

**2014/15
Annual Report
and
Statement
of Accounts**

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ANNUAL REPORT

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FOREWORD FROM THE LEADER OF THE COUNCIL

Challenging economic times continue. So we must continue to find significant savings of more than £40 million over the next four years. Be assured we continue to scrutinise every single Council service and activity to ensure value for money and are doing everything in our power to ensure the long term stability of the Council's finances. Our prudent and no gimmicks approach ensures we address the increasing demands we face for our services, often for our most vulnerable residents, as well as the additional responsibilities local authorities have to shoulder without any more money from government.

It also ensures we can help keep Bromley the special place it is and I am pleased to present our Annual Statement of Accounts for 2014/15, where we highlight our achievements over the past year and outline plans for the future.

Among others, our achievements include:

- Development of multi-million pound complex including 9-screen cinema, restaurants, hotel and around 180 new homes
- Expansion of Glades Shopping Centre and fresh look for Bromley North Village
- Working with residents and business to secure funding for £3.2 million improvements in Beckenham
- Opening a modern library in Penge to compliment the new libraries in Orpington and Biggin Hill
- Creating more than 3,000 extra school places across the borough
- Working to ensure young people with more complex needs can live, learn and work in their own communities
- Supporting young people to remain in education and training and to reach their full potential, including creating work experience and apprenticeship opportunities
- Working with our partners to reduce crime and tackle antisocial behaviour and supporting young people through our mentoring service
- Tackling scams and rogue traders to save residents' money being lost to criminals; tackling illicit tobacco to help protect young people
- Installing 16,000 modern energy efficient street lights, which has already resulted in over £70,000 in savings
- Sustaining 50 per cent recycling rate and diverting three-quarters of the borough's waste from expensive landfill
- Expanding our excellent, ground breaking Friends initiative with more than 1,000 street friends, 4,700 Snow Friends and 50 Park Friends Groups on board who have raised £250,000 to look after our open spaces
- Acquiring residential properties and achieving a build of 150 affordable housing units to help meet housing needs
- Making sure our assets work better for us, helping to protect frontline services
- Supporting carers living in Bromley and helping older and disabled residents enjoy life in their own homes as far as possible and to live life to the full
- Working with health to ensure seamless services for our residents
- Through our public health responsibilities helping improve health and wellbeing in the borough particularly for those with diabetes, dementia, cardio-vascular disease and focusing on the emotional wellbeing of young people

These challenging times mean we will all have to do things in a different way, take more responsibility and accountability within our families and communities to make sure those who need our services get the help they need. However, we remain determined to continue investing in the long term well-being of this borough. Attracting and retaining businesses

remains a priority for our Council and future plans include actively working with partners to secure a multi-million pound investment into high tech industrial and aviation business opportunities in Biggin Hill; supporting investments in the growth areas of the Cray Valley Business Corridor; a show piece four-star boutique hotel and restaurants at the Old Town Hall in Bromley and we are currently seeking views on proposals for the £3.2 million improvement scheme for Beckenham.

We are investing in the future of our young people by supporting them to remain in education, by creating work experience opportunities, apprenticeships and mentoring. Our ground breaking Friends initiative continues to expand and we continue to support carers and the independence of our older and disabled residents. We have also re-launched the Bromley Council website to improve customer service by ensuring it is responsive to all mobile devices and delivers enhanced information and functionality when and where our residents want it.

Be assured our commitment to Building a Better Bromley remains steadfast. As your Council we are determined to continue to work with you and our partners to keep this borough a great place to live, work and visit.

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

Environmental services affect the daily lives of all Bromley residents and many compare favourably with those of other councils. Nevertheless our aim is to continually improve performance as residents expect street cleaning, waste collection and road and park management to be delivered to a consistently high standard and represent value-for-money. This is particularly important because being known as a ‘clean, green and safe’ borough is a key reason why people choose to live or work in Bromley.

During 2014-15 we have:

- Encouraged community engagement through: Street Friends (1,134); Snow Friends/Co-ordinators (4,713 and 413); and organised 32 clean-up events involving some 700 volunteers
- Issued 1,500 littering fines and taken 272 offenders to court
- Maintained high levels of public satisfaction with the cleanliness of our streets and high levels of contractor performance
- Sustained high recycling rates, with more than 49% of Bromley’s household waste being recycled and only 27% being sent to landfill
- Increased the number of green garden waste collection service customers to more than 16,000
- Prepared for necessary changes to the recycling service, including every other week paper collections
- Commissioned key elements of the Parks and Greenspace service to the Landscape Group
- Delivered the first Friends Forum Conference, supporting 41 active Friends of Parks Groups
- Secured £337k external investment and £172k partnership funding through the work of community groups and officers
- Progressed the revised street lighting project, which involves replacing 6,500 lamp columns and 14,500 street lanterns with energy efficient LED lighting
- Delivered a major programme of resurfacing works on principal roads, including the A208 (White Horse Lane) and A233 (Main Road) on time and within budget
- Implemented Phase 1 of the traffic element of the Bromley Town Centre Area Action Plan
- Contributed to improved railway station car parking, including at Orpington (now open) and planning for the extension to New Beckenham
- Expanded choice for motorists and residents, including mobile phone payments and on-line self-service for processing residents’ and business’ permits
- Made it easier for customers to contact us on-line through improvements to bromley.gov.uk and promoting FixMyStreet and MyBromley Accounts

Now we plan to:

- Work with community groups to improve the street scene, including identifying hotspots and organising clean-ups
- Develop a ‘Street Care Plan’ in respect of education, enforcement and operations
- Improve the borough’s street café culture and increase specialist street market visits
- Increase Green Garden Waste collection service customer numbers to 17,500
- Commence ‘every other week’ kerbside paper collections from June 2015
- Consider options for the kerbside Waste Electronic and Electrical Equipment collection service
- Establish the Wholly Managed Parks Service Management Board and Stakeholder Panel

- Work with Friends of Parks groups to maintain the quality, appearance and cleanliness of our parks, open spaces and the countryside
- Plant 400 street trees and maintain Bromley's publically-owned tree stock in a safe condition
- Complete the £8.5m 'invest-to-save' project to replace 6,500 lamp columns, and 14,500 street lanterns with energy efficient LED lighting by summer 2015
- Improve the condition of the highway network by completing an approved major programme of road and pavement resurfacing
- Publish and deliver the Local Flood Risk Strategy for Bromley
- Decrease congestion and address journey times on priority routes, including work at key junctions on the A222 and A234
- Continue implementing accident reduction measures in key locations, alongside a programme of road safety education
- Tender the new Shared Parking Services Contract, to be implemented in October 2016
- Communicate service changes (e.g. revisions to the paper collection service) directly to service users and more widely

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 2014-15 we have:

- Completed the successful delivery of the Bromley North Village Improvement Scheme
- Agreed an outline scheme for improvements to Beckenham town centre
- Agreed a revised development strategy for Churchill Place
- Secured approval and funding for an Investment and Regeneration Programme in Biggin Hill and the Cray Business Corridor
- Brought forward the development of key sites including the Old Town Hall (Bromley) and mixed use development in central Orpington
- Published the new Local Plan and begun consultation with the local community
- Secured £1m funding from HM Treasury for a new Memorial Museum at Biggin Hill
- Begun the delivery of a £2.4m improvement scheme in Crystal Palace Park, including the establishment of a Community Grants Fund for park related projects
- Developed and consulted on a new Library Strategy for the future of the library service
- Achieved funding from the Mayor of London to support businesses to begin the process of establishing a Business Improvement District for Bromley
- Secured the long term operating future of the Churchill Theatre
- Achieved capital receipts of approximately £7m from the sale of surplus properties
- Generated an annual rent of over £7.3m from the Council's portfolio of investment properties
- Acquired investment properties totalling £21.63m in value, producing additional revenue income of £1.35m per annum

Now we plan to:

- Secure external funding to support development options for a residential led mixed use scheme at Churchill Place in Bromley
- Complete public realm works to enable the opening of the new development at Bromley South Central, and begin work on improvements to the central pedestrian area of Bromley town centre
- Produce infrastructure and investment plans for Biggin Hill and the Cray Business Corridor
- Secure funding for public realm improvements for Walnuts Square in Orpington
- Complete designs for town centre improvement schemes in Beckenham and Penge
- Finish consultation on the draft Local Plan ahead of submitting the Plan to the Secretary of State
- Progress plans to establish a new form of governance with a sustainable business model to manage Crystal Palace Park
- Implement the 2014 Library Strategy to explore new ways of delivering library services in challenging financial circumstances
- Support Bromley town centre businesses to establish a Business Improvement District for Bromley
- Complete feasibility works and appoint architects to develop plans for a new Memorial Museum at Biggin Hill
- Relocate local history exhibitions to Central Library

- Manage our estate to maximise income and capital receipts and continue the systematic review of the Council's investment properties to ensure that they meet our agreed requirements
- Undertake a full review the Council's office estate with particular focus on the Civic Centre site
- Provide property advice to assist in the Council's commissioning strategy and to support corporate priorities
- Continue to acquire suitable investment properties to generate additional rental income to support the Council's revenue budget

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 2014-15 we have:

- Promoted educational opportunity in the borough ensuring all families have a choice of good and outstanding schools and early years' providers. This has included permanent expansion of local schools and opening new free schools to ensure there are 720 more school places for Bromley children than in 2010; increasing the percentage of primary school applicants receiving their first or second choice; 85% of secondary school applicants receiving their first or second choice
- Enabled 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
- Supported the transition of young people leaving care and moving into independent living, further/higher education and employment. This included supporting 16 young people at university and in Higher Education; through the Bromley Youth Employment Project supporting Looked After Children into work experience and contracted employment
- Ensured 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. This included working in partnership with the London Fostering Network to deliver 'Helping Children to Learn' training to both foster carers and social workers
- Taken 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. This included hosting the 2014 Bromley Safeguarding Children Board annual conference focusing on mental health and wellbeing issues for children and implementing a multi-agency protocol for 'Children Missing from Home and Care' to ensure all Looked After Children can speak with an independent person after a 'missing' episode

Now we plan to:

- Strengthen the quality of school governance (setting strategic direction and promoting school improvement) through the role of Local Authority Governors
- Design and develop primary and secondary school enlargement options to meet current and forecast demand for all on- time applicants
- Continue to develop local provision and partnerships to enable young people with more complex Special Educational Needs and Disabilities to live, learn and work in the local community
- Ensure a smooth transition to the new Special Educational Needs and Disabilities Framework through the provision of an integrated pathway for children and young people, and their families
- Focus on the prevention of abuse of vulnerable children and young people, ensuring those at risk of missing from home and care, or from sexual exploitation, continue to be identified and supported

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 2014-15 we have:

- Improved 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. This has included developing a relevant 'Chislehurst and Mottingham' area of Bromley MyLife; developing and improving the Bromley MyLife website to improve customer service

- Developed integrated pathways of care with the Bromley Clinical Commissioning Group (BCCG), focused on supporting residents to self-manage long term health conditions
- Continued to develop a diverse market in care and support services to offer more choice and control to our service users and their carers through a range of support at home and in the community. This has included enabling older people to access community life through innovative support planning
- Supported older people to regain independence following illness or loss of mobility through reablement, occupational therapy and intermediate care. This included improving hospital discharge in the winter through new services and support commissioned with the BCCG. These services ranged from 'intensive personal care packages', 'fast response personal care packages' and increasing the issue of equipment to support people leave hospital. Success included 100 people accessing fast response personal care packages offering up to seven days of personal care after hospital discharge; 523 extra pieces of equipment issued; 59 people supported by intensive personal care packages, providing on average 150 hours of support per person as an alternative to long term residential care
- In partnership with the voluntary and third sector, we devised and delivered a programme of education support for hard to reach groups. This focused on preventing homelessness by working in partnership to maximise and make best use of the support of affordable housing. It included successfully diverting over 80% of households approaching in housing need, avoiding homelessness and assisting with those affected by Welfare Reform; running adult education courses in community venues with our community partners

Now we plan to:

- Provide clearer information and advice to the carers of people with dementia by developing and extending the Bromley MyLife website to support people to 'live well with dementia'
- Support adults who are unable to protect themselves from the risk of, or experience of, abuse and neglect, enhancing quality of life, wellbeing and safety
- Work with health partners to expand existing winter resilience arrangements to meet the needs of the local population throughout the year and to develop high quality models of best practice to support effective integration
- Ensure that the voice of service users and carers is routinely sought (when developing/changing services) and that when we receive feedback, it is reviewed and integrated into plans where appropriate, together with the outcomes from Bromley Healthwatch
- Improve the wellbeing of individuals at all stages of the care and support process through the continued development of a high quality, responsive workforce
- Promote excellent customer service for those who experience our services
- Focus on preventing homelessness by working in partnership to maximise and best use of the supply of affordable housing, minimising social care needs of vulnerable families

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 2014-15 we have:

- Received over 200 calls to our Trading Standards Rapid Response number, resulting in immediate responses to 42 consumers, which saved vulnerable consumers over £185,000
- Carried out 212 under-age test purchases: this year has seen an increase in the overall compliance rates for test purchasing, with 90% of businesses targeted refusing to sell
- Conducted enforcement visits to businesses in the borough as part of our investigations into consumer detriment, issuing formal warnings or cautions to 58 businesses, and instigating proceedings against 11 traders for a range of offences, in response to a total of 3,396 complaints and enquiries
- Executed an entry warrant against a local business selling New Psychoactive Substances, resulting in the seizure of £4,000 of suspected dangerous substances
- Provided accredited Fair Trader training to 16 businesses, while 114 businesses received education regarding underage sales
- Undertaken five multi-agency operations to ensure legal and appropriate management of licensed premises within the borough
- Issued 1 ASB notice, served 32 ABCS, sent 19 warning letters, and issued 1 CBO notice, mostly as a result of targeted action against youth disorder reported by residents in two key areas of the borough
- Seen 11,300 young people attend the summer diversion programme. 154 mentoring relationships were forged, with young people identified as at risk of criminal or anti-social behaviour
- Maintained the conviction rate for domestic abuse in cases managed by advocates at 70.1%

Now we plan to:

- Tackle anti-social behaviour through the delivery of targeted, intelligence-led operations with the Police
- Support young people to remain in education, employment and training, through our mentoring service
- Ensure all victims of domestic violence involved in criminal Court procedures are offered the support of an advocate
- Provide support for the Safer Bromley Partnership Board
- Target night-time anti-social behaviour problem areas through a joint Council-Police initiative to tackle alcohol-related nuisance, crime and disorder, supporting the Purple Flag award for Beckenham
- Support the Home Office recommendations with regards to the Gangs Review
- Work with partners to eradicate the supply of New Psychoactive Substances, and seek to apply powers and tools from any forthcoming legislation
- Take action against rogue traders, particularly those who target the vulnerable, through preventative and enforcement activity with banks and adult safeguarding partners
- Provide a rapid response service to all victims of doorstep crimes and scams
- Tackle the sale of age-restricted products, particularly alcohol and tobacco, through test purchase operations
- Prevent consumer detriment by improving compliance and tackling problem traders
- Inspect 100% of high-risk food businesses (Risk Category A and B hygiene) to ensure food safety standards are met
- Investigate significant complaints, accident reports and other notifications
- Undertake the statutory review of licensing policies for alcohol and gambling, to be in place by January 2016
- Work proactively with offenders and potential offenders to reduce noise nuisance
- Provide the CCTV monitoring service for town centres and other key areas
- Oversee the refurbishment of the CCTV control room
- Develop a computerised system for contaminated land reporting
- Depending on the result of the new lease negotiations, analyse and expand the current noise plan for Biggin Hill

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 2014-15 we have:

- Improved health outcomes for those with health needs through improved prevention of cardio vascular disease, through the diabetes prevention project and NHS Health Checks evaluation. This included promoting and encouraging those at risk of developing heart disease, stroke, diabetes, kidney disease or types of dementia to receive a Health Check to help them take action to avoid, reduce or manage their conditions
- Promoted emotional and health and wellbeing in young people through the self-harm prevention strategy. This included mentoring training for teachers

Now we plan to:

- Improve prevention of cardiovascular disease through the monitoring and review of the NHS Health Checks programme and evaluation and review of the diabetes prevention project
- Focus on the promotion of emotional 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 services and activity provide value- for- money and where we continue to provide services these are customer focused 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
- Financial Strategy 2015-16 to 2018-19
- Financial Control Budget 2015-16
- Customer Access Channel Strategy
- Customer Service Charter
- Equality/Service Impact Assessment Process
- Complaints, Comments and Suggestions policies
- Human Resources Strategy
- Health and Wellbeing Strategy
- Localised Pay and Conditions

DEVELOPMENT CONTROL COMMITTEE 2014/15

During the year, the Committee progressed a number of major proposals. Schemes now under construction include the change of use, restoration and part redevelopment of the statutory Listed Hayes Court, and the large mixed use development at Bromley South comprising a cinema, 200 flats, a hotel, retail units, restaurants and a drinking establishment. Work has also commenced at the major redevelopment of the remaining Glaxo commercial site in Beckenham.

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

- Dealing with over 4000 planning applications
- Investigating over 800 alleged breaches of planning control and serving 120 enforcement notices
- Making 17 new tree preservation orders bringing the borough total to 2612 and determining 749 applications for works to protected trees
- 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)
- Alongside the role as collecting authority for the Mayor's Community Infrastructure Levy, implemented the CIL regulations and latest amendments
- Responded to Government Consultations on changes to Permitted Development Rights, Planning and Travellers, and responded to neighbouring authorities' consultations
- Made representations at the Examination into the Mayor's Further Alterations to the London Plan and maintained an overview of the progression of the FALP
- Progressed the preparation of the Borough's Local Plan
- Preparation and publication of Bromley's Five Year Housing Land Supply Paper
- Preparation and publication of Bromley's Authority Monitoring Report
- Agreeing a revised Local Development Scheme for the preparation of the Local Plan and a local Bromley Community Infrastructure Levy
- Ensuring the Council's Supplementary Development Documents are reviewed and updated in line with legislative and policy changes

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 and London wide planning policy and related matters.

COUNCIL MEETINGS

Around 200 meetings were held during 2014/15, most of which were open to the public and media. The full Council met on 7 occasions (including the annual meeting.)

Copies of the agenda and reports for meetings are available on the Council website (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 Council and Democracy pages of the Bromley Council's web site at 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 simple as possible for people to give us their comments and our on-line complaint form is easy to use. Help is available from staff, voluntary agencies or local councillors. The names and contact details of our councillors are available on our website.

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 or telephone 0300 061 0614.

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

ENVIRONMENTAL REPORT

Background

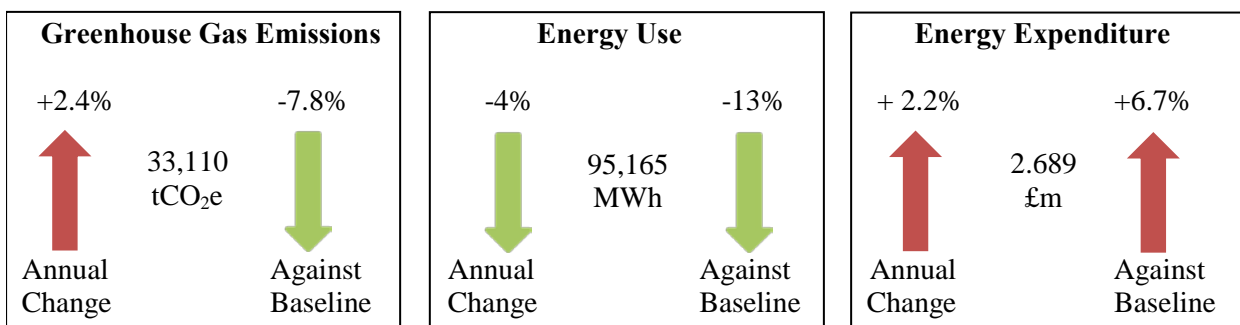
Using natural resources efficiently generally leads to financial efficiency and so the Council has presented environmental and related financial information as a sustainability section in its Annual Report since 2010/11. This report sets out the Council's use of resources and environmental impacts as an organisation, as opposed to being an assessment of the environmental impact of service delivery or a state of the environment report.

The 2014/15 HM Treasury guidance ([Public sector annual reports: sustainability reporting guidance](#)) details minimum reporting requirements for central government bodies and agencies. These rules are to be updated for 2015/16 reporting. Local government is not required to produce such reports but the rules constitute best practice and are part of a growing trend (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. Bromley Council's sustainability reporting was recently benchmarked by PriceWaterhouseCoopers, which identified several areas of good communication alongside areas for development, which have been addressed in writing this report.

We live in challenging economic times and the Council needs to make significant savings over the next few years. It therefore makes sense to consider and report on the role that resource efficiency plays in making the Council more financially efficient and how it contributes to the longer-term stability of the Council's finances. This golden thread runs through the Council's long-term vision statement 'Building a Better Bromley', and the various annual Portfolio Plans which underpin the delivery of Council services. Of course, taking action to reduce energy, water, paper or waste not only releases financial resources for front-line services but also directly benefits the environment, and this is driven by the Council's second five-year [Carbon Management Programme](#). Some activity, such as in relation to schools, is partly outside the Council's direct control but can still be influenced through, say, the provision of environmental information. And more broadly, the Council can influence suppliers through its Sustainable Procurement Policy - for instance by considering whole-life costing, as part of achieving value-for-money, during the procurement process.

Failing to take action to control resource use and overheads presents a real risk both to the Council's finances and reputation. Equally, scrutinising data and taking effective action can identify opportunities for even greater improvement and efficiency. This will become increasingly important as the Council reduces its size – plainly there should be a similar, if not greater, reduction in impacts relating to spend and employee numbers. This report seeks to be transparent in setting out the Council's performance – both good and bad – in reducing its environmental impacts and costs: more detailed information may be found in the Council's Greenhouse Gas Emissions: 2014/15 Performance Report.

Performance Summary



The above data shows how the Council's energy use (which comprises >90% of the measured impacts) relates to greenhouse gas emissions and financial costs. This data shows that in 2014/15 energy use fell compared with 2013/14 and also against baseline (2012/13). However, because energy prices rose more than energy use fell, the Council's costs increased both annually and against baseline. Similarly, because the emissions factors used to calculate 2014/15's data were higher than those used in 2013/14 there was an increase in annual greenhouse gas emissions (despite the fall in energy use). Clearly had no action been taken to reduce energy consumption, the financial cost and emissions would have been significantly greater.

Carbon Management Programme

The information in this report is derived from the Council’s Carbon Management Programme, which is designed to reduce energy consumption, costs and carbon emissions – measured in terms of tCO₂e (tonnes of carbon dioxide equivalent – a metric for comparing the relative impacts of six Greenhouse Gases). 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 tCO₂e) in the Council’s GHG emissions. A second five-year phase (CMP2) commenced in 2013/14, with an ambition to drive down emissions by a further 15% by 2017/18.

It is not possible to directly compare performance between the two CMP phases because:

- a greater number of sites, energy and water meters, and activities are recorded under CMP2
- different GHG emission factors are used each year to convert fuel use / energy consumption / waste and water into a carbon tonnage for reporting purposes. For instance, in 2014 there was an 11% increase in the electricity emission factor compared with 2013
- electricity emissions are now sub-divided into ‘generation’ and ‘transmission/distribution’ losses

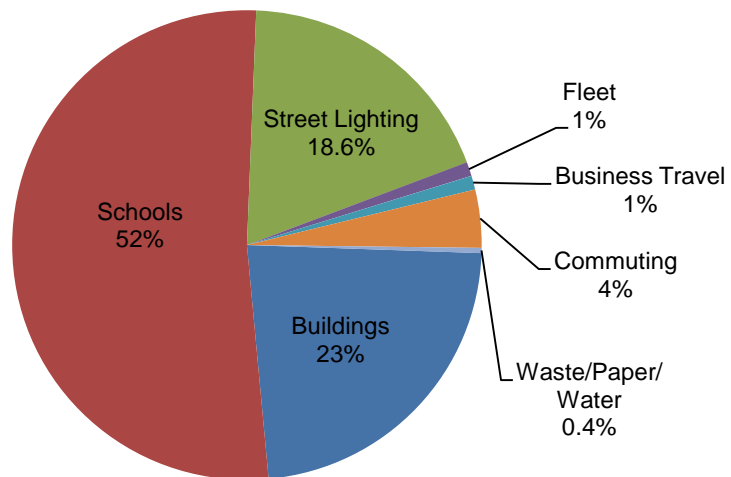
These changes required CMP1’s 2012/13 data to be recalculated to provide a new baseline for CMP2 against which to measure progress (from 2013/14 to 2017/18).

Scope of Activity

Bromley’s CMP2 scope includes:

- Buildings: energy use in both Schools and Council buildings
- Street Lighting: including lit signs, bollards, and crossing beacons
- Commuting: journeys to/from work by rail, bus travel, car and motorbike
- Fleet and Business Travel: transport used on Council business
- Waste Management: Civic Centre
- Water Consumption: 48 Council buildings
- Paper consumption: Council

CO₂e Emissions by Activity 2014/15



**Fugitive emissions (e.g. refrigeration or air conditioning gases) were excluded due to lack of available data*

Measuring Carbon Intensity

Carbon intensity provides a measure of how efficiently emissions are being generated relative to chosen metrics. Each metric has strengths and weaknesses but two are considered here to show our carbon efficiency:

- expenditure (tonnes CO₂e per £1 million net expenditure, excluding schools), with a low figure indicating carbon efficiency from a financial point of view
- employees (tonnes CO₂e per full-time employee, for Council operational buildings), again with a low figure indicating carbon efficiency from a staffing point of view

Carbon intensity relative to expenditure fell by 14% against baseline but increased by 2.4% compared with 2013/14; however, this was largely due to the change in GHG emission factors (energy use actually fell). Carbon intensity relative to staff numbers increased by 14% against baseline and increased by 9% compared with 2013/14 due to a combination of the change in GHG emission factors and the fact that energy consumption and operational building stock has yet to decrease in line with the reduction in staff numbers.

Performance Assessment

The table below assesses performance for the last three years of CMP1 and the first two years of CMP2 (and the updated CMP2 2012/13 baseline).

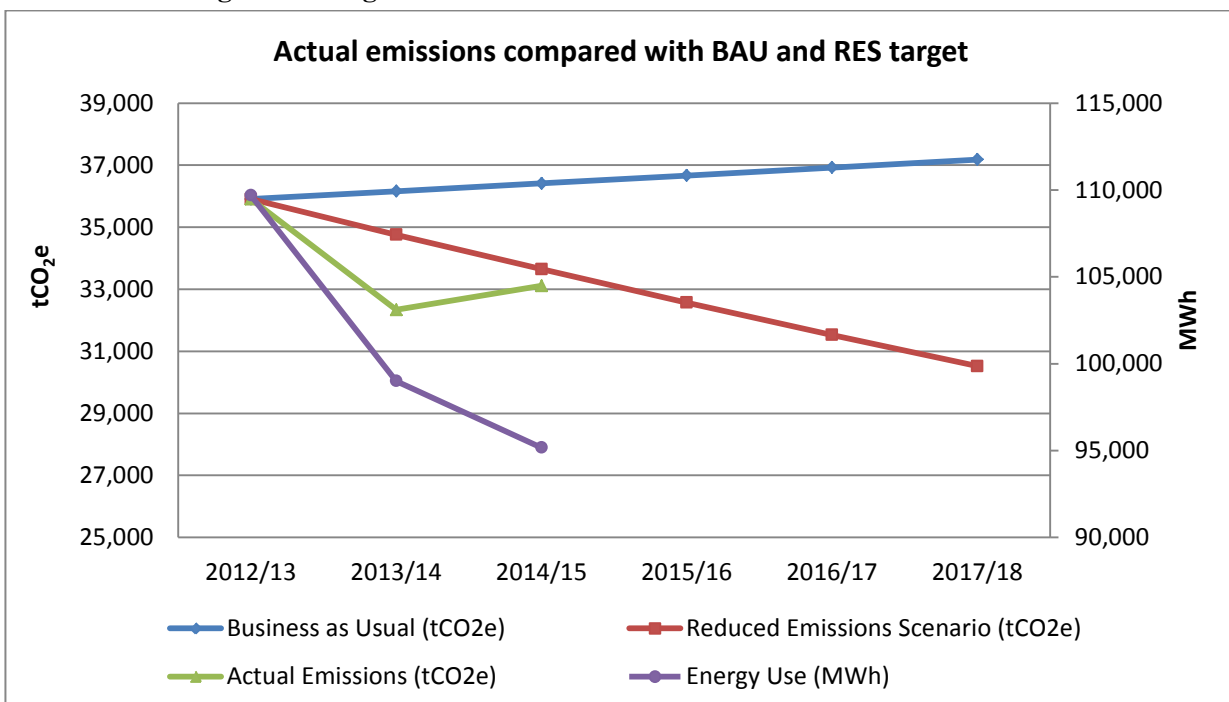
Impacts	CMP 1			CMP 2*		
	2010/11	2011/12	2012/13	2012/13	2013/14	2014/15
Greenhouse Gas Emissions (tCO ₂ e)	28,633	27,012	27,786	35,907	32,335	33,110
Net Portfolio Expenditure (£,000)	213,765	199,509	182,212	182,212	195,892	195,474
Carbon Intensity (tCO ₂ e / £m expenditure)	134	135	152	197	165	169
Carbon Intensity (tCO ₂ e/ full time employee)	-	-	-	4.3	4.5	4.9
Electricity Use (buildings) (MWh)	21,288	22,809	20,822	27,255	26,490	26,143
Electricity Use (street lighting) (MWh)	13,417	13,252	13,464	13,464	12,680	11,493
Gas Consumption (buildings) (MWh)	53,124	42,444	51,386	66,826	57,804	55,651
Total Energy Expenditure (elec. & gas, street lighting, transport fuel & heating oil) (£,000)	2,616	2,483	2,521	2,521	2,632	2,689
Civic Centre Waste Disposal (landfill/incineration) (tonnes)	98	98	93	93	80	80
Civic Centre Waste Expenditure (landfill/incineration costs) (£)	8,443	9,083	8,875	8,875	8,127	8,514
Civic Centre Water Consumption (m ³)	-	15,862	14,415	14,415	17,066	13,973
Civic Centre Water Expenditure (£)	-	30,064	28,918	28,918	36,534	30,988

* CMP2 records more sites, meters and activities and uses different emission factors, so it's not possible to make a direct comparison between CMP1 and CMP2's performance

The graph below shows two modelled scenarios: 'Business as Usual' where no action is taken to reduce carbon emissions (resulting in emissions rising to more than 37,000 tCO₂e over five years) and a 'Reduced Emissions Scenario' where emissions are actively reduced by 3% per annum to 30,500 tCO₂e by 2017/18.

During 2014/15 energy use (which accounts for the majority of our emissions) fell significantly compared with both baseline and 2013/14, which shows progress. Despite this reduction in energy use, because the 2014/15 emissions factors were higher than those used in 2013/14, our emissions actually increased over the year to 33,110 tCO₂e. That said, there has been an 8% decrease in emissions compared to 2012/13 baseline.

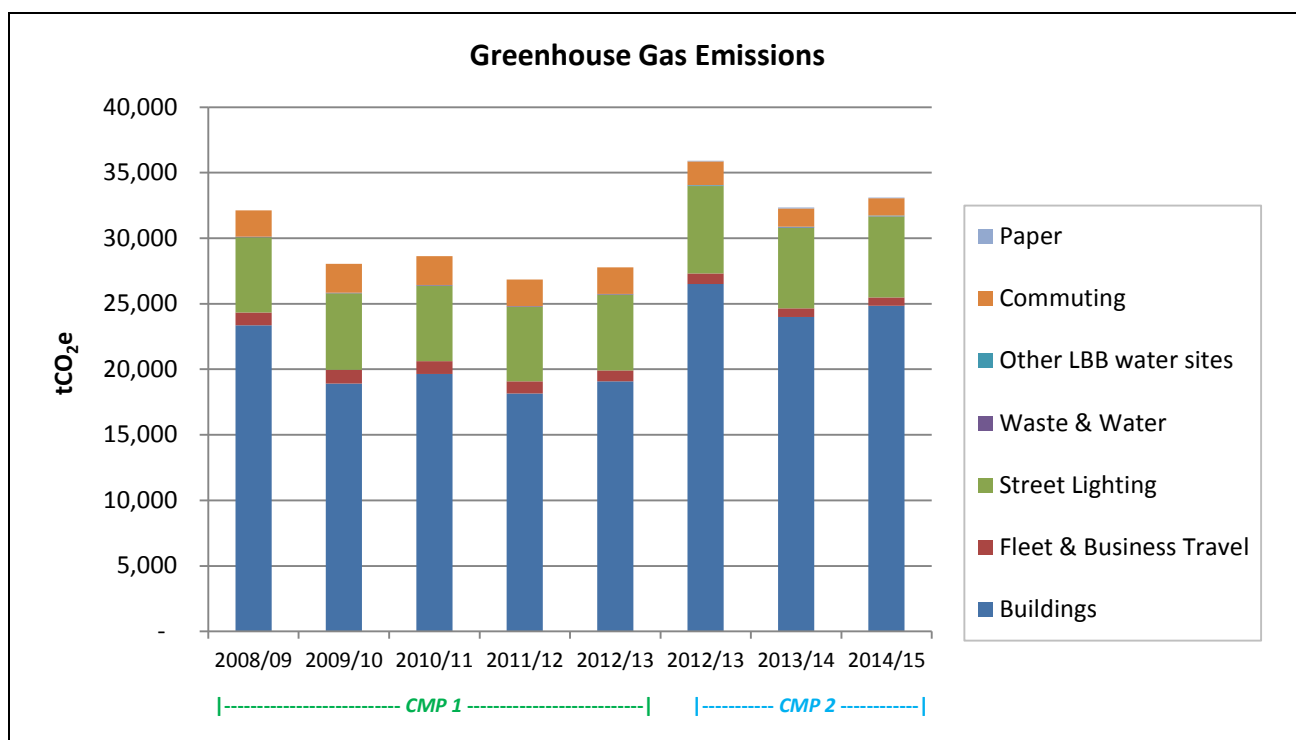
CMP2: Our Target and Progress to Date



Sustainability Report

The following sections show progress since 2010/11, including information on: Greenhouse Gas emissions arising from gas, electricity and fuel use; waste arisings (Civic Centre only); and water use. Information on climate change adaptation, biodiversity, stakeholder engagement, procurement and governance is also included, illustrating the broader links between Council activity and environmental quality and impacts.

Greenhouse Gas Emissions		CMP 1			CMP 2		
		2010/11	2011/12	2012/13	2012/13	2013/14	2014/15
Non-financial indicator (tCO ₂ e)	Buildings	19,636	18,157	19,092	26,504	23,997	24,854
	Fleet/Business Travel	991	917	827	802	666	635
	Street Lighting	5,769	5,699	5,790	6,683	6,132	6,178
	Water/Waste (Civic Centre)	48	50	48	24.5	26	23
	Water (other sites)	-	-	-	45	53	46
	Commuting	2,189	2,029	2,029	1,794	1,402	1,323
	Paper	-	-	-	54	59	51
	GHG Emissions	28,633	26,852	27,786	35,907	32,335	33,110
Energy use (MWh)	Electricity (inc. St. Lt.)	34,705	36,061	34,286	40,719	39,170	37,637
	Gas	53,124	42,444	51,386	66,826	57,804	55,651
	Heating Oil	2,420	1,769	2,318	2,147	2,022	1,877
	Energy Use	90,249	80,274	87,990	109,692	98,996	95,165
Financial indicators (£,000)	Energy (exc. schools)	2,616	2,483	2,521	2,521	2,632	2,689
	Business Travel	1,033	944	846	846	785	720



Performance Commentary

CMP2 emissions are higher than in CMP1 because more sites, meters, and activities are now recorded. Although 2014/15 emissions have fallen by 7.8% against baseline, they have risen since 2013/14 by 2.4%. This rise is due to a change in emissions factors rather than an increase in energy use (which actually fell).

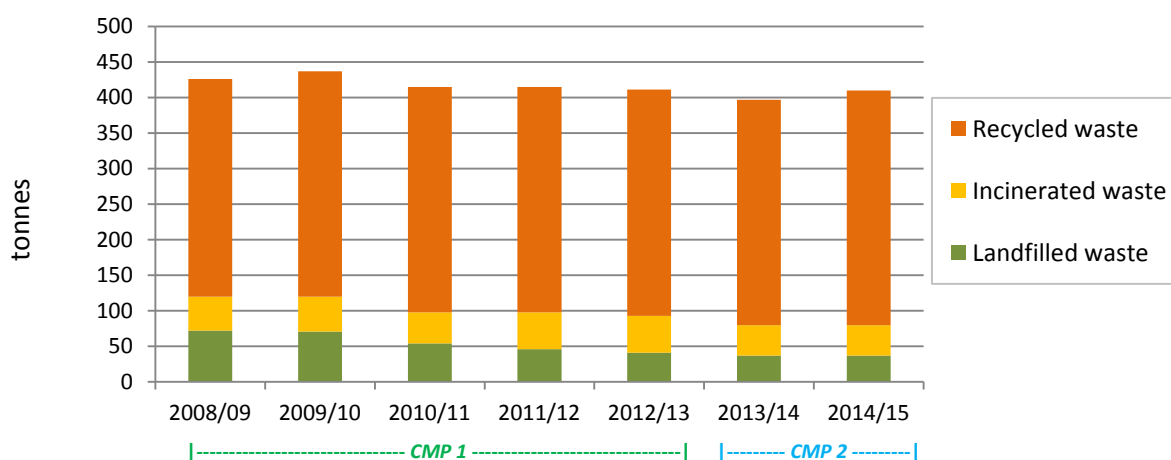
- Buildings emissions (inc. schools) have fallen by 6.2% against baseline but rose by 3.6% year-on-year.
- Street Lighting emissions fell by 7.6% against baseline but rose by 0.8% compared with last year despite there being a 9.4% decrease in electricity use (due to the Invest-to-Save programme) illustrating the impact of the change in emissions factors.
- Commuting emissions have fallen by 26.3% since baseline and 5.6% annually, reflecting fewer staff
- Fleet / Business travel has similarly fallen (20.8% and 4.7%), reflecting fewer vehicles and trips

Waste Disposal & Water Consumption

This section deals with Civic Centre waste disposal – rather than borough-wide waste management which is reported elsewhere – and water use at 48 operational property sites, including the Civic Centre.

Waste (Civic Centre Only)		CMP 1			CMP 2		
		2010/11	2011/12	2012/13	2012/13	2013/14	2014/15
Non-financial indicator (t)	Recycled waste	317	317	318	318	317	330
	Landfilled waste	54	46	41	41	37	37
	Incinerated waste	44	52	52	52	43	43
	Total waste collected	415	415	411	411	397	411
Financial Indicator (£)	Cost of landfilled waste	5,444	5,238	5,003	5,003	4,837	5,224
	Cost of incineration	2,999	3,845	3,872	3,872	3,290	3,290
	Total disposal cost	8,443	9,083	8,875	8,875	8,127	8,514
Emissions (tCO ₂ e)	Landfilled waste	-	-	-	1.1	0.9	0.9
	Incinerated waste	-	-	-	8.2	7.4	7.4

Civic Centre Waste Management



Performance Commentary

The scope (Civic Centre waste only) hasn't changed since CMP1 and so it is possible to compare historic data. The chart above shows Civic Centre waste tonnages, which have always been approximately 400tpa. Total waste increased during 2014/15 by 3.3% but reduced by 0.2% compared with CMP2 baseline (2012/13). All of the annual increase in waste (3.3%) was recycled and the recycling rate increased slightly to 80.4%. Waste tonnages sent to landfill or incineration are converted, using emissions factors, and equalled 8.3 tCO₂e in 2014/15. In 2014/15, energy was recovered from the 43t of waste incinerated at South East London Combined Heat and Power – which generated 21,500 kWh of electricity. 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. Waste management options accord with the waste hierarchy's preference for incineration with energy recovery over landfill (which is less environmental and incurs significant amounts of landfill tax).

Finite Resource Consumption: Water

The Council records water consumption data on its energy management system to identify demand management opportunities, billing errors, leaks, metering issues, and abatement opportunities. The baseline data (2012/13) covered 59 sites, which reduced to 52 sites in 2013/14. Water use data is currently (2014/15) captured from 48 operational (i.e. non-school) buildings. This downward trend is due to site closures (e.g. public toilets) and may be expected to continue in future as the Council reduces the size of its operational property portfolio. Consumption is currently at a similar level to the baseline year at approximately 58,000 m³ and carbon emissions are approximately 61 tCO₂e. Current performance is an improvement on 2013/14's performance but this is, in part, due to a major leak which has now been resolved.

Climate Change Adaptation

The climate is changing and the government's [National Adaptation Programme](#) (NAP) is designed to ensure the country is prepared for severe weather events (whether heat waves, droughts, floods or snow) and to improve national resilience. The NAP 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". 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 wider regional response is required to complement local action. The London Climate Change Partnership provides practical advice to help decision-makers address resilience issues affecting the boroughs, such as infrastructure, local economy, public health and service provision. The Council will, for its part, endeavour to keep the borough moving and safe during adverse weather and will continue to increase local resilience by publishing a Local Flood Risk Strategy during 2015/6 and refreshing the Winter Service policy and plan.

Biodiversity and Natural Environment

'A Quality Environment' is one of the Council's Building a Better Bromley priorities and there is also a service focus on Enhancing Bromley's Parks & Green Spaces – set out in Outcome 3 of the 2015/18 Environment Portfolio Plan. Council expenditure directly affects biodiversity through the management of more than 150 parks and open spaces. In particular, the new Wholly Managed Parks Service will not only deliver contracted grounds maintenance services but will also work in partnership with the volunteer community – including securing external funding for improvements. The Council's oversight of the borough's natural environment is set out in the newly published Bromley Biodiversity Plan 2015-20. In terms of species management, more than 100k records have been logged and some 90 Sites of Importance for Nature Conservation have been designated in the Bromley Local Plan. Biodiversity action includes managing five Local Nature Reserves and three Sites of Special Scientific Interest – supported through Higher Level Stewardship and Woodland Improvement Grants.

Stakeholder Engagement

Bromley Council continues to engage in a dialogue with stakeholders regarding key sustainability issues: indeed this is one of the key reasons for including this report in the Council's Annual Report. Importantly, the Council seeks to be transparent in its environmental reporting and continues to publish an annual Greenhouse Gas Emissions Report on Bromley.gov.uk to ensure everyone can access our data and appreciate how environmental management issues are progressing. The Council's Environment Portfolio Plan – although chiefly service-related – also offers an opportunity for public engagement on sustainability issues, as does the activity of the Bromley Sustainable Schools Forum. Professional engagement is also important and the Council partners with organisations such as London Energy Project and Laser Bureau Service to add objectivity, achieve value-for-money in our energy procurement, and improve resource management.

Sustainable Procurement

Sustainable Procurement concerns ensuring 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 and minimising environmental impacts. For instance, the Street Lighting invest-to-save programme not only reduces maintenance and energy costs but it also reduces carbon emissions and improves the quality of the streetscene. The Council spends approximately £195 million each year with some 3,000 suppliers and each transaction will have associated environmental and social effects. In addition, Bromley's Procurement Strategy includes a sustainable procurement policy and whole-life costing is incorporated into the Council's Contract Procedure Rules. Council guidance to officers writing Gateway Reviews, prior to tendering contracts, identifies the need to address sustainability / impact assessments and consider the requirements in the Public Services (Social Value) Act 2012 in identifying how the proposal might improve the economic, social and environmental well-being of the relevant area.

Governance

The activity in this report – aligning our environmental and financial stewardship – takes place within the Council's ambition to be seen as excellent in the eyes of local people, including 'scrutinising everything we do and how we do it to provide efficient services'. The 2015/18 Environment Portfolio Plan supports this ambition in terms of delivering a 'Quality Environment' and effectively defines the Council's environment policy in the short to mid-term. In addition to Member scrutiny of the Portfolio Plans through the Policy Development & Scrutiny committee system, senior officers provide strategic oversight in respect of carbon and environmental management activity to ensure the objectives continue align with those of the Council.

APPROVAL OF THE STATEMENT OF ACCOUNTS

I hereby confirm that the Statement of Accounts for the year ending 31st March 2015, as signed by the Director of Finance on the 17th September 2015, has been approved by the General Purposes and Licensing Committee of the London Borough of Bromley at its meeting on 17th September 2015.

Councillor Tim Stevens
Chairman of the General Purposes and Licensing Committee
17th September 2015

EXPLANATORY FOREWORD

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2014/15. This statement summarises the financial performance of the Council during the year and the financial position at 31st March 2015.

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 Business 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 and other residual functions transferred from the London Residuary Body which wound up the affairs of the Greater London Council (GLC) and Inner London Education Authority (ILEA).

EXPLANATORY FOREWORD

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	213.82	197.34	(16.48)
Funded by:			
Grants, Council Tax and Business Rates	(212.27)	(212.55)	(0.28)
Carry Forwards from 2013/14	(1.55)	-	1.55
Increase in General Reserves	-	(15.21)	(15.21)
Contribution from General Reserves to Investment Fund	-	15.21	15.21
Variation in General Reserves	-	-	-

Revenue Summary

The 2015/16 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 '2015/16 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 will lead to significant further reductions in government funding particularly as health and education remain 'protected' by central government.

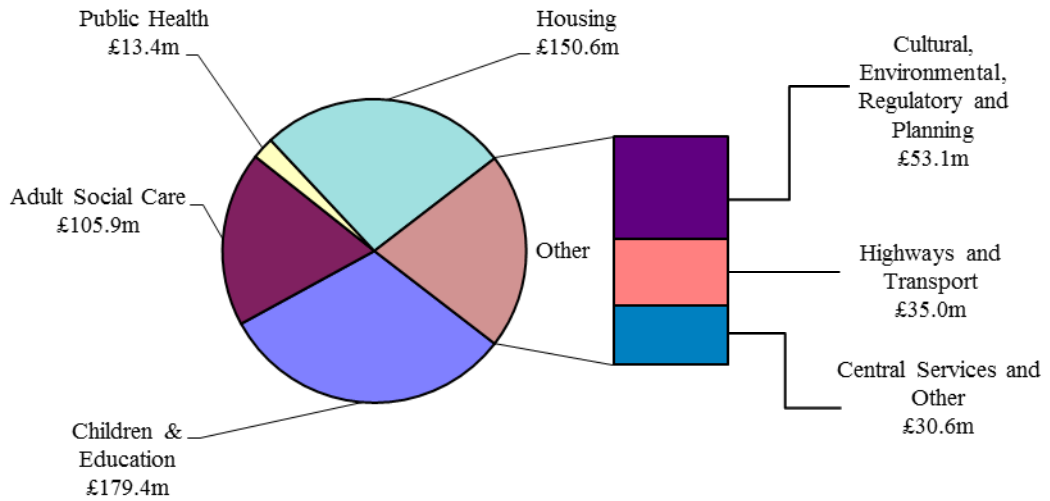
The 2014/15 outturn identifies underspends from prior year adjustments, departmental spend and the Council's central contingency sum. In addition, there are savings from the early release of 2015/16 budget savings and changes to the treasury management strategy to improve investment returns. The underspends 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.

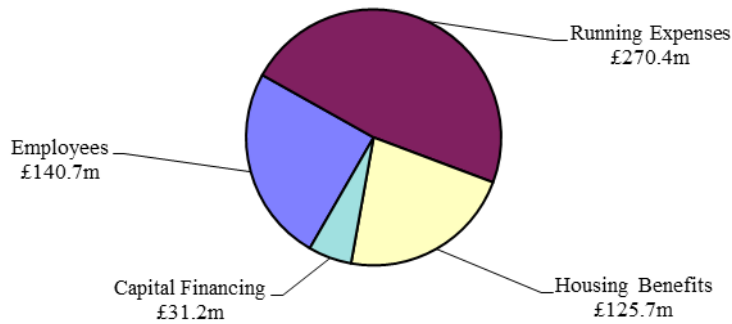
Further details of the variations in 2014/15 were reported to the Council's Executive on the 10th June 2015 and are available through <http://sharepoint.bromley.gov.uk/default.aspx>. The overall pattern of the Council's total income and expenditure is summarised in the graphs on page 4.

EXPLANATORY FOREWORD

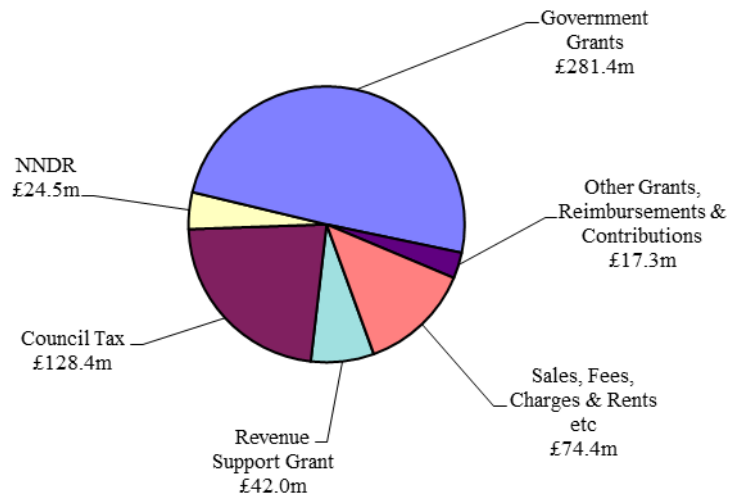
Services Provided - £568.0m



Gross Expenditure - £568.0m



Gross Income £568.0m



EXPLANATORY FOREWORD

Capital Summary

Capital expenditure totalled £53.3m (including acquisitions recognised as finance leases) compared with the final approved estimate of £52.5m. Capital expenditure was fully financed from Government grants, other external contributions, revenue contributions and capital receipts without recourse to general reserves. Further details of capital financing are shown in the notes to the accounts (note 40).

The Council generated new capital receipts of £8.3m in 2014/15 and, during the year, £1.4m 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 2015 which is available through <http://sharepoint.bromley.gov.uk/default.aspx>.

Investments

At the year end, the Council held significant investments totalling £255.8m (principal sum). These investments generated net income (£3.4m in 2014/15 compared to £2.2m in 2013/14) to support the revenue budget. This resulted in a surplus on interest on balances (total outturn of £3.441m against a budget of £1.591m). The investments represent the Council's general and earmarked reserves, provisions and net working capital.

Pension Fund

During 2014/15 the net assets of the Pension Fund increased by £116.2m (18.5%).

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 45). This liability has a significant negative effect on the net worth of the Council. However, the Council plans that the deficit on the scheme will be made good by increased employer contributions over a 15 year period from 1st 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 £45.0m and the balance sheet has been reduced accordingly. There were no material revenue or capital write offs during 2014/15.

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.

EXPLANATORY FOREWORD

There have been increasing demands on 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, diversified growth funds and property investment funds which aim to 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

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 London Borough of Bromley's financial statements (the "financial statements"):

- give a true and fair view of the state of the Authority's affairs as at 31 March 2015 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 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

What we have audited

The financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Comprehensive Income and Expenditure Statement for the year then ended;
- the Movement in Reserves Statement for the year then ended;
- the Cash Flow Statement 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 the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 supported by the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

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.

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.

AUDITORS' REPORT

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, 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 2014/15 and the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15.

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.

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.

We primarily focus our work in these areas by assessing the Director of Finance's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and 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.

AUDITORS' REPORT

Report on the pension fund accounts

Our opinion

In our opinion, the pension fund accounts contained within the Statement of Accounts of the London Borough of Bromley (the "pension fund accounts"):

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015, and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; 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 2014/15.

What we have audited

The pension fund accounts comprise:

- the Net Assets Statement as at 31 March 2015;
- 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 the preparation of the financial statements is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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.

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.

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, 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 2014/15.

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.

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

AUDITORS' REPORT

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.

We primarily focus our work in these areas by assessing the Director of Finance's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and 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

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 13 October 2014, 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 2015.

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 13 October 2014, 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 2015.

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.

AUDITORS' REPORT

Certificate

TBC

Katy Elstrup (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

September 2015

- (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

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 106 give a true and fair view of the financial position of the Authority as at 31st March 2015 and of its income and expenditure for the year ended 31st March 2015.

Peter Turner
Director of Finance
17th September 2015

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

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
Balance at 31st March 2014	20,000	109,788	21,987	23,699	175,474	555,911	731,385	
Movement in Reserves during 2014/15								
Surplus or Deficit on the provision of services	(38,951)	-	-	-	(38,951)	-	(38,951)	
Other Comprehensive Income and Expenditure	-	-	-	-	-	(26,241)	(26,241)	
Total Comprehensive Income and Expenditure	(38,951)	-	-	-	(38,951)	(26,241)	(65,192)	
Adjustments between accounting basis & funding basis under regulations	40,224	-	6,863	(1,090)	45,997	(45,997)	-	7
Net Increase / (Decrease) before Transfers to Earmarked Reserves	1,273	-	6,863	(1,090)	7,046	(72,238)	(65,192)	
Transfers to Earmarked Reserves	(1,273)	1,273	-	-	-	-	-	8
Increase / (Decrease) in 2014/15	-	1,273	6,863	(1,090)	7,046	(72,238)	(65,192)	
Balance at 31st March 2015	20,000	111,061	28,850	22,609	182,520	483,673	666,193	

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.

2013/14			2014/15				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000	Notes	£000	£000	£000	
6,543	(4,494)	2,049	Central Services to the Public	5,618	(4,093)	1,525	
26,615	(2,877)	23,738	Cultural and Related Services	27,591	(1,958)	25,633	
31,303	(5,755)	25,548	Environmental and Regulatory Services	31,090	(6,133)	24,957	
5,476	(2,505)	2,971	Planning Services	5,006	(2,699)	2,307	
199,320	(155,303)	44,017	Children's and Education Services	191,734	(143,156)	48,578	
37,323	(16,557)	20,766	Highways and Transport Services	37,605	(17,069)	20,536	
149,830	(137,778)	12,052	Housing Services	147,516	(137,855)	9,661	
101,133	(30,831)	70,302	Adult Social Care	100,188	(32,120)	68,068	
12,374	(13,590)	(1,216)	Public Health	13,837	(13,133)	704	
5,800	-	5,800	Corporate and Democratic Core	4,772	-	4,772	
(809)	-	(809)	Non Distributed Costs	(2,960)	-	(2,960)	
574,908	(369,690)	205,218	Cost of Services	561,997	(358,216)	203,781	
66,393	(1,070)	65,323	Other Operating Expenditure	9	56,560	(1,619)	54,941
5,796	(6,591)	(795)	Financing and Investment Income and Expenditure	10	5,730	(8,925)	(3,195)
-	(220,482)	(220,482)	Taxation and Non-Specific Grant Income	11	-	(216,576)	(216,576)
647,097	(597,833)	49,264	Deficit on Provision of Services	624,287	(585,336)	38,951	
		(11,740)	Surplus on Revaluation of Property, Plant & Equipment Assets	26		(9,311)	
		19,264	Impairment Losses on Non-Current Assets Charged to the Revaluation Reserve	26		26,593	
		240	(Surplus) / Deficit on Revaluation of Available for Sale Financial Assets	26		(1,213)	
		(127,808)	Remeasurements of the Net Defined Benefit Liability	45		10,172	
		(120,044)	Other Comprehensive Income and Expenditure			26,241	
		(70,780)	Total Comprehensive Income and Expenditure			65,192	

BALANCE SHEET

The Balance Sheet shows the value as 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'.

31st March 2014 Restated £000		Notes	31st March 2015 £000
610,155	Property, Plant and Equipment	12	523,287
1,017	Heritage Assets	13	1,017
71,548	Investment Property	14	96,724
39,270	Long Term Investments	15	196,473
3,333	Long Term Debtors	15	3,506
725,323	Long Term Assets		821,007
139,064	Short Term Investments	15	38,908
11,403	Assets Held for Sale (<1yr)	16	8,306
272	Inventories	17	224
24,140	Short Term Debtors	19	19,970
69,698	Cash and Cash Equivalents - Investments	15	22,323
244,577	Current Assets		89,731
4,854	Cash and Cash Equivalents	20	2,658
2,328	Short Term Borrowing	21	2,364
9,100	Provisions	22	10,962
59,987	Short Term Creditors	23	56,237
14,908	Grants Receipts in Advance - Revenue	37	14,860
6,032	Grants Receipts in Advance - Capital	37	6,447
97,209	Current Liabilities		93,528
141,306	Other Long Term Liabilities	24	151,017
141,306	Long Term Liabilities		151,017
731,385	Net Assets		666,193
175,474	Usable Reserves	25	182,520
555,911	Unusable Reserves	26	483,673
731,385	Total Reserves		666,193

The restatement of the 2013/14 Inventories and Short Term Debtors figures is due to the Council no longer treating property rechargeable works as inventories.

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.

2013/14		Notes	2014/15
£000			£000
49,264	Net Deficit on the Provision of Services		38,951
(112,214)	Adjustments to Net Deficit on the Provision of Services for Non-Cash Movements	27	(78,069)
28,434	Adjustments for Items Included in the Net Deficit on the Provision of Services that are Investing and Financing Activities	27	23,798
<u>(34,516)</u>	Net Cash Flows from Operating Activities		<u>(15,320)</u>
739	Investing Activities	28	71,681
<u>(4,041)</u>	Financing Activities	29	<u>(11,182)</u>
(37,818)	Net (Increase) or Decrease in Cash and Cash Equivalents		45,179
(27,026)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(64,844)
<u>(64,844)</u>	Cash and Cash Equivalents at the End of the Reporting Period	20	<u>(19,665)</u>

Notes to the Core Financial Statements

1 Statement of Accounting Policies

1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. 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 2014/15 and is based on International Financial Reporting Standards. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared with reference to:

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

2 Accruals of Income and Expenditure

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

- Revenue from sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those services provided by employees) are recorded as expenditure when services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (see Note 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 (£22.3m as at 31st March 2015) 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

1 Statement of Accounting Policies continued

4 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.

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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. 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 and amortisation 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 entitlements 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 at the earlier of when the council can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

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

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 45.

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 2014/15, this discount rate was 3.4% compared to 4.4% in 2013/14. 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 2014/15 (an increase of £8m). Movements in the Pensions Reserve balance are explained in more detail in Note 45.

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 the following components:

a) Service Cost comprising:

- current service cost (the increase in liabilities as a result of years of service earned in the current 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.

Notes to the Core Financial Statements

1 Statement of Accounting Policies continued

7 Employee Benefits continued

b) Net interest cost:

- the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Net Operating Expenditure (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 41.

Notes to the Core Financial Statements

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 discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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 49.

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 49. 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.

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 and expenditure 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

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 2015, 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

1 Statement of Accounting Policies continued

16 Overheads and Support Services

The costs 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 2014/15 (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 2014 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
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- 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

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 subsequently reversed, 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

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

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 42.

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 47) where it is probable that there will be an inflow of economic benefits or service potential.

Notes to the Core Financial Statements

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 the initial year of its second phase, which ends in March 2019. 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

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 Local Authority Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore the transactions, cash flows and balances of 37 local authority controlled schools are recognised in each of the financial statements of the authority as if they were transactions, cash flows and balances of the authority.

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 2015/16 has introduced a number of changes in accounting policies which are due to be implemented on 1st April 2015. 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 13 Fair Value Measurement

The standard now has a consistent definition of fair value introduced by IFRS 13 Fair Value Measurement. Local Authorities shall measure their assets and liabilities and provide disclosures in accordance with IFRS 13 Fair Value Measurement where another section of the Code requires or permits fair value measurement. There are no statutory disclosures required in relation to fair value measurement and therefore no impact as a result of changes in IFRS 13.

2 Annual Improvements to IFRSs 2011-2013 Cycle

The issues included in the Annual Improvements to IFRSs 2011 - 2013 cycle are:

IFRS 1 Meaning of effective IFRSs;

IFRS 3 Scope exceptions for joint ventures;

IFRS 13 Scope of paragraph 52 (portfolio exception); and

IAS 40 Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

The adoption of the Annual Improvements to IFRSs 2011-2013 Cycle in the Code represents a change in accounting policy that may require the publication of a restated Balance Sheet in the 2015/16 Financial Statements, where the changes brought about by the amendment to standards are material. CIPFA/LASAAC considers it possible but unlikely that the amendments introduced by Annual Improvements to IFRS 2011-2013 Cycle are such a change in accounting policy, therefore these amendments have no impact on the 2014/15 accounts.

3 IFRIC 21 Levies

IFRIC 21 Levies provides guidance on levies imposed by government, government agencies and similar bodies, in the financial statements of entities paying the levy. The IFRIC relates to when to recognise a liability to pay a levy that is accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Where an authority considers it has relevant transactions, it shall refer to IFRIC 21. As these amendments relate to 2015/16 there is no impact on the 2014/15 accounts.

Notes to the Core Financial Statements

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 2015 was £4,287k.
- 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 2015, 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). Notification was received in May 2015 that a further unspecified distribution will be made to creditors in August 2015.

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 2015 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 (VOA) 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. Other positive factors included favourable investment returns during the year and improved market conditions, which reduced the value placed on the liabilities. In 2014/15, the net liability rose slightly from £140m to £148m, which, as in 2012/13, was mainly due to interest on liabilities being higher than interest on assets.

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

Arrears

Uncertainties

At 31st March 2015, the Authority had a balance of sundry debtors of £7,535k. A review of the category, age and status of these debts suggested that an impairment of doubtful debts of 14.8% (£1,119k) was appropriate.

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 2014/15, seven of the Council's Primary Schools adopted academy status (8 in 2013/14). In addition, a former residential home was donated to an Academy for use as a school. As a result Property, Plant & Equipment values, totalling £55.1m (£64.9m in 2013/14), 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 £55.1m has been posted in 2014/15 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 £14.7m (£11.3m in 2013/14) 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 £55.1m has been reversed out to the Capital Adjustment Account through the Movement in Reserves Statement.

Notes to the Core Financial Statements

6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 17th September 2015. 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

<u>2014/15</u>	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive I&E Statement:</i>				
Depreciation and impairment of non-current assets	(23,584)	-	-	23,584
Movements in the fair value of investment properties	2,525	-	-	(2,525)
Capital grants & contributions applied	16,726	-	-	(16,726)
Revenue expenditure funded from capital under statute	(17,559)	-	-	17,559
Non current assets written off on disposal or sale	(62,167)	-	-	62,167
<i>Insertion of items not debited or credited to the Comprehensive I & E Statement:</i>				
Statutory provision for capital financing	1,083	-	-	(1,083)
Capital expenditure charged against the General Fund	31,225	-	-	(31,225)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,090	(1,090)
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited to the CI&E Statement	7,072	(7,072)	-	-
Use of Capital Receipts Reserve to finance capital expenditure	-	1,432	-	(1,432)
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(4)	4	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	(1,227)	-	1,227
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited to the CI&E Statement	1,577	-	-	(1,577)
Adjustments primarily involving the Pensions Reserve:				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	(15,614)	-	-	15,614
Employer's pension contributions and direct payments to pensioners payable in the year	17,578	-	-	(17,578)
Adjustments primarily involving the Collection Fund Adjustment Account:				
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	902	-	-	(902)
Adjustments primarily involving the Accumulated Absences Account:				
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	16	-	-	(16)
Total Adjustments	(40,224)	(6,863)	1,090	45,997

Notes to the Core Financial Statements

7 Adjustments between Accounting Basis and Funding Basis under Regulations continued

<u>2013/14 Comparative Figures</u>	Usable Reserves			Movement
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	in Unusable Reserves
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive I&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 & E Statement:</i>				
Statutory provision for capital financing	1,154	-	-	(1,154)
Capital expenditure charged against the General Fund	13,681	-	-	(13,681)
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants unapplied credited to the CI&E Statement	7,500	-	(7,500)	-
Adjustments primarily involving the Capital Receipts Reserve:				
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
Adjustments primarily involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited to the CI&E Statement	1,033	-	-	(1,033)
Adjustments primarily involving the Pensions Reserve:				
Reversal of retirement benefits debited or credited to the CI&E Statement (see note 45)	(25,294)	-	-	25,294
Employer's pension contributions and direct payments to pensioners payable in the year	17,687	-	-	(17,687)
Adjustments primarily involving the Collection Fund Adjustment Account:				
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)
Adjustments primarily involving the Accumulated Absences Account:				
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)
Total Adjustments	(73,834)	(10,191)	(7,500)	91,525

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 2013/14 and 2014/15.

	Balance at 31st March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31st March 2015 £000
Balances Held by Schools	6,767	2,967	744	4,544
Insurance Fund	2,981	958	865	2,888
LPSA Reward Grant Investment Fund	296	65	-	231
LAA Reward Grant Investment Fund	750	-	-	750
Technology Fund	1,801	-	23	1,824
Reserve for Potential Redundancy Costs	115	-	1	116
Public Halls Fund	8	1	-	7
Town Centre Improvement Fund	66	-	-	66
Ex Glaxo Land Maintenance	183	7	3	179
Building Control Charging Account	68	68	131	131
Grant Related Expenditure	2,352	2,000	2,021	2,373
Investment to Community Fund	655	31	-	624
Works to Property	100	-	-	100
Investment Fund	51,193	32,818	15,295	33,670
Invest to Save	15,975	4,193	1,561	13,343
Bromley Welcare	29	-	-	29
One-off Member Initiatives	1,162	124	-	1,038
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	99	13	-	86
Health & Social Care - Promise Programme	5,953	-	-	5,953
Housing Strategy Trading Account	29	29	14	14
Community Right to Bid & Challenge	30	-	16	46
Glades Refurbishment	572	475	-	97
Winter Pressures	1,542	-	-	1,542
Impact of Winter Damage - Potholes & Highways	1,000	1,000	-	-
Provision for Emergency Flood Damage	100	100	-	-
Refurbishment of War Memorials	25	9	-	16
Key Health & Social Care Initiatives	1,700	-	-	1,700
Integration of Health & Social Care Initiatives	1,937	228	-	1,709
Cheyne Woods & Cyphers Gate	192	5	-	187
Healthy Bromley Fund	2,670	105	1,250	3,815
Transformation Fund	4,753	429	2	4,326
Future Repairs of High Street Properties	-	-	7	7
Collection Fund Surplus Set Aside	-	-	2,964	2,964
Parrallel Fund	-	-	2,866	2,866
Growth Fund	-	-	10,000	10,000
Health & Social Care Integrated Commissioning	-	-	4,550	4,550
Bromley Youth Music Trust	-	-	77	77
Financial Planning & Risk Reserve	-	-	5,000	5,000
Bromley Welfare Fund	-	-	970	970
PIL Reserve for Temporary Accommodation	-	-	23	23
Business Rate Risk Reserve	-	-	1,200	1,200
	109,788	48,310	49,583	111,061

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 2012/13 and 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	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
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 - 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 &	-	-	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
	85,218	17,790	42,360	109,788

Notes to the Core Financial Statements

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 £1,965k 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.
- 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.
- 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.

Notes to the Core Financial Statements

8 Transfers to/from Earmarked Reserves continued

- 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. In 2014/15, £10m was transferred to the Growth Fund.
- 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.
- 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. In 2014/15, the balance on this fund (£1,185k) was transferred to the Parallel Fund.
- 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. In 2014/15, the balance on this fund (£1,500k) was transferred to the Parallel Fund.
- 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.
- 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.

Notes to the Core Financial Statements

8 Transfers to/from Earmarked Reserves continued

- 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 - funding set aside to meet potential 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.
- Future Repairs of High Street Properties - funding set aside from annual rental income to deal with required repairs and structural work on High Street properties, acquired as part of the Council's investment property portfolio.
- Collection Fund Surplus Set Aside - monies set aside towards meeting the 'budget gap' in 2015/16.
- Parallel Fund - a reserve set up in 2014/15 with the aim of providing for the potential future impact of actuarial reviews of the Council's Pension Fund.
- Growth Fund - an allocation of £10m from the Investment Fund was set aside in 2014/15 as a reserve for investments that support growth initiatives in Biggin Hill, the Cray Valley and Bromley Town Centre.
- Health and Social Care Integrated Commissioning - a reserve set up from one off funding from the Bromley Clinical Commissioning Group, to deliver the investment required by Health working with the Council to deliver integrated 'out of hospital' services across the whole health and care system.
- Bromley Youth Music Trust - a one off sum of £77k set aside to contribute to the funding of the Trust and support their activities in Bromley during 2015/16.
- Financial Planning/Risk Reserve - funding set aside in 2014/15 to deal with the impact of the ongoing budget gap and possible utilisation of the reserve to support future years budgets.
- Bromley Welfare Fund - a fund for a 'White Goods and Furniture Scheme' to help with the impact of Welfare reforms on the discretionary housing payments budget.
- Payments in Lieu (PIL) Reserve for Temporary Accommodation - a reserve set up for surplus rental income from properties purchased with Payment in Lieu Funds for Temporary Accommodation. The reserve will be used for repairs and maintenance costs of the properties, and for the provision of further affordable housing.
- Business Rates Risk Reserve - a fund established to manage the impact of any unexpected reductions in retained business rate income during 2015/16 and future years.

Notes to the Core Financial Statements

9 Other Operating Expenditure

2013/14	2014/15
£000	£000
1,468 Levies	1,423
3 Payments to Government Housing Capital Receipts Pool	4
(1,033) Other Income	(1,577)
(37) Distribution of former LRB Balances	(42)
- Contribution to former LRB Balances	38
64,922 Losses on the Disposal of Non-Current Assets *	55,095
65,323 Total	54,941

* The charge of £55.1m in 2014/15 (£64.9m in 2013/14) 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

2013/14	2014/15
£000	£000
538 Interest Payable and Similar Charges	674
10,732 Net Interest on the Net Defined Benefit Liability	5,675
(2,450) Interest Receivable and Similar Income	(3,993)
(9,615) (Income)/Expenditure in Relation to Investment Properties and changes in their fair value	(5,551)
(795) Total	(3,195)

11 Taxation and Non Specific Grant Income

2013/14	2014/15
£000	£000
(126,297) Council Tax Income	(130,352)
(24,673) Business Rates Income	(23,419)
(65,021) Non-Ringfenced Government grants	(59,681)
(4,491) Capital Grants and Contributions	(3,124)
(220,482) Total	(216,576)

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
Movements in 2014/15							
Cost or Valuation							
Balance at 1st April 2014	645,737	34,389	121,312	2,494	15,081	15,183	834,196
Additions	1,795	2,866	7,553	-	-	904	13,118
Revaluation increases recognised in Revaluation Reserve	7,226	-	-	-	-	-	7,226
Other Movements	-	159	-	-	-	-	159
Derecognition - disposals	(54,513)	(2,321)	-	-	-	-	(56,834)
Assets reclassified to Investment Properties	-	-	-	-	-	-	-
Other Assets reclassified	2,500	-	-	-	(2,500)	-	-
Assets reclassified to Assets Held for Sale	(225)	-	-	-	(1,972)	-	(2,197)
As at 31st March 2015	602,520	35,093	128,865	2,494	10,609	16,087	795,668
Accumulated Depreciation & Impairment							
As at 1st April 2014	(171,736)	(11,585)	(33,255)	(1,126)	(6,339)	-	(224,041)
Depreciation charge	(3,568)	(1,150)	(3,325)	(83)	(11)	-	(8,137)
Impairment losses recognised in Revaluation Reserve	(24,149)	-	-	-	(2,326)	-	(26,475)
Impairment (losses)/reversals recognised in Deficit on Provision of Services	(13,831)	(1,561)	-	-	(25)	-	(15,417)
Derecognition - disposals	1,689	-	-	-	-	-	1,689
As at 31st March 2015	(211,595)	(14,296)	(36,580)	(1,209)	(8,701)	-	(272,381)
Net Book Value							
As at 31st March 2015	390,925	20,797	92,285	1,285	1,908	16,087	523,287
As at 31st March 2014	474,001	22,804	88,057	1,368	8,742	15,183	610,155

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
Movements in 2013/14							
Cost or Valuation							
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)
As at 31st March 2014	645,737	34,389	121,312	2,494	15,081	15,183	834,196
Accumulated Depreciation & Impairment							
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
As at 31st March 2014	(171,736)	(11,585)	(33,255)	(1,126)	(6,339)	-	(224,041)
Net Book Value							
As at 31st March 2014	474,001	22,804	88,057	1,368	8,742	15,183	610,155
As at 31st March 2013	575,783	28,636	84,395	1,451	13,581	15,101	718,947

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 36 to 87 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 2015, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £23.5m. This mainly comprised commitments relating to works at schools funded by Basic Need grant (£17.4m), the expansion of The Glebe School (£3.7m) and the replacement of street lighting columns (£1.6m). Commitments at 31st March 2014 totalled £11.8m.

(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 2014/15, 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
<i>Carried at Historical Cost as at:</i>							
31st March 2015	-	30,951	92,285	1,285	-	16,087	140,608
<i>Valued at Fair Value as at:</i>							
31st March 2015	(15,426)	(2,006)	-	-	(5,854)	-	(23,286)
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
Total Assets at Fair Value	390,925	(10,154)	-	-	1,908	-	382,679
Total Property, Plant & Equipment							
31st March 2015	390,925	20,797	92,285	1,285	1,908	16,087	523,287

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 2014	Number as at 31st March 2015	Range of estimated useful lives (Years)
Operational Buildings			
Civic Centre	1	1	41
Other Offices	4	4	41-44
Primary Schools	35	29	37-86
Special Schools/Units	5	5	37-39
Social Services - Homes & Day Centres	11	12	39-47
Crystal Palace National Sports Centre	1	1	n/a
Leisure Centres/Swimming Pools	7	7	40-41
Libraries	15	15	39-44
Golf Courses	3	3	38-39
Churchill Theatre	1	1	39
Cemetery chapels	6	6	43-44
Surface Car Parks	22	22	n/a
Multi-Storey Car Parks	3	3	55-56
Public Conveniences	11	9	40-87
Operational Equipment			
Vehicles & Plant			
- owned	22	22	0-20
- held under finance leases	92	97	3-7
Infrastructure Assets			
Road (kilometres)	886.0	886.0	15-40
Community Assets			
Parks and Open Spaces (hectares)	1,262.7	1,262.7	n/a
Surplus Properties	25	18	n/a
Investment Properties			
Agricultural Properties	16	16	n/a
Biggin Hill Airport	1	1	n/a
Other Investment Properties	164	149	n/a

Notes to the Core Financial Statements

13 Heritage Assets

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

	Mayoral Regalia £000	Art Works £000	Total Assets £000
Cost or Valuation			
1st April 2013	673	344	1,017
Movement during year	-	-	-
Net Book Value 31st March 2014	<u>673</u>	<u>344</u>	<u>1,017</u>
Cost or Valuation			
1st April 2014	673	344	1,017
Movement during year	-	-	-
Net Book Value 31st March 2015	<u>673</u>	<u>344</u>	<u>1,017</u>

Further details of Heritage Assets are provided in Note 49 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:

2013/14 £000	2014/15 £000
(4,141) Rental Income from Investment Property	(4,932)
1,523 Direct Operating Expenses arising from Investment Property	1,881
<u>(2,618) Net gain</u>	<u>(3,051)</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:

2013/14 £000	2014/15 £000
61,422 Balance at Start of Year	71,548
6,047 Purchases	22,651
(2,918) Reclassifications from PP&E assets	-
6,997 Net Gains/(Losses) from Fair Value Adjustments	2,525
<u>71,548 Balance at End of Year</u>	<u>96,724</u>

Lessee disclosures for investment properties held under operating leases are included in Note 41. 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 six such investments as at 31st March 2015, the gain (loss as at 31st March 2014) on which is recorded in the Available for Sale Reserve (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

2014 £000		2015 £000
	Long Term Investments (placed for longer than 1 year)	
	<i>Loans and Receivables</i>	
10	- Government Stock	-
-	- Banks	65,000
34,500	- Local Authorities	55,500
	<i>Available for Sale</i>	
4,760	- Property Fund	15,062
-	- Diversified Growth Funds	10,593
-	- Certificates of Deposit	50,318
39,270		196,473
	Short Term Investments (placed for less than 1 year)	
	<i>Loans and Receivables</i>	
102,832	- Banks	15,274
10,017	- Building Societies	-
25,156	- Local Authorities	17,522
	<i>Available for Sale</i>	
1,059	- Corporate Bonds	-
-	- Property Fund	131
-	- Diversified Growth Funds	615
-	- Certificates of Deposit	5,366
139,064		38,908
	Cash and Cash Equivalents	
69,698	- Money Market Funds and other short-term liquid deposits	22,323
248,032		257,704

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 2015 include a total principal sum of £255,774k and total accrued interest of £1,930k (£247,130k and £902k as at 31st March 2014).

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:

2013/14			2014/15		
Financial Liabilities £000	Loans & Receivables £000	Total £000	Financial Liabilities £000	Loans & Receivables £000	Total £000
-	(2,360)	(2,360)	-	(3,705)	(3,705)
-	(2,360)	(2,360)	-	(3,705)	(3,705)
		Interest Income			
		Net Gain for the year			

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.

2014 £000	Mortgages	2015 £000
1,311	Loans to Housing Associations	-
23	Loans to Council House Purchasers	20
36	Loans to Private House Purchasers	12
1,370		32
	Others	
	Broomleigh Housing Association (Affinity Homes Group)	
	Property Transfer	
1,028	- Sale of Council Houses *	2,606
8	- Deferred Interest Earnings *	26
610	Loans for Miscellaneous Advances	414
20	Loans for Transferred Services	15
281	Loans to Schools	395
16	Loans to Private Street Work Frontagers	18
1,963		3,474
3,333		3,506

* 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 last receipt was in April 2013. A long-term debtor of £1,036k (including accrued interest) was included in the 2013/14 accounts, which comprised 14 sales. In 2014/15, a further 18 properties were sold and an additional long-term debtor of £1,596k (including accrued interest) was included on the Balance Sheet as at 31st March 2015. The next receipt is due in April 2016.

Notes to the Core Financial Statements

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:

	31st March 2014		31st March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments less than 1 year	208,762	208,762	61,231	61,231
Investments greater than 1 year	39,270	39,250	196,473	197,996
Total Investments	248,032	248,012	257,704	259,227

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.

2013/14 £000		2014/15 £000
7,189	Balance outstanding at start of year	11,403
	Assets newly classified/(declassified) as held for sale:	
9,508	Property, Plant and Equipment	2,197
3,313	Investment Properties	-
(100)	Revaluation losses - recognised in Revaluation Reserve	(118)
-	- recognised in deficit on Provision of Services	(30)
1,399	Revaluation gains	1,926
(9,906)	Assets sold	(7,072)
11,403	Balance outstanding at year-end	8,306

17 Inventories

	Road Salt		Other Consumables		Total	
	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	Restated 2013/14 £000
Balance outstanding at start of year	255	225	17	22	272	247
Purchases	36	48	-	143	36	191
Usage/Payment/Transfers during the year	(82)	(18)	(2)	(148)	(84)	(166)
Balance outstanding at year-end	209	255	15	17	224	272

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

Restated 31st March 2014 Net £000		Gross £000	Allowance for Bad Debts £000	31st March 2015 Net £000
	<i>Debtors</i>			
4,937	Central Government Bodies	4,421	-	4,421
3,721	Other Local Authorities	1,733	-	1,733
2,676	NHS Bodies	968	-	968
139	Public Corporations and Trading Funds	108	-	108
875	Council Tax	11,313	10,241	1,072
334	NNDR	522	229	293
10,200	Other Entities and Individuals	27,676	18,164	9,512
22,882		46,741	28,634	18,107
1,258	<i>Payments in Advance</i>			1,863
24,140				19,970

20 Cash and Cash Equivalents

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

2013/14 £000		2014/15 £000
24	Cash held by the Authority	30
(4,878)	Bank Current Accounts	(2,688)
69,698	Short-term Deposits with Money Market Funds*	22,323
64,844	Total Cash and Cash Equivalents	19,665

* 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 2014 £000	Loans Raised £000	Loans Repaid £000	Balance as at 31st March 2015 £000
Pension Fund	2,096	-	1,090	1,006
Former LRB Fund	232	1,126	-	1,358
	2,328	1,126	1,090	2,364

22 Provisions

	Outstanding Legal Cases (a) £000	Injury & Damage Compensation Claims (b) £000	Other Provisions (c) £000	Total £000
Balance at 1 April 2014	209	1,755	7,136	9,100
Additional Provisions made in year	60	865	3,468	4,393
Amounts used in year	26	953	564	1,543
Unused amounts reversed in year	137	-	851	988
Balance at 31st March 2015	106	1,667	9,189	10,962

(a) Outstanding Legal Cases: the Council made provision for the financial implications arising from a number of legal cases totalling £106k.

(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 2015 (326 claims with a total estimate of £1,667k).

(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 2014/15 and a sum of £628k has been carried forward into 2015/16.

Provision of £1,753k has been made to reflect potential losses in business rates income as a result of changes to the rating list arising from successful appeals.

There are uncertainties regarding potential funding streams and liabilities for Learning Disabilities and Mental Health clients and a provision of £1,275k has been made.

A provision of £738k has been made for the potential repayment of housing benefit subsidy, mainly arising from uncertainty relating to government subsidy for overpayments generated from L.A. errors.

All other provisions are individually insignificant.

Notes to the Core Financial Statements

23 Short - Term Creditors

31st March 2014 £000	Creditors	31st March 2015 £000
3,492	Central Government Bodies	2,768
1,898	Other Local Authorities	1,912
4,351	NHS Bodies	2,205
1,709	Council Tax	1,824
3,065	Council Tax Precepts (GLA)	3,639
1,145	NNDR Central Government	2,564
456	NNDR GLA	881
618	NNDR LBB	496
36,055	Other Entities and Individuals	32,671
52,789		48,960
	Receipts in Advance	
103	Central Government Bodies	-
40	Other Local Authorities	-
1,550	NHS Bodies	982
2,651	Council Tax	2,959
459	NNDR LBB	583
2,395	Other Entities and Individuals	2,753
7,198		7,277
59,987		56,237

24 Other Long Term Liabilities

31st March 2014 £000		31st March 2015 £000
139,626	Liability relating to Defined Benefit Pension Scheme #	147,834
1,680	Liability relating to Finance Leases *	3,183
141,306		151,017

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

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

Notes to the Core Financial Statements

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

31st March 2014 £000	31st March 2015 £000
96,962 Revaluation Reserve	60,681
(240) Available for Sale Financial Instruments Reserve	973
594,596 Capital Adjustment Account	564,366
(139,626) Pensions Reserve	(147,834)
2,716 Deferred Capital Receipts Reserve	3,066
5,298 Collection Fund Adjustment Account	6,200
(3,795) Accumulated Absences Account	(3,779)
555,911 Total Unusable Reserves	483,673

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.

2013/14 £000		2014/15 £000
121,389 Balance as at 1st April		96,962
11,740 Upward revaluation of assets	9,152	
(19,264) Downward revaluation of assets and impairment losses not charged to Surplus/Deficit on Provision of Services	(26,593)	
(7,524) Surplus/Deficit on revaluation of non-current assets not posted to Surplus/Deficit on Provision of Services		(17,441)
(16,903) Accumulated losses on assets sold or scrapped	(18,840)	
(16,903) Amount written off to Capital Adjustment Account		(18,840)
96,962 Balance as at 31st March		60,681

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. A negative balance is shown when available for sale investments are revalued downwards or impaired and a positive balance is shown when investments are revalued upwards or are disposed of and the gains are realised.

2013/14 £000		2014/15 £000
- Balance as at 1st April		(240)
Upward / (Downward) revaluation of investments not charged to		
(240) the Surplus/Deficit on the Provision of Services		1,213
(240) Balance as at 31st March		973

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.

2013/14 £000		2014/15 £000
663,349	Balance as at 1st April	594,596
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:</i>	
(32,036)	Charges for depreciation and impairment of non-current assets	(23,584)
(12,156)	Revenue expenditure funded from capital under statute	(17,559)
(57,922)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to CI&E Statement	(43,327)
	(102,114) Net written out amount of the cost of non-current assets consumed in the year	(84,470)
	<i>Capital financing applied in the year:</i>	
510	Use of Capital Receipts Reserve to finance new capital expenditure	1,432
11,019	Capital grants and contributions credited to CI&E Statement that have been applied to capital financing	16,726
-	- Application of grants to capital financing from the Capital Grants Unapplied Account	1,090
-	- Other Movements	159
1,154	Statutory provision for capital financing charged against the General Fund	1,083
13,681	Capital expenditure charged against the General Fund balance	31,225
	26,364	51,715
6,997	Movements in market value of Investment Properties debited or credited to CI&E Statement	2,525
	594,596 Balance as at 31st March	564,366

Notes to the Core Financial Statements

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 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.

2013/14		2014/15
£000		£000
(259,827)	Balance as at 1st April	(139,626)
127,808	Actuarial gains or (losses) on pensions assets and liabilities	(10,172)
(25,294)	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	(15,614)
17,687	Employer's pension contributions and direct payments to pensioners payable in the year	17,578
(139,626)	Balance as at 31st March	(147,834)

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.

2013/14		2014/15
£000		£000
2,472	Balance as at 1st April	2,716
1,033	New advances	1,577
(789)	Transfer to the Capital Receipts Reserve upon receipt of cash	(1,227)
2,716	Balance as at 31st March	3,066

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 rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2013/14	2014/15
£000	£000
4,769 Balance as at 1st April	5,298
529 Amount by which council tax and non-domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rate income calculated for the year in accordance with statutory requirements	902
5,298 Balance as at 31st March	6,200

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.

2013/14	2014/15
£000	£000
(4,760) Balance as at 1st April	(3,795)
4,760 Settlement or cancellation of accrual made at the end of the preceding year	3,795
(3,795) Amounts accrued at the end of the current year	(3,779)
965 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	16
(3,795) Balance as at 31st March	(3,779)

Notes to the Core Financial Statements

27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2013/14	2014/15
£000	£000
(2,323) Interest Received	(2,951)
8 Interest Paid	37
<u>(2,315) Net Interest Received</u>	<u>(2,914)</u>

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

Restated	2014/15
2013/14	£000
£000	£000
(10,067) Depreciation	(8,137)
(21,969) Impairment and Downward Valuations	(15,447)
(5,668) Increase/Decrease in Creditors	4,821
842 Increase/Decrease in Debtors (net of bad debts)	(1,295)
25 Increase/Decrease in Inventories	(48)
(7,607) Movement in Pension Liability	1,964
(74,825) Carrying Amount of Non-Current Assets and Non-Current Assets Held-for-Sale, Sold or De-Recognised	(62,167)
7,055 Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	2,240
<u>(112,214)</u>	<u>(78,069)</u>

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

2013/14	2014/15
£000	£000
9,915 Proceeds from the Sale of Property, Plant and Equipment and Investment Property	7,072
18,519 Other Items for which the Cash Effects are Investing or Financing Cash Flows	16,726
<u>28,434</u>	<u>23,798</u>

28 Cash Flow Statement - Investing Activities

2013/14	2014/15
£000	£000
11,804 Purchase of Property, Plant and Equipment and Investment Property	34,529
217,060 Purchase of Short-term and Long-term Investments	246,500
(9,915) Proceeds from the Sale of Property, Plant and Equipment and Investment Property	(7,072)
(207,026) Proceeds from Short-term and Long-term Investments	(192,069)
(11,184) Other Receipts from Investing Activities	(10,207)
<u>739 Net Cash Flows from Investing Activities</u>	<u>71,681</u>

29 Cash Flow Statement - Financing Activities

2013/14	2014/15
£000	£000
(2,151) Cash Receipts from Short-term Borrowing	(36)
(7,711) Other Receipts from Financing Activities	(12,229)
4,667 Other Payments for Financing Activities	-
1,154 Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases	1,083
<u>(4,041) Net Cash Flows from Financing Activities</u>	<u>(11,182)</u>

Notes to the Core Financial Statements

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
<u>2014/15 Reported to Executive</u>								
Fees, Charges & Other Service Income	(40,822)	(477)	(16,948)	(24,856)	(3,985)	(10,109)	-	(97,197)
Government Grants & Contributions	(146,698)	(371)	(125,013)	(3,547)	(58)	(1,763)	13,602	(263,848)
Total Income	(187,520)	(848)	(141,961)	(28,403)	(4,043)	(11,872)	13,602	(361,045)
Employee Expenses	35,527	2,647	70,502	7,507	7,767	15,537	820	140,307
Other Service Expenses	254,850	1,620	65,793	48,552	5,148	33,158	1,513	410,634
Support Service & Other Recharges	11,619	(1,059)	4,527	479	2,090	(20,577)	-	(2,921)
Depreciation and Impairment	3,103	-	18,555	8,281	10,816	1,666	(42,421)	-
Capital Expenditure charged to the General Fund	625	-	2,966	4,172	625	186	-	8,574
Total Expenditure	305,724	3,208	162,343	68,991	26,446	29,970	(40,088)	556,594
Net Expenditure	118,204	2,360	20,382	40,588	22,403	18,098	(26,486)	195,549

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
2013/14 Comparative Figures Reported to Executive								
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)
Total Income	(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
Total Expenditure	305,664	3,548	170,573	67,237	24,901	36,679	(45,079)	563,523
Net Expenditure	119,473	2,746	17,531	41,028	20,052	24,434	(31,051)	194,213

Notes to the Core Financial Statements

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.

	2013/14 £000	2014/15 £000
Net Expenditure in the Portfolio Analysis	194,213	195,549
Net Expenditure of Services and Support Services not included in the Analysis	27,891	19,802
Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the Analysis	(7,207)	(6,684)
	<hr/> 214,897	<hr/> 208,667
Deduct Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(9,679)	(4,886)
Cost of Services in the Comprehensive Income and Expenditure Statement	<hr/> 205,218	<hr/> 203,781

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.

2014/15	Portfolio Analysis	Services and Support Services not in Analysis	Amounts not Reported to Management for Decision Making	Amounts not included in CI & E Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, Charges & Other Service Income	(97,197)	-	-	14,337	2,094	(80,766)	(1,619)	(82,385)
Interest and Investment Income	-	-	-	-	-	-	(8,925)	(8,925)
Income from Council Tax	-	-	-	-	-	-	(130,352)	(130,352)
Business Rates Income	-	-	-	-	-	-	(23,419)	(23,419)
Government Grants and Contributions	(263,848)	(13,602)	-	-	-	(277,450)	(62,805)	(340,255)
Total Income	(361,045)	(13,602)	-	14,337	2,094	(358,216)	(227,120)	(585,336)
Employee Expenses	140,307	(820)	(6,423)	(10)	(10,709)	122,345	-	122,345
Other Service Expenses	410,634	(5,424)	(308)	(10,011)	(18,879)	376,012	38	376,050
Capital Expenditure charged to the General Fund	8,574	-	-	(8,574)	-	-	-	-
Support Service Recharges	(2,921)	-	-	(628)	27,494	23,945	-	23,945
Depreciation & Impairment	-	39,648	47	-	-	39,695	-	39,695
Interest and Investment Expenditure	-	-	-	-	-	-	55	55
Precepts & Levies	-	-	-	-	-	-	1,423	1,423
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	4	4
Gain or Loss on Disposal of Non Current Assets	-	-	-	-	-	-	55,095	55,095
Net Interest on the Net Defined Liability	-	-	-	-	-	-	5,675	5,675
Total Expenditure	556,594	33,404	(6,684)	(19,223)	(2,094)	561,997	62,290	624,287
Deficit on the Provision of Services	195,549	19,802	(6,684)	(4,886)	-	203,781	(164,830)	38,951

Notes to the Core Financial Statements

30 Amounts Reported for Resource Allocation Decisions continue

Reconciliation to Subjective Analysis		2013/14 Comparative Figures									
	Portfolio Analysis	Services and Support Services not in Analysis	Amounts Reported for Management Decision Making	Amounts not included in CI & E Cost of Services	Allocation of Recharges	Cost of Services	Corporate Amounts	Total			
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s			£000s
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)			
Total Income	(369,310)	(14,028)	-	10,333	3,315	(369,690)	(228,143)	(597,833)			
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			
Total Expenditure	563,523	41,919	(7,207)	(20,012)	(3,315)	574,908	72,189	647,097			
Deficit on the Provision of Services	194,213	27,891	(7,207)	(9,679)	-	205,218	(155,954)	49,264			

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.

2013/14 Integrated Community Equipment Store £000		2014/15 Integrated Community Equipment Store £000
	Income	
785	Bromley CCG contribution	600
768	London Borough of Bromley contribution	958
1,553	Gross Income	1,558
	Expenditure	
1,535	Integrated Community Equipment Service	1,558
1,535	Gross Expenditure	1,558
(18)	Deficit / (Surplus) for the Year	-

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.

2013/14 Mental Health Services £000		2014/15 Mental Health Services £000
	Income	
17,092	Oxleas NHS Foundation Trust contribution	18,219
1,382	London Borough of Bromley contribution	1,394
18,474	Gross Income	19,613
	Expenditure	
18,490	Mental Health Functions	19,571
18,490	Gross Expenditure	19,571
16	Deficit / (Surplus) for the Year	(42)

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

Notes to the Core Financial Statements

32 Members Allowances

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

2013/14		2014/15
£000		£000
1,078	Allowances	999
16	Expenses	14
<u>1,094</u>	Total	<u>1,013</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 2015, the actuary estimated the past service cost in 2014/15 to be zero, (£353k in 2013/14).
- 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 (£260k in 2014/15 and £705k in 2013/14) 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 £3,497k in 2014/15 (£2,189k in 2013/14) 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:

2013/14		2014/15
£000		£000
353	Past Service Costs	-
705	Loss on Curtailments	260
(2,189)	(Gain) on Settlements	(3,497)
322	Other Pension Costs	277
<u>(809)</u>		<u>(2,960)</u>

Notes to the Core Financial Statements

34 Officers Remuneration

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

Disclosure of remuneration for senior employees 2013/14	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 Regeneration & Transformation	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
	1,116,539	16,602	1,133,141	160,661	1,293,802

* 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.

Disclosure of remuneration for senior employees 2014/15	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	180,061	-	180,061		180,061
Director of Corporate Services	124,233	3,674	127,907	19,063	146,970
Director of Finance	126,641	4,335	130,976	20,003	150,979
Director of Human Resources	120,260	-	120,260	17,896	138,156
Director of Regeneration & Transformation	141,836	4,420	146,256	21,786	168,042
Executive Director, Environmental & Community Services	131,127	5,438	136,565	20,230	156,795
Executive Director Education, Care & Health Services - T. Parkin	155,417	-	155,417	23,779	179,196
# Director of Public Health	149,567	-	149,567	19,361	168,928
	1,129,142	17,867	1,147,009	142,118	1,289,127

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	2013/14		Annual Remuneration	Non-School Employees	2014/15	
	School Employees	Total Employees			School Employees	Total Employees
49	45	94	£50,000-£54,999	43	38	81
24	32	56	£55,000-£59,999	28	26	54
17	21	38	£60,000-£64,999	16	18	34
14	11	25	£65,000-£69,999	13	10	23
7	6	13	£70,000-£74,999	6	10	16
7	4	11	£75,000-£79,999	8	1	9
3	-	3	£80,000-£84,999	3	2	5
2	2	4	£85,000-£89,999	3	-	3
4	1	5	£90,000-£94,999	3	-	3
-	2	2	£95,000-£99,999	2	2	4
1	-	1	£100,000-£104,999	2	1	3
-	-	-	£105,000-£109,999	1	-	1
1	-	1	£110,000-£114,999	-	-	-
1	-	1	£115,000-£119,999	1	-	1
-	-	-	£120,000-£124,999	1	-	1
2	-	2	£125,000-£129,999	1	-	1
-	-	-	£130,000-£134,999	1	-	1
1	-	1	£135,000-£139,999	1	-	1
-	-	-	£140,000-£144,999	-	-	-
2	1	3	£145,000-£149,999	2	-	2
1	-	1	£150,000-£154,999	-	-	-
-	-	-	£155,000-£159,999	1	-	1
-	-	-	£160,000-£164,999	-	-	-
-	-	-	£165,000-£169,999	-	-	-
-	-	-	£170,000-£174,999	-	-	-
1	-	1	£175,000-£179,999	-	-	-
-	-	-	£180,000-£184,999	1	-	1
-	-	-	£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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000s	2014/15 £000s
£0 - £20,000	14	5	7	9	21	14	170	111
£20,001 - £40,000	3	-	3	1	6	1	152	24
£40,001 - £60,000	1	2	-	1	1	3	58	151
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	1	-	1	-	81
£100,001 - £150,000	-	-	-	1	-	1	-	106
Total	18	7	10	13	28	20	380	473

In 2014/15 the total cost of £473k (£380k in 2013/14) 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

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:

Restated 2013/14 £000		2014/15 £000
	Fees payable to PricewaterhouseCoopers LLP with regard to :	
159	- External audit services carried out by the appointed auditor for the year (including Whole of Government Accounts)	161
20	- Investigation work resulting from Electors queries / objections re: 2012/13 and 2013/14 accounts	14
21	- Pension Fund audit fee	21
15	Fees payable to PricewaterhouseCoopers LLP for the certification of grant claims and returns for the year	20
	Fees payable to PricewaterhouseCoopers LLP for work not covered under the Audit Commission contract:	
9	- Teachers Pension Review	9
	Fees payable to and receivable from the Audit Commission in respect of:	
2	- NFI fee	4
(14)	- Other one-off rebates from the Audit Commission	(37)
212		192

*The 2013/14 external audit costs have been updated to include £9k for the Teachers Pension Review over the 2013/14 balances, which was engaged and performed in November 2014.

Notes to the Core Financial Statements

36 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 and Early Years (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 2014/15 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	Notes
Final DSG for 2014/15 before Academy recoupment			228,321	(a)
Academy figure recouped for 2014/15			(124,496)	(b)
Total DSG after Academy recoupment for 2014/15			----- 103,825	(c)
Plus: Brought forward from 2013/14			8,946	(d)
Less: Carry forward to 2015/16 agreed in advance			-	(e)
Agreed initial budgeted distribution in 2014/15	46,876	65,896	112,771	(f)
In year adjustments	(119)	379	260	(g)
Final budgeted distribution for 2014/15	46,757	66,275	113,032	(h)
Less Actual central expenditure	38,948	-	38,948	(i)
Less Actual ISB deployed to schools	-	64,198	64,198	(j)
Plus Local Authority contribution for 2014/15	-	-	-	(k)
Carry forward to 2015/16	<u>7,809</u>	<u>2,077</u>	<u>9,886</u>	(l)

- (a) Final DSG figure before any amount has been recouped from the Authority excluding the January 15 early years block adjustment.
- (b) Figure recouped from the Authority in 2014/15 by the DfE for the conversion of maintained schools into Academies.
- (c) Total figure after DfE Academy recoupment for 2014/15
- (d) Figure brought forward from 2013/14 as agreed with the DfE.
- (e) Any amount which the Authority decided after consultation with the schools forum to carry forward to 2015/16 rather than distribute in 2014/15.
- (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 2014/15.
- (j) Amount of ISB actually distributed to schools.
- (k) Any contribution from the Local Authority in 2014/15 which will have the effect of substituting for DSG in funding the Schools Budget.
- (l) Carry forward to 2015/16.

Notes to the Core Financial Statements

37 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14 and 2014/15.

<i>Credited to Taxation and Non Specific Grant Income</i>	2013/14 £000	2014/15 £000
Revenue Grants:		
Revenue Support Grant	50,520	42,031
Local Services Support Grant	165	144
New Homes Bonus	3,858	5,038
Business Rates Related Grant Income	10,212	11,086
Capitalisation Redistribution Grant	266	-
Council Tax Freeze Grant	-	1,382
	<u>65,021</u>	<u>59,681</u>
Total Government Grants	<u>65,021</u>	<u>59,681</u>
Other Capital Grants and Contributions:		
Transport for London	4,491	3,124
Total Contributions	<u>4,491</u>	<u>3,124</u>
Total Credited to Taxation and Non Specific Grant Income	<u>69,512</u>	<u>62,805</u>
<i>Credited to Services</i>	2013/14 £000	2014/15 £000
Revenue Grants:		
Dedicated Schools Grant	117,186	103,146
Housing Benefit & Council Tax	127,814	125,729
Public Health	12,601	12,954
Education Funding Agency	3,029	3,295
Pupil Premium	3,864	4,400
Education Services Grant	2,957	2,419
Skills Funding Agency - Adult Education	1,964	1,974
Universal Infant Free School meals	-	1,268
Council Tax & Housing Benefits Administration	1,984	1,879
Welfare Fund - Programme and Administration Funding	994	1,045
Discretionary Housing Payments	700	665
Step up to Social Work	790	419
Troubled Families	685	895
Adoption Support	698	273
Unaccompanied Asylum Seekers	365	465
Home Office - Community Safety	278	402
SEN Reform	-	382
Youth Justice Board	293	298
SEND Implementation	-	259
Other Miscellaneous Grants	1,388	1,603
	<u>277,590</u>	<u>263,770</u>

Notes to the Core Financial Statements

37 Grant Income continued

<i>Credited to Services continued</i>	2013/14 £000	2014/15 £000
Capital Grants:		
Maintenance in Schools	2,267	1,809
Basic Need	4,984	4,991
Early Education for 2 Year Olds	186	-
Devolved Formula Capital	393	286
Social Care Grant	640	653
Universal Free School Meals	-	387
Other Capital Grants	1,112	762
	<u>9,582</u>	<u>8,888</u>
Total Government Grants	<u>287,172</u>	<u>272,658</u>
Other Grants and Contributions:		
Other Grants and Contributions	3,007	3,811
Section 106 Developers Contributions	1,729	981
Total Contributions	<u>4,736</u>	<u>4,792</u>
Total Credited to Services	<u>291,908</u>	<u>277,450</u>

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>	2013/14 £000	2014/15 £000
Dedicated Schools Grant	8,946	9,886
Housing Benefit Grant	3,513	1,911
Standards Fund Grant	745	745
Pothole Grant	-	505
Other Miscellaneous Grants	9	46
Total Government Grants	<u>13,213</u>	<u>13,093</u>
<i>Other Grants and Contributions Receipts in Advance</i>		
Section 106 Developers Contributions - Revenue	1,695	1,767
Section 106 Developers Contributions - Capital	6,032	6,447
Total Contributions	<u>7,727</u>	<u>8,214</u>
Total Receipts in Advance	<u>20,940</u>	<u>21,307</u>

38 *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 2015 are shown in Note 37.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014/15 is shown in Note 32. During 2014/15, there are no declarable related party transactions with the exception of the following:-

- a) Councillor W. Huntington-Thresher and Councillor P. Fortune are appointed board members of Broomleigh Housing Association (Affinity Homes Group) to which the Council paid £175k in 2014/15.
- b) Councillor K. Lymer is a Trustee of Bromley Youth Music Trust to which the Council paid £291k in 2014/15.
- c) Councillor M. Turner is a Trustee of Bromley & Downham Youth Club to which the Council paid £10k in 2014/15.
- d) Councillor D. Smith is a Council appointed board member of Bromley Healthcare Community Interest Company to which the Council paid £3.5m in 2014/15.
- e) Councillor P. Fookes is a Trustee of Age Concern, Penge and Anerley to which the Council paid £146k in 2014/15.
- f) Councillor Mrs E. Harmer is a Trustee of CarePlus, Bromley to which the Council paid £2.5k in 2014/15.

Officers

During 2014/15 £9.2m 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 positive and, as a result, interest of £6,862 was paid to the Fund (nil was paid in 2013/14). In 2014/15, £533k was charged to the Fund for expenses incurred in administering the Fund (£418k in 2013/14).

Notes to the Core Financial Statements

39 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:

31st March				Transfers (to)	31st March
2014	Service	Income	Expenditure	/from Capital	2015
£000		£000	£000	£000	£000
<u>Revenue</u>					
679	Highway Improvement Works	1	-	-	680
5	CCTV	-	5	-	-
45	Road Safety Schemes	-	-	-	45
120	Local Economy & Town Centres	1	-	-	121
69	Parking	2	18	-	53
727	Healthcare Services	145	25	-	847
40	Community Facilities (to be transferred to capital)	1	30	-	11
10	Other	-	-	-	10
1,695		150	78	-	1,767
<u>Capital</u>					
1,571	Education	475	455	-	1,591
4,461	Housing	843	448	-	4,856
6,032		1,318	903	-	6,447
<u>7,727</u>		<u>1,468</u>	<u>981</u>	<u>-</u>	<u>8,214</u>

Notes to the Core Financial Statements

40 Capital Expenditure and Capital Financing

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

	2013/14	2014/15
	£000	£000
Opening Capital Financing Requirement	3,837	2,565
<i>Capital investment</i>		
Property, Plant and Equipment	7,084	13,118
Investment Properties	6,047	22,651
Revenue Expenditure Funded from Capital under Statute	12,156	17,559
	<u>25,287</u>	<u>53,328</u>
<i>Sources of finance</i>		
Capital receipts	510	1,432
Government grants and other contributions	11,019	17,816
Sums set aside from revenue:		
Direct revenue contributions	13,681	31,225
Finance Leases Repaid/Terminated	1,349	1,133
	<u>26,559</u>	<u>51,606</u>
Movement in Capital Financing Requirement	(1,272)	1,722
<i>Closing Capital Financing Requirement</i>	2,565	4,287
<i>Explanation of movements in year</i>		
Reduction in underlying need for borrowing (unsupported by government financial assistance)	(1,349)	(1,133)
Assets acquired under finance leases	77	2,855
Increase/(decrease) in Capital Financing Requirement	<u>(1,272)</u>	<u>1,722</u>

Notes to the Core Financial Statements

41 Leases

Finance Leases - Authority as Lessee

The Authority has entered into a number of contractual arrangements that 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. A typical useful life of 5 years has been assumed for these.

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

	31st March	31st March
	2014	2015
	£000	£000
Vehicles, Plant and Equipment	2,565	4,287
	<u>2,565</u>	<u>4,287</u>

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:

	31st March	31st March
	2014	2015
	£000	£000
Finance lease liabilities (net present value of minimum lease payments)		
- current (within 1 year)	885	1,104
- non current (later than 1 year)	1,680	3,183
Finance costs payable in future years	766	1,479
Minimum lease payments	<u>3,331</u>	<u>5,766</u>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March	31st March	31st March	31st March
	2014	2015	2014	2015
	£000	£000	£000	£000
Not later than one year	1,190	1,484	885	1,104
Later than one and less than five years	2,139	3,446	1,678	2,582
Later than five years	2	836	2	601
	<u>3,331</u>	<u>5,766</u>	<u>2,565</u>	<u>4,287</u>

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

Notes to the Core Financial Statements

41 Leases continued

Operating Leases - Authority as Lessee

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

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

	31st March 2014 £000	31st March 2015 £000
Not later than one year	351	264
Later than one and less than five years	880	575
Later than five years	409	506
	<u>1,640</u>	<u>1,345</u>

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

	31st March 2014 £000	31st March 2015 £000
<i>Minimum lease payments</i>		
Adult Social Care	187	189
Children's and Education Services	214	226
Cultural and Related Services	20	50
Environmental and Regulatory Services	9	9
Highways & Transport Services	66	66
	<u>496</u>	<u>540</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.

	31st March 2014 £000	31st March 2015 £000
Not later than one year	30	25
Later than one and less than five years	39	23
	<u>69</u>	<u>48</u>

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

	31st March 2014 £000	31st March 2015 £000
<i>Minimum lease payments</i>		
Children's and Education Services	36	38
	<u>36</u>	<u>38</u>

Notes to the Core Financial Statements

41 Leases continued

Finance Leases - Authority as Lessor

As at 31st March 2015, 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:

	31st March 2014	31st March 2015
	£000	£000
Not later than one year	5,110	6,333
Later than one and less than five years	15,688	20,954
Later than five years	210,792	227,865
	<u>231,590</u>	<u>255,152</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 £146m as at 31st March 2015 (£119m as at 31st March 2014). Depreciation and impairment charges of £0.2m and £9.7m respectively were made in 2014/15.

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

	31st March 2014	31st March 2015
	£000	£000
<i>Minimum lease payments</i>		
Cultural and Related Services	427	428
Environmental and Regulatory Services	184	194
Children's and Education Services	7	6
Highways and Transport Services	53	64
Adult Social Care	414	431
Central Services to the Public	348	311
Financing & Investing Income & Expenditure	3,869	4,644
<i>Contingent rents</i>		
Environmental and Regulatory Services	118	119
Financing & Investing Income & Expenditure	251	266
	<u>5,671</u>	<u>6,463</u>

42 Service Concessions

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

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 2015 was £59.3m (£53.8m to 31st March 2014).

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

Notes to the Core Financial Statements

42 Service Concessions continued

Bromley Mytime

The Authority transferred the responsibility for delivering its community leisure activity and services to Bromley Mytime effective from 1st February 2004 continuing until 31st March 2024.

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 Note 12.

In return for service delivery, maintenance and enhancement of the Leisure Centres which remain in the authority's ownership, the Authority has paid a total of £15.1m to 31st March 2015 (£14.3m to 31st March 2014).

There are two Council appointed representatives on the Board of Trustees.

43 Impairment Losses/(Reversals)

During 2014/15 the Authority has charged/reversed the following impairments in respect of its non-current assets to the surplus or deficit on the Provision of Services.

2013/14		2014/15
£000		£000
21,772	Property, Plant and Equipment	15,417
197	Surplus Properties/Assets Held for Sale	30
<u>21,969</u>		<u>15,447</u>

These losses/(reversals) have been charged in the Comprehensive Income & Expenditure Statement as follows:

2013/14		2014/15
£000		£000
6,153	Central Services to the Public	(149)
7,702	Cultural and Related Services	9,142
1,575	Environmental and Regulatory Services	1,335
4,341	Children's and Education Services	4,291
57	Housing Services	-
2,141	Adult Social Care	803
<u>21,969</u>		<u>15,422</u>
-	Financing & Investment Income & Expenditure	25
<u>21,969</u>		<u>15,447</u>

44 Termination Benefits

The Authority terminated the contracts of a number of employees in 2014/15 incurring liabilities of £473k (£380k in 2013/14) - see Note 34 for the number of exit packages and total cost per band. The total expenditure in 2014/15 related to 20 employees across all departments of the Authority (28 employees in 2013/14).

Notes to the Core Financial Statements

45 Disclosure of Information about Retirement Benefits

(a) Participation in Pension Schemes

As part of the terms and conditions of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make 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 were 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 2015, 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 2014 and 2015, prepared by the Council's actuary, Mercer.

	2013/14	2014/15
	£000	£000
<u>Comprehensive Income & Expenditure Statement</u>		
Current service cost	15,286	12,773
Settlements	(2,189)	(3,497)
Curtailments	705	260
Administration Costs	407	403
Past service costs	353	-
Total included in Cost of Services	<u>14,562</u>	<u>9,939</u>
<u>Financing & Investment Income & Expenditure</u>		
Net Pensions interest cost	10,732	5,675
Total included in Surplus or Deficit on the Provision of Services	<u>25,294</u>	<u>15,614</u>
<u>Other Benefits Charged to the Comprehensive Income & Expenditure Statement</u>		
Remeasurement of Net Defined Benefit Obligation	(127,808)	10,172
<u>Total Post-employment Benefit Charged to the Comprehensive Income & Expenditure Statement</u>	<u>(102,514)</u>	<u>25,786</u>
<u>Movement in Reserves Statement</u>		
Reversal of net charges to the Surplus or Deficit on the Provision of Services	(25,294)	(15,614)
Employers' contributions and benefits payable direct to pensioners	17,687	17,578
	<u>(7,607)</u>	<u>1,964</u>
Actual return on scheme assets	<u>32,799</u>	<u>82,690</u>

Notes to the Core Financial Statements

45 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	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Present value of defined benefit obligation	(665,728)	(751,898)	(3,789)	(3,843)
Fair value of plan assets	529,891	607,907	-	-
Net liability from defined benefit obligation	(135,837)	(143,991)	(3,789)	(3,843)

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

	LGPS		Unfunded Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Opening Liability	747,694	665,728	4,267	3,789
Current service cost	15,286	12,773	-	-
Interest cost	31,607	28,733	177	159
Contributions by scheme members	4,003	4,020	-	-
Remeasurement (gains)/losses:				
Experience	(66,684)	-	(226)	-
Financial assumptions	(29,832)	69,392	-	253
Demographic assumptions	(9,383)	-	(80)	-
Past service costs	353	-	-	-
Curtailments	705	260	-	-
Settlements	(4,157)	(6,776)	-	-
Benefits paid	(23,864)	(22,232)	(349)	(358)
Closing Liability (Defined Benefit)	665,728	751,898	3,789	3,843

Reconciliation of movement in fair value of Scheme assets:

	LGPS		Unfunded Benefits	
	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000
Opening fair value of scheme assets	492,134	529,891	-	-
Interest on plan assets	21,052	23,217	-	-
Remeasurements (assets)	21,603	59,473	-	-
Administration Expenses	(407)	(403)	-	-
Contributions by employer	17,338	17,220	349	358
Contributions by scheme members	4,003	4,020	-	-
Settlements	(1,968)	(3,279)	-	-
Benefits paid	(23,864)	(22,232)	(349)	(358)
Closing fair value of scheme assets	529,891	607,907	-	-

In 2014/15, the net liability increased by some £8m (from £140m to £148m). This was mainly due to interest on liabilities being higher than interest on assets.

The actual return on scheme assets in the year was £82,690k (£32,799k in 2013/14).

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £755,741k 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 £147,834k. 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 last full valuation of the fund as at 31st March 2013.

Notes to the Core Financial Statements

45 Disclosure of Information about Retirement Benefits continued

(d) Fair Value of LGPS assets

	Fair value of scheme assets	
	As at 31st March 2014 £000	As at 31st March 2015 £000
Equities	396,357	438,302
Government bonds	15,897	-
Other bonds	70,476	102,128
Other	45,571	63,222
Cash / liquidity	1,590	4,255
	<u>529,891</u>	<u>607,907</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 2015.

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

	As at 31st March 2014	As at 31st March 2015
Longevity at 65 for pensioners retiring today (years):		
Men	23.0	23.1
Women	25.4	25.5
Longevity at 65 for pensioners retiring in 20 years (years):		
Men	25.3	25.4
Women	28.3	28.4
Rate of inflation - CPI	2.4%	2.0%
Rate of increase in salaries	3.9%	3.5%
Rate of increase in pensions	2.4%	2.0%
Rate for discounting scheme liabilities	4.4%	3.4%
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 assume 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.

45 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	755,741
+ 0.1% on rate for discounting scheme liabilities	743,824
+ 0.1% on inflation rate	767,850
+ 0.1% on pay growth	757,800
+1 year on life expectancy	770,545

(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 actuary has estimated a total authority contribution of £15.1m in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 16 years as at 31st March 2015 (also 16 years as at 31st March 2014).

(g) Bromley Employees

In 2014/15, Bromley paid into the Pension Fund a total contribution of £16.9m (29.8% of total pensionable pay), including a past deficit contribution of £5.9m. This compares to £17.4m (30.2%) and £6.1m in 2013/14. 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 incorporated 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 employer and past-deficit contributions from 2014/15 were set by the actuary in the most recent triennial valuation of the Fund (as at 31st March 2013) with the aim of achieving 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 2014/15, Bromley paid £3.6m to the Teachers' Pensions Agency in respect of teachers' retirement benefits, which represented 14.1% of teachers' pensionable pay. The figures for 2013/14 were £4.2m 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 2014/15 and 2013/14.

(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 2014/15, the Authority paid £0.2m (14.0% of pensionable pay) to the NHS scheme in respect of these staff (also £0.2m and 14.0% in 2013/14).

Notes to the Core Financial Statements

46 Contingent Liability - not provided for in the accounts

Contingent liabilities are dependent upon the outcome of uncertain events and, consequently, cannot be quantified at the balance sheet date. For 2014/15 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) 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.
- 5) There is a potential impact to the Authority regarding a proposal to consolidate a number of assessments on to a single local rating list. The transfer could potentially affect Bromley's rates income from rates retention and if the proposal is accepted the Authority could incur potential losses of £686k dating back to 2010/11. There is no indication at this stage as to whether the proposal will be accepted or rejected and therefore it has been disclosed as a contingent liability within the 2014/15 accounts.

47 Contingent Asset - not provided for in the accounts

Contingent assets are possible assets that will only be confirmed by the occurrence of uncertain future events not wholly within the Authority's control. For 2014/15 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 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.

Notes to the Core Financial Statements

48 *Nature and Extent of Risk Arising from Financial Instruments*

The Council's activities expose it to a variety of financial risks. With regard to financial assets, these are mainly classified as loans and receivables (see note 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 only made with financial institutions that meet identified minimum credit rating criteria.

The Strategy for 2014/15 was approved by Full Council in February 2014 (subsequently revised in October 2014) 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 Capita Treasury Solutions. 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 other institutions and funds (£257.7m) 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 2015 that this was likely to materialise. 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 2014/15 and the authority does not expect any losses from non-performance by any of its counterparties in relation to treasury deposits.

Notes to the Core Financial Statements

48 Nature and Extent of Risk Arising from Financial Instruments continued

Credit Risk (cont)

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

	As at 31st March 2014 £000	As at 31st March 2015 £000
Less than three months	11,135	4,401
Three to six months	975	749
Six months to one year	1,134	909
More than one year	2,889	3,023
	<u>16,133</u>	<u>9,082</u>

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and could also borrow from the Public Works Loan Board 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:

Principal Sum Invested as at 31st March 2014 Restated £000		Principal Sum Invested as at 31st March 2015 £000
207,860	Less than one year	59,301
16,770	Between one and two years	107,818
22,500	More than two years	88,655
<u>247,130</u>		<u>255,774</u>

Refinancing and Maturity Risk

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

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

48 *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 counterparties meeting the approved eligibility criteria.

All of the Council's term deposits placed during 2014/15 were fixed interest investments with banks, building societies or other local authorities. In addition to fixed interest deposits, the Council also has investments with a Property Fund (£15m) and with two Diversified Growth Funds (£10m in total). All were placed after consultation with Capita and none are 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 2015, 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 2015 (6% of the total claim sum). In May 2015, the administrator advised that a further (as yet unspecified) dividend would be paid in August 2015.

Notes to the Core Financial Statements

49 *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 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	2013/14 £000	2014/15 £000
Income			
Amounts receivable from Council Tax payers	(1)	165,809	170,000
Income collectable from Business Rate payers	(2)	83,042	83,307
Income Collectable from Business Rate Supplement	(3)	2,399	2,348
		<u>251,250</u>	<u>255,655</u>
Expenditure			
Precepts / Demands			
- London Borough of Bromley		123,370	125,440
- Greater London Authority		37,008	37,133
Business Rates	(2)		
- Payments to National Pool			
- Payment to Central Government (CLG)		42,110	40,774
- Payment to Greater London Authority (GLA)		16,844	16,310
- Payment to London Borough of Bromley		25,266	24,465
Deferral Scheme		-	(498)
- Cost of Collection		348	347
Business Rate Supplement	(3)		
- Contribution to GLA		2,386	2,337
- Cost of Collection/Administrative Costs		13	11
Bad and Doubtful Debts / Appeals			
- Write offs		1,758	1,109
- Increase / (decrease) in bad debt provision		(121)	-
- Provision for Appeals		450	5,395
		<u>249,432</u>	<u>252,823</u>
Surplus for the Year		<u>(1,818)</u>	<u>(2,832)</u>
Distribution of Previous Year's Collection Fund Surplus			
- London Borough of Bromley		1,805	2,964
- Greater London Authority		558	889
		<u>2,363</u>	<u>3,853</u>
Net Movement on Fund Balance		<u>545</u>	<u>1,021</u>
		£000	£000
Fund Balance			
Balance at 1st April		(6,216)	(5,671)
Net movement for year		(1,818)	(2,832)
Distribution of 2011/12 and 2012/13 Surplus		2,363	3,853
Balance at 31st March - Deficit / (Surplus)		<u>(5,671)</u>	<u>(4,650)</u>

THE COLLECTION FUND

In accordance with the statutory provisions for Collection Fund accounting, any surplus or deficit on the Fund can be transferred only in the financial year for which the budgetary provision was made. Any balance must remain on the Collection Fund and be repaid in the following year.

Council Tax Balance split into its attributable parts:

	Surplus as at 31st March 2014 £000	Distribution of 2012/13 Surplus in 2014/15 £000	Surplus for 2014/15 £000	Surplus as at 31st March 2015 £000
London Borough of Bromley	(5,891)	2,964	(4,912)	(7,839)
Greater London Authority	(1,755)	889	(1,407)	(2,273)
	<u>(7,646)</u>	<u>3,853</u>	<u>(6,319)</u>	<u>(10,112)</u>

The balance of the surplus held at 31st March 2014 will be distributed in 2015/16 and the 2014/15 surplus will be distributed in 2016/17.

Business Rates Balance split into its attributable parts:

	Deficit for 31st March 2014 £000	Deficit for 31st March 2015 £000	Deficit as at 31st March 2015 £000
London Borough of Bromley	593	1,046	1,639
Greater London Authority	395	697	1,092
Central Government	987	1,744	2,731
	<u>1,975</u>	<u>3,487</u>	<u>5,462</u>

£5,242k of the total deficit held at 31st March 2015 will be distributed in 2015/16 (£2,621k to Central Government, £1,573k to London Borough of Bromley and £1,048k to Greater London Authority). The remaining balance of £220k will be distributed in 2016/17.

Council Tax and Business Rates Net Deficit / (Surplus)	<u><u>(4,650)</u></u>
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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	907	6/9	605
B	5,588	7/9	4,346
C	19,106	8/9	16,983
D	28,079	9/9	28,079
E	25,371	11/9	31,009
F	16,232	13/9	23,446
G	12,546	15/9	20,910
H	1,302	18/9	2,604
			<hr/>
			127,982
Allowance for MOD properties, changes in exemptions, discounts and number of properties			(804)
			<hr/>
			127,178
Estimated Collection Rate			97.65%
			<hr/>
Council Tax Base 2014/15			<hr/> 124,189 <hr/>

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 1 April 2014 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 2013 was assessed by the Government's District Valuer as £215,646,834. The national non-domestic multiplier for the year was 48.2p. The income collectable for the year of £83.3m is net of revaluations, allowance for empty properties, provision for non collection, transitional and mandatory relief's as well as the part year effect of properties falling out / brought into rating during the year.

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 £2.3m 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 2015

	Fund 1	Fund 2	TOTAL
	£000	£000	£000
Balance as at 1st April 2014	(282)	51	(231)
Movement in year on ex LRB functions:			
Income	(1)	(1,267)	(1,268)
Interest earnings on Fund balance	(4)	(18)	(22)
Contribution to Fund	-	(1,000)	(1,000)
Expenditure	11	254	265
Distribution (note 1)	1	1,267	1,268
Balance as at 31st March 2015	<u>(275)</u>	<u>(713)</u>	<u>(988)</u>

Balance Sheet as at 31st March 2015

2014		2015
£000		£000
34	<i>Assets</i>	
<u>34</u>	Debtors	-
232		-
<u>266</u>	Cash	<u>1,358</u>
		<u>1,358</u>
	<i>Liabilities</i>	
282	Fund 1	275
(51)	Fund 2	713
<u>35</u>	Creditors	<u>370</u>
<u>266</u>		<u>1,358</u>

Notes to accounts

1) *2014/15 Distribution*

Of the £1,268,000 receipts in 2014/15, £369,676 was received on 30th March 2015. This was distributed in 2015/16 and accounts for the high creditor position.

2) *Fund 1*

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

Fund 2

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

Due to an increase in legal claims made against the LRB (Fund 2) a contribution of £1m was received in 2014/15 from the distribution boroughs to aid payment of future expenses.

PENSION FUND

2013/14		PENSION FUND ACCOUNT	Note	2014/15	
£000	£000			£000	£000
		Dealings with members and employers			
		Contributions and similar payments			
5,580		Contributions - from members	5	6,106	
15,612		- from employers - normal	5	17,941	
1,255		- augmentations	5	931	
7,100		- deficit funding	5	6,001	
5,074		Transfers in from other pension funds (individual)		2,896	
	34,621				33,875
		Benefits			
(23,409)		Pensions		(24,470)	
(5,525)		Lump sum benefits - retirement		(4,300)	
(359)		- death		(177)	
	(29,293)				(28,947)
		Payments to and on account of leavers			
(13)		Refunds of contributions		(88)	
(1,559)		Transfers out (individual)		(3,277)	
	(1,572)				(3,365)
	(585)	Administrative expenses	6		(685)
	3,171	Net (withdrawal) / addition from dealings with Fund members			878
		Returns on investments			
7,730		Investment income	7	6,867	
34,841		Change in market value		111,822	
(1,828)		Investment management expenses	8	(2,495)	
	40,743	Net return on investments			116,194
	43,914	Net Fund increase during year			117,072
	584,389	Opening net assets			628,303
	<u>628,303</u>	Closing net assets			<u>745,375</u>
31st March 2014 NET ASSETS STATEMENT				31st March 2015	
£000	£000			£000	£000
		Investment assets	9		
31,932		Equities - UK (quoted)		32,127	
290,641		- overseas (quoted)		361,510	
	322,573				393,637
	294,288	Pooled investment vehicles (managed funds - non-property)			343,854
	7,993	Cash deposits held by investment managers			6,472
2,134		Other investment balances - sales		480	
(1,479)		- purchases		(1,560)	
	655				(1,080)
	625,509	Net investment assets	9		742,883
		Current assets and liabilities			
2,096		Cash		1,006	
1,186		Current assets - debtors	10	2,104	
(488)		Current liabilities - creditors	10	(618)	
	2,794				2,492
	<u>628,303</u>	Closing net assets			<u>745,375</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 2014/15 and the underlying statutory powers underpinning the scheme, which are listed below.

(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 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 Public Services Pensions Act 2013 and is administered in accordance with the following legislation:

- The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (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
- Admitted Bodies: Other organisations that participate in the Fund under admission agreements with the Fund. These may include voluntary, charitable and similar bodies or private contractors carrying out local authority functions after outsourcing to the private sector.

As at 31st March 2015, there were a total of 72 employer organisations in the Bromley Fund, including the Council itself. These are listed below.

Scheduled Bodies

Primary School Academies

Alexandra Infants
Alexandra Junior
Balgowan Primary
Biggin Hill Primary
Bromley Trust
Castlecombe Primary
Chislehurst CE 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
Harris Shortlands
Hayes Primary
Highfield Infants
Highfield Junior
Hillside Primary
Keston CE Primary
La Fontaine
Leesons Primary
Manor Oak Primary
Midfield Primary

Scheduled Bodies

Primary School Academies (cont)

Parish Primary
Perry Hall Primary
Pickhurst Infants
Pickhurst Junior
Princes Plain Primary
Raglan Primary
Scotts Park Primary
Stewart Fleming Primary
St. James RC Primary
St John's CE Primary
St Joseph's RC Primary
St Mark's CE Primary
St Mary Cray Primary
St Mary's RC Primary
St Peter & St Paul Primary
St Philomena's RC Primary
St Vincent's RC Primary
Tubbenden Primary
Valley Primary
Warren Road Primary

Foundation Schools

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

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

Scheduled Bodies - Other

Bromley & Orpington Colleges
Ravensbourne College

Admitted 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 2015 and 2014.

	2014	2015
Members	5,254	5,782
Pensioners - widows / dependants	706	700
- other	4,156	4,248
Deferred Pensioners	4,819	5,066
Total	14,935	15,796

(c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active scheme members in accordance with the LGPS Regulations 2013 and, in 2014/15, ranged from 5.5% to 12.5% of pensionable pay. Contributions are also made by employers and these are set based on triennial actuarial valuations, the rates for 2014/15 being set by the most recent valuation as at 31st March 2013. In 2014/15, employer rates ranged from 15.3% to 26.7% of pensionable pay.

(d) Benefits

Pension benefits accrued prior to 1st April 2014 are based on final pensionable pay and length of pensionable service and are 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 3/80 for each year worked x final pensionable salary. A proportion of the accrued pension may 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 a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

With effect from 1st April 2014, the LGPS became a career average scheme and pension benefits accrued after 31st March 2014 are calculated as follows:

- Pension: for each year of scheme membership, a pension equal to 1/49 of pensionable pay for that year will be added to an employee's pension account. Annual additions are then made to ensure the accrued pension keeps pace with inflation.
- Lump sum : no automatic lump sum, but a proportion of the accrued pension may be exchanged for a one-off tax free cash payment (£1 pension equates to a £12 lump sum).

As well as a change to the way in which benefits are calculated, the scheme normal retirement age for benefits accrued after 31st March 2014 changed to State Pension Age or 65, whichever is later. There is a range of additional benefits for members of the scheme including, but not limited to, early retirement, ill health retirement and death benefits.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position as at 31st March 2015. 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 2014/15, 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 the basis of International Accounting Standard (IAS) 19, for the fund is disclosed in Note 12 of these accounts and that for the London Borough of Bromley is disclosed in Note 45 to the main statements.

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 is classified 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.

PENSION FUND

Notes to the Accounts

3 Summary of Significant Accounting Policies continued

(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.

(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 amounts not received by the end of the reporting period are 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 the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (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. The assumptions were determined after taking into account historical experience, current trends and other factors. This estimate is subject to significant variations based on changes to the underlying assumptions. Consequently, actual results may be materially different from estimates.

5 Contributions receivable

	2013/14 £000	2014/15 £000
Employer Contributions		
L.B. Bromley part of Fund		
L.B.Bromley - normal	9,653	9,740
- augmentations	1,255	931
- deficit funding	6,100	5,900
Scheduled bodies - Foundation Schools	373	350
	<u>17,381</u>	<u>16,921</u>
Other		
Scheduled bodies - normal - academies	4,433	6,338
- normal - colleges	946	1,274
Admitted bodies - normal	207	239
- deficit funding	1,000	101
	<u>23,967</u>	<u>24,873</u>
Member Contributions		
L.B. Bromley part of Fund		
L.B.Bromley	3,866	3,928
Scheduled bodies - Foundation Schools	101	87
	<u>3,967</u>	<u>4,015</u>
Other		
Scheduled bodies - academies	1,172	1,587
- colleges	368	426
Admitted bodies	73	78
	<u>5,580</u>	<u>6,106</u>

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

PENSION FUND

Notes to the Accounts

6 Administrative Expenses

	2013/14 £000	2014/15 £000
Audit fee	21	21
Bank charges	26	40
Advice & other costs	120	90
Internal recharges	418	534
	585	685

7 Investment Income

	2013/14 £000	2014/15 £000
Dividends from equities	7,695	6,849
Interest on securities	35	18
	7,730	6,867

8 Investment Management Expenses

	2013/14 £000	2014/15 £000
Baillie Gifford - global equities @	183	764
- balanced mandate (to 20/12/13)	477	-
- fixed income (from 20/12/13)	28	145
- Diversified Growth Fund	172	248
Fidelity - fixed income (from 20/12/13)	42	150
- balanced mandate (to 20/12/13)	463	-
MFS - global equities @	157	595
Blackrock - global equities @	121	397
Standard Life - Diversified Growth Fund	185	196
	1,828	2,495

@ Global equities mandates inception date 20th December 2013

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 2015 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 (wef 6th December 2012).

The bid value of the Fund as at 31st March 2014 and 2015 was divided between the Fund managers as follows:

	31st March 2014		31st March 2015	
	£000	%	£000	%
Baillie Gifford - global	222,869	35.63%	248,249	33.42%
- fixed income	45,227	7.23%	51,574	6.94%
- DGF	26,822	4.29%	45,464	6.12%
Fidelity - fixed income	58,360	9.33%	66,614	8.97%
MFS - global	123,148	19.69%	150,773	20.30%
Blackrock - global	122,130	19.52%	150,533	20.26%
Standard Life -DGF	26,953	4.31%	29,676	3.99%
	625,509	100.00%	742,883	100.00%

The carrying amounts of financial assets held by Fund managers are held as fair value through profit and loss.

Pooled investments shown in the Net Assets Statement include the following:

	31st March 2014 £000	31st March 2015 £000
Diversified Growth Funds (2)	53,775	75,140
Global Equity Fund (1)	122,130	150,533
Sterling Bond Funds (2)	103,587	118,181
Exchange Traded Fund (1)	14,796	-
	294,288	343,854

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 2014 £000	Purchases £000	Sales £000	Change in MV £000	Value at 31st March 2015 £000
Equities	322,573	57,740	(49,470)	62,794	393,637
Pooled investments	294,288	61,549	(61,011)	49,028	343,854
Sub-Total	616,861	119,289	(110,481)	111,822	737,491
Cash	7,993				6,472
Other investment balances	655				(1,080)
Total	625,509	119,289	(110,481)	111,822	742,883

Total purchases and sales in 2013/14 were £546,783,000 and £540,542,000 respectively.

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 gains 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. All gains and losses recognised arose from financial instruments valued at fair value through profit and loss.

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 £115k (£1,241k in 2013/14). 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 2014		31st March 2015	
	£000	% of total Fund	£000	% of total Fund
Baillie Gifford				
- Investment Grade Bond Fund @	23,986	3.83	-	-
- Active Gilt Plus Fund @	21,241	3.40	-	-
- Sterling Aggregate Plus Bond Fund @	-	-	51,574	6.95
- Diversified Growth Fund	26,822	4.29	45,464	6.13
Standard Life - Global Absolute Return Fund	26,953	4.31	29,676	4.00
Blackrock - Ascent Life Global Equities Fund	122,130	19.52	150,533	20.29
Fidelity - Institutional Aggregate Bond Fund	58,180	9.30	66,607	8.98

@ Baillie Gifford fixed income holding transferred to new fund wef June 2014.

10 Current assets and liabilities

Current assets and liabilities are held respectively on the Balance Sheet as loans and receivables and financial liabilities at amortised cost.

	2013/14 £000	2014/15 £000
<u>Debtors (current assets)</u>		
Contributions due from employers and employees	583	790
Investment income	597	1,271
Other	6	43
	<u>1,186</u>	<u>2,104</u>
<u>Creditors (current liabilities)</u>		
Fund management fees	488	618
	<u>488</u>	<u>618</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.

PENSION FUND

Notes to the Accounts

11 Actuarial Position continued

The most recent 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 until 31st March 2017 with the aim of recovering that deficit over 15 years.

A significant number of schools adopted academy status during 2013/14 and 2014/15 and more are expected to follow in 2015/16. 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.

The following assumptions were employed in the 2010 and 2013 valuations.

	2010	2013
<u>Economic assumptions</u>	% 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
<u>Mortality assumptions</u>	Years	Years
Life expectancy - male aged 65 now	21.3	22.9
- at 65 for male aged 45 now	22.2	25.1
- female aged 65 now	24.3	25.3
- at 65 for female aged 45 now	25.3	28.2

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 45 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 £938m as at 31st March 2015 (£790m as at 31st March 2014).

The demographic assumptions used in the IAS 26 report were the same as those used for the 2013 full valuation (see Note 11) and the following financial assumptions were used:

	2014	2015
	% p.a.	% p.a.
Increases in earnings - long term	3.9	3.5
- short term (3 years)	1.0	1.0
Increases in pensions	2.4	2.0
Investment return - Overall discount rate	4.5	3.3

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 2013/14 and 2014/15 and the total value of AVC Funds as at 31st March 2014 and 2015 is shown below.

	2013/14	2014/15
	£000	£000
AVC contributions		
- to Aviva	73	90
- to Equitable Life *	-	-
Total contributions	73	90
* the total contribution to Equitable Life was less than £500.		
	2013/14	2014/15
	£000	£000
Market Value		
- Aviva	840	987
- Equitable Life	156	91
Total Market Value	996	1,078

PENSION FUND

Notes to the Accounts

14 *Related Parties*

Four members of the Pensions Investment Sub-Committee during the year were active members of the scheme (prior to the local elections in May 2014) and two were in receipt of a pension during the year. A special responsibility allowance of £1,971 was paid to the Chairman of the Sub-Committee in both 2013/14 and 2014/15. No other payments were made for meeting attendance.

The Council incurred costs of £534k (£418k in 2013/14) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses.

Two key management personnel of the Fund (the Director of Corporate Services and the Director of Finance) are active members of the Fund.

15 *Nature and extent of risks arising from financial instruments*

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 this note on the next two pages.

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk, price risk, currency risk and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure that there is sufficient liquidity to meet its forecast cash-flows. The Authority manages these investment risks as part of its overall Pension Fund risk management programme.

Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. The Fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Director of Finance. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the Authority and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with Fund managers at each quarter.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Authority to ensure it is within limits specified in the Fund's investment strategy.

PENSION FUND

Notes to the Accounts

15 *Nature and extent of risks arising from financial instruments continued*

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the base currency of the Fund, i.e. £Sterling.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term, currency rates reflect value in a particular territory and, to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold. The Fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Director of Finance and the Pensions Investment Sub-Committee every quarter.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum percentage of the deposits placed with any one bank or building society. In addition, the Council may invest in AAA-rated money market funds to provide diversification.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund held £1.0m of Pension Fund cash under its treasury management arrangements at 31st March 2015 (£2.1m as at 31st March 2014). In practice, the Pension Fund Revenue Account cashflow position was at break-even or slightly negative for most of the year and, as a result, it was not considered viable to separate out Pension Fund cash from Council cash for investment purposes.

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Authority therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings that are invested by the Authority, although, as is stated above, the level of cash held was not sufficient to warrant separate investment. The levels of cash held are reviewed by the Authority as part of the periodic cash-flow forecasting and form part of the Fund's investment strategy. The Fund's investment strategy ensures that most, if not all, of the Fund is invested in assets that can be sold at short notice to avoid any liquidity risk. The Fund managers held no illiquid assets (i.e. assets that could not be sold within 10 days) as at both 31st March 2014 and 2015.

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Council reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

PENSION FUND

Notes to the Accounts

15 Nature and extent of risks arising from financial instruments continued

Summary

The following table sets out the potential sums at risk, most of which are remote possibilities, under the various types of risk:

	Market Risk £000	Other Price Risk £000	Currency Risk £000	Interest Rate Risk £000	Credit Risk £000
UK Equities (quoted)	32,127	32,127	-	-	32,127
Overseas Equities (quoted)	361,510	361,510	361,510	-	361,510
Pooled Investments					
- Diversified Growth Funds *	75,140	75,140	75,140	75,140	75,140
- Global Equity Fund	150,533	150,533	150,533	-	150,533
- Sterling Bond Funds	118,181	-	-	118,181	118,181
Cash and cash equivalents	-	5,392	-	5,392	5,392
	737,491	624,702	587,183	198,713	742,883

* The Diversified Growth Funds invest in a wide range of assets, including equities, bonds and alternative investments, as determined by the Fund managers. As a result, there is exposure to all types of risk up to the value of the investments held.

16 Determination of the fair value of assets

All investment assets are held at fair value. The determination of the fair value can be complex depending on the investment and the complexity of measurement can be represented by the fair value hierarchy. The fair value hierarchy ranks fair values at levels between 1 and 3.

Valuations considered to be Level 1 are based on quoted prices, and the valuation of the fund's equities fall into this category.

Level 2 valuations are based on observable inputs relating to the assets, such as the quoted price of similar assets or market data relating to the assets held. The valuation of the fund's Sterling Bond Funds and Global Equities Fund fall into this category.

Level 3 valuations are based on non-observable inputs. These types of valuation are common to the valuation of private equity and other alternative investments which are held within the Diversified Growth Funds and so the valuation of the Diversified Growth Funds are considered to be level 3 valuations.

ANNUAL GOVERNANCE STATEMENT

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 Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.bromley.gov.uk or can be obtained from Chief Executive's Department, 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 2015 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 citizens expect to manage their lives with the minimum of intervention from the Council. When they need the Council's support they expect that it will be provided efficiently, represent value for money and be free from unnecessary bureaucracy and delays.

ANNUAL GOVERNANCE STATEMENT

Bromley Council is organised around a set of core principles which are consistent with this ambition:

- **Member-led:** The Council's resources will be targeted at local priorities as agreed by elected Members
- **Delivering Value for Money:** The Council's services will be provided by whoever offers customers and council tax payers excellent value for money
- **Supporting Independence:** The Council will enable and encourage citizens to take more responsibility for their own lives, with the most vulnerable being provided with the help they need
- **Efficient and non-bureaucratic:** The Council will seek to reduce interference and bureaucratic control whilst protecting the Borough's distinctive character

In setting our goals, Building a Better Bromley provides the framework to improve the life of all of those that visit, live, study, or work in the borough. This reflects our public health and health and wellbeing agenda as well as our priority to continue to invest in the economic wellbeing of our borough. It sets the direction and policies which other plans should help to deliver and is shared across the Council in our specific Portfolio messages and our departmental, divisional and team plans.

Our seven key priorities remain:

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

Our vision is to be an excellent council in the eyes of local people.

Our Portfolio Plans set out what we aim to deliver 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. The Health and Wellbeing Board brings together Bromley Councillors, Public Health, GPs, the Clinical Commissioning Group and the voluntary sector, to understand the local community's needs, agree priorities and encourage commissioners to work in a more joined up way.

Our achievements over the past year and plans for the future are reported in the Annual Report and Accounts.

With substantial additional savings to be made over the next 4 years and uncertainty about how the Government will implement its manifesto pledges the financial situation continues to drive the future direction and work of the Council.

The Commissioning Team, led by the Director of Transformation and Regeneration and overseen by the Portfolio Holder for Resources, are looking in detail at all our services to ensure best value for money and to determine who is best placed to deliver high quality services based on local priorities and value for money principles, within a balanced budget.

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The commissioning programme consists of a number of distinct projects or work streams, each focusing on a specific service or area within the organisation. While each project is corporately led and managed, the relevant Service Director, Service Lead and key Members are actively involved and engaged in order to ensure consistency and transparency across the programme. Each project must go through key mandatory gateway stages to ensure decisions taken are based on clear evidence.

Following scrutiny through the PDS process, the relevant Portfolio Holder and the Executive will make the final decision on implementation. As part of the process formal consultations are also carried out with staff, including Trade Union and staff representatives, and service users.

The Council's operating structure is being reviewed as we continue to develop a more 'one-Council' approach to the way we work. Currently we have 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, corporate support services.

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. The Executive has seven Members and is the Council's main decision making body. It is chaired by the Leader of the Council. It either makes decisions itself or six of its Members, who hold Portfolios, decide on matters relating to specialist areas. The Portfolios cover:

- Care Services (including health)
- Education
- Environment
- Public Protection and Safety
- Renewal and Recreation
- Resources

By law the Executive cannot take all Council decisions as some matters have to be decided elsewhere, principally by the Development Control Committee and the General Purposes and Licensing Committee and their Sub-Committees.

The appointment of the Leader of the Council and membership of the Executive and various committees is formally announced at the Council's Annual Meeting.

The Constitution Improvement Working Group is currently reviewing the structure of these committees to reflect the changing shape and direction of our Council as we work towards becoming a commissioning authority.

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.

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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 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 in Public Service Organisations (2010)*.

Our Corporate Operating Principles which act as an operational model for the Council also 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.

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 the activities of Members and Officers 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.

Local authorities have a duty 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.

The Code of Conduct approved by full Council in 2012 requires new Members and co-opted members to register their financial and other interests within 28 days of taking office. The requirement to register financial interests also extends to a spouse or partner. In addition Members and co-opted members must notify the Monitoring Officer of any change to their interests within 28 days of the change occurring. Any gifts and hospitality with a value of over £25 also need to be registered within 28 days of receipt.

The declarations made by each Councillor are detailed on the councillor information pages on the Council's website.

The Standards Committee considers complaints about Councillors. The Independent Persons on the Committee must be consulted by the Council 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.

The induction events organised for new Councillors following the May 2014 local elections included 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.

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Officers are also subject to Section 117 of the Local Government Act 1972 which means that they are required to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council. In addition they are prohibited from receiving any fee or reward as result of their employment with the Council, other than their agreed remuneration. A reminder is sent out on an annual basis with registers maintained by the Monitoring Officer and individual Directors.

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 the intranet, posters, internal newsletters, 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 procedures in place for complaints about children's social care, adult social care (including a guide for people with learning difficulties), housing services, and school issues. 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.

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, and prosecutions publicised in the local press and on the Council's website.

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 newly constituted Corporate Risk Management Group providing a strategic overview of risk management, health and safety, business continuity and emergency planning activities to improve efficiency and develop synergies in line with Council priorities. The Group continues to report 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.

Zurich Municipal is currently conducting a review of our risk management activities with the aim of improving reporting structures and aligning departmental and strategic risk registers.

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

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scrutiny functions.

During the year Internal Audit was successful in attracting funding from the Department for Communities and Local Government to fight fraud. We were successful in four joint bids with other boroughs, including one to develop a fraud application for mobile phones where we are the lead borough.

Internal Audit actively participates in the National Fraud Initiative, an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

The Bromley Borough Resilience Forum, a statutory forum, 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 exercise 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 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. Depending on their duties some Officer training is mandatory.

There are three main programmes; Organisational Development (including Customer Service, Management and Leadership, Health and Safety, Commissioning and Contract Management), Children's Social Care (including Safeguarding, and Continuing Professional Development) and Adult's Social Care (including the Care Act 2014, Awareness of Medical Conditions, Health and Safety, Safeguarding). 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 online 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 and an area on the Bromley Learning Hub dedicated to Councillors. 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. Following the May 2014 elections a full programme of induction events was organised for new Councillors which was also open to returning 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.

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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. Everyone over the age of 18 can also register for a MyBromley account where residents can manage their council tax, access services, receive alerts and relevant information online. 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.

The public services ICT association Society of Information Technology Management (SOCITM) rated Bromley's website 3 stars (4 stars max) in their 'Better Connected 2015' review, based on user experience, usability and mobile access.

Council meetings are held in public and agendas and report packs are made available in advance on the Council website, at the Civic Centre and through local libraries at least 5 working days prior to each meeting. Most meetings start at 7pm and there are some daytime meetings. Members of the public can ask questions at a meeting or a written reply can be sent subject to giving sufficient notice. There is a facility to set up daily email alerts on key words or topics.

The Council held four meetings in November 2014 (two round-table meetings for representatives from residents' associations, and two public meetings) as part of the 2015/16 budget consultation under the title 'Our budget, your views'. The consultation included an online survey which attracted 1,611 replies and focused on resident's priorities, collecting their views on what they feel is most important and on ways in which they believe the Council could raise revenue. This was supplemented by links to detailed information and graphs about the Council's finances on the main website. Additionally submissions were received from Bromley Youth Council and Bromley Youth Support Team enabling 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 Headteachers, Governors and the Schools Forum.

During the year the Council also consulted on Beckenham Town Centre improvements, Biggin Hill Airport Limited's plans to change their operating hours, the future of Bromley's library service and the future of the Priory and Bromley Museum.

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 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.

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.

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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.

The Children's Services Stakeholder Conference and the Adult Services Stakeholder Conference involve partner agencies and service users in shaping business planning and priorities for the future. The Adult Services Stakeholder Conference held two conferences in July 2014 on 'Your Future Your Support Your Say' and in March 2015 on 'Living Well with Dementia in Bromley'. The Children's Services Stakeholder Conference has scheduled a conference in July 2015 focussing on 'Emotional Wellbeing'. Both bodies report to Care Services PDS and/or the Health and Wellbeing Board. Agenda papers and presentations are published on the Bromley Partnerships website.

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.

As part of this review the Assistant Directors and Heads of Service, where appropriate, have completed and signed an Assurance Statement in relation to their 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

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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 a range of issues.

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 monitor in-year spend of budgets and raise concerns where there is a possibility of overspend or other issues affecting spending priorities. In addition 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.

More routine decisions can 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.

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 Executive and Resources PDS Committee has a rolling programme where the Leader of the Council, the Resources Portfolio Holder and the Chief Executive each do two presentations a year on a rota basis, so six of the eight PDS meetings will normally have one of these sessions. The other PDS Committees do not generally do this although the relevant Portfolio Holders and Chief Officers are usually present at all their meetings.

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 Public Sector Internal Audit Standards. The effectiveness 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.

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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 two investigations that highlighted a number of weaknesses in the areas of supervision/monitoring, document control and updated procedures. 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.'

Internal Audit also submits an Annual Fraud Report to Audit Sub-Committee summarising all fraud and investigations undertaken during the year. Audit Sub-Committee has provided assurance to the external auditors that they are satisfied with our fraud arrangements within the Authority.

External Inspections

In their *Report to those charged with governance* for the year ended 31 March 2014, published in August 2014, the external auditors PricewaterhouseCoopers LLP reported the following:

- 'The Authority, like other Local Authorities, is facing increasing financial pressures and significant challenges to identify the levels of savings they require over the next three to five years. At present, as per the Authority's medium term financial strategy, there exists a significant 'budget gap', culminating in a gap of £53.1m in 2017/18 reported to Executive in February 2014.' As a result the value for money (financial resilience) audit risk rating has been raised from normal to significant.
- '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.'
 - Four internal control deficiencies were reported covering the use of surveyors regarding accounting accruals, the use of a designated Pension Fund bank account, an out of date bank mandate, and updates to the pension administration system in respect of leavers. The recommendations were accepted and acted upon, with the exception of the Pension Fund bank account that Bromley will continue to review
- '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.'

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

Care Quality Commission - Shared Lives - June 2014

All the inspected standards were met

Ofsted - Inspection of Bromley Pupil Referral Service - July 2014

Overall Effectiveness: Requires Improvement

The report was considered by the Education PDS on 30 September 2014 who noted the progress being made by the new Headteacher and staff. Education PDS also receives the results of Ofsted inspections for both the Local Authority Maintained schools and Academies, together with details of the challenge and support provided to those maintained schools considered to be underperforming.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate 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:

Governance Issue	Outcome
<p>1. 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:</p> <p><i>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.</i></p> <p><i>We continue to retain four year forward planning.</i></p>	<p>During 2014/15 we continued to make significant savings and our budget for 2015/16 allows us to address increased demands on council services, often for our most vulnerable residents, as well as the additional responsibilities local authorities have to shoulder without any more money from government.</p>
<p>2. Decision to become a Commissioning authority: <i>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.</i></p>	<p>The Commissioning Team led by the Director Regeneration and Transformation and overseen by the Resources Portfolio Holder meet on a weekly basis to review progress. Every decision taken concerning commissioning is taken after scrutiny by a PDS Committee, the relevant Portfolio Holder, and the Executive.</p>

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<p>3. Welfare reform agenda: <i>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).</i></p>	<p>Council Tax Support Scheme: Following a public consultation the Council agreed to retain the existing scheme for 2015/16.</p> <p>Bromley Welfare Fund: Following the removal of government funding from 2015/16 the Council has agreed a revised scheme with effect from 1 April 2015 restricted to meeting the basic accommodation related requirements of those moving back into the community by making discretionary awards to cover the cost of furniture and white goods.</p>
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Any outstanding issues are included in the table below.

New governance issues:

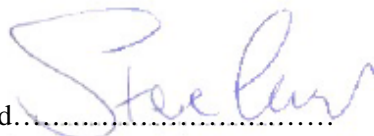
Governance Issue	Actions
<p>Capacity to make further budget savings and maintain frontline services: The Council will need to make significant savings of approximately £50m over the next four years.</p>	<p>The Executive is working to balance the budget for 2016/17. Where possible identified savings will be taken as early as possible. We continue to retain four year forward planning.</p>
<p>Commissioning and transformation agenda</p>	<p>The Commissioning Team will continue to identify services that are either standalone or can be bundled together and then seek approval to market test or other options.</p>
<p>Welfare reform agenda: The government continues to reform the welfare system with the first phase of Universal Credit now expected to be rolled-out to claimants by March 2016. The government is also committed to cutting a further £12bn from welfare spending.</p>	<p>The resulting impact on Council's services will need to be assessed and reported to the relevant PDS Committees.</p>
<p>The implementation of the Care Act 2014 from 1st April 2015 places very significant new responsibilities on the Council with regard to both those who may qualify for services but also for those who care for them. The 'cap on care costs' will be implemented from April 2016.</p>	<p>The modelling of potential risks has been subject to considerable scrutiny. Until changes are implemented we will not know exactly what new pressures we will see. Online Care Act training is mandatory for all Education, Care and Health Services staff.</p>
<p>The Public Service Pension Act 2013 requires The London Borough of Bromley Pension Fund to establish a Local Pension Board. The Local Pension Board will ensure that the Code of Practice on governance and administration issued by the Pensions Regulator is complied with. The new Local Pension Board has to meet by 1st August 2015 at the latest.</p>	<p>Terms of Reference have been agreed and two Member representatives have been appointed and two employer representatives are currently being considered to sit on the Board. This will meet on an annual basis and members of the Board will also be invited to attend meetings of the Pensions Investment Sub-Committee.</p>

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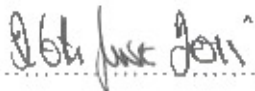
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as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

Signed.....

Chief Executive

Signed.....

Leader of the Council

Date

Date

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 31st 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 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment (if applicable).

Housing Benefit

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

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways, footpaths, bridges and sewers.

Intangible Assets

An intangible asset is an *identifiable* non-monetary asset without physical substance. It must be *controlled* by the authority as a result of past events, and *future economic or service benefits* must be expected to flow from the intangible asset to the authority. The most common class of intangible asset in local authorities is computer software.

Inventories

Are assets:

- a) in the form of materials or supplies to be consumed in the production process
- b) in the form of materials or supplies to be consumed or distributed in the rendering of services
- c) held for sale or distribution in the ordinary course of operations, or
- d) in the process of production for sale or distribution.

Investment Property

Is property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.

Levies

A payment that a local authority is required to make to a particular body (a levying body) to meet London wide services. Levying bodies include the London Pensions Fund Authority, London Boroughs Grants Committee, Environment Agency and Lee Valley Regional Park.

Material

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

NNDR - National Non Domestic Rates

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.