>	<b>(5,561)</b>	<b>(7,292)</b>	<b>(2,909)</b>	<b>593,767</b>	<b>634,201</b>
<b>Deficit on the Provision of Services</b>	<b>180,513</b>	<b>44,064</b>	<b>(5,875)</b>	<b>(2,190)</b>	<b>-</b>	<b>216,512</b>	<b>38,883</b>

## Notes to the Core Financial Statements

### 31 Pooled Budgets

The Authority has entered into a pooled budget arrangement with Bromley CCG which operates under Section 75 of the NHS Act 2006 for the provision of integrated community equipment services. The transactions of the pooled budget are summarised below.

<b>2012/13</b>		<b>2013/14</b>
<b>Integrated Community Equipment Store £000</b>		<b>Integrated Community Equipment Store £000</b>
	<b>Income</b>	
485	Bromley CCG contribution	785
845	London Borough of Bromley contribution	768
<b>1,330</b>	<b>Gross Income</b>	<b>1,553</b>
	<b>Expenditure</b>	
1,689	Integrated Community Equipment Service	1,535
<b>1,689</b>	<b>Gross Expenditure</b>	<b>1,535</b>
<b>359</b>	<b>Deficit / (Surplus) for the Year</b>	<b>(18)</b>

The surplus on the Integrated Community Equipment Service has been fully retained by the Council.

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

<b>2012/13</b>		<b>2013/14</b>
<b>Mental Health Services £000</b>		<b>Mental Health Services £000</b>
	<b>Income</b>	
17,775	Oxleas NHS Foundation Trust contribution	17,092
1,458	London Borough of Bromley contribution	1,382
<b>19,233</b>	<b>Gross Income</b>	<b>18,474</b>
	<b>Expenditure</b>	
19,268	Mental Health Functions	18,490
<b>19,268</b>	<b>Gross Expenditure</b>	<b>18,490</b>
<b>35</b>	<b>Deficit for the year</b>	<b>16</b>

The parties agreed that the underspend on LBB funded expenditure would be split equally. The deficit on Oxleas expenditure remains within their accounts.

## Notes to the Core Financial Statements

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### 32 Members Allowances

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

2012/13 £000		2013/14 £000
1,077	Allowances	1,078
11	Expenses	16
<u>1,088</u>	Total	<u>1,094</u>

### 33 Non Distributed Costs

As required by the Service Reporting Code of Practice, these costs comprise pension costs, as defined by IAS 19, as follows:

- Past Service Costs - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs. In the IAS 19 valuation as at 31st March 2014, the actuary estimated the past service cost in 2013/14 to be £353k, (£372k in 2012/13).
- Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of employee benefits. These are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs. Losses on curtailments (£705k in 2013/14 and £572k in 2012/13) arise when the Authority allows employees to retire on unreduced benefits before they would normally have been able to do so. A gain on settlements of £2,189k in 2013/14 (£2,068k in 2012/13) has arisen as a result of the adoption of academy status by a number of Bromley schools).

The following charges have been posted to Non Distributed Costs:

2012/13 £000		2013/14 £000
372	Past Service Costs	353
572	Loss on Curtailments	705
(2,068)	(Gain) on Settlements	(2,189)
301	Other Pension Costs	322
<u>(823)</u>		<u>(809)</u>

## Notes to the Core Financial Statements

### 34 Officers Remuneration

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

<b>Disclosure of remuneration for senior employees 2012/13</b>	Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Post holder information (Post title)					
Chief Executive - D. Patterson	176,635	-	176,635	25,160	201,795
Director of Resources	122,499	5,946	128,445	18,007	146,452
Director of Finance	118,312	1,268	119,580	17,893	137,473
Assistant Chief Executive HR	115,852	-	115,852	16,501	132,353
Director of Renewal & Recreation	128,083	3,894	131,977	18,828	150,805
Director of Environmental Services	120,170	4,742	124,912	17,763	142,675
Director of Children & Young People Services *	154,682	-	154,682	548	155,230
Director of Education & Care Services #	67,062	-	67,062	9,365	76,427
	<b>1,003,295</b>	<b>15,850</b>	<b>1,019,145</b>	<b>124,065</b>	<b>1,143,210</b>

\* Relates to Post Holders who left the employment of the Council during 2012/13. These costs include redundancy payments and payment in lieu of notice but exclude the employers cost of early retirement

# Relates to Post Holders who commenced employment with the Council during 2012/13.

<b>Disclosure of remuneration for senior employees 2013/14</b>	Salary (including Fees, Allowances Expenses) £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions £	Pension Contributions £	Total Remuneration including Pension Contributions £
Post holder information (Post title)					
Chief Executive - D. Patterson	178,056	-	178,056	25,337	203,393
* Director of Corporate Services	123,557	3,348	126,905	18,133	145,038
Director of Finance	123,560	4,013	127,573	18,707	146,280
* Director of Human Resources	119,611	-	119,611	17,023	136,634
* Director of Transformation & Regeneration	141,182	4,146	145,328	20,724	166,052
*Executive Director, Environmental & Community Services	130,592	5,095	135,687	19,244	154,931
* Executive Director Education, Care & Health Services - T. Parkin	151,250	-	151,250	22,204	173,454
# Director of Public Health	148,731	-	148,731	19,289	168,020
	<b>1,116,539</b>	<b>16,602</b>	<b>1,133,141</b>	<b>160,661</b>	<b>1,293,802</b>

\* Relates to Post Holders whose job titles changed during 2013/14.

# Section 57 of Schedule 5 to the Health and Social Care Act 2012 defines the Director of Public Health as a statutory chief officer.

## Notes to the Core Financial Statements

### 34 Officers Remuneration continued

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

Non-School Employees	2012/13		Annual Remuneration	Non-School Employees	2013/14	
	School Employees	Total Employees			School Employees	Total Employees
47	54	101	£50,000-£54,999	49	45	94
26	38	64	£55,000-£59,999	24	32	56
18	24	42	£60,000-£64,999	17	21	38
14	13	27	£65,000-£69,999	14	11	25
7	8	15	£70,000-£74,999	7	6	13
7	4	11	£75,000-£79,999	7	4	11
4	5	9	£80,000-£84,999	3	-	3
2	2	4	£85,000-£89,999	2	2	4
1	2	3	£90,000-£94,999	4	1	5
2	1	3	£95,000-£99,999	-	2	2
1	-	1	£100,000-£104,999	1	-	1
-	-	-	£105,000-£109,999	-	-	-
2	-	2	£110,000-£114,999	1	-	1
3	-	3	£115,000-£119,999	1	-	1
1	-	1	£120,000-£124,999	-	-	-
1	-	1	£125,000-£129,999	2	-	2
2	-	2	£130,000-£134,999	-	-	-
1	-	1	£135,000-£139,999	1	-	1
-	-	-	£140,000-£144,999	-	-	-
-	1	1	£145,000-£149,999	2	1	3
1	-	1	£150,000-£154,999	1	-	1
-	-	-	£155,000-£159,999	-	-	-
-	-	-	£160,000-£164,999	-	-	-
-	-	-	£165,000-£169,999	-	-	-
-	-	-	£170,000-£174,999	-	-	-
1	-	1	£175,000-£179,999	1	-	1
-	-	-	£180,000-£184,999	-	-	-
-	-	-	£185,000-£189,999	-	-	-
-	-	-	£190,000-£194,999	-	-	-

In order to comply with amendments to the Accounts and Audit Regulations 2003, remuneration bandings are required to be disclosed in brackets of £5,000.

The amended Regulations also require the Council to disclose individual remuneration details for senior employees. In addition, these are also included in the table above.

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

## Notes to the Core Financial Statements

### 34 Officers Remuneration continued

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

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in each Band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £000s	2013/14 £000s
£0 - £20,000	27	14	38	7	65	21	512	170
£20,001 - £40,000	8	3	14	3	22	6	659	152
£40,001 - £60,000	2	1	2	-	4	1	216	58
£60,001 - £80,000	2	-	-	-	2	-	180	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,001 - £150,000	1	-	1	-	2	-	275	-
£150,001 - £200,000	-	-	-	-	-	-	-	-
£200,001 - £250,000	-	-	1	-	1	-	226	-
£250,001 - £300,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>40</b>	<b>18</b>	<b>56</b>	<b>10</b>	<b>96</b>	<b>28</b>	<b>2,068</b>	<b>380</b>

The 2012/13 figures have been restated to reflect the true number and cost of exit packages compared to the provision included in the 2012/13 accounts.

In 2013/14 the total cost of £380k (£2,068k in 2012/13) in the table above consists of exit packages agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year.



## Notes to the Core Financial Statements

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### 35 External Audit Costs

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

2012/13 £000		2013/14 £000
	Fees payable to PricewaterhouseCoopers LLP with regard to :	
156	- External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts)	159
-	Investigation work resulting from Electors queries / objections re: 2012/13 accounts.	20
21	- Pension Fund audit fee	21
	Fees payable to and receivable from the Audit Commission in respect of:	
2	- NFI fee	2
-	- Other one-off rebates from the Audit Commission	(14)
23	Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	15
<u>202</u>		<u>203</u>

### 36 Acquired and Discontinued Operations

As a result of the Health and Social Care Act 2012, Public Health responsibilities transferred to the Council from 1st April 2013. The service is funded by grant and there was no transfer of balance sheet items. The Council does not consider the transactions relating to this transfer to be material and, as such, has not undertaken the specific accounting requirements for acquired and discontinued operations. These transactions have therefore been treated as in-year entries within the Council's accounts.

## Notes to the Core Financial Statements

### 37 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2011. 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 2013/14 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Notes
Final DSG for 2013/14 before Academy recoupment			229,484	(a)
Academy figure recouped for 2013/14			(106,771)	(b)
Total DSG after Academy recoupment for 2013/14			----- 122,713	(c)
Plus: Brought forward from 2012/13			4,682	(d)
Less: Carry forward to 2014/15 agreed in advance			-	(e)
Agreed initial budgeted distribution in 2013/14	39,633	87,762	----- 127,395	(f)
In year adjustments	(1,263)		(1,263)	(g)
<b>Final budgeted distribution for 2013/14</b>	<b>38,370</b>	<b>87,762</b>	<b>126,132</b>	<b>(h)</b>
Less Actual central expenditure	30,072	-	30,072	(i)
Less Actual ISB deployed to schools	-	87,114	87,114	(j)
Plus Local Authority contribution for 2013/14	-	-	-	(k)
Carry forward to 2014/15	<u><b>8,298</b></u>	<u><b>648</b></u>	<u><b>8,946</b></u>	<b>(l)</b>

- (a) DSG figure as issued by the Department for Education in July 2013.
- (b) Figure recouped from the authority in 2013/14 by the DfE for the conversion of maintained schools into Academies.
- (c) Total figure after DfE Academy recoupment for 2013/14
- (d) Figure brought forward from 2012/13 as agreed with the DfE.
- (e) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2014/15 rather than distribute in 2013/14.
- (f) Budgeted distribution of DSG, adjusted for carry forward, as agreed with the schools forum.
- (g) Changes to the initial distribution.
- (h) Budgeted distribution of DSG as at the end of the financial year.
- (i) Actual amount of central expenditure items in 2013/14
- (j) Amount of ISB actually distributed to schools.
- (k) Any contribution from the Local Authority in 2013/14 which will have the effect of substituting for DSG in funding the Schools Budget.
- (l) Carry forward to 2014/15

## Notes to the Core Financial Statements

### 38 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13 and 2013/14.

<i>Credited to Taxation and Non Specific Grant Income</i>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Revenue Support Grant	1,197	50,520
Local Services Support Grant	823	165
New Homes Bonus	2,025	3,858
Business Rates Related Grant Income	-	10,212
Capitalisation Redistribution Grant	-	266
Council Tax Freeze Grant	3,322	-
	<u>7,367</u>	<u>65,021</u>
<b>Total Government Grants</b>	<b><u>7,367</u></b>	<b><u>65,021</u></b>
Other Capital Grants and Contributions:		
Transport for London	5,599	4,491
<b>Total Contributions</b>	<b><u>5,599</u></b>	<b><u>4,491</u></b>
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b><u>12,966</u></b>	<b><u>69,512</u></b>
<i>Credited to Services</i>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Revenue Grants:		
Dedicated Schools Grant	118,035	117,186
Housing Benefit & Council Tax	143,910	127,814
Public Health	75	12,601
Early Intervention Grant	11,798	-
Learning Disability Health Reform	8,805	-
Education Funding Agency	4,350	3,029
Pupil Premium	3,032	3,864
Education Services Grant	-	2,957
Skills Funding Agency - Adult Education	2,070	1,964
Council Tax & Housing Benefits Administration	1,935	1,984
Welfare Fund - Programme and Administration Funding	8	994
Discretionary Housing Payments	212	700
Step up to Social Work	440	790
Troubled Families	535	685
Adoption Support	49	698
Unaccompanied Asylum Seekers	264	365
Youth Justice Board	365	293
Other Miscellaneous Grants	1,173	1,666
	<u>297,056</u>	<u>277,590</u>

## Notes to the Core Financial Statements

### 38 Grant Income continued

<i>Credited to Services continued</i>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Capital Grants:		
Maintenance in Schools	2,576	2,267
Basic Need	3,995	4,984
Early Education for 2 Year Olds	558	186
Devolved Formula Capital	432	393
Social Care Grant	619	640
Other Capital Grants	749	1,112
	<u>8,929</u>	<u>9,582</u>
<b>Total Government Grants</b>	<b><u>305,985</u></b>	<b><u>287,172</u></b>
Other Grants and Contributions:		
Other Grants and Contributions	1,364	3,007
Section 106 Developers Contributions	587	1,729
<b>Total Contributions</b>	<b><u>1,951</u></b>	<b><u>4,736</u></b>
<b>Total Credited to Services</b>	<b><u>307,936</u></b>	<b><u>291,908</u></b>

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

#### Current Liabilities

<i>Revenue Grants Creditors and Receipts in Advance</i>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Dedicated Schools Grant	4,682	8,946
Housing Benefit Grant	355	3,513
Standards Fund Grant	745	745
Other Miscellaneous Grants	59	9
<b>Total Government Grants</b>	<b><u>5,841</u></b>	<b><u>13,213</u></b>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	1,201	1,695
Section 106 Developers Contributions - Capital	5,869	6,032
<b>Total Contributions</b>	<b><u>7,070</u></b>	<b><u>7,727</u></b>
<b>Total Receipts in Advance</b>	<b><u>12,911</u></b>	<b><u>20,940</u></b>

## Notes to the Core Financial Statements

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### 39 Related Party Transactions

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

Central government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from UK government departments are set out in the subjective analysis in note 30 on reporting for resource allocation decisions. Grant receipts outstanding at 31st March 2014 are shown in Note 38.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 32. During 2013/14, there are no declarable related party transactions with the exception of the following:-

- a) Councillor W. Huntington-Thresher and Councillor P. Fortune are Council appointed board members of Broomleigh Housing Association (Affinity Homes Group) to which the Council paid £351k in 2013/14.
- b) Councillor K. Lymer is a Trustee of Bromley Youth Music Trust to which the Council paid £317k in 2013/14.
- c) Councillor M. Turner is a Trustee of Bromley & Downham Youth Club to which the Council paid £10k in 2013/14.
- d) Councillor D. Smith is a Council appointed board member of Bromley Healthcare Community Interest Company to which the Council paid £3.3m in 2013/14.
- e) Councillor P. Fookes is a Trustee of Age Concern, Penge and Anerley to which the Council paid £174k in 2013/14.

#### Officers

During 2013/14 £8.4m was paid to Liberata in payment for services in relation to the Council's exchequer contract. Liberata employs two family members of the Director of Finance, neither in a role that is specifically related to the Bromley contract.

#### Other Public Bodies

The Authority has a pooled budget arrangement with Bromley Clinical Commissioning Group for the provision of Integrated Stores. There is a further pooled budget arrangement with Oxleas NHS Foundation Trust for the provision of mental health functions. Transactions relating to these arrangements are detailed in Note 31.

#### Pension Fund

During the financial year, the average monthly cash balance of the Pension Fund was slightly negative and, as a result, no interest was paid to the Fund (nil was paid in 2012/13). The Authority charged the Fund £418k in 2013/14 (£424k in 2012/13) for expenses incurred in administering the Fund.

## Notes to the Core Financial Statements

### 40 Section 106 Receipts

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

<b>31st March</b>				<b>Transfers (to)</b>	<b>31st March</b>
<b>2013</b>	<b>Service</b>	<b>Income</b>	<b>Expenditure</b>	<b>/from Capital</b>	<b>2014</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Revenue</u></b>					
452	Highway Improvement Works	275	48	-	679
5	CCTV	-	-	-	5
45	Road Safety Schemes	-	-	-	45
58	Local Economy & Town Centres	70	8	-	120
67	Parking	2	-	-	69
35	Landscaping	158	193	-	-
489	Healthcare Services	279	41	-	727
40	Community Facilities (to be transferred to capital)	-	-	-	40
10	Other	-	-	-	10
1,201		784	290	-	1,695
<b><u>Capital</u></b>					
17	Local Economy & Town Centres	-	17	-	-
816	Education	755	-	-	1,571
4,257	Housing	847	643	-	4,461
779	Community Facilities	-	779	-	-
5,869		1,602	1,439	-	6,032
<b>7,070</b>		<b>2,386</b>	<b>1,729</b>	<b>-</b>	<b>7,727</b>

## Notes to the Core Financial Statements

### 41 Capital Expenditure and Capital Financing

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

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Capital Financing Requirement</b>	3,591	3,837
<i>Capital investment</i>		
Property, Plant and Equipment	9,807	7,084
Investment Properties	3,787	6,047
Revenue Expenditure Funded from Capital under Statute	15,962	12,156
Disabled Facilities Grant Recycled	636	-
	<u>30,192</u>	<u>25,287</u>
<i>Sources of finance</i>		
Capital receipts	4,637	510
Government grants and other contributions	16,790	11,019
Sums set aside from revenue:		
Direct revenue contributions	6,927	13,681
Finance Leases Repaid/Terminated	1,592	1,349
	<u>29,946</u>	<u>26,559</u>
Movement in Capital Financing Requirement	246	(1,272)
<i>Closing Capital Financing Requirement</i>	3,837	2,565
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,592)	(1,349)
Assets acquired under finance leases	1,838	77
Increase/(decrease) in Capital Financing Requirement	<u><b>246</b></u>	<u><b>(1,272)</b></u>

## Notes to the Core Financial Statements

### 42 Leases

#### Finance Leases - Authority as Lessee

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

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

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
Vehicles, Plant and Equipment	3,837	2,565
	<b><u>3,837</u></b>	<b><u>2,565</u></b>

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	1,244	885
- non current (later than 1 year)	2,593	1,680
Finance costs payable in future years	1,167	766
Minimum lease payments	<b><u>5,004</u></b>	<b><u>3,331</u></b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
Not later than one year	1,642	1,190	1,244	885
Later than one and less than five years	3,131	2,139	2,394	1,678
Later than five years	231	2	199	2
	<b><u>5,004</u></b>	<b><u>3,331</u></b>	<b><u>3,837</u></b>	<b><u>2,565</u></b>

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



## Notes to the Core Financial Statements

### 42 Leases continued

#### Operating Leases - Authority as Lessee

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

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
Not later than one year	308	351
Later than one and less than five years	844	880
Later than five years	73	409
	<u><b>1,225</b></u>	<u><b>1,640</b></u>

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
<i>Minimum lease payments</i>		
Adult Social Care	136	187
Children's and Education Services	220	214
Cultural and Related Services	24	20
Environmental and Regulatory Services	9	9
Highways & Transport Services	66	66
	<u><b>455</b></u>	<u><b>496</b></u>

#### Operating Leases - Schools as Lessee

Schools have entered into operating leases in the main, to acquire photocopiers and telephone systems. Typically operating leases are in place for 3 to 5 years, depending on the asset.

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
Not later than one year	45	30
Later than one and less than five years	56	39
	<u><b>101</b></u>	<u><b>69</b></u>

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
<i>Minimum lease payments</i>		
Children's and Education Services	45	36
	<u><b>45</b></u>	<u><b>36</b></u>

## Notes to the Core Financial Statements

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### 42 Leases continued

#### Finance Leases - Authority as Lessor

As at 31st March 2014, the Authority holds no finance leases.

#### Operating Leases - Authority as Lessor

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

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
Not later than one year	4,853	5,110
Later than one and less than five years	14,832	15,688
Later than five years	202,298	210,792
	<u><b>221,983</b></u>	<u><b>231,590</b></u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Net Book Value of these assets was £131m as at 31st March 2014 (£141m as at 31st March 2013). Depreciation and impairment charges of £0.8m and £9.0m respectively were made in 2013/14.

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

	<b>31st March 2013 £000</b>	<b>31st March 2014 £000</b>
<i>Minimum lease payments</i>		
Cultural and Related Services	448	427
Environmental and Regulatory Services	168	184
Children's and Education Services	6	7
Highways and Transport Services	63	53
Adult Social Care	140	414
Central Services to the Public	50	348
Financing & Investing Income & Expenditure	3,676	3,869
<i>Contingent rents</i>		
Environmental and Regulatory Services	109	118
Financing & Investing Income & Expenditure	336	251
	<u><b>4,996</b></u>	<u><b>5,671</b></u>

## Notes to the Core Financial Statements

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### 43 Service Concessions

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

#### The Refuse Collection contract with Veolia ES (UK) Limited

The Authority transferred the contract for Waste Collection to Onyx U.K. Limited, now known as Veolia, from 4th November 2001 and the Waste Management contract from 24th February 2002, for 14 years.

The assets used to provide services to the residents of the borough are recognised on the Authority's Balance Sheet. Movements in the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

The total cost of this contract to 31st March 2014 was £53.8m (£48.6m to 31st March 2013).

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

### 44 Impairment Losses

During 2013/14 the Authority has charged the following impairments in respect of its non-current assets to the surplus or deficit on the Provision of Services and the Other Comprehensive Income and Expenditure:

2012/13 £000		2013/14 £000
22,673	Property, Plant and Equipment	21,772
21	Assets held for sale	-
-	Surplus Properties	197
<u>22,694</u>		<u>21,969</u>

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

2012/13 £000		2013/14 £000
-	Central Services to the Public	6,153
20,047	Cultural and Related Services	7,702
2,097	Environmental and Regulatory Services	1,575
250	Children's and Education Services	4,341
-	Housing Services	57
279	Adult Social Care	2,141
<u>22,673</u>		<u>21,969</u>
21	Financing & Investment Income & Expenditure	-
<u>22,694</u>		<u>21,969</u>

### 45 Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14 incurring liabilities of £380k (£2,068k in 2012/13) - see Note 34 for the number of exit packages and total cost per band. The total expenditure in 2013/14 related to 28 employees across all departments of the Authority (96 employees in 2012/13).

## Notes to the Core Financial Statements

### 46 Disclosure of Information about Retirement Benefits

#### (a) Participation in Pension Schemes

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

The Council's Pension Fund is a funded defined benefit final salary statutory scheme operated (until 31st March 2014) under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007/08 (as amended). With effect from 1st April 2014, these regulations are revoked and replaced by the LGPS Regulations 2013. The Authority and employees pay contributions into the Fund, calculated at a level intended to ensure that pensions liabilities balance with investment assets over a period of time. The Fund provides benefits for members, including retirement pensions, lump sum retirement grants and widow's pensions.

Governance of the scheme is the responsibility of the London Borough of Bromley Pensions Investment Sub-Committee and policy is determined in accordance with the Pension Fund Regulations. The investment managers of the Fund are appointed by the Sub-Committee and, as at 31st March 2014, include Baillie Gifford, Blackrock, Fidelity, MFS International and Standard Life.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory, structural and inflation changes, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

The Authority also makes arrangements for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments when they eventually fall due.

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

The cost of retirement benefits is recognised in the Cost of Services within the Comprehensive Income & Expenditure Statement when benefits are earned by employees, rather than when they are finally paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income & Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year, based on figures provided in the IAS 19 reports as at 31st March 2013 and 2014, prepared by the Council's actuary, Mercer. The 2012/13 figures have been restated following the publication of new IAS 19 disclosure requirements.

	2012/13 (restated) £000	2013/14 £000
<u>Comprehensive Income &amp; Expenditure Statement</u>		
Current service cost	18,340	15,286
Settlements	(2,068)	(2,189)
Curtailments	572	705
Administration Costs	433	407
Past service costs	372	353
Total included in Cost of Services	17,649	14,562
<u>Financing &amp; Investment Income &amp; Expenditure</u>		
Net Pensions interest cost	10,867	10,732
Total included in Surplus or Deficit on the Provision of Services	28,516	25,294
<u>Other Benefits Charged to the Comprehensive Income &amp; Expenditure Statement</u>		
Remeasurement of Net Defined Benefit Obligation	(2,521)	(127,808)
<u>Total Post-employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</u>	25,995	(102,514)
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	(28,516)	(25,294)
Employers' contributions and benefits payable direct to pensioners	17,534	17,687
	(10,982)	(7,607)
Actual return on scheme assets	60,006	32,799

## Notes to the Core Financial Statements

### 46 Disclosure of Information about Retirement Benefits continued

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

##### Pensions Assets and Liabilities recognised in the Balance Sheet

	LGPS		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
Present value of defined benefit obligation	(747,694)	(665,728)	(4,267)	(3,789)
Fair value of plan assets	492,134	529,891	-	-
Net liability from defined benefit obligation	(255,560)	(135,837)	(4,267)	(3,789)

##### Reconciliation of movement in present value of Scheme liabilities (Defined Benefit):

	LGPS		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
Opening Liability	683,685	747,694	4,298	4,267
Current service cost	18,340	15,286	-	-
Interest cost	30,234	31,607	185	177
Contributions by scheme members	4,106	4,003	-	-
Remeasurement (gains)/losses:				
Experience	-	(66,684)	-	(226)
Financial assumptions	31,783	(29,832)	116	-
Demographic assumptions	6,012	(9,383)	22	(80)
Past service costs	372	353	-	-
Curtailments	572	705	-	-
Settlements	(3,871)	(4,157)	-	-
Benefits paid	(23,539)	(23,864)	(354)	(349)
Closing Liability (Defined Benefit)	<b>747,694</b>	<b>665,728</b>	<b>4,267</b>	<b>3,789</b>

##### Reconciliation of movement in fair value of Scheme assets:

	LGPS		Unfunded Benefits	
	2012/13	2013/14	2012/13	2013/14
	£000	£000	£000	£000
Opening fair value of scheme assets	436,617	492,134	-	-
Interest on plan assets	19,552	21,052	-	-
Remeasurements (assets)	40,454	21,603	-	-
Administration Expenses	(433)	(407)	-	-
Contributions by employer	17,180	17,338	354	349
Contributions by scheme members	4,106	4,003	-	-
Settlements	(1,803)	(1,968)	-	-
Benefits paid	(23,539)	(23,864)	(354)	(349)
Closing fair value of scheme assets	<b>492,134</b>	<b>529,891</b>	<b>-</b>	<b>-</b>

In 2013/14, the net liability fell by some £120m (from £260m to £140m). This was mainly due to positive experience since the 2010 valuation that has been recognised at this year end. Other positive factors included favourable investment returns during the year and improved market conditions, which reduced the value placed on the liabilities.

The actual return on scheme assets in the year was £32,799k (£60,006k in 2012/13).

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £669,517k has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance (deficit) of £139,626k. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the scheme will be made good by increased employer contributions over a 15 year period, as assessed by the scheme actuary in the full valuation of the fund as at 31st March 2013.

## Notes to the Core Financial Statements

### 46 Disclosure of Information about Retirement Benefits continued

#### (d) Fair Value of LGPS assets

	Fair value of scheme assets	
	As at 31st March 2013 £000	As at 31st March 2014 £000
Equities	365,164	396,357
Government bonds	10,827	15,897
Other bonds	63,977	70,476
Other	44,292	45,571
Cash / liquidity	7,874	1,590
	<u>492,134</u>	<u>529,891</u>

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

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Mercer, an independent firm of actuaries, estimates for the Fund being based on the most recent full valuation as at 31st March 2013 and latest estimates for for the Fund as at 31st March 2014.

The main financial assumptions used by the actuary for the purposes of the IAS 19 calculations were:

	As at 31st March 2013	As at 31st March 2014
Longevity at 65 for pensioners retiring today (years):		
Men	23.1	23.0
Women	26.5	25.4
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	25.1	25.3
Women	28.5	28.3
Rate of inflation - CPI	2.3%	2.4%
Rate of increase in salaries	4.6%	3.9%
Rate of increase in pensions	2.3%	2.4%
Rate for discounting scheme liabilities	4.3%	4.4%
Take-up of option to convert annual pension to lump sum	50%	50%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes in assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions for longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes to some of the assumptions may be inter-related. The estimations in the sensitivity analysis have followed the accounting policies for the scheme (i.e. on an actuarial basis using the projected unit credit method). The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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

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

##### Sensitivity analysis of the impact of changes in assumptions on the Defined Benefit Obligation

	Change of +/- 1% £000
IAS 19 Liability figure	669,517
+ 0.1% on rate for discounting scheme liabilities	658,959
+ 0.1% on inflation rate	680,244
+ 0.1% on pay growth	671,342
+1 year on life expectancy	682,631

#### (f) Impact on the Authority's Cash Flows

One of the objectives of the scheme is to keep employers' contributions at as constant a rate as possible. In the triennial fund valuation as at 31st March 2013, the Authority agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 15 years. Funding levels are monitored and the next triennial valuation is due to be completed as at 31st March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Services Pensions Act 2013. Under the Act, the LGPS may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The actuary has estimated a total authority contribution of £15.9m in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 16 years as at 31st March 2014 (17.2 years as at 31st March 2013).

#### (g) Bromley Employees

In 2013/14, Bromley paid into the Pension Fund a total contribution of £17.4m (30.2% of total pensionable pay), including a past deficit contribution of £6.1m. This compares to £17.1m (29.4%) and £5.8m in 2012/13. The underlying contribution rate and the past deficit contribution are both determined by the Fund's Actuary based on triennial actuarial valuations. The contributions in 2013/14 incorporate the results of the full valuation as at 31st March 2010, which set contribution rates to achieve a funding level of 100% of the overall liabilities of the fund over 12 years. The most recent triennial valuation (as at 31st March 2013) has set revised contribution rates and past-deficit contributions from 2014/15 to achieve a 100% funding level over 15 years.

#### (h) Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Authority contributes towards the costs based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme, but it is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. In this Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme.

In 2013/14, Bromley paid £4.2m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 14.1% of teachers' pensionable pay. The figures for 2012/13 were £4.6m and 14.1%. In addition, Bromley is responsible for all pension payments relating to added years it has awarded. There were no payments relating to added years in both 2013/14 and 2012/13.

#### (i) NHS Staff

Former NHS public health staff who transferred to Bromley in April 2013 are members of the NHS Pension Scheme, administered by the Department for Health. This scheme 'is a defined benefit scheme, but, under NHS accounting arrangements', is accounted for as a defined contribution scheme. In 2013/14, the Authority paid £0.2m to the NHS scheme in respect of these staff (14.0% of pensionable pay).

## Notes to the Core Financial Statements

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

Contingent liabilities are dependent upon the outcome of uncertain events and, consequently, cannot be quantified at the balance sheet date. For 2013/14 there are five contingent liabilities to disclose:

- 1) There have been a number of Council Tax banding appeals which, if successful, could result in refunds dating back to 1993. The claims are currently being considered by the District Valuer and could also have an impact on future Council Tax income levels. It is not possible to quantify the financial impact at this stage and the final outcome will depend on the number of appeals and the outcome of the findings from the District valuer.
- 2) There is a potential breach of contract claim from a social care contractor which has not yet led to proceedings being issued. The Council repudiates any liability. It is difficult to give a much fuller assessment unless proceedings are actually issued and the completed particulars of the claim and quantified damages are known. However, it is estimated that the maximum claim could be in the region of £1m.
- 3) There are potential risks through the Council picking up liabilities from Governing Bodies of Foundation and Community schools which convert to Academy status. The financial impact of this cannot be quantified at this stage.
- 4) Consequent to ongoing litigation involving most Local Land Charges Authorities regarding the implications of the Environment Information Regulations 2004, there is a potential risk that charges previously imposed on personal search companies for local land charges information will have to be repaid for the period 2005 - 2010. The potential liability to the Council is estimated to be £450k.
- 5) The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

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

Contingent assets are possible assets that will only be confirmed by the occurrence of uncertain future events not wholly within the Authority's control. For 2013/14 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 April 2011 in relation to libraries/audio visual charges, special collections of domestic waste, excess charges for off-street parking and a claim for trade waste. It is not possible to accurately predict the financial outcome of these claims at the present time nor is it certain, at this stage, whether the claims will be successful.



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

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

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

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

#### ***Credit Risk***

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

The Strategy for 2013/14 was approved by Full Council in February 2013 and is available on the Council's website. It imposes a maximum amount to be invested with a financial institution at any time and sets a maximum time period for investment.

The Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach using credit ratings from all three ratings agencies forming the core element. It supplements this with credit watches and credit outlooks from the agencies, Credit Default Swap spreads to give early warnings of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £248.0m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31st March 2014 that this was likely to crystallise. Deposit protection arrangements, specifically the HM Treasury Credit Guarantee Scheme, will limit any losses that might arise.

No breaches of the Council's counterparty criteria occurred during 2013/14 and the authority does not expect any losses from non-performance by any of its counterparties in relation to treasury deposits.

## Notes to the Core Financial Statements

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

#### *Credit Risk (cont)*

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

	<b>As at 31st March 2013 £000</b>	<b>As at 31st March 2014 £000</b>
Less than three months	5,584	11,135
Three to six months	1,296	975
Six months to one year	785	1,134
More than one year	2,688	2,889
	<b><u>10,353</u></b>	<b><u>16,133</u></b>

#### *Liquidity Risk*

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and could also borrow from the Public Works Loan Board and money markets if necessary. Currently, however, the Council does not borrow externally and there are no plans to do so. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

<b>Principal Sum Invested as at 31st March 2013 £000</b>		<b>Principal Sum Invested as at 31st March 2014 £000</b>
176,626	Less than one year	207,860
25,010	Between one and two years	39,270
<b><u>201,636</u></b>		<b><u>247,130</u></b>

#### *Refinancing and Maturity Risk*

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

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

## Notes to the Core Financial Statements

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

#### *Market Risk*

##### Interest rate risk

The Authority is exposed to risk in terms of interest rate movements on its investments. Movements in interest rates have a complex impact on the Authority depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates - the fair value of the assets will fall.

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

All of the Council's term deposits placed during 2013/14 were fixed interest investments with banks, building societies or other local authorities. In addition to fixed interest deposits, the Council also placed £5m with a Property Fund and invested £1.1m in a Corporate Bond. Both were placed after consultation with Sector and are not subject to interest rate movements.

##### Price Risk

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

##### Foreign Exchange Risk

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

##### Icelandic Bank Defaults

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander, went into administration. At that time, the Council had £5m deposited with Heritable, which had been placed for two years on 28th June 2007 at a rate of 6.42%. Heritable Bank is a UK registered bank under English law and was placed in administration on 7th October 2008. As at 31st March 2014, a total of 14 dividend payments had been received from the administrator, which amounted to £4,783k (94% of the Council's total claim of £5,087k). In line with CIPFA guidance, an impairment was actioned in 2008/09 and part-reversals then followed in 2009/10 and in 2011/12 to reflect improved recovery prospects. A further part-reversal of the original impairment (£310k) was actioned in the 2013/14 accounts, leaving a provision for potential loss of £300k as at 31st March 2014 (6% of the total claim sum).

## Notes to the Core Financial Statements

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### 50 *Heritage Assets: Further Information*

#### **Heritage Assets**

The 2011/12 Code of Practice introduced a change to the accounting treatment for heritage assets and, from 2011/12, the Authority is required to show them on the face of the Balance Sheet at valuation or cost. The Authority's accounting policies for the recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see accounting policy 12).

#### **General**

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

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

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

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

##### *Mayoral Regalia and Insignia*

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

##### *Art Works*

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

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

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

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

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

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

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

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

##### *Metrology Equipment*

The Council owns various items of measuring equipment, such as scales and balances, that are estimated to have a total value of between £5k and £7k. They are in the process of being donated to English Heritage and are considered de minimus and are not included on the Balance Sheet.

##### *Other Items*

The Council owns a number of other heritage assets, including coal tax posts, listed milestones, listed water troughs and drinking fountains, other fountains, stone figures and archaeological artefacts.

The Council does not consider that reliable cost or valuation information can be obtained for these items because of their unique nature and lack of comparable market values. In the Council's opinion, it would not be practicable to obtain a valuation for these assets at a cost that would be commensurate with the benefits to users of the financial statements and they are not, therefore, recognised on the Balance Sheet.

## THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for the London Borough of Bromley as a billing authority to maintain a separate Collection Fund. The statement shows the transactions of the London Borough of Bromley in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. The Collection Fund is consolidated with other accounts of the Authority.

	Notes	2012/13 £000	2013/14 £000
<b>Income</b>			
Amounts receivable from Council Tax payers	(1)	160,264	165,809
Transfer from the General Fund for Council Tax benefit		19,108	-
Income collectable from Business Rate payers	(2)	82,447	83,042
Income Collectable from Business Rate Supplement	(3)	2,421	2,399
		<u>264,240</u>	<u>251,250</u>
<b>Expenditure</b>			
Precepts / Demands			
- London Borough of Bromley		132,896	123,370
- Greater London Authority		41,119	37,008
Business Rates	(2)		
- Payments to National Pool		82,098	
- Payment to Central Government (CLG)			42,110
- Payment to Greater London Authority (GLA)			16,844
- Payment to London Borough of Bromley			25,266
- Cost of Collection		349	348
Business Rate Supplement	(3)		
- Contribution to GLA		2,406	2,386
- Cost of Collection/Administrative Costs		15	13
Bad and Doubtful Debts / Appeals			
- Write offs		986	1,758
- Increase / (decrease) in bad debt provision		518	(121)
- Provision for Appeals		-	450
		<u>260,387</u>	<u>249,432</u>
<b>Net Surplus for the Year</b>		<u>(3,853)</u>	<u>(1,818)</u>
Distribution of Previous Year's Collection Fund Surplus			
- London Borough of Bromley		2,057	1,805
- Greater London Authority		643	558
		<u>2,700</u>	<u>2,363</u>
<b>Net Movement on Fund Balance</b>		<u>(1,153)</u>	<u>545</u>
		<b>£000</b>	<b>£000</b>
<b>Fund Balance</b>			
Balance at 1st April		(5,063)	(6,216)
Net movement for year		(3,853)	(1,818)
Distribution of 2010/11 and 2011/12 Surplus		2,700	2,363
Balance at 31st March (Surplus)		<u>(6,216)</u>	<u>(5,671)</u>

## THE COLLECTION FUND

In accordance with the statutory provisions for Collection Fund accounting, any surplus or deficit on the Fund can be transferred to Bromley and the Preceptors only in the financial year for which the budgetary provision was made. Where identified for the projected outturn it is taken into account when assessing the following years Council Tax levy. Any balance must remain on the Collection Fund and be repaid in the following year. Accordingly the 2012/13 surplus will be distributed in 2014/15 and the 2013/14 surplus will be distributed in 2015/16 as follows:

### *Fund Balance split into its attributable parts*

<u>Council Tax</u>	Surplus as at 31st March 2013	Distribution of 2011/12 Surplus in 2013/14	Surplus for 2013/14	Surplus as at 31st March 2014
	£000	£000	£000	£000
London Borough of Bromley	(4,769)	1,805	(2,927)	(5,891)
Greater London Authority	(1,447)	558	(866)	(1,755)
	<u>(6,216)</u>	<u>2,363</u>	<u>(3,793)</u>	<u>(7,646)</u>

### Business Rates

	Deficit for 31st March 2014 £000
London Borough of Bromley	593
Greater London Authority	395
Central Government	987
	<u>1,975</u>
<b>Council Tax and Business Rates Net Deficit / Surplus</b>	<u><u>(5,671)</u></u>

# THE COLLECTION FUND

## Notes to the Accounts

### 1 Council Tax Base

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

Band	Number of Properties	Multiplier	Band D Equivalent Dwellings
A	819	6/9	546
B	5,272	7/9	4,100
C	18,507	8/9	16,450
D	27,489	9/9	27,489
E	25,118	11/9	30,700
F	16,086	13/9	23,235
G	12,500	15/9	20,833
H	1,263	18/9	2,527
			<hr/>
			125,880
	Allowance for MOD properties, changes in exemptions, discounts and number of properties		<hr/>
			(801)
			<hr/>
			125,079
	Estimated Collection Rate		97.65%
			<hr/>
	Council Tax Base 2013/14		<hr/>
			122,140

### 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 (set by Government). The Council is responsible for collecting rates due from ratepayers in its area but until 31st March 2013 it paid the proceeds into an NNDR pool administered by the Government. The Government redistributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population. On 1st April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows councils to retain a set proportion of business rates collected subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government (CLG) and the Greater London Authority (GLA).

The total non-domestic rateable value at 31st December 2012 was assessed by the Government's District Valuer as £215,770,679. The national non-domestic multiplier for the year was 47.1p. The income collectable for the year of £83.0m is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory reliefs as well as the part year effect of properties falling out / brought into rating during the year.

### 3 Business Rate Supplements

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

## FORMER LRB FUND

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

### *Movement for year ending 31st March 2014*

	<b>Fund 1</b>	<b>Fund 2</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1st April 2013	( 298)	( 195)	( 493)
Movement in year on ex LRB functions:			
Income	( 1)	( 784)	( 785)
Interest earnings on Fund balance	( 2)	( 4)	( 6)
Expenditure (note 2)	18	250	268
Distribution (note 1)	1	784	785
Balance as at 31st March 2014	<u>( 282)</u>	<u>51</u>	<u>( 231)</u>

### *Balance Sheet as at 31st March 2014*

<b>2013</b>		<b>2014</b>
<b>£000</b>		<b>£000</b>
-	<i>Assets</i>	
<u>-</u>	Debtors	<u>34</u>
		34
493	Cash	<u>232</u>
<u>493</u>		<u>266</u>
	<i>Liabilities</i>	
298	Fund 1	282
195	Fund 2	( 51)
-	Creditors	<u>35</u>
<u>493</u>		<u>266</u>

### *Notes to accounts*

#### 1) *2013/14 Distribution*

In 2013/14 revenue receipts of £784,685 were received and distributed between the London Boroughs in accordance with the regulations of the transfer.

#### 2) *Expenditure*

Due to an increase in legal claims made against the LRB this has led to the balance in Fund 2 being depleted and in 2014/15 we will be asking all of the distribution boroughs for a contribution towards topping up this fund to aid payment of future expenses.



## FORMER LRB FUND

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### 3) *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

2012/13		PENSION FUND ACCOUNT	Note	2013/14	
£000	£000			£000	£000
<b>Dealings with members and employers</b>					
<b>Contributions and similar payments</b>					
5,483		Contributions - from members	5	5,580	
14,845		- from employers - normal	5	15,612	
1,357		- augmentations	5	1,255	
5,800		- deficit funding	5	7,100	
1,883		Transfers in from other pension funds (individual)		5,074	
	29,368				34,621
<b>Benefits</b>					
(21,994)		Pensions		(23,409)	
(4,968)		Lump sum benefits - retirement		(5,525)	
(571)		- death		(359)	
	(27,533)				(29,293)
<b>Payments to and on account of leavers</b>					
(4)		Refunds of contributions		(13)	
(2,536)		Transfers out (individual)		(1,559)	
	(2,540)				(1,572)
(532)		<b>Administrative expenses</b>	6		(585)
(1,237)		<b>Net (withdrawal) / addition from dealings with Fund members</b>			3,171
<b>Returns on investments</b>					
8,411		Investment income	7	7,730	
77,023		Change in market value		34,841	
(1,357)		Investment management expenses	8	(1,828)	
	84,077	Net return on investments			40,743
	82,840	<b>Net Fund increase during year</b>			43,914
	501,549	Opening net assets			584,389
	<u>584,389</u>	<b>Closing net assets</b>			<u>628,303</u>
<b>31st March 2013 NET ASSETS STATEMENT</b>				<b>31st March 2014</b>	
£000	£000			£000	£000
<b>Investment assets</b>					
120,636		Equities - UK (quoted)	9	31,932	
174,352		- overseas (quoted)		290,641	
	294,988				322,573
	280,791	Pooled investment vehicles (managed funds - non-property)			294,288
	7,538	Cash deposits held by investment managers			7,993
-		Other investment balances - sales		2,134	
-		- purchases		(1,479)	
	-				655
	583,317	Net investment assets	9		625,509
<b>Current assets and liabilities</b>					
(316)		Cash		2,096	
1,560		Current assets - debtors	10	1,186	
(172)		Current liabilities - creditors	10	(488)	
	1,072				2,794
	<u>584,389</u>	<b>Closing net assets</b>			<u>628,303</u>

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The Actuarial present value of promised retirement benefits is disclosed in Note 12.

# PENSION FUND

## Notes to the Accounts

### 1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the London Borough of Bromley Pension Fund Annual Report 2013/14 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

#### (a) General

The London Borough of Bromley Pension Fund is part of the LGPS and is administered by the London Borough of Bromley. It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of the Council and of a range of other organisations with scheduled or admitted body status within the Fund. Teachers are not included as they are members of the Teachers' Pension Scheme, administered by the Department for Education. Former NHS public health staff who transferred to Bromley in April 2013 are also not included as they remain members of the NHS Pension Fund, administered by the Department for Health.

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

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009.
- The LGPS Regulations 2013 (effective from 1st April 2014).

The Fund is overseen by the London Borough of Bromley Pensions Investment Sub-Committee.

#### (b) Membership

Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal pension arrangements outside the scheme.

Organisations participating in the Fund include:

- Administering Authority: The London Borough of Bromley
- Scheduled Bodies: Academies, Colleges and Foundation Schools whose staff are automatically entitled to be members of the Fund
- Admission Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

Including the Council itself, there are a total of 57 employer organisations in the Bromley Fund. As at 31st March 2014, the Fund's scheduled and admission bodies were as follows:

#### **Scheduled Bodies**

##### **Primary School Academies**

Alexandra Infants  
Alexandra Junior  
Balgowan Primary  
Biggin Hill Primary  
Castlecombe Primary  
Crofton Infants  
Crofton Junior  
Darrick Wood Infants  
Farnborough Primary  
Grays Farm Primary  
Green Street Green Primary  
Harris Aspire  
Harris Crystal Palace  
Harris Kent House  
Hayes Primary  
Highfield Infants  
Highfield Junior  
Hillside Primary  
Manor Oak Primary  
Parish Primary  
Perry Hall Primary  
Pickhurst Infants

#### **Scheduled Bodies**

##### **Primary School Academies (cont)**

Pickhurst Junior  
Raglan Primary  
Stewart Fleming Primary  
St. James RC Primary  
Tubbenden Primary  
Valley Primary  
Warren Road Primary

##### **Foundation Schools**

Holy Innocents RC Primary  
St Mary's RC Primary  
St Olave's & St Saviour's  
The Glebe

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

Bromley College  
Orpington College  
Ravensbourne College

#### **Scheduled Bodies**

##### **Secondary School Academies**

Beaverwood  
Bishop Justus CE  
Bullers Wood  
Charles Darwin  
Coopers  
Darrick Wood  
Harris Beckenham  
Harris Bromley  
Hayes  
Kemnal  
Langley Park Boys  
Langley Park Girls  
Newstead Wood  
Ravens Wood  
The Priors  
The Ravensbourne

##### **Admission Bodies**

Affinity Sutton  
Bromley & Lewisham MIND  
Bromley Mytime  
Liberata UK

# PENSION FUND

## Notes to the Accounts

### 1 Description of Fund continued

#### (b) Membership continued

The following table shows the total membership of the Fund as at 31st March 2014 and 2013.

	2013	2014
Members	5,065	5,254
Pensioners - widows / dependants	705	706
- other	4,026	4,156
Deferred Pensioners	4,457	4,819
Total	14,253	14,935

#### (c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and ranged from 5.5% to 7.5% of pensionable pay for the financial year ending 31st March 2014. Contributions are also made by employers and these are set based on triennial actuarial funding valuations, the rates for 2013/14 being set by the valuation as at 31st March 2010. In 2013/14, employer rates ranged from 14.7% to 28.8% of pensionable pay.

#### (d) Benefits

Pension benefits are based on final pensionable pay and length of pensionable service. Up to 31st March 2014, benefits were calculated as follows:

##### Service pre 1st April 2008:

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

##### Service post 31st March 2008:

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

There is a range of other benefits provided under the scheme including early retirement, disability/ill-health pensions and death benefits. Benefits are index-linked (using the Consumer Price Index from 1st April 2012 and the Retail Price Index up to 31st March 2012) in order to keep pace with inflation.

The LGPS Regulations 2013 introduced changes that came into effect on 1st April 2014. As a result, changes have been made to the LGPS benefit structure and to employee contribution rates.

### 2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position as at 31st March 2014. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 12.

### 3 Summary of Significant Accounting Policies

#### (a) Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate. Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Employer deficit contributions are accounted for in accordance with the agreement under which they are paid or, in the absence of an agreement, on a receipts basis.

#### (b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

# PENSION FUND

## Notes to the Accounts

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### 3 Summary of Significant Accounting Policies continued

#### (c) Investment Income

##### (i) Interest income

Interest income is recognised in the Fund account as it accrues.

##### (ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as "current assets".

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

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

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

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

#### (d) Benefits payable

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

#### (e) Taxation

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

#### (f) Administrative expenses

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

#### (g) Investment management expenses

All investment management expenses are accounted for on an accruals basis and investment manager fees are agreed in the respective mandates governing their appointments. Broadly, these are based on a percentage of the total market value of investments under management and therefore increase or decrease as the total value of investments changes.

#### (h) Financial assets

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

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

#### (i) Foreign currency transactions

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

#### (j) Cash

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

#### (k) Financial liabilities

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

## PENSION FUND

### Notes to the Accounts

#### 3 Summary of Significant Accounting Policies continued

##### (l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As is permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits (see Note 12). A summary of the results of the last full actuarial valuation is shown in Note 11.

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

The Council provides an AVC scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are managed independently of the fund by specialist providers (Aviva and Equitable Life) and each contributor receives an annual statement showing the amount held in their account and the movements in the year. In accordance with the LGPS (Management and Investment of Funds) Regulations 2009, AVCs are not included in the Pension Fund accounts, but are disclosed in Note 13.

#### 4 Critical Judgements in Applying Accounting Policies, Assumptions on the Future and Other Major Sources of Estimation Uncertainty

The Pension Fund liability is calculated every three years by the scheme actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 11. This estimate is subject to significant variations based on changes to the underlying assumptions.

#### 5 Contributions receivable

	2012/13 £000	2013/14 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	9,549	9,653
- augmentations	1,357	1,255
- deficit funding	5,800	6,100
Scheduled bodies - Foundation Schools	425	373
	<u>17,131</u>	<u>17,381</u>
Other		
Scheduled bodies - normal - academies	3,745	4,433
- normal - colleges	808	946
Admission bodies - normal	318	207
- deficit funding		1,000
	<u>22,002</u>	<u>23,967</u>
Member Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	3,949	3,866
Scheduled bodies - Foundation Schools	117	101
	<u>4,066</u>	<u>3,967</u>
Other		
Scheduled bodies - academies	1,011	1,172
- colleges	306	368
Admission bodies	100	73
	<u>5,483</u>	<u>5,580</u>

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

## PENSION FUND

Notes to the Accounts

### 6 Administrative Expenses

	2012/13 £000	2013/14 £000
Audit fee	21	21
Bank charges	28	26
Advice & other costs	59	120
Internal recharges	424	418
	532	585

### 7 Investment Income

	2012/13 £000	2013/14 £000
Dividends from equities	8,354	7,695
Interest on securities	57	35
	8,411	7,730

### 8 Investment Management Expenses

	2012/13 £000	2013/14 £000
Baillie Gifford - global equities @	-	183
- balanced mandate (to 20/12/13)	571	477
- fixed income (from 20/12/13)	-	28
- Diversified Growth Fund #	53	172
Fidelity - fixed income (from 20/12/13)	-	42
- balanced mandate (to 20/12/13)	677	463
MFS - global equities @	-	157
Blackrock - global equities @	-	121
Standard Life - Diversified Growth Fund #	56	185
	1,357	1,828

@ Global equities mandates inception date 20th December 2013

# Diversified Growth Fund (DGF) mandate inception date 6th December 2012

### 9 Investments

Following a review of the Fund's investment strategy in 2012, contracts were awarded for Diversified Growth (10% of the Fund) from December 2012 and Global Equities (70% of the Fund) from December 2013. The managers as at 31st March 2014 were as follows:

Global equities: Baillie Gifford, Blackrock and MFS (all wef 20th December 2013).

Fixed income: Baillie Gifford and Fidelity.

Diversified Growth: Baillie Gifford and Standard Life.

The bid value of the Fund as at 31st March 2013 and 2014 was divided between the Fund managers as follows:

	31st March 2013		31st March 2014	
	£000	%	£000	%
Baillie Gifford - global	-	-	222,869	35.63%
- balanced	315,345	54.06%	-	-
- fixed income	-	-	45,227	7.23%
- DGF	26,533	4.55%	26,822	4.29%
Fidelity - fixed income	-	-	58,360	9.33%
- balanced	215,357	36.92%	-	-
MFS - global	-	-	123,148	19.69%
Blackrock - global	-	-	122,130	19.52%
Standard Life -DGF	26,082	4.47%	26,953	4.31%
	583,317	100	625,509	100

The change in market value (MV) of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles, which are accumulation funds, changes in value also include income, net of withholding tax, which is re-invested in the Fund.

## PENSION FUND

Notes to the Accounts

### 9 Investments continued

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

	Value at 31st March 2013 £000	Purchases £000	Sales £000	Change in MV £000	Value at 31st March 2014 £000
Equities	294,988	306,240	(307,558)	28,903	322,573
Pooled investments	280,791	240,543	(232,984)	5,938	294,288
Sub-Total	575,779	546,783	(540,542)	34,841	616,861
Cash	7,538				7,993
Other investment balances	-				655
Total	583,317	546,783	(540,542)	34,841	625,509

Transaction costs, comprising costs charged directly to the scheme such as fees, commissions, stamp duty and other fees, are included in the cost of purchases and sale proceeds.

Transaction costs incurred during the year totalled £1,241k (£388k in 2012/13). Indirect costs are also incurred through the bid-offer spread on investments within pooled investment vehicles, but amounts are not separately provided to the scheme.

The Code requires the Council to disclose any single investments exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. Details are shown below.

	31st March 2013 £000	31st March 2014 £000
Baillie Gifford		
- Investment Grade Bond Fund	27,660	23,986
- Active Gilt Plus Fund	12,935	21,241
- Diversified Growth Fund	26,533	26,822
Standard Life - Global Absolute Return Fund	26,082	26,953
Blackrock - Ascent Life Enhanced Global Equities Fund	n/a	122,130
Fidelity - Institutional Aggregate Bond Fund	50,803	58,180

### 10 Current assets and liabilities

	2012/13 £000	2013/14 £000
<u>Debtors (current assets)</u>		
Contributions due from employers	449	583
Investment income	1,106	597
Other	5	6
	<u>1,560</u>	<u>1,186</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	157	488
Pension advice fees	10	-
Other	5	-
	<u>172</u>	<u>488</u>

### 11 Actuarial Position

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

The next full valuation of the Fund (as at 31st March 2013) was carried out by Mercer Ltd (the Fund's actuary since January 2013) during 2013/14. This calculated a new deficit position (82% funded) and set a common employer contribution rate of 15.3% and an annual lump sum past-deficit contribution of £5.9m from 1st April 2014 to recover that deficit over 15 years.

A significant number of schools adopted academy status during 2012/13 and 2013/14 and more are expected to follow in 2014/15. Calculations of deficit shares and contribution rates for academies are carried out individually by the Council's actuary and are set at either the same rate as the Council or at a rate sufficient to ensure that the deficit share is recovered within 15 years.



## PENSION FUND

### Notes to the Accounts

#### 11 Actuarial Position continued

The economic assumptions employed in the 2010 and 2013 valuations are shown below.

	2010	2013
	% p.a.	% p.a.
Increases in earnings - long term	5.0	4.1
- short term (3 years)	n/a	1.0
General Inflation	3.5	2.6
Increases in pensions	3.0	2.6
Investment return - Overall discount rate	7.2	5.6

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

The net liability of the London Borough of Bromley part of the Fund in relation to the actuarial promised retirement benefits and the net assets available to fund these benefits (both based on IAS 19 information available as at 31st March) is shown in detail in Note 46 to the main financial statements. The figures shown in the Net Assets Statement are in respect of the Whole Fund. We are also required to disclose the actuarial present value of future benefits for the Fund as a whole. This was assessed by the Council's actuary under IAS 26 as £790m as at 31st March 2014 (£868m as at 31st March 2013).

#### 13 Additional Voluntary Contributions

Contributing members have the right to make AVCs to enhance their pensions. In accordance with the LGPS (Management and Investment of Funds) Regulations 2009, AVCs are not included in the Pension Fund accounts. A summary of contributions made by members in 2012/13 and 2013/14 and the total value of AVC Funds as at 31st March 2013 and 2014 is shown below.

	2012/13	2013/14
	£000	£000
AVC contributions		
- to Aviva	75	73
- to Equitable Life *	-	-
<b>Total contributions</b>	<b>75</b>	<b>73</b>

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

	2012/13	2013/14
	£000	£000
Market Value		
- Aviva	904	840
- Equitable Life	159	156
<b>Total Market Value</b>	<b>1,063</b>	<b>996</b>

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 requires disclosure of the nature and extent of risks arising from financial instruments. This requirement extends to the specific risks related to Pension Fund investments. Detailed disclosures concerning these risks are included in the Pension Fund Annual Report for 2013/14, which will be approved by the Pensions Investment Sub-Committee later in 2014.

#### 15 Related Parties

Six members of the Pensions Investment Sub-Committee during the year were active members of the scheme, but none were in receipt of a pension. A special responsibility allowance of £1,971 was paid to the Chairman of the Sub-Committee in both 2012/13 and 2013/14. No other payments were made for attendance at Sub-Committee meetings.

The Council incurred costs of £418k (£424k in 2012/13) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

# ANNUAL GOVERNANCE STATEMENT

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## Scope of Responsibility

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

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

Bromley has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.bromley.gov.uk](http://www.bromley.gov.uk) or can be obtained from Chief Executive's, Bromley Civic Centre, Stockwell Close, Bromley BR1 3UH. This statement explains how Bromley has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

## The Purpose of the Governance Framework

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

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 and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromley for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

## The Governance Framework

The following summarises the key elements of the systems and processes that comprise Bromley's governance arrangements based upon the six core principles of good governance:

### 1) **Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area:**

Bromley is a member-led, value for money Council, delivering services through whoever is best placed to provide quality and value for money to our residents. We support residents to manage their lives and strive for excellence in their eyes.

In setting our goals, our vision of Building a Better Bromley (BBB) shapes all the work we do, and provides the framework for improving the economic, social and environmental well-being and health of people who live and work in Bromley. It sets the direction and policies which other plans should help to

# ANNUAL GOVERNANCE STATEMENT

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deliver and is shared across the Council in our specific Portfolio messages and our departmental, divisional and team plans.

During the year Members completed a review of our Building a Better Bromley priorities. This included developing an overarching statement setting out the high level direction of the Council for the next three to five years. In addition to our existing priorities - a Quality Environment, Vibrant Thriving Town Centres, Supporting our Children and Young People, Supporting Independence, Safer Bromley and an Excellent Council - BBB now includes two new objectives - a Healthy Bromley and Regeneration. A Healthy Bromley reflects our public health responsibilities under the government's health reforms. It also reflects our more general work with health colleagues and other community partners across the borough to improve health generally through the Health and Wellbeing Board. The Board brings together Bromley Councillors, GP's, Public Health, the Clinical Commissioning Group and the Voluntary Sector. The Regeneration priority covers the work the Council needs to do to develop the borough over the next 15 years as set out in our Local Plan.

Our Corporate Operating Principles which act as an operational model for the Council set out our approach to creating a flexible, responsive organisation that can embrace new ways of working with partners and staff to maintain and improve services to our community. As part of this we are committed to providing a working environment in which staff can contribute to the success of the Council. Our staff commitment sets out the responsibility we all share in making this happen.

Our Portfolio Plans set out what the portfolio is aiming to deliver over the coming 3 years, what we are doing towards these aims in the current year and what our performance targets are using a range of national and local indicators. Overseeing the successful delivery of each plan is the joint responsibility of the Portfolio Holder and the members of the appropriate Policy Development and Scrutiny Committee (PDS). The Portfolios are aligned behind the priorities identified in Building a Better Bromley; Care Services, Education, Environment, Public Protection and Safety, Renewal and Recreation, Resources.

The Council's approach to becoming a fully commissioning authority is not a new development, as Bromley already has a successful history of externalising services to both the private and third sector, but one we are having to give greater priority to over the next year or two. This provides us with the flexibility to choose the delivery model best placed to provide high quality services, based on local priorities and value for money principles, within a balanced budget. With substantial additional savings to be made over the next 4 years and uncertainty about government funding after 2015-16 the financial situation continues to drive the future direction and work of the Council.

To support this, we will:

- Regularly review why and how we provide services
- Identify who is best placed to deliver services by testing the benefits of:
  - Having our services delivered by others
  - Commissioning in partnership with others
  - Delivering services in partnership with others
  - Delivering services on behalf of others
- Encourage and empower the voluntary sector, community groups and individuals to take more control of how their local area and its resources are managed
- Procure as efficiently as possible, seeking opportunities to share contracts with other local authorities and partners

In order to secure further financial savings 5 corporate workstreams have been developed to drive

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forward this work:

- Baseline Review ‘What’ services we deliver
- ‘How’ we deliver our services
- Sustainable income opportunities / economic growth
- Significant financial variables
- Organisational implications

Governance is provided by Chief Officers to monitor progress, challenge and make recommendations to the Executive. Where appropriate, proposals relating to individual services are submitted to the respective PDS Committees for scrutiny and approval.

The council’s operating structure was restructured at the beginning of 2013 into three departments reflecting our focus on ‘People and Place’ services – Education, Care and Health Services, and Environment and Community Services, with Chief Executive’s department comprising in the main support services. This structure brings services together to better reflect a commissioning authority organisation structure.

## **2) Members and officers working together to achieve a common purpose with clearly defined functions and roles:**

Member/Officer roles are defined in the Constitution which sets out how the Council operates, how decisions are made and the procedures followed to ensure that decision making is efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. This is supplemented by a Member/Officer protocol which governs the relationship between them.

Bromley continues to operate the ‘leader and cabinet’ model whereby the Leader appoints the Executive, and decides Portfolio Holder arrangements and responsibilities and agrees any formal delegation of various powers to the Council’s Chief Officers and their staff.

The Council’s decision making structure is divided between executive and non-executive matters. Executive duties are carried out by an Executive body of six Councillors with specific Portfolio responsibilities, chaired by the Leader of the Council. Non-executive duties are performed by the Development Control Committee and the General Purposes Committee. Six Policy Development and Scrutiny (PDS) Committees discharge the overview and scrutiny functions of the Local Government Act 2000.

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

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

Corporate leadership is provided by the Corporate Management Team, led by the Chief Executive (and Head of Paid Service) who is responsible and accountable to the Council for all aspects of corporate and

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operational management.

Internal Audit is responsible for conducting audits, using a risk based approach, to highlight any weaknesses throughout the Council. Bromley's assurance arrangements conform with the governance requirements of the CIPFA *Statement on the Role of the Head of Internal Audit (2010)*.

### **3) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**

Bromley has adopted a number of codes and protocols that govern both Member and Officer activities which are communicated as part of the induction process and made available via the intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

Although the Localism Act 2011 removed or changed a number of existing arrangements relating to the standards regime the Act still required authorities to promote and maintain high standards of conduct. It is mandatory that each local authority adopts a Code of Conduct dealing with the conduct that is expected of Councillors and co-opted members when acting in that capacity.

Following a review by the Constitution Improvement Working Group, full Council adopted a new Code of Conduct with effect from 1 July 2012 based on the model code produced by the Department of Communities and Local Government. The Code retains (i) the need to register all interests presently registered, (ii) to register any changes within 28 days and (iii) to register gifts and hospitality above the existing £25 threshold.

The Council also agreed to retain a Standards Committee with new terms of reference. Whilst the Act removed the statutory basis for independent members it did replace them with a new role - the Independent Person. They must be consulted by an authority before it makes a decision on an allegation of misconduct by a Councillor that it has decided to investigate or before it decides on action to be taken in respect of that Councillor. Two independent members of the 'old' Standards Committee have been appointed as Independent Persons under the Act.

The induction events organised for new councillors following the May 2014 local elections includes a session on standards with a surgery session following that, providing support to Members on completing their Register of Interest forms, and with additional guidance being prepared to clarify what is required.

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.

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

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### **4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**

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

The Director of Finance (as Section 151 Officer) likewise reviews and updates Financial Regulations, Contract Procedure Rules and the Scheme of Delegation (so far as it relates to financial matters), which are incorporated into the Constitution. Financial Regulations are one of a set of management documents which collectively control and co-ordinate the financial affairs of the Council.

The scrutiny function provided by the six Policy Development and Scrutiny (PDS) Committees continues to provide constructive challenge leading to better and more robust decisions.

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, 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.

The Audit Sub-Committee is responsible for developing and reviewing all aspects of the Council's arrangements for audit including fraud and risk. The Committee is independent of the Executive and scrutiny functions.

We continue to operate a very successful Fraud Partnership with the London Borough of Greenwich building on our Anti-Fraud and Corruption Strategy. Outcomes are reported to Audit Sub-Committee.

The Bromley Borough Resilience Forum, a statutory forum currently chaired by the Council, meets quarterly to facilitate co-operation and information sharing at the borough level between key stakeholders in relation to emergency preparedness for major events and incidents. The Forum reports to the Safer Bromley Partnership Strategic Group. Through the Forum and pan-London structures the Partnership regularly has the opportunity to participate in training and exercising events to develop and maintain local multi-agency emergency arrangements.

Within the Council we continue to review and maintain our arrangements to respond to and recover from emergencies affecting the Borough. We also review and maintain our business continuity arrangements to ensure that critical activities and services continue to operate in the event of disruptive events and emergencies. Our procurement policy requires business continuity plans to be part of any tendering process.

### **5) Developing the capacity and capability of Members and Officers to be effective:**

Corporate training provision is reviewed each year to ensure that the learning and development opportunities on offer reflect the key priorities of the organisation; supporting staff to develop a good mix of skills and knowledge so that they are able to perform effectively in their current job and are able to tackle the many changes facing local government.

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

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site is maintained on the intranet to provide a depository of policies, procedures, guidance and tools enabling all managers across the Council to work more effectively and efficiently.

There are three main programmes; Training for All (including Customer Service, Management and Leadership, Personal Effectiveness and Wellbeing), Children's Safeguarding and Social Care Training, and Adult Care Services Training. To compliment this face-to-face training many of the topics are now available via the web based Bromley Learning Hub which allows users to develop their skills on-line at a time and place that suits them.

Specific training for Members targets key policy issues and areas of current interest. This is supported by a dedicated Member Development site on the intranet. During the year the Director of Finance organised regular Financial Seminars to keep Members informed of the general financial situation affecting the Council and the changes in local government finance and health provision. Following the May 2014 elections a full programme of induction events has been organised for new councillors.

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

Officers also have access to external workshops and seminars via our membership of organisations like CIPFA.

### **6) Engaging with local people and other stakeholders to ensure robust public accountability**

We continue to review how we can improve our channels of communication with all sections of the community and other stakeholders. Increasingly Bromley is using social media sites like Twitter and Facebook to provide information and links to upcoming events. Besides the main Council website Bromley MyLife is the adult social care website. It provides information and advice should someone need help due to illness, age or disability, enabling them to keep their independence.

Council meetings are held in public and agendas and report packs are made available in advance on the council website. Most meetings start at 7pm and there are some daytime meetings. There is a facility to set up daily email alerts on key words or topics.

The Council held five public meetings in September and October 2013 as part of the 2014/15 budget consultation under the title 'Building a Better Bromley'. This was supplemented by links to the council's budget, financial position and strategy on the main website. An additional meeting was held with the Bromley Youth Council to enable young people to have a say in how local services are organised and connecting them with local democracy. Consultation papers were also sent to local business representatives for their views and comments. Prior to finalising the 'Schools budget' the Education Portfolio Holder consulted Head Teachers, Governors and the Schools Forum.

During the year the Council continued to consult on Bromley's Local Plan which will guide development in the Borough for the next 15-20 years. In addition to a press release and advertising in a weekly freesheet tabloid, articles and links to the consultation were included in Update, our newsletter to local community groups, the e-bulletin to local businesses, the staff intranet, and the Bromley website. Emails and letters were also sent to around 1000 contacts on the planning database which includes developers, agents, landowners, as well as residents, and other parties. The responses received were reported to the Development Control Committee.

Departments also use surveys to ensure that services are being delivered efficiently and effectively.

The Council operates a Petition Scheme whereby any person who lives works or studies in the Borough

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of Bromley can submit a petition. Once a petition has been validated a response will normally be sent back within 10 working days. All petition responses are published on the Council's website.

Given the increasing numbers of Freedom of Information requests, an online form has been introduced to channel requests to the right departments so that enquiries can be dealt with as quickly and efficiently as possible. Previous requests and answers are now published on the Council's website.

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

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

The thematic partnerships (Bromley Economic Partnership and Safer Bromley Partnership Strategic Group) hold open meetings and agenda papers and minutes are published on the Council website. The meetings receive reports from other key strategic partnerships and the main partnerships themselves. Terms of reference and governance arrangements are in place. The partnerships are subject to scrutiny by the relevant PDS Committees.

Following a review of the partnership arrangements that were supported either financially or with other resources by the Education, Care and Health Services department, a new Partnership Framework was implemented in September 2013. The purpose of the review was to ensure that the partnership arrangements in place across the Borough for education and care services are fit for purpose, have an outcome focus, provide best value for money, remove duplication, and strengthen and maximise the voice of service users.

As a result two of the previous thematic partnerships; Bromley Children and Young People, and Health, Social Care and Housing, have been replaced with the Children's Services Stakeholder Conference and the Adult Services Stakeholder Conference which will meet twice a year to actively involve partner agencies and service users in shaping business planning and priorities for the future. Both bodies will report to Care Services PDS and/or the Health and Wellbeing Board. Agenda papers and presentations are published on the Bromley Partnerships website.

In addition, an online survey of some 1,400 adult carers in Bromley was undertaken between September and October 2013 as part of the new virtual service user panel which brings together service users, families and carers, and existing partnership group members, to gather views and consult with people of specific services or issues for services, and enable users to shape service development. The results from the survey were used to inform the first Adult Services Stakeholder Conference held in November 2013.

### **Review of Effectiveness**

Bromley has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team comprising directors and assistant directors within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit's annual report, the Policy Development and Scrutiny annual report, and also by comments made by the external auditors and other review agencies and inspectorates.



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

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

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

## Council Framework

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

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

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

Chief Officers (Directors) are responsible for ensuring that Members are advised of the financial implications of all proposals liaising as necessary with the Director of Finance. In addition they are responsible for promoting sound financial practices in relation to the standards, performance and development of staff in their departments.

## Policy Development and Scrutiny Committees

Six Policy Development and Scrutiny (PDS) Committees have a key role in contributing to policy development and scrutinising the decisions of the Executive and individual Portfolio Holders. Although they have no decision making powers, they advise Portfolio Holders, the Executive and full Council on policies, budgets and service delivery. PDS Committees can commission groups of Councillors to review an issue or policy so assisting a Portfolio Holder or the Executive to improve a service or local function affecting local people.

Full Council has accepted recommendations from the Constitution Improvement Working Group to allow more routine decisions to be made without formal scrutiny where the PDS Committees and Portfolio Holders are in agreement, subject to the proposed decision being emailed to all Members in advance. Any Member may then request that a matter be referred to the relevant PDS Committee before a decision is taken.

PDS Committees monitor the performance of services and functions within their remit, assessing performance against key performance indicators and policy objectives. Concerns are reported to a Portfolio Holder who can then, if necessary, be called to a PDS Committee meeting to account for the performance of his or her Portfolio.

They are also involved in the budget setting process and provide comment and recommendations for the Executive to take account of when formulating the Council's annual budget. Similarly, PDS Committees

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monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities.

The call-in process is a key means by which PDS Committees can hold the Executive to account. Any five Councillors can call-in a decision and prevent it from taking immediate effect until it has been considered by a PDS Committee. The Committee can then interview the Portfolio Holder and officers and consider whether the decision was appropriate, within the Council's policy framework, and whether it should be reconsidered. If the Committee feels that the decision should have been reversed or altered, it can make a recommendation to the Executive, which then has to reconsider the matter.

The Executive and Resources PDS Committee has an over-arching, coordinating role on behalf of the other five PDS Committees and provides an Annual Report to full Council summarising the work that has been carried out during the year.

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

### Internal Audit

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

An Annual Audit Plan is used to map out the cyclical coverage of fundamental financial systems and other audits. The plan is based on the identification of the Council's systems and activities to be audited, each assessed for risk. Work relating to prevention and detection of fraud and corruption is integrated into this audit planning process. Each audit is reported to the appropriate level of management together with agreed action plans where appropriate. In addition all significant weaknesses are reported to Audit Sub-Committee and followed-up until recommendations are implemented. The supporting summaries of audit reports help inform the overall assessment of internal controls.

The Head of Internal Audit is empowered to report any matter of concern directly and independently, to the Chief Executive, the Chairman of Audit Sub-Committee or the Leader of the Council, if necessary.

In his Annual Report to Audit Sub-Committee the Head of Audit confirmed that 'my overall opinion on the control environment based on the internal testing and reviews undertaken is that there is overall reliance on the internal controls identified and where there have been significant issues highlighted provide assurance that corrective management action has been or will be taken to mitigate the risks. Over the past year there have been investigations that highlighted a number of weakness in the areas of supervision/monitoring, document control and updated procedures but significantly a better understanding in officers' understanding/awareness of financial regulations and contract procedure rules. This has been due the mandatory web based training of over 600 officers involved in the finances of this authority. The Head of Audit can confirm that adequate action plans have been agreed for all areas of identified weakness and Internal Audit will continue to apply close scrutiny to ensure that all current priority control weaknesses are addressed by management.'

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

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## External Inspections

In their *Report to those charged with governance* for the year ended 31 March 2013, published in September 2013, the external auditors PricewaterhouseCoopers LLP reported the following:

- ‘Management are responsible for developing and implementing systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. As auditors, we review these arrangements for the purposes of the Statement of Accounts and our review of the Annual Governance Statement.’
  - Two internal control deficiencies were reported covering an upgrade of a key financial system; Oracle Financials, and an out of date bank mandate. The recommendations were accepted and acted upon.
- ‘We reviewed the Annual Governance Statement to consider whether it complied with the CIPFA/SOLACE *Delivering Good Governance in Local Government* framework and whether it is misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.’

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

The Care Quality Commission carried out the following routine inspections of care services provided by the London Borough of Bromley:

Shared Lives report published June 2013

Widmore Road (residential home) published July 2013

Home Care report published November 2013

Supported Living report published November 2013

St Blaise (residential home) reports published July 2013 and December 2013

Orchard Grove (residential home) reports published November 2013 and February 2014

Each inspection covered several of the essential standards of quality and safety that people who use health and adult social care services have a right to expect. Other than the initial inspection of Orchard Grove where action was needed on the ‘management of medicines’ all the inspected standards were met. A follow up inspection of Orchard Grove found that the necessary action had been taken and that they now met the standard.

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 that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## **Significant Governance Issues**

Last year we identified the following governance issues:

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Governance Issue	Outcome
<p>1. Our capacity to continue to make budget savings and maintain frontline services: We continue to review and scrutinise our services to increase efficiencies and identify potential savings, and retain four year forward planning, despite the uncertainties on future funding.</p>	<p>Having achieved the necessary cost savings the Council managed to stay within budget in 2013/2014, and has succeeded in formulating a broadly neutral budget for 2014/2015 and introduce measures to reduce the 'funding gap' in 2015/16, without significantly impairing the delivery of frontline services.</p>
<p>2. Decision to become a Commissioning body: A six months Commissioning Programme covering ten services has been developed with a target date of Aug 2013 onwards for implementation and delivery.</p>	<p>This remains an ongoing process with some of the original services having dropped out of the programme and decisions still to be made going forward.</p>
<p>3. Integration shared services: Parking Services to provide a progress report to Environment PDS Committee in Oct/Nov 2013 along with an analysis of any opportunities for further outsourcing.</p>	<p>Environment PDS Committee received a report in November 2013 about progress made following the creation of the shared parking service with the London Borough of Bexley, the issues that had arisen during the first six months of operations, and the savings achieved.</p> <p>The potential for any further outsourcing of Parking Services is being taken forward by management through the Commissioning process reporting to Environment PDS Committee in July 2014.</p>
<p>4. Integration Public Health: A pre-integration check by Internal Audit stated that this was progressing satisfactorily.</p>	<p>From April 2013 the Council took responsibility for a number of public health functions following the abolition of NHS primary care trusts under the government's health reforms. Public Health now forms part of Education, Care and Health Services department.</p>
<p>5. Welfare reform agenda: Ongoing process covered by Internal Audit plan for 2013/14.</p>	<p>Internal Audit has reviewed both the procedural and transactional aspects of the Bromley Welfare Fund which replaced the government's Social Fund from April 2013. The conclusion of these audits was that substantial assurance can be placed on the effectiveness of the overall controls.</p>
<p>6. Localised pay and conditions – the Council has withdrawn from National Terms and Conditions of Service with the majority of staff having accepted new contracts: The members of staff who have not signed are subject to a 45 day 'dismissal and re-engagement' consultation process to be followed by a statutory notice period.</p>	<p>All staff have now signed localised pay and conditions contracts which was implemented with effect from 1 April 2013.</p>

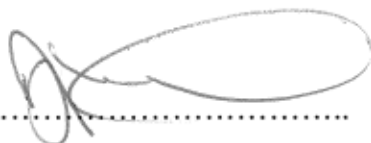
Any outstanding issues are included in the table below.

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New governance issues:

Governance Issue	Actions
Capacity to make further budget savings and maintain frontline services. Looking ahead, the continuing reduction in the financial settlement from the government and on-going cost pressures on the Council have opened a significant funding gap over the next four years, which it will be challenging to close.	In order to assist in providing sustainable financial solutions we will continue to explore opportunities to review radically service provision, seeking opportunities for income maximisation, mitigate against future cost pressures, explore wider partnership opportunities including community budgets, and prepare for a different organisation in the future with overall resources reduced.  We continue to retain four year forward planning.
Decision to become a Commissioning authority	Chief Officers will continue to monitor progress, challenge and make recommendations to the Executive. Where appropriate, proposals relating to individual services will be submitted to the respective PDS Committees for scrutiny and approval.
Welfare reform agenda	Although the roll-out of Universal Credit is expected to be delayed until 2016 at the earliest, the Council will be reviewing the Council Tax Support Scheme as well as the Bromley Welfare Fund – the Government is withdrawing the grant funding for the Welfare Fund from 2015/16 (approx. £1m).

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

Signed.....

Chief Executive

Date...27/06/14.....

Signed.....

Leader of the Council

Date...01-07-2014.....

## GLOSSARY OF TERMS

### **Accounting Policies**

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

### **Accruals**

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

### **Actuary**

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

### **Actuarial Gains and Losses**

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

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

### **Balance Sheet**

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

### **Billing Authority**

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

### **Budget**

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

### **Capital Adjustment Account**

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

### **Capital Charges**

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

### **Capital Expenditure**

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

### **Capital Receipt**

The proceeds from the sale of a fixed asset.

### **Carrying amount**

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

### **Change in Accounting Estimate**

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

**Collection Fund**

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

**Community Assets**

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

**Consistency**

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

**Contingent**

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

**Corporate and Democratic Core**

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

**Council Tax**

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

**Council Tax Support**

The Council operates a national council tax benefit scheme which supports pensioners and working age people on low incomes to pay their council tax.

**Creditors**

Amounts owed by the Council for goods received or services provided before the end of the accounting period but for which payments have not been made by the end of that accounting period.

**Current Asset**

An asset that will be consumed or cease to have value within one year of the reporting date. Examples are inventories and debtors.

**Current Expenditure**

A general term for the direct running costs of local authority services, including employee costs and running expenses.

**Current Liability**

An amount which will become payable or could be called in within the next accounting period, examples are creditors and cash overdrawn.

**Current Service Cost**

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

**Curtailments**

Curtailments arise as a result of the early payment of accrued pensions on retirement on the grounds of efficiency, redundancy or where the Employer has allowed employees to retire on unreduced benefits before they would otherwise have been able to do so.

**Debtors**

Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.

**Deferred Capital Receipts**

These result mainly from loans to Housing Associations plus outstanding loans in respect of past sales of Council dwellings to tenants who were unable to obtain a building society loan or other external means of financing. Their indebtedness is reflected in the balance sheet under long-term debtors. This account shows the amount to be paid on deferred terms and is reduced each year by repayments made.

**Demand on the Collection Fund**

Represents the amount calculated by the council or the GLA to be transferable from the council's collection fund to its general fund.

**Depreciation**

The loss in value of a fixed asset due to age, wear and tear, deterioration or obsolescence.

**Earmarked Reserves**

Reserves set aside for a specific purpose or a particular service or type of expenditure.

**Employee benefits**

Are all forms of consideration given by an entity in exchange for service rendered by employees.

**Events after the reporting period**

Are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
- b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

**Fair Value**

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In accounting terms, fair values are approximated by the present value of the cash flows that will take place over the remaining life of the financial instrument.

**Fixed Assets**

Tangible assets that yield benefit to the local authority and its services for a period of more than one year.

**Formula Grant**

The main channel of government funding which includes re-distributed Business Rates and Revenue Support Grant. There are no restrictions on what local authorities can spend it on.

**Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**Greater London Authority**

A strategic authority for London created on 3rd July 2000.



### **Historical Cost**

Is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. b/f from 31st March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

### **Housing Benefit**

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

### **Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

### **Infrastructure Assets**

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths, bridges and sewers.

### **Intangible Assets**

An intangible asset is an *identifiable* non-monetary asset without physical substance. It must be *controlled* by the authority as a result of past events, and *future economic or service benefits* must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.

### **Inventories**

Are assets:

- a) in the form of materials or supplies to be consumed in the production process
- b) in the form of materials or supplies to be consumed or distributed in the rendering of services
- c) held for sale or distribution in the ordinary course of operations, or
- d) in the process of production for sale or distribution.

### **Investment Property**

Is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.

### **Levies**

A payment that a local authority is required to make to a particular body (a levying body) to meet London wide services. Levying bodies include the London Pensions Fund Authority, London Boroughs Grants Committee, Environment Agency and Lee Valley Regional Park.

### **Material**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

### **NNDR - National Non Domestic Rates**

Non-Domestic Rates, or Business Rates, collected by local authorities are the way that those who occupy non-domestic property contribute towards the cost of local services. Under the business rates retention arrangements introduced on 1 April 2013, the Council keeps a proportion of the business rates paid locally.

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Realisable Value**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non-Distributable Costs**

These include overheads for which no user benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

**Non-Operational Assets**

Fixed assets held but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

**Past Service Cost**

The increase in the present value of Pension Fund liabilities arising in the current year from previous years' service. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

**Pensions Interest Cost**

The expected increase during a period in the present value of Pension Fund liabilities which arises because the benefits are due one year closer to settlement.

**Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**Post-Employment Benefits**

Are employee benefits (other than termination benefits) which are payable after the completion of employment.

**Present Value of a Defined Benefit Obligation**

Is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

**Provision**

An amount set aside in the accounts for liabilities or losses which are certain or very likely to occur but uncertain as to the amounts involved or the dates on which they will arise.

**Prudence**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

**Recharges**

The collective term for accounting entries representing transfers of (or to cover) costs initially debited elsewhere. They therefore comprise apportionments and charges.

**Recoverable Amount**

Of an asset is the higher of fair value less costs to sell (i.e. net selling price) and its value in use.

## **Related Parties**

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

## **Related Party Transaction**

Is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

## **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

## **Reserves**

Sums set aside to finance future spending for purposes falling outside the definition of a provision. Reserves set aside for stated purposes are known as earmarked reserves. The remainder are unallocated reserves, often described as balances.

## **Residual Value**

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

## **Revaluation Reserve**

This reserve records accumulated gains on fixed assets arising from periodic asset revaluations.

## **Revenue Expenditure**

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

## **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred that may be capitalised under statutory provisions but that does not add value to the Council's fixed assets.

## **Revenue Support Grant - RSG**

A general grant which replaced rate support grant in 1990-91. Now distributed as part of the Formula Grant.

## **Ring-Fenced Grants**

These grants fund particular services or initiatives considered a national priority, and must be spent on a particular service.

## **Sales, Fees and Charges**

Charges made to the public for a variety of services such as the provision of school meals, meals-on-wheels, letting of school halls and the hire of sporting facilities, library fines and planning application fees.

## **Short-Term Employee Benefits**

Are employee benefits (other than termination benefits) that fall due wholly within 12 months after the end of the period in which the employees render the related service.

**Soft Loans**

Loans made at less than the prevailing rate of interest and which consequently involve subsidisation of the borrower.

**Specific Grants**

These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

**Statutory Revenue Provision**

A prudent amount charged to the revenue account to provide for the repayment of debt.

**Tangible Fixed Assets**

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

**Tax Base**

The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its council tax, and when central government calculates entitlement to Formula Grant.

**Usable Capital Receipts Reserve**

This reserve records receipts from fixed asset disposals that are available to finance capital expenditure.

**Useful Life**

The period over which benefits will be derived from the use of a fixed asset.

**VAT**

Is an indirect tax levied on most business transactions and on many goods and some services.

- Input Tax is VAT charged on purchases.
- Output Tax is VAT charged in sales.