

**LONDON BOROUGH OF BRENT**  
**STATEMENT OF ACCOUNTS**  
**2003/2004**

**C O N T E N T S**

	<b>Page</b>
INTRODUCTION BY DIRECTOR OF FINANCE	1
EXPLANATORY FOREWORD	2
RESERVED FOR AUDITORS' REPORT	9
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	11
COMMITTEE APPROVAL	12
STATEMENT ON INTERNAL CONTROL	13
STATEMENT OF ACCOUNTING POLICIES	18
CONSOLIDATED REVENUE ACCOUNT	24
HOUSING REVENUE ACCOUNT	36
CONSOLIDATED BALANCE SHEET	40
STATEMENT OF TOTAL MOVEMENT IN RESERVES	55
CASH FLOW STATEMENT	56
COLLECTION FUND	59
GLOSSARY	62

## **INTRODUCTION BY THE DIRECTOR OF FINANCE**

Brent's annual accounts show the financial performance of the Council for the year 2003/2004. They present fairly the financial position of the authority on 31<sup>st</sup> March 2004 and its income and expenditure for the year ending on that date.

These accounts have been published prior to the commencement of the audit. It is hoped they will provide a useful and important source of financial information for the community, Council members and other interested parties. The Explanatory Foreword on the next few pages gives a brief summary of the Council's financial position in 2003/2004.

I should also like to thank my staff and colleagues in other Units for their hard work and support during the year.

.....  
DUNCAN McLEOD  
DIRECTOR OF FINANCE

Date: .....

## EXPLANATORY FOREWORD

### 1. INTRODUCTION

The accounts for the year 2003/2004 consist of:

**Statement of Accounting Policies** - This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies, which have been followed in dealing with material items, are explained.

**Consolidated Revenue Account** - This reports the cost for the year of the major functions for which the Council is responsible and compares that cost with the finance provided from charges made by the Council, from Central Government and from the Collection Fund.

**Housing Revenue Account** - This reflects a statutory obligation to account separately for the Council's housing provision. It shows the major elements of housing expenditure and income.

**Consolidated Balance Sheet** - This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes the Pension Fund.

**Statement of Total Movements in Reserves** - This brings together all the recognised gains and losses of the authority during the period and identifies those which have and those which have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

**Cash Flow Statement** - This summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

**Collection Fund** - The Collection Fund accounts independently for income related to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised.

The accounts have been produced in line with the requirements of the 2003 Accounts and Audit Regulations, the 2003 Code of Practice on Local Authority Accounting in Great Britain (ACOP), a Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

## EXPLANATORY FOREWORD (Continued)

### 2. GENERAL FUND REVENUE SPENDING IN 2003/2004

The table below shows how actual expenditure on services in 2003/2004 compares to the budgeted figures. Positive variances show underspends and negative variances overspends compared with budgets.

	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Corporate Units and Local Taxation and Benefits	29,191	29,868	(677)
Service Budgets			
Education, Arts and Libraries	141,733	142,981	(1,248)
Environment	28,123	28,102	21
Housing	12,634	12,446	188
Social Services	<u>75,564</u>	<u>75,728</u>	<u>(164)</u>
Service Expenditure – Budget Overspend	287,245	289,125	(1,880)
Other Budgets/Debt Charges/Central Items	37,346	33,420	3,926
Contribution to/(from) Balances	<u>3,054</u>	<u>5,100</u>	<u>(2,046)</u>
<b>Budget Requirement</b>	<b>327,645</b>	<b>327,645</b>	<b>0</b>
Financed By:			
Revenue Support Grant	174,018	174,018	-
Non-Domestic Rates	77,234	77,234	-
Council Tax Income	77,195	77,195	-
Collection Fund Net Deficit	<u>(802)</u>	<u>(802)</u>	<u>-</u>
	<b>327,645</b>	<b>327,645</b>	<b>-</b>

The table above reflects the Council's Committee structure in 2003/2004. This differs from the Consolidated Revenue Account (CRA) on page 24 since the relevant SORP requires that the CRA shows expenditure on services using CIPFA's standard classification in accordance with Best Value Accounting. In some cases this does not match the Council's structure.

#### Explanations of Major Variances

	<b>Under/(Over)spending £'000</b>	<b>£'000</b>
<b>Corporate Units and Local Taxation and Benefits</b>		
Brent House Rent and Service Charges	608	
Property (Voids and Maintenance)	119	
Human Resources (Staff and Projects)	129	
Housing Benefit Deficit	(1,540)	
Miscellaneous (individually below £100k)	<u>7</u>	
		(677)

## EXPLANATORY FOREWORD (Continued)

	<b>Under/(Over)spending</b>	
	<b>£'000</b>	<b>£'000</b>
<b>Education, Arts and Libraries</b>		
SEN Out Borough Placements	(857)	
Individual Schools Budget - Additional Monies	(400)	
Standards Fund	477	
Brent Education Tuition Service	(315)	
Other (below £100k)	(153)	
	<hr/>	(1,248)
<b>Environment</b>		
Waste Tonnage lower than Forecast	225	
Streetlighting PFI – Slippage on Core Investment Programme	113	
Section 106 Agreement – Legal Costs	(222)	
Other (individually below £100k)	(95)	
	<hr/>	21
<b>Housing</b>		
Others (individually below £100k)	188	
	<hr/>	188
<b>Social Services</b>		
Children’s Services - Staffing	326	
- Supplies and Services	259	
- Client Numbers	(438)	
- Asylum Seekers Grant	(428)	
Learning Disabilities	108	
Mental Health	159	
Older People	386	
Carlyon Print	(168)	
Physical Disabilities	(279)	
Core	(247)	
Capitalisation	324	
Financial Management	(150)	
Other (individually below £100k)	(16)	
	<hr/>	(164)
Service Expenditure – Budget Overspend		(1,880)
<b>Other Budgets</b>		
Debt Charges	1,502	
Advance Funding Monies	314	
Preserved Rights	1,047	
Future of Wembley	102	
External Audit Fees	(266)	
Premature Retirement Compensation	102	
Leasing Income	(128)	
Advertising Hoardings	(110)	
Middlesex House	(825)	
Deferred PRC Contributions	225	
Remuneration Strategy	255	
Prior Year Adjustments (HRA & NNDR)	(169)	

## EXPLANATORY FOREWORD (Continued)

	Under/(Over)spending	
	£'000	£'000
Prior Year Adjustment (Bad Debts Social Services)	606	
Repayment of Social Services Overspend 2002/2003	500	
Preserved Rights Adjustment	350	
Others (Individually below £100k)	421	
	<hr/>	<hr/>
<b>TOTAL</b>		<b>3,926</b>
		<hr/>
		<b>2,046</b>

### 3. CAPITAL EXPENDITURE

The Council's capital expenditure in 2003/2004 was £65.125m (2002/2003 £54.198m). The expenditure was within the definition of the Local Government and Housing Act 1989.

Capital Expenditure has been financed from the following sources:

Funding Source	2003/2004 £000's
Borrowing	28,400
Government Grants	16,298
Capital Receipts	6,016
Major Repairs Allowance	3,377
General Fund Revenue Contributions	3,452
HRA Revenue Contributions	5,576
Capital Accruals	2,006
<b>Total</b>	<hr/> <b>65,125</b> <hr/>

## EXPLANATORY FOREWORD (Continued)

Gross capital receipts during the year totalled £21.646m. £6.016m of usable receipts were used to finance capital expenditure leaving a balance of usable receipts at the year end of £3.024m. Capital projects and other significant capital expenditure in excess of £0.5m during the year were as follows:

<b>Scheme</b>	<b>2003/2004 £000's</b>
Renovation Grants	5,288
Social Housing Grants	4,006
CCTV Programme	855
Deferred Purchase Payments	659
Gladstone Park Primary School	701
Mitchell Brook Primary School	513
Wembley High Technology College	2,159
Wembley Park Trading Estate Access Road	2,378
Controlled Parking Zones	1,167
Traffic Management Schemes	1,520
Principal Road and Carriageways Programme	1,188
Upgrade Footways	639
Council Housing	23,003
Wembley Train Stations	716
Bus Priority Network	766
Bridge Strengthening	1,531

Capital expenditure incurred by Service Departments in 2003/2004 is summarised below:

<b>Department</b>	<b>2003/2004 Programme £000's</b>	<b>2003/2004 Out-turn £000's</b>	<b>Variation £000's</b>
Corporate	4,560	2,776	(1,784)
Central Items	6,823	8,032	1,209
Education, Arts and Libraries	12,145	9,996	(2,149)
Environment	12,517	10,964	(1,553)
Housing	31,328	32,649	1,321
Social Services	498	708	210
<b>Total</b>	<b>67,871</b>	<b>65,125</b>	<b>(2,746)</b>

Outstanding capital commitments at 31<sup>st</sup> March 2004 amounted to £6.146m.

In 2002/2003 the Council produced a capital investment strategy which set out the Council's capital investment priorities over a number of years.

## **EXPLANATORY FOREWORD (Continued)**

### **Borrowing/Investments**

During 2003/2004 the level of long term borrowing decreased by £62.920m from £444.677m to £381.757m. This was due to the repayment of maturing debts. All long term borrowing was undertaken with the Public Works Loan Board.

In 1986 the Council invested £100,000 to become a founder member of the Greater London Enterprise (GLE). An exit strategy is being developed, possibly through a flotation on the stock market, it is estimated that the Council's stake in GLE is worth approximately £1m.

#### **4. HOUSING REVENUE ACCOUNT (HRA)**

The Council originally budgeted for a small surplus of £400,000. The final accounts show a surplus for the year of £2,410,000 before the net transfer to earmarked reserves. The main reasons are variances relating to Housing Subsidy, capital finance charges, leasing, insurance fund and Brent Building Cleaning.

#### **5. SIGNIFICANT CHANGES FROM LAST YEAR'S ACCOUNTS**

- (i) Financial Reporting Standard (FRS) 17 - Following the implementation of FRS17 Retirement Benefits principles, the accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from:
  - (a) For the Brent Pension Fund, years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.
  - (b) For discretionary increases to pension payments (known as 'added years'), the capital value of the future benefits.

Although these liabilities will be paid over a number of years, these are liabilities that have been earned by employees. It is therefore deemed to be appropriate that the full liability is recognised in the accounts.

The change has an impact on both the balance sheet and service revenue accounts. The balance sheet includes a pension liability of £252.02m - being a combination of funded (the Brent Pension Fund - £191.4m) and unfunded liabilities (£60.62m relating to added years for teachers and other staff) – balanced by a pension reserve of the same value (reflecting both that the liability is very long-term in nature and that the authority is not required to raise council tax to cover it).

Charges to the service revenue accounts are now based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employer's contributions. This has resulted in adjustments to comparative figures for 2002/3 service total costs in the Consolidated Revenue account compared with the figures in the 2002/3 audited accounts. In addition, the policy for accounting for discretionary benefits awarded on early retirement has



## **EXPLANATORY FOREWORD (Continued)**

changed from recognising pension payments as part of Unapportionable Central Overheads when they eventually become payable to debiting the projected cost of discretionary awards to Non Distributed Costs in the year that the award decision is made.

The FRS17 deficit will be met in a number of ways. First, the unfunded benefits ('added years') will be met annually until the liability ceases – there are now few early retirements and strict limits on the award of added years. Second, it is anticipated that rising markets will help to reduce the deficit on the Brent Pension Fund. Third, the 2004 Actuarial Valuation is likely to increase employer's contributions, funding increased investment.

As part of the Actuarial Valuation, the Council (as Administering Authority for the Brent Pension Fund) will agree the period over which the deficit will be recovered. It is anticipated that this will be up to 30 years, recognising both that these are long-term liabilities but that there should be progress towards 100% funding of liabilities.

The deficit as measured by FRS17 has reduced during 2003/4 (by £29.72m – see Note 15 to the Consolidated Revenue Account). This has occurred as a result of rising equity markets following the declines from 2000 to 2003.

- (ii) In October 2002, the Council formed Brent Housing Partnership (BHP) Limited, an arms length organisation. Brent Housing Partnership Limited is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). The Council has entered into a contract with Brent Housing Partnership Limited to provide these services. The income and expenditure arising from these activities are shown in the Council's accounts in accordance with requirement of the current CIPFA Code of Practice and legislation. Brent Housing Partnership Limited is required by law to prepare a set of accounts which shows its management and administrative cost. 2003/2004 is the first full financial year that BHP has been operating.
- (iii) There is a new note to the Consolidated Revenue Account which shows Brent's audit costs and fees for other services paid to our appointed auditors.

## **6. FURTHER INFORMATION**

Further information on these accounts may be obtained by writing to the Director of Finance, Room 114, Brent Town Hall, Wembley HA9 9HD or by e-mail from [zebunnissa.ali@brent.gov.uk](mailto:zebunnissa.ali@brent.gov.uk).

## **7. GLOSSARY**

In the accounts which follow some technical accounting terms are used. Whenever possible, these are explained at the appropriate places in the accounts. However, if further information is needed please see the glossary of terms on page 62.

**AUDITORS' REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BRENT**

*[TO FOLLOW AFTER THE CONCLUSION OF THE AUDIT]*

**AUDITORS' REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BRENT**

PricewaterhouseCoopers LLP  
Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

## 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 ensure 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'S RESPONSIBILITIES

The Director of Finance is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present fairly the financial position of the Authority at the Accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2004.

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

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

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.

.....  
DUNCAN McLEOD  
DIRECTOR OF FINANCE

Date: .....

**COMMITTEE APPROVAL**

At a meeting of the General Purposes Committee held at Brent Town Hall on 4<sup>th</sup> August 2004, the accounts were approved and adopted on behalf of the Council.

.....  
CHAIR  
General Purposes Committee

Date: .....

## **STATEMENT ON INTERNAL CONTROL**

### **1. SCOPE OF RESPONSIBILITY**

Brent Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

### **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

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

The system of internal control has been in place within the Council for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts.

### 3. THE INTERNAL CONTROL ENVIRONMENT

The Council's Internal Control Environment is described under six main headings below:

Establishing and monitoring the achievement of the Council's objectives	The facilitation of policy and decision making	Compliance with established policies, procedures, laws and regulations	Economic, effective and efficient use of resources and continuous improvement	Financial Management of the Council	Performance management and reporting
<p>The Corporate Strategy 2002 to 2006 and Management Agenda set out long term objectives, plans and a number of key targets. Individual service area objectives are linked to the Corporate Objectives through Service Development Plans for all areas across the Council.</p> <p>The Best Value Performance Plan sets out improvement targets across a range of statutory and local performance indicators and is produced annually in June. The Council monitors achievement of its objectives through the Corporate Strategy Action Plan, which is updated every six months and reported to the Executive and Corporate Management Team</p>	<p>The Council operates a Leader and Cabinet (Executive) model of decision making. Although, some decisions are reserved for full Council, there are a number of decisions which are made by the Executive. In accordance with the Local Government Act 2000 the Council has in place mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process. The</p>	<p>The Council has a duty to ensure that it acts in accordance with the Law and various regulations, including European Commission Directives, in the performance of its functions. The Council has developed policies and procedures for its members and staff to ensure that, as far as possible, all understand their responsibilities both to the authority and the public. These procedures and policies are laid down in the Constitution, Corporate Standards, Financial Regulations, Contract Management Guidelines and departmental procedure documentation. The Council recognises that its Corporate Standards are in need of updating and this is discussed further in Section 5.</p> <p>The Council's elected members have a duty to act within the law in their dealings on behalf of the Council and their constituents. These duties are set out in the Council's constitution and the model code of conduct. The Standards Committee is responsible for promoting and maintaining high</p>	<p>Individual service managers are responsible for ensuring that they adopt the principles of continuous improvement and the Council has embarked upon a significant training and development programme for its key managers. This programme is designed to ensure a consistent approach to service improvement and the development of core competencies linked to the achievement of the Corporate Strategy.</p> <p>The Council has a programme of rigorous Best Value reviews which address both individual service performance and efficiency and key strategic policy issues. This programme is designed to ensure continuous improvement and value for money. The recommendations from these reviews are monitored every six months and are reported to the Performance and Finance Select Committee and the Executive Performance Board.</p>	<p>The Council has a statutory responsibility under the Accounts and Audit Regulations 2003 for ensuring that the financial management arrangements are adequate and effective and that there is a sound system of internal control which facilitates the effective exercise the Council's functions.</p> <p>The Chief Financial Officer, the Director of Finance, has the statutory responsibility under Section 151 of the Local Government Act 1972 for the proper administration of the Council's financial affairs and specifically to:</p> <ul style="list-style-type: none"> <li>Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice</li> <li>Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.</li> <li>Put in place financial standards across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.</li> </ul> <p>The Council has a medium term financial strategy under which it plans its finances over a three year rolling period. The Executive and Corporate Management Team meet regularly during the year to consider the medium term financial strategy including two and half day sessions in July and October linking the budget to service priorities.</p> <p>The Council sets annual revenue and capital budgets and these are monitored throughout the year by various mechanisms. Budget monitoring reports are taken to the Executive on a quarterly basis and to the Performance and Finance Select Committee. The Council's financial position is reported to a monthly meeting of the Executive and Corporate Management Team. The Strategic Finance Group meets on a monthly basis to review the budget monitoring information and provide summary information to the Corporate Management Team.</p>	<p>The Council sets out its performance record and targets in an annual Performance Plan. This is reported to Full Council, the Executive and Performance and Finance Select Committee. It is structured to reflect the Corporate Strategy themes.</p> <p>Each Service Area Development Plan includes performance targets and monitoring information and these are constructed around the Corporate Strategy Priorities. Individual Service Units also produce operational plans which are derived from the wider Service Development Plan. The intention is for these plans to link clearly to Corporate Strategy Objectives and in-turn down to individuals objectives and performance targets. There is some developmental work to be done in this area in some parts of the organisation and this is addressed in Section 5.</p> <p>A quarterly "Vital Signs" document is produced which reports on the 25 critical Performance Indicators. This is reported to the Corporate Management Team and the Performance and Finance Select Committee. All</p>

<p>at the annual service planning meeting and also to the Performance and Finance Select Committee. The action plan update is also submitted to Full Council with the budget proposals in order that financial planning can be considered against objectives. The Overview and Scrutiny Committees have specific responsibility for assessing the action plan and budget proposals.</p> <p>The Executive and Corporate Management Team meet on a monthly basis to monitor progress of the Corporate Strategy Objectives and to consider the key risks to achievement of those objectives.</p> <p>Although not finalised until after the end of the 2003/04 financial year, the development of the Improving Brent Action Plan during the year helped the Council to focus on the key drivers towards improving performance.</p>	<p>conduct of the Council's business is governed by the Constitution, Standing Orders and Financial Regulations.</p> <p>Decisions are subject to inclusion on the forward plan which sets out all future key decisions which are to be made within the following two to three month period. The Forward Plan Select Committee enables pre-scrutiny of Executive decisions by non-executive members.</p>	<p>standards of conduct by members and for receiving reports from the monitoring officer. The Council has implemented a member training programme which concentrates on the high risk areas, such as planning and licensing.</p> <p>The Council's Monitoring Officer, the Borough Solicitor, is responsible for monitoring reporting on significant breaches of the code to the Standards Committee and or the Standards Board for England.</p> <p>Every Committee report is subject to a review by Legal Services to ensure that the Council is acting lawfully</p> <p>The Council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the Executive and Corporate Management Team. The Strategic Finance Group considers the financial risks to the authority on a monthly basis. The Risk Management Group is responsible for maintaining a Council wide risk register and developing strategies to identify, evaluate and mitigate key risks. The Council has identified Risk Management as an internal control mechanism which needs more development. This is discussed further in section 5.</p>	<p>On a bi-monthly basis the Executive Performance Board also consider, in detail, the performance of specific service areas and the progress of the Corporate Strategy in those areas.</p> <p>A further high level monitoring group focuses on three services which have been identified as areas for improvement. Currently these are the Revenues and Benefits Service, Waste and Recycling and Sports and Leisure. This group provides a corporate response to support specific performance issues.</p> <p>The Overview and Scrutiny task groups undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.</p> <p>The Policy and Regeneration Unit also provide continuous improvement support to specific service areas.</p>	<p>The Council has a set of financial regulations which are reviewed on an annual basis and form part of the Constitution. All officers are bound by these regulations which set out the rules and procedures governing all financial transactions. Service Unit and Corporate Directors are required to keep accurate financial records, comply with the financial control framework, and take timely action to keep spend within budget.</p> <p>Individual Service Managers have considerable responsibility with respect to finance. These responsibilities include: Maintaining a proper system of budgetary control; maximising income and ensuring grant claims are submitted on time; Ensuring that adequate financial controls are in place.</p> <p>Brent Financial Services collate financial information, monitors implementation of the financial control framework, support service accountants and managers in their financial responsibilities, and give assurance to management and members that adequate controls exist to produce sound financial administration.</p> <p>Service Area Accountants collate financial information about their service area, provide financial advice to their managers and committees, provide financial information to Brent Financial Services, support managers in their financial responsibilities, help to implement the financial control framework and ensure sound financial administrative systems are in place.</p> <p>The Audit and Investigations Team provide the Council's Internal Audit function and provide an assurance function to the Council and the Director of Finance as to the adequacy of the Council's financial and operational systems.</p> <p>The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions.</p> <p>The Council's Accounts are made available for public inspection so that they can be inspected and if appropriate, objections and questions can be raised.</p> <p>The Council has undertaken a financial skills audit to identify areas for improvement amongst its finance staff and has implemented a training programme for 250 officers with differing levels of ability. The training programme has been accompanied with a Financial Information Manual and together these are designed to improve ensure that financial discipline and control is maintained across the Council.</p> <p>Every committee report is subject to a review by Brent Financial Services to ensure that all financial implications have been considered.</p>	<p>Departmental Management Teams review their own key performance indicators on a monthly basis.</p> <p>There are three service based scrutiny panels which review performance information on a six-monthly basis.</p> <p>The Council has implemented a number of staff development programmes designed to develop understanding of performance management techniques, responsive service planning and robust stewardship of resources. In addition, all staff receive an annual appraisal of their individual performance assessed against the objectives and performance targets previously set.</p> <p>Performance information is also reported to the Corporate Management Team, Executive and as part of the annual service and budget planning cycle. Performance Information is considered as part of the review of progress against our corporate strategy commitments. This process shapes annual growth and savings targets, as well as the medium term financial strategy. The Executive and CMT meetings in July and October are dedicated to reviewing corporate objectives, the results of local consultation, assessing performance and defining spending priorities.</p>
---	---	---	---	---	--



#### 4. REVIEW OF EFFECTIVENESS

Brent Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review should include an ongoing analysis of the operation of the internal control system during the accounting year and up until the accounts are published. The review process was not fully embedded during the year and work is needed with regard to formalising the review process. This is discussed further in section 5. The review which has been undertaken, for the purposes of this statement, has relied upon the work of the Director of Finance, the Monitoring Officer, Policy and Regeneration Unit, Audit and Investigations Team, the Performance and Finance Select Committee, our external auditors (PWC), the Social Services Inspectorate and Ofsted. The process which has been used during 2003/4 to maintain and review the effectiveness of internal control is described below:

The Council	The Executive	The Performance and Finance Committee and Standards Committee	Overview and Scrutiny	Audit and Investigations	External Audit and Inspectorates
<p>Has monitored performance against the Corporate Strategy Objectives by taking an annual report and has set the annual budget in accordance with the Corporate Strategy priorities. those objectives.</p> <p>Receives an annual budget report which summarises the financial position and the transactions for the year.</p> <p>Has agreed the Constitution which sets out the decision making structure, delegated authority and financial regulations which underpin the internal control framework.</p>	<p>Makes key decisions subject to inclusion on the forward plan which sets. The Forward Plan Select Committee enables pre-scrutiny of Executive decisions by non-executive members.</p> <p>Considers and reviews the key corporate risks on a quarterly basis.</p> <p>Considers the Annual Performance Plan.</p> <p>Considers the output from Best Value reviews.</p> <p>Has established Performance Board to consider the Performance of specific Service Areas.</p> <p>Meets twice yearly with the Corporate Management Team to consider the medium term financial strategy.</p> <p>Meets monthly with the Corporate Management Team to receive an update on the Council's financial position and monitoring reports from the Strategic Finance Group.</p>	<p>Performance and Finance Committee receives reports on Best Value reviews and monitors the performance of Internal Audit and the Council's External Auditors.</p> <p>Receives budget monitoring reports.</p> <p>Considers the Annual Performance Plan and quarterly "Vital Signs" document</p> <p>Standards Committee receives reports from the Council's Monitoring Officer on significant breaches of the code of conduct and considers reports from the Standards Board for England.</p>	<p>Oversees and scrutinises decisions made by the Executive.</p> <p>Have task groups who undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.</p> <p>Have three service based scrutiny panel to examine detailed performance information on a six monthly basis.</p>	<p>Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan.</p> <p>The timing of this Statement of Internal Control does not coincide with the production of the Internal Audit Annual Review. This is an area for improvement discussed further in Section 5.</p> <p>Where identified as a result of audit work, significant internal control weaknesses have been reported to Executive Directors and Service Directors at the conclusion of each audit. A half year report of significant findings was made to the Performance and Finance Select Committee.</p> <p>Further work is needed to ensure audit coverage is adequate on the operational systems of the Council. This issue is addressed in Section 5.</p> <p>Further work is also needed on the reporting of the results of Fraud Investigations to inform the evaluation of the Control Environment. This issue is addressed in Section 5.</p>	<p>The Director of Finance meets with the Council's External Auditors Auditors on a monthly basis and, if appropriate, they raise any concerns they have regarding the internal control environment. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised.</p> <p>The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment block provide some assurance as to the Internal Control Environment. The latest assessment in December 2003 gives the Council a Fair rating with good prospects for improvement.</p>

## 5. SIGNIFICANT CONTROL ISSUES

As a result of the review of Internal Controls, six areas for improvement have been identified. These are detailed below, together with the actions proposed and the responsible officer.

Control Issue	Action to be taken	Responsible Officer	Timescale for completion
The Council recognises that its Corporate Standards are in need of updating and clarification as to their status, given the potential overlap with the Constitution and Contract Management Guidance.	A review of the Corporate Standards is currently underway. In addition a new Corporate Governance website is to be established which will bring together all of the relevant corporate governance documents together one place including the Constitution, Contract Procurement and Management Guidelines and the Corporate Standards as well as others.	Borough Solicitor	March 2005
The Council has identified the lack of a Council wide risk register and risk management training across the Council as an issue which needs more development.	The recently approved Risk Management Strategy will be embedded across the Council/ This includes the development and maintenance of a Council Wide Risk Register and the training of Service Area Directors in Risk Management.	Director of Finance	March 2005
The link from the Corporate Strategy Objectives into individual objectives and service standards becomes unclear in some parts of the organisation at the Service Operational Planning stage. There is some developmental work to be done in this area.	Guidance and Training on this issue is to be provided to Managers.	Director of Policy and Regeneration.	March 2005
The timing of the Statement of Internal Control does not coincide with the production of the Internal Audit Annual Review.	The production of the Annual Review of Internal Audit work to be timed to coincide with the production of the accounts. The Annual Audit report also to give an overview of the level of assurance which can be placed on those controls examined in the year.	Head of Audit and Investigations	March 2005
Further work is needed to ensure audit coverage is adequate on the operational systems of the Council.	Ensure that Internal Audit coverage is balanced across financial reviews, schools audits, IT audit and systems reviews. Improve performance against planned work.	Head of Audit and Investigations	March 2005
Further work is needed on the reporting of the results of Fraud Investigations to inform the evaluation of the Control Environment.	Annual report to be produced to advise the Chief Executive and Leader of significant frauds which have been caused by a material breakdown in the control environment. Regular briefings to be held with Lead Member for Finance.	Head of Audit and Investigations	October 2004

## 6. CONCLUSION

There has been no explicit ongoing review of the system of internal control during 2003/4. We have evaluated the effectiveness of the system of internal control by reference to the general work of the Council, the Executive, the Performance and Finance Select Committee and to specific advice and reports by the Corporate Management Team, Director of Finance, Monitoring Officer, Head of Audit and Investigation, PriceWaterhouseCoopers and those inspectorates described in section 4 above. We have been advised on the current effectiveness of system of internal control and we plan to address the weaknesses described in Section 5 above and ensure that continuous improvement of the system is in place.

Signed..... Date .....  
**Gareth Daniel, Chief Executive**

Signed..... Date .....  
**Cllr Ann John, Leader of the Council**

## STATEMENT OF ACCOUNTING POLICIES

1. **Code of Practice** - The general policies adopted in preparing these accounts are in accordance with the revised Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA - Statement of Recommended Practice (SORP).

### INCOME AND EXPENDITURE

2. **Debtors and Creditors** - The revenue accounts of the Council have been compiled on an accruals basis in accordance with the Statement of Standard Accounting Practice (SSAP) 2 apart from the exception mentioned below. That is, sums of expenditure and income due from or to the Council during the year have been included in the accounts whether or not the cash has actually been paid or received.

However, accruals for a single order below £5,000 were not allowed unless failure to accrue would result in the loss of grant monies or the expenditure related to locally managed schools.

3. **Cost of Support Services** - Brent's devolved structure means that some finance, personnel and IT functions are undertaken directly by Service Units. Other support services are located in Service Areas and centrally.

The full costs of support services have been charged to services in the Consolidated Revenue Account in accordance with CIPFA's *'Best Value Accounting Code of Practice'*. Charges have been made on a variety of bases. The main basis of charging is staff time. In some cases other appropriate statistics have been used, for example, Human Resources charges were based on staff numbers and One Stop Shops costs were based on time weighted enquiries.

4. **Pensions** - The Council participates in the two following pension schemes which provide members with defined benefits related to pay and services.

**Teachers:** This is an unfunded scheme administered by the Department for Education and Skills (DfES).

**Other Employees:** Other employees, subject to certain qualifying criteria, are eligible to join the funded Local Government Pension Scheme.

Retirement benefits are accounted for according to the principles of FRS17 which has been adopted in the SORP for 2003/2004. The accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

This is a significant revision to the accounting policy for retirement costs prior to 2003/2004 and the adoption of FRS17. In previous years the Council treated employers' contributions payable to the Local Government Pension Scheme as its expenditure for the year and only accrued for amounts payable to the Fund that had not been paid by 31<sup>st</sup> March.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

As a result of the new accounting policy, the balance sheet at 31<sup>st</sup> March 2003 has been revised to include a pensions liability of £281.74m. This is balanced by a pensions reserve of the same value which reflects the fact that the Council is not required to raise Council Tax to cover the liability.

Charges to service revenue accounts are now based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employers' contributions. This has resulted in an adjustment of 2.7% to the comparative figures for 2002/2003 Education costs in the Consolidated Revenue Account (CRA) compared with the figures in the 2002/2003 audited accounts. The adjustments to the other services' accounts in the CRA are under 1%. In addition, the policy for accounting for discretionary benefits awarded on early retirement has changed from recognising pension payments as part of Unapportionable Central Overheads when they eventually become payable to debiting (as past service costs) the projected cost of discretionary awards to Non Distributed Costs in the year that the award decision is made. Together these changes have decreased the overall net cost of services by £5.991m.

	<b>2002/2003 Audited Accounts £'000</b>	<b>Adjustment Required by FRS17 £'000</b>	<b>Restated 2002/2003 figures £'000</b>
Education	141,120	(3,757)	137,363
Cultural Services	12,248	(70)	12,178
Highways, Roads and Transport	16,140	(42)	16,098
Environmental	14,428	(80)	14,348
Planning and Development	8,805	(65)	8,740
Housing (General Fund)	31,354	(68)	31,286
Social Services	69,292	(278)	69,014
Courts	976	-	976
Unapportionable Central Overheads	2,850	(2,850)	-
Non Distributed Costs	-	1,230	1,230
Other Central Services	16,084	(11)	16,073
Housing Revenue Account	8,706	-	8,706
<b>Net Cost of Services</b>	<b>322,003</b>	<b>(5,991)</b>	<b>316,012</b>

5. **Revenue Grants** - Revenue grants are matched with the expenditure to which they relate. They are accounted for on an accruals basis.

### CAPITAL ASSETS

6. **Fixed Assets** - All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Repairs and maintenance expenditure is charged direct to service revenue accounts. Fixed assets are included in the balance sheet on the following basis:

## STATEMENT OF ACCOUNTING POLICIES (Continued)

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

Assets are valued on the following basis:

- ◆ Land, operational properties and other operational assets are included in the balance sheet at their Open Market Value (OMV). The exception to this are school buildings and Social Services establishments that are included at their Depreciated Replacement Cost (DRC). Council dwellings are valued using a beacon principle based on their OMV but adjusted with a social housing factor in accordance with ACOP.
- ◆ Non-operational assets, including investment properties and assets that are surplus to requirements are included in the balance sheet at their OMV.
- ◆ Community assets are included in the accounts at individual nominal values of £1 and as such are not shown in the balance sheet.
- ◆ Infrastructure assets, vehicles, plant, furniture and equipment have been valued at historic cost net of depreciation.

Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur.

Assets acquired under finance leases are capitalised together with the liability to pay future rentals.

### **Depreciation**

With the exception of HRA dwellings depreciation is calculated on all building assets using the straight line method as set out below. Land Assets are not depreciated.

Buildings	5 – 40 years as determined by the Valuer
Infrastructure	10 – 40 years
Plant, Vehicles, Equipment and Machinery	Up to 10 years

Housing Revenue Account dwellings are depreciated on the basis of the planned amount required over the foreseeable future to maintain the stock in its existing condition.

No depreciation is charged in the year an asset is acquired. Consequently, depreciation is charged on assets in the year of their disposal.

### **Capital Expenditure**

Capital expenditure on building assets is added to the value of the asset and depreciated over the remaining useful life.

Capital expenditure on HRA dwellings is added to the value of fixed assets.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

### De Minimis Rules

The following de minimis rules for the capitalisation of new expenditure are applied:

<u>Asset Type</u>	<u>De Minimis Level for Capitalisation</u>
Land and Building Acquisition (excluding leases).	No lower limit, always capital.
HRA Dwellings	Works over £1,500
Works to Building:	
Additions, extensions and conversions.	Contracts more than £5,000.
Structural works that increase value of external useful life.	Contracts more than £5,000.
<i>Programmed</i> Energy Conservation or Efficiency Works.	No lower limit.
<i>Programmed</i> Health and Safety Works.	No lower limit.
<i>Programmed</i> Aids and Adaptations for the Disabled.	No lower limit.
Infrastructure works that increase value or external useful life.	No lower limit.
Vehicles and Plant.	No lower limit.
Office and Information Technology.	Individual items or service delivery and efficiency packages more than £5,000.
Furniture and equipment for new buildings or refurbishments.	No lower limit.
Other furniture and equipment.	Individual items or service delivery and efficiency packages more than £5,000.

These de minimis rules may be waived and small items capitalised in the following instances:

- (a) where specific capital grants are available for such de minimis items.
- (b) where specific credit approval is available for such de minimis items.

### Income from the Sale of Fixed Assets

Income from the disposal of fixed assets is known as capital receipts. Such income that is not reserved for the repayment of external loans and forms part of the capital financing reserve, and has not been used to finance capital expenditure in the period, is included in the balance sheet as capital receipts unapplied.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

The reserved proportion of capital receipts has been calculated in accordance with The Local Government and Housing Act 1989. Generally, this is 75% for HRA dwellings and 50% for HRA land. The remaining proportion after this reduction and 100% of General Fund capital receipts can be used to finance capital expenditure.

- 7. Charges to Revenue** - The General Fund is charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying specified notional rates of interest to net asset values. These are 6% for assets recorded at current value and 6.75% for assets recorded at historic cost. The aggregate charge to each individual service is determined on the basis of the capital employed in its provision.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with the capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

The charge made to the HRA is calculated on the basis determined by the Local Government and Housing Act 1989.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to earmarked reserves are disclosed separately as appropriations, on the face of the consolidated revenue account, below net operating expenditure.

- 8. Deferred Charges** - Deferred Charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Expenditure is included in the Consolidated Revenue Account and written off to the Capital Financing Reserve.
- 9. Government Grants and Contribution** - Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited initially to the Government grants deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

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

- 10. Leasing** - The Council has acquired a number of assets, mainly vehicles, plant and computer equipment, by means of leases. In accordance with accounting convention rentals payable under operating leases are charged to revenue in the year in which they are paid and no provision is made for outstanding lease commitments.
- 11. Stocks** - Stocks and stores are valued at the lower of cost and net realisable value.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

- 12. Provisions** - The Council makes provision in compliance with FRS 12 where there is an obligation as a result of a past event where it is probable that the Council will incur expenditure to settle the obligation and where a reasonable estimate can be made of the amount involved. In addition to the provisions listed in note 9 to the Balance Sheet there is a provision for unrecovered debts which has been netted off against the debtors figure on the balance sheet (see note 5 to the Balance Sheet).
- 13. Reserves** - These are amounts set aside for earmarked purposes out of the balances of the Council's funds. Further details of earmarked reserves are given in Note 16 to the Balance Sheet.
- 14. Investments** - Long term investments are shown in the accounts at the original cost price, plus brokerage and fees. Short term investments are valued at the middle market prices at the close of business on 31<sup>st</sup> March. Valuations are supplied by the Council's external Cash Fund Managers, who invest in certificates of deposit, cash deposits and government fixed interest gilts. Any gains or losses in market value compared with the cost of the investment are recognised in the Consolidated Revenue Account.
- 15. VAT** - This is included in the income and expenditure accounts only to the extent that it is irrecoverable.



## CONSOLIDATED REVENUE ACCOUNT

The Consolidated Revenue Account shows the gross expenditure, income and net expenditure analysed by service (see Note 1) and how it was met from the Collection Fund.

### REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2004

Note	On its Services the Council Spent	2003/2004	2003/2004	2003/2004	2002/2003
		Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
	Education	221,009	(74,593)	146,416	137,363
	Cultural Services	15,705	(2,995)	12,710	12,178
	Highways, Roads and Transport	21,975	(11,915)	10,060	16,098
	Environmental	21,873	(4,901)	16,972	14,348
	Planning and Development	22,519	(14,202)	8,317	8,740
	Housing (General Fund)	166,171	(136,428)	29,743	31,286
	Social Services	117,375	(39,415)	77,960	69,014
	Courts	1,699	(710)	989	976
2.	Central Services	<u>41,923</u>	<u>(33,087)</u>	<u>8,836</u>	<u>17,303</u>
	Net Cost of General Fund Services	630,249	(318,246)	312,003	307,306
	Housing Revenue Account	<u>92,810</u>	<u>(96,026)</u>	<u>(3,216)</u>	<u>8,706</u>
	<b>Net Cost of Services</b>	<b>723,059</b>	<b>(414,272)</b>	<b>308,787</b>	<b>316,012</b>
3	Levies			7,289	6,870
4.	(Surplus)/Deficit on Trading Accounts			(444)	(422)
5.	Interest Receivable			(2,874)	(3,825)
6.	Net (Income)/Expenditure on the Asset Management Revenue Account			(1,885)	(6,502)
	Pensions interest cost and expected return on Pensions assets			15,250	5,060
	<b>Net Operating Expenditure</b>			<b>326,123</b>	<b>317,193</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

Note	2003/2004 Gross Expenditure £000	2003/2004 Income £000	2003/2004 Net Expenditure £000	2002/2003 Net Expenditure £000
			1,530	(10,410)
			3,113	1,108
7.			(1,040)	63
8.			(12,750)	(18,982)
9.			(375)	(438)
			1,429	(186)
			2,416	(1,215)
			1,686	1,704
			388	195
			6,335	(1,810)
			<u>(6,310)</u>	<u>931</u>
			<b><u>322,545</u></b>	<b><u>288,153</u></b>
			174,018	148,245
			77,234	75,520
			77,195	63,778
			(802)	(811)
			-	<u>120</u>
			327,645	286,852
			<b><u>5,100</u></b>	<b><u>(1,301)</u></b>
			<u>50</u>	<u>1,351</u>
9.			<u>5,150</u>	<u>50</u>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

#### NOTE 1: CONSOLIDATED REVENUE ACCOUNT

The figures for the costs of individual services have been compiled in accordance with CIPFA's Best Value Accounting Code of Practice. This includes the allocation of overheads to services, updating of capital charges to services and the treatment of past service contributions to meet the pensions fund deficit. In addition information is shown in accordance with CIPFA's latest Service Expenditure Analysis.

#### NOTE 2: CENTRAL SERVICES

Central Services for 2003/2004 comprise the following elements (with last year's re-stated comparative figures shown):

	Gross Expenditure £000	Income £000	Net Expenditure £000	2002/2003 Net Expenditure £000
Corporate and Democratic Core	5,154	-	5,154	4,608
Non Distributed Costs	530	-	530	1,230
Central Services to the Public	32,314	(22,990)	9,324	7,054
Other Operating Income and Expenditure	3,925	(10,097)	(6,172)	4,411
	<b>41,923</b>	<b>(33,087)</b>	<b>8,836</b>	<b>17,303</b>

#### NOTE 3: LEVIES

The Council is required to pay a levy to a number of bodies.

	2003/2004 £000	2002/2003 £000
Lee Valley Regional Park	244	238
London Pension Fund Authority	292	294
Environment Agency	1,388	1,354
West London Waste Authority	5,365	4,984
	<b>7,289</b>	<b>6,870</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 4: TRADING ACCOUNTS

The following activities operate on a 'trading account' basis.

Activity	<u>2003/2004</u>		<u>2002/2003</u>	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Building Cleaning/Maintenance	2,414	131	2,798	27
Finance	275	7	249	19
Grounds Maintenance	956	(23)	1,109	130
Highways Maintenance	880	47	1,043	70
Transport	5,692	(61)	5,447	(47)
Lead Tenants	5,500	(414)	4,441	(594)
		(313)		(395)
Building Cleaning/Maintenance Deficit charged to HRA		(131)		(27)
<b>TOTAL</b>	<b>15,717</b>	<b>(444)</b>	<b>15,087</b>	<b>(422)</b>

### NOTE 5: INTEREST RECEIVABLE

The valuation of externally managed short term investments at market prices has led to the inclusion of an unrealised gain of £129,000 in the 2003/2004 accounts (2002/2003 unrealised gain £337,000).

### NOTE 6: ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account consists of the following items:

	<u>2003/2004</u> £000	<u>2002/2003</u> £000
External Interest Charges	35,201	39,726
Debt Management Expenses	164	171
Grants released from Government Grants Deferred Account	1,664	1,195
Provision for Depreciation	19,909	18,668
Capital Charges to Service Accounts	(57,159)	(65,067)
Grants applied to Capital Financing Reserve	(1,664)	(1,195)
<b>Net Expenditure/(Income)</b>	<b>(1,885)</b>	<b>(6,502)</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 7: CONTRIBUTION TO CAPITAL FINANCING RESERVE

This contribution represents the difference between depreciation charged and the minimum revenue provision (MRP) as follows:

	2003/2004 £000	2002/2003 £000
Statutory MRP	10,717	10,744
Provision for General Fund Depreciation	(11,757)	(10,681)
<b>Additional Charge/(Credit) to/(from) Revenue Account</b>	<b>(1,040)</b>	<b>63</b>

### NOTE 8: CONTRIBUTION FROM THE CAPITAL FINANCING RESERVE

The contribution from the CFR represents the write-off of expenditure in relation to assets which the Council does not own or from which the Council does not derive any material benefit or for expenditure which government direction allows to be capitalised.

	2003/2004 £000	2002/2003 £000
Acorn Estate	162	117
Pensions	-	6,300
Redundancy Costs	-	11
Buildings	695	-
Renovation Grants	5,288	5,326
Regeneration	2,185	1,947
Leased Buildings	-	648
Voluntary Aided Schools	414	353
Social Housing Grant	4,006	4,280
<b>Total Contribution</b>	<b>12,750</b>	<b>18,982</b>

The amount is included within the following items in the Net Cost of Services:

	2003/2004 £000	2002/2003 £000
Planning and Economic Development	2,185	1,947
Housing General Fund	9,456	9,723
Other Services	695	6,959
Education	414	353
	<b>12,750</b>	<b>18,982</b>

### NOTE 9: BALANCES

Schools balances are committed to be spent on the Education Service and are not available for general use. The figures at the end of the Consolidated Revenue Account relate solely to General Fund Balances. See Note 17 to the Balance Sheet.

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 10: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2003/2004 and 2002/2003, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	2003/2004 Number of Employees	2002/2003 Number of Employees
£50,000 - £59,999	102	60
£60,000 - £69,999	25	15
£70,000 - £79,999	12	11
£80,000 - £89,999	7	3
£90,000 - £99,999	6	4
£100,000 - £110,000	1	1
£110,000 - £120,000	1	1
£120,000 - £129,999	-	-
£130,000 - £139,999	<u>1</u>	<u>-</u>
	<u>155</u>	<u>95</u>

### NOTE 11: EXPENDITURE ON PUBLICITY

Section 5(i) of the Local Government Act 1986 requires a local authority to keep a separate account of its expenditure on publicity. Expenditure on publicity in 2003/2004 amounted to £1.868m (£1.767m in 2002/2003). A large proportion of this expenditure relates to the Council's recruitment advertising.

### NOTE 12: EXPENDITURE ON LEASING

In 2003/2004 the Council paid out £253,000 (2002/2003 - £269,000) for operating leases to lessors. The undischarged obligation in respect of operating leases was £870,000 (31.03.03 - £1,091,000). There was no expenditure on finance leases.

### NOTE 13: PENSION ARRANGEMENTS

Pensions are provided for all full-time Council employees under the requirements of statutory regulations. In certain circumstances these regulations extend to cover part-time employees. The principal schemes in operation are:

**TEACHERS** - This is a defined benefit scheme administered by the Department of Education and Skills. In 2003/2004 Brent paid £7.0m (2002/2003 £5.3m). The Council contributes at a rate of 13.5% of pensionable pay and in addition is responsible for all pension payments relating to added years awarded by the authority together with the related increases. These amounted to a further £1.8m in 2003/2004 (2002/2003 £1.9m).

## **CONSOLIDATED REVENUE ACCOUNT (Continued)**

**OTHER EMPLOYEES** - Pensions are provided from the Pension Fund, the accounts of which have been produced separately. Employer's contributions, at rates advised by the Fund's actuaries, are charged to revenue as incurred. The Council's actuaries recommended an employers' contribution of 18.6% of employees contributions in 2003/2004 (270% in 2002/2003). In 2003/2004 the Council paid employer contributions of £14.9m (2002/2003 £11.2m), representing 17.8% of pensionable pay. The Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2003/2004 Brent made discretionary payments of £40,000 (2002/2003 £88,000). Expenditure in 2003/2004 on added years awarded by the authority amounted to £2.8m. (£2.9m 2002/2003) representing 3.4% of pensionable pay.

The pension costs it would have been necessary to provide for in the year in accordance with SSAP 24 "Accounting for Pension Costs" are £16.2m representing 19.3% of pensionable pay.

The 2001 actuarial valuation indicates that the assets of the fund cover 84% of fund liabilities following a fall in investment returns and increasing member longevity. It has been decided to increase employer contributions to cover the deficit over the revised working lifetime of the average employee (13 years).

Employer rates (for scheduled bodies) since 2000 are as follows:

1999/2000	12.6%
2000/2001	14.4%
2001/2002	15.6%
2002/2003	16.2%
2003/2004	18.6%
2004/2005	18.6%

### **NOTE 14: CAPITAL COST OF DISCRETIONARY INCREASES IN PENSION PAYMENTS**

These are now shown as part of the Financial Reporting Standard No. 17 disclosure below.

### **NOTE 15: RETIREMENT BENEFITS**

In accordance with Financial Reporting Standard No. 17 - Retirement Benefits (FRS 17) the London Borough of Brent is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

London Borough of Brent participates in the Local Government Pension Scheme and acts as an Administering Authority. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary. Brent also has unfunded liabilities related to added years service given to both teachers and other staff.

The most recent valuation was carried out as at 31 March 2001, and has been updated by independent actuaries to the London Borough of Brent Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2004. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

## CONSOLIDATED REVENUE ACCOUNT (Continued)

London Borough of Brent's contribution rate over the accounting period was 310% of members' contributions. The contribution rates certified for London Borough of Brent at the 31 March 2001 valuation are as follows:

April 2002 to March 2003	270% of members' contributions
April 2003 to March 2004	310% of members' contributions
April 2004 to March 2005	310% of members' contributions

These figures include the past service element of the contribution rate.

The main assumptions used for the purposes of FRS 17 are as follows:

	31 March 2004	31 March 2003
Discount rate	6.4%	6.1% pa
Rate of increase in salaries	4.7%	4.4% pa
Rate of increase in pensions in payment	2.9%	2.6% pa
Rate of increase in deferred pensions	2.9%	2.6% pa
Rate of inflation	2.9%	2.6% pa
Long-term expected rates of return on:		
Equities	7.7%	7.6% pa
Government bonds	4.7%	5.0% pa
Corporate bonds	5.5%	5.0% pa
Property	6.7%	6.6% pa
Other assets	4.2%	3.1% pa
Average long term expected rate of return	7.0%	6.7% pa

Assets are valued at fair value, principally market value for investments, and comprise (note that the details for 31<sup>st</sup> March 2003 have been amended to reflect the separation of Brent Housing Partnership):

	31 March 2004 (£m)	31 March 2003 (£m)
Equities	226.58	174.72
Government bonds	40.91	71.16
Corporate bonds	31.47	-
Property	9.44	8.96
Other	<u>6.29</u>	<u>5.54</u>
<b>Total</b>	<b><u>314.69</u></b>	<b><u>260.38</u></b>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2004 and 31 March 2003.



## CONSOLIDATED REVENUE ACCOUNT (Continued)

The following amounts were measured in accordance with the requirements of FRS 17:

	<b>31 March 2004 (£m)</b>	<b>31 March 2003 (£m)</b>
Share of assets in the Fund	314.69	260.38
Estimated funded liabilities	(506.09)	(480.83)
Estimated unfunded liabilities	(60.62)	(61.29)
London Borough of Brent's surplus/(deficit)	(252.02)	(281.74)

The deficit shown for 31<sup>st</sup> March 2003 is different to that shown in the audited accounts (£223.76m). This reflects the estimated unfunded liabilities (assessed by actuaries as £61.29m) previously recorded under Capital Cost of Discretionary Increases in Pension Payments, and the removal of liabilities for staff employed by Brent Housing Partnership.

The surplus or deficiency revealed above should be borne in mind when considering the amount of overall reserves held i.e.

	<b>£m</b>
Net reserves before FRS17 Deficit	5.15
FRS17 Deficit	<u>(252.02)</u>
Net reserves after FRS17 Deficit	<u><u>(246.87)</u></u>

The movement in net surplus for the year to 31 March 2004 is as follows:

	<b>£m</b>	<b>£m</b>
Net surplus/(deficit) at beginning of year		(281.74)
Movement in year:		
Operating Charge:		
Current service cost	(8.52)	
Past service costs	(0.53)	
Gain/loss on any settlements or curtailments	<u>0.00</u>	
Total Operating Charge		(9.05)
Contributions:		
Contributions paid	13.31	
Contributions to unfunded liabilities	<u>4.68</u>	
		17.99
Finance Income:		
Expected return on Pension Fund assets	17.58	
Interest on pension scheme liabilities	<u>(32.83)</u>	
Total Finance Income		(15.25)
Actuarial gain/loss		<u>36.03</u>
Net surplus/(deficit) at end of year		(252.02)

## CONSOLIDATED REVENUE ACCOUNT (Continued)

The actuarial gain/loss can be further analysed as follows:

	<u>2003/2004</u>		<u>2002/2003</u>	
	Amount (£m)	Percentage of Assets/Liabilities	Amount (£m)	Percentage of Assets/Liabilities
Actual return less expected return on assets	36.16	11.5%	(87.01)	32.9%
Experience gains and losses on pension liabilities	(1.22)	0.2%	0.86	0.2%
Changes in assumptions underlying the present value of pension liabilities	1.09	0.2%	(7.41)	1.5%
<b>Total</b>	<b>36.03</b>		<b>(93.56)</b>	

FRS17 indicates that Pension Fund liabilities are 62% funded as at 31<sup>st</sup> March 2004 (31<sup>st</sup> March 2003 54%), considerably below the 84% assessed at the 2001 Valuation.

### NOTE 16: RELATED PARTY TRANSACTIONS

Information in respect of material transactions not disclosed elsewhere in the Statement of Accounts is shown below:

#### London Borough of Brent Pension Fund

Administrative support is provided to the Fund. UK equities are now managed in-house.

#### Voluntary Organisations

A number of organisations which received grants from the London Borough of Brent in 2003/2004 have Brent Members acting as Directors or Trustees. The following information has been obtained from Members' Declarations of Related Party Transactions:

	£'000
Bengali Community Education Centre	13
Brent Irish Advisory Service	36

In addition, one Councillor is a Director of South Kilburn New Deal for Communities which is funded by the Government Office for London. Brent is the accountable body. Another Councillor is the Chair of Stonebridge Area Youth which is funded by the London Development Agency. Brent is the accountable body and provided rent-free accommodation worth £10k in 2003/2004.

Further information is available from the Register of Members' Declaration of Interest.

### NOTE 17: MEMBERS' ALLOWANCES

Total payments in 2003/2004 were £805,000 (£776,000 in 2002/2003).

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 18: BUILDING CONTROL ACCOUNT

The Building Act 1984 and specifically the Building Control Regulations 1998 required Local Authorities to establish a scheme for Building Control charges from 1<sup>st</sup> April 1999. The basic principle being that income received over any three year period shall not be less than the costs directly or indirectly incurred.

The figures for 2003/2004 and 2002/2003 are as follows:

	<b>2003/2004</b> <b>£'000</b>	<b>2002/2003</b> <b>£'000</b>
Total Costs (including all Central and Support Service Costs)	898	800
Income raised from Building Control Charges	(892)	(823)
<b>(Surplus)/Deficit for year</b>	<b>6</b>	<b>(23)</b>

### NOTE 19: LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Income from these services amounted to £1.293m in 2003/2004 (£2.307m in 2002/2003) and fully covered expenditure.

### NOTE 20: POOLED BUDGETS

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with Brent Primary Care Trust (PCT) for pooled budget arrangements of the Senior Management Teams and related expenditure of the Learning Disability Partnership Board and Brent Mental Health Partnership. The London Borough of Brent is the host partner for Learning Disabilities and Brent PCT is the host partner for Mental Health.

The Partnerships' income and expenditure for 2003/2004 was:

	<b>Learning Disabilities</b> <b>£'000</b>	<b>Mental Health</b> <b>£'000</b>
Funding		
London Borough of Brent	(93)	(405)
Brent Primary Care Trust (PCT)	(230)	(797)
<b>Total Funding</b>	<b>(323)</b>	<b>(1,202)</b>
<b>Expenditure</b>	<b>311</b>	<b>1,195</b>
<b>Net Underspend</b>	<b>(12)</b>	<b>(7)</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 21: AUDIT COSTS

The London Borough of Brent incurred the following fees relating to external audit and inspection:

	2003/2004 £'000	2002/2003 £'000
- Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with Section 5 of the Audit Commission Act 1998.	312	400
- Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1999.	20	20
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above by the appointed auditor under Section 28 of the Audit Commission Act 1998.	117	124
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above.	-	-

## HOUSING REVENUE ACCOUNT - 2003/2004

The Housing Revenue Account (HRA) records the financial transactions relating to the Council's housing stock i.e. it reflects the Council's landlord role.

This account shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates and capital financing costs, and how these are met by rents, subsidy and other income. The Housing Revenue Account has to be self financing and there is a legal prohibition on cross subsidy to or from Council Tax Payers.

### HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2004

	2003/2004 £000	2002/2003 £000
<b><u>Income</u></b>		
Dwelling Rents	38,780	38,927
Non Dwelling Rents	216	283
Charges for Services and Facilities	394	417
HRA Subsidy Receivable	56,631	56,835
Housing Benefit Transfers	5	14
<b>Total Income</b>	<b>96,026</b>	<b>96,476</b>
<b><u>Expenditure</u></b>		
Repairs and Maintenance	8,041	9,280
Supervision and Management	19,198	19,080
Rent and Rates	3,543	3,843
Rent Rebates	24,889	25,177
Bad or Doubtful Debts	378	210
Cost of Capital	28,485	39,509
Depreciation	8,183	7,988
Debt Management Expenses	93	95
<b>Total Expenditure</b>	<b>92,810</b>	<b>105,182</b>
<b>Net Cost Of Services</b>	<b>(3,216)</b>	<b>8,706</b>
Transfer from AMRA	(10,112)	(18,850)
Amortised Payment and Discount	1,178	311
HRA Investment Income/Mortgage Interest	(568)	(564)
Transfer from General Fund	-	(200)
<b>Net Operating Expenditure</b>	<b>(12,718)</b>	<b>(10,597)</b>
<b><u>Appropriations</u></b>		
Revenue Contributions To Capital	5,576	4,984
HRA Set Aside	4,930	5,197
Transfer from Major Reserves	(198)	(63)
	<b>(2,410)</b>	<b>(479)</b>
<b>HRA Account Balance</b>		
Balance Brought Forward	(514)	(1,739)
(Surplus)/Deficit for the Year	(2,410)	(479)
Transfer to Earmarked Reserves	1,686	1,704
Balance Carried Forward	(1,238)	(514)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 10,193 to 10,000 a reduction of 193 Dwellings. This reduction results from properties being sold under "Right to Buy", leased properties expiring in the Housing Revenue Account and Estate Regeneration Programmes.

The stock at the end of the year was made up as follows:

	<b>31.03.04</b>	<b>31.03.03</b>
Leasehold	540	559
Freehold	9,460	9,634
<b>Total</b>	<b>10,000</b>	<b>10,193</b>

### NOTE 2: RENT ARREARS

The level of rent arrears at 31<sup>st</sup> March 2004 was £3.198m. Movements on the arrears and related provisions are shown below.

	<b>Arrears £'000</b>	<b>Provision £'000</b>	<b>Net Arrears £'000</b>
Balances at 31.3.2003	3,491	3,473	18
Amounts written off and other adjustments	(687)	(687)	-
Increase in Provision	-	378	(378)
(Decrease)/Increase in Arrears	394	21	373
<b>Balances at 31.03.04</b>	<b>3,198</b>	<b>3,185</b>	<b>13</b>

### NOTE 3: FIXED ASSETS

	<b>Council Dwellings £'000</b>	<b>Non- Operational £'000</b>	<b>Total £'000</b>
Gross Book Value at 1 April 2003	664,377	2,551	666,928
Revaluation Adjustment	122,270	213	122,483
Expenditure during the Year	23,003	-	23,003
Disposals	(24,457)	-	(24,457)
Gross Book Value at 31.3.2004	785,193	2,764	787,957
Accumulated Depreciation B/fwd	(23,552)	(61)	(23,613)
Depreciation/adjustment For the Year	(8,155)	(28)	(8,183)
<b>Net Book Value at 31.03.04</b>	<b>753,486</b>	<b>2,675</b>	<b>756,161</b>

Depreciation became applicable from 1<sup>st</sup> April 2001 with the introduction of resource accounting in the HRA.

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 4: VACANT POSSESSION VALUE OF HRA DWELLINGS

The vacant possession value of dwellings within the HRA at 31<sup>st</sup> March 2004 is £1,725.8m.

### NOTE 5: DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. There were no deferred charges during the Financial Year 2003/2004.

### NOTE 6: IMPAIRMENT CHARGE

Impairment charges represent a permanent reduction in the value of fixed assets due to circumstances other than changes in property prices. There were no impairment charges during the Financial Year 2003/2004.

### NOTE 7: MAJOR REPAIRS RESERVE

	<b>31.03.04</b> <b>£'000</b>	<b>31.03.03</b> <b>£'000</b>
Balance at 1 April 2003 (2002)	3,997	2,664
Transfer to Major Repairs Reserve	8,183	7,988
Transfer from Major Repairs Reserve	(198)	(63)
Capital expenditure financed from Major Repairs Reserve	(3,377)	(6,592)
<b>Balances at 31.03.04 (03)</b>	<b>8,605</b>	<b>3,997</b>

### NOTE 8: HRA SUBSIDY

	<b>31.03.04</b> <b>£'000</b>	<b>31.03.03</b> <b>£'000</b>
Housing Subsidy Element Allowance	31,763	31,488
Rent Rebate Subsidy	24,868	25,347
Other	-	-
<b>Total</b>	<b>56,631</b>	<b>56,835</b>

### NOTE 9(A): HRA CAPITAL EXPENDITURE FUNDING IN 2003/2004

	<b>31.03.04</b> <b>£'000</b>	<b>31.03.03</b> <b>£'000</b>
Borrowing	14,050	-
Usable Capital Receipt	-	-
Revenue Contribution	5,576	4,984
Major Repairs Reserve	3,377	6,592
<b>Total</b>	<b>23,003</b>	<b>11,576</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 9(B): HRA CAPITAL RECEIPTS IN 2003/2004

	31.03.04 £'000	31.03.03 £'000
Land	-	-
Houses	17,410	11,112
Other Properties	-	-
<b>Total</b>	<b>17,410</b>	<b>11,112</b>

### NOTE 10: COST OF CAPITAL

The Housing Revenue Account (HRA) is charged with a capital charge for fixed assets used in provision of services in the Council's landlord role. The Cost of capital is charged at 3.5% (2002/2003 – 6%) of the value of HRA Dwellings based on Existing Use Value as Social Housing as specified in the HRA Subsidy Determination 2003/2004. The cost charge for the Financial Year 2003/2004 was £28.485m (2002/2003 - £39.5m).

### NOTE 11: ADJUSTING TRANSFER FROM ASSET MANAGEMENT REVENUE ACCOUNTS

The capital asset charges accounting adjustment represents the difference between the cost of capital charge and the HRA interest costs required by government regulation. Net interest of £18.373m has been charged to the HRA.

	31.03.04 £'000	31.03.03 £'000
Reserve Capital Charges	(28,485)	39,509
Interest on HRA mid-year credit ceiling	18,373	(20,659)
<b>Capital Charges Accounting Adjustment</b>	<b>(10,112)</b>	<b>18,850</b>

### NOTE 12: BRENT HOUSING PARTNERSHIP

In October 2002, the Council formed Brent Housing Partnership Limited, an arms length organisation. Brent Housing Partnership Limited is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). The Council has entered into a contract with Brent Housing Partnership Limited to provide these services. The income and expenditure arising from these activities are shown in the Council's accounts in accordance with requirement of the current CIPFA Code of Practice and legislation. Brent Housing Partnership Limited is required by law to prepare a set of accounts which shows its management and administrative cost. 2003/2004 is the first full financial year that BHP has been operating.



## CONSOLIDATED BALANCE SHEET

The Balance Sheet shows the financial position of the Council as a whole (excluding amounts attributable to the Pension Fund), and summarises its assets and liabilities.

### BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2004

Note	31.03.04		31.03.03	
	£000	£000	£000	£000
1.	Fixed Assets			
	Council Dwellings	753,487	640,825	
	Other Land and Buildings	284,196	280,672	
	Vehicle, Plant, Furniture and Equipment	8,749	6,355	
	Infrastructure	73,980	63,675	
	Community Assets	-	-	
	Non-Operational Properties	3,822	3,662	
	Net Fixed Assets			995,189
3.	Investments (Long Term)			100
4.	Long Term Debtors			1,896
	Total Long Term Assets			997,185
	Current Assets			
	Stock and Work in Progress	381	300	
	Payments in Advance	3,129	3,983	
5.	Debtors	62,103	65,442	
	Cash in Hand	285	36	
	Short Term Investments	74,877	64,362	
	Current Liabilities			134,123
	Short Term Borrowing	(114,170)	(26,600)	
6.	Creditors	(54,047)	(51,338)	
	Deposits	(770)	(925)	
	Receipts in Advance	(4,391)	(4,434)	
	Cash Overdrawn	(6,737)	(5,103)	(88,400)
	Net Current Assets/(Liabilities)			45,723
	Total Assets Less Current Liabilities			1,042,908
7.	Long Term Borrowing			(444,677)
8.	Long Term Creditors			(2,902)
9.	Provisions			(1,520)
	Liability related to defined benefit pension schemes			(281,740)
	<b>Total Assets Less Liabilities</b>			<b>312,069</b>

## CONSOLIDATED BALANCE SHEET (Continued)

Note	31.03.04		31.03.03	
	£000	£000	£000	£000
	The Council finances this from:			
10.		502,344		405,074
11.		57,906		41,947
12.		99,404		107,183
13.		3,024		36
14.		4,077		4,365
15.		828		975
		8,605		3,997
16.		40,132		27,877
		(252,020)		(281,740)
	Balances:			
17.	7,512		2,787	
	1,238		514	
		8,750		3,301
18.		(24,534)		(946)
		<b>448,516</b>		<b>312,069</b>

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTES TO THE CONSOLIDATED BALANCE SHEET

#### NOTE 1: FIXED ASSETS

	<b>Council Dwellings £000</b>	<b>Land and Buildings £000</b>	<b>VPF&amp;E £000</b>	<b>Infra- structure £000</b>	<b>Community Assets £000</b>	<b>Non- Operational £000</b>	<b>Total £000</b>
Gross Book Value 31/03/03	664,377	301,482	10,105	73,340	-	3,775	1,053,079
Expenditure on Council Assets	23,004	12,099	4,180	12,433	-	-	51,716
Revaluations	122,270	-	-	-	-	213	122,483
Less Disposals	(24,457)	(787)	-	-	-	-	(25,244)
Gross Book Value at 31/03/04	785,194	312,794	14,285	85,773	-	3,988	1,202,034
Depreciation on Assets Sold	-	31	-	-	-	-	31
Less Depreciation for Year	(8,155)	(7,819)	(1,786)	(2,128)	-	(52)	(19,940)
Less Accumulated B/Fwd	(23,552)	(20,810)	(3,750)	(9,665)	-	(114)	(57,891)
<b>Net Book Value at 31/03/04</b>	<b>753,487</b>	<b>284,196</b>	<b>8,749</b>	<b>73,980</b>	<b>-</b>	<b>3,822</b>	<b>1,124,234</b>

The majority of land and building assets were valued as at 1<sup>st</sup> April 1999 by Iain Tingle, FRICS, at Amey Property Services. Foundation Schools and Caretakers Houses were valued as at 1<sup>st</sup> April 1999 by Marcus J C Perry, FRICS, of Brent Council. Council dwellings were revalued by FPD Savills at 31<sup>st</sup> March 2002.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 2: CAPITAL EXPENDITURE

The Council's capital expenditure was financed as follows:

	<b>2003/2004</b>	<b>2002/2003</b>
	<b>£000</b>	<b>£000</b>
Borrowing	28,400	17,605
Government Grants	16,298	14,778
Capital Receipts	6,016	3,800
Major Repairs Allowance	3,377	6,591
General Fund Revenue Contributions	3,452	2,659
HRA Revenue Contributions	5,576	4,985
Capital Accruals	2,006	2,565
Capital Funding Account	0	1,215
	<b>65,125</b>	<b>54,198</b>

### NOTE 3: LONG TERM INVESTMENTS

The Council invested £100,000 to become a founder member of Greater London Enterprise (GLE) in 1986. GLE exists to support employment and business opportunities in London. The initial investment can only be realised through GLE being wound-up. Discussions continue on an exit strategy, possibly through a flotation on the stock market. It is estimated that the Council's stake in GLE is worth approximately £1m.

### NOTE 4: LONG TERM DEBTORS

These are debtors which fall due after a period of at least one year, analysed as follows:

	<b>31.03.04</b>	<b>31.03.03</b>
	<b>£000</b>	<b>£000</b>
Sale of Council Houses	867	1,066
Housing Act Advances	14	24
Housing Associations	-	27
Other	648	779
	<b>1,529</b>	<b>1,896</b>

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 5: DEBTORS

An analysis of debtors is shown below:

	<b>31.03.04</b> <b>£000</b>	<b>31.03.03</b> <b>£000</b>
Housing Rents	3,198	3,491
Government Departments and Local Authorities	20,033	19,446
Council Tax Payers	29,676	25,292
NNDR Payers	15,113	19,364
NNDR Refund due from Pool	1,460	6,326
Sundry	48,348	44,921
	<b>117,828</b>	<b>118,840</b>
Less Provision for Bad Debts	<b>(55,725)</b>	<b>(53,398)</b>
	<b>62,103</b>	<b>65,442</b>

### NOTE 6: CREDITORS

An analysis of creditors is shown below:

	<b>31.03.04</b> <b>£000</b>	<b>31.03.03</b> <b>£000</b>
Government Departments and Local Authorities	10,444	8,697
Sundry	43,603	42,641
	<b>54,047</b>	<b>51,338</b>

### NOTE 7: LONG TERM BORROWING

Loans which mature within one year are shown under short term borrowing.

The analysis of the long term loans by maturity is shown below:

	<b>31.03.04</b> <b>£000</b>	<b>31.03.03</b> <b>£000</b>
Between 1 – 2 years	-	16,000
Between 2 – 5 years	24,500	14,500
Between 5 – 10 years	27,000	47,000
More than 10 years	330,257	367,177
	<b>381,757</b>	<b>444,677</b>

All of the long term loans were provided by the Public Works Loans Board.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 8: LONG TERM CREDITORS

	31.03.04 £000	31.03.03 £000
Deferred Purchase	1,300	1,959
Other	915	943
<b>Total</b>	<b>2,215</b>	<b>2,902</b>

### NOTE 9: PROVISIONS

These monies have been set aside to cover the following potential liabilities:

	31.03.03 £000	Additions £000	Reductions £000	31.03.04 £000
Uninsured Losses	827	2,344	(2,065)	1,106
Employment Tribunals	90	-	(23)	67
Disrepair Cases	320	174	(152)	342
Disputed Invoices	6	-	(6)	-
Leasing – Dilapidations	257	-	(51)	206
Redundancy	20	-	(20)	-
Harlesden Road	-	17	-	17
Advice Centres	-	87	-	87
Gloucester Close	-	175	-	175
Long Term Sickness	-	493	(478)	15
	<b>1,520</b>	<b>3,290</b>	<b>(2,795)</b>	<b>2,015</b>

**Uninsured Losses** - The Council meets a proportion of its insurance liabilities and claims from the Uninsured Losses provision. The level of the provision is reviewed annually on the basis of information from the Council's advisers. The Council estimates that the amount held as a provision plus additional amounts to be provided in 2004/2005 will be more than sufficient to meet all claims that are likely to be settled in 2004/2005.

**Employment Tribunals** - Covers costs that are likely to be incurred on a number of cases.

**Disrepair Cases** - Estimated compensation due to Council tenants for disrepair cases.

**Disputed Invoices** - Related to a legal case.

**Leasing/Dilapidations** - to settle claims and damages by freeholders of properties leased by the Council.

**Redundancy** - Amounts required following a re-organisation.

**Harlesden Road** - Costs due on scheme subject to negotiations.

## CONSOLIDATED BALANCE SHEET (Continued)

**Advice Centres** - Bonuses due to Advice Centres will be decided according to review of performance targets.

**Gloucester Close** - Historic debt expected to be written off in 2004/2005.

**Long Term Sickness** - Monies expected to be required for 2004/2005.

### NOTE 10. FIXED ASSET RESTATEMENT RESERVE

	<b>£000</b>
Balance at 1 <sup>st</sup> April 2003	(405,074)
Less: Asset Disposals	25,213
Add: Asset Revaluations	(122,483)
<b>Balance at 31<sup>st</sup> March 2004</b>	<b>(502,344)</b>

The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1<sup>st</sup> April 1999. This was implemented from 1<sup>st</sup> April 2000. This has resulted in a significant increase in the size of the reserve. The reserve will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

### NOTE 11: GOVERNMENT GRANTS DEFERRED ACCOUNTS

	<b>£000</b>
Balance at 1 <sup>st</sup> April 2003	41,947
Grants Received in Year	17,622
Grants Released to Revenue	(1,664)
<b>Balance at 31<sup>st</sup> March 2004</b>	<b>57,905</b>

Capital Grants received for the purchase of fixed assets which are to be depreciated will be transferred to this account. Approved amounts will then be released to match the depreciation charge over the natural life of the asset.

### NOTE 12: CAPITAL FINANCING RESERVE

	<b>£000</b>
Balance at 1 <sup>st</sup> April 2003	107,183
Movements in Year:	
Capital Receipts Set Aside	12,641
Capital Receipts Applied	6,016
Capital Grant Applied	2,905
General Fund Revenue Contributions to Capital Expenditure	3,452
HRA Contributions to Capital Expenditure	5,576
Major Repairs Reserve	3,377
Less Transfer to Revenue	(40,706)
Statutory Charge to CRA (note 7 page 28)	(1,040)
<b>Balance at 31<sup>st</sup> March 2004</b>	<b>99,404</b>

## CONSOLIDATED BALANCE SHEET (Continued)

The Capital Financing Reserve (CFR) contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The CFR replaced the Provision for Credit Liabilities (PCL) which is retained but only on a memorandum basis as shown at Note 19.

### NOTE 13: CAPITAL RECEIPTS UNAPPLIED

These are capital receipts which are available for financing new capital expenditure.

	£000
Balance of Usable Receipts at 1 <sup>st</sup> April 2003	36
Add - Receipts from Sale of Assets etc.	21,646
Less - Receipts Set Aside	(12,642)
Less - Receipts Applied to New Capital Expenditure	(6,016)
<b>Balance of Usable Receipts at 31<sup>st</sup> March 2004</b>	<b>3,024</b>

### NOTE 14: CAPITAL GRANTS UNAPPLIED

	2003/2004 £000	2002/2003 £000
Grants unapplied brought forward	4,365	3,348
Grants received during year	18,575	15,795
Grants applied during year	(1,241)	(2,917)
Grants transferred to Deferred Account	(17,622)	(11,861)
<b>Grants unapplied carried forward</b>	<b>4,077</b>	<b>4,365</b>

### NOTE 15: DEFERRED CREDITS

This comprises deferred capital receipts from the sale of Council houses and income from Private Street Works.

	2003/2004 £000	2002/2003 £000
Balance brought forward	975	1,213
Movement during the year	(147)	(238)
<b>Balance carried forward</b>	<b>828</b>	<b>975</b>



## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 16: EARMARKED RESERVES

	31.03.03 £'000	Additions £'000	Reductions £'000	31.03.04 £000
Section 106 and Commuted Car Parking	8,022	4,770	(3,341)	9,451
Dollis Hill House	206	-	(13)	193
Care of the Elderly	207	3	-	210
Capital Funding	8,449	7,219	(4,803)	10,865
NNDR Revaluation Refunds	156	673	(389)	440
Willesden High School Deficit	400	-	(279)	121
Edward Harvist Trust Monies	115	24	(66)	73
Learning & Skills Council	400	-	(99)	301
Systems Development	378	1,300	(1,277)	401
Middlesex House and Lancelot Road	252	1,000	-	1,252
Housing Revenue Account	4,914	4,359	(2,672)	6,601
Education	272	2,400	(2,352)	320
Standards Fund	1,265	19,478	(19,090)	1,653
Single Regeneration Budget	810	402	-	1,212
Service Units	115	323	-	438
New Opportunities Fund	159	147	(235)	71
Access Fund	195	176	(195)	176
Behaviour Improvement	113	111	(224)	-
Jewish Free School	345	1,131	(597)	879
Restructuring Reserve	249	-	(249)	-
Capital Support for Disabilities	79	234	(132)	181
Quality Improvement	-	265	(125)	140
Supporting People	-	721	-	721
Geron Way	-	147	-	147
Chalkhill	-	3,470	-	3,470
Viewstar Replacement	-	290	-	290
Miscellaneous	776	3,479	(3,729)	526
	<b>27,877</b>	<b>52,122</b>	<b>(39,867)</b>	<b>40,132</b>

**Section 106 and Commuted Car Parking** - Amounts received under Section 106 of the Town and Country Planning Act 1990 which are earmarked for particular purposes arising from the related developments.

**Dollis Hill House** - These funds are to be applied to refurbish Dollis Hill House which was severely damaged in a fire.

**Care of the Elderly** - Monies bequeathed by a former resident to be utilised for providing services for the elderly within the borough.

## **CONSOLIDATED BALANCE SHEET (Continued)**

**Capital Funding** - This represents revenue contributions set aside to meet commitments included in the capital programme. This only relates to the General Fund. There are no contributions from the Housing Revenue Account.

**NNDR Revaluation Refunds** - Monies earmarked to pay consultants working on valuation appeals and accounts which will be paid centrally.

**Willesden High School Deficit** - The Council is ultimately responsible for funding an accumulated deficit if Willesden High School cannot meet it from its own resources. £400k has thus been reserved for this eventuality.

**Edward Harvist Trust Monies** - Monies provided by the Edward Harvist Trust for the London Borough of Brent to distribute to voluntary organisations. Brent has set conditions for funding organisations. The amounts in the earmarked reserve at 31<sup>st</sup> March 2004 are likely to be mainly spent in 2004/2005.

**Learning and Skills Council** - Monies from the Learning and Skills Council not spent by 31<sup>st</sup> March 2004.

**Systems Development** - To finance improvements and enhancements in the Borough's ITC systems. This will also finance action necessitated by Year 2000 issues.

**Middlesex House and Lancelot Road** - In 1987 the Council entered into financial arrangements in connection with a loan raised by Network Housing Association (NHA) to fund the purchase and conversion of Middlesex House and a new building at Lancelot Road. These were to be primarily utilised to house homeless families. The Council leases the properties from NHA.

The Council entered a revised arrangement with NHA in 2000/2001 effective from 1<sup>st</sup> April 1997. This included the Council paying grants to NHA which are calculated annually based on factors, such as the level of RPI, included in the agreement.

The maximum amount that the Council can be called upon to pay NHA in each financial year is set out in a model included in the agreement. The reserve represents this amount which is transferred annually less any actual expenditure which is charged to the revenue account.

**Housing Revenue Account** - Monies earmarked to spend on various Housing Revenue Account issues.

**Education** - Monies earmarked for the education of nursery school children in the borough.

**Standards Fund** - Unspent Standards Fund balances may be carried forward into the following financial year to be spent by 31<sup>st</sup> August.

**Single Regeneration Budget (SRB)** - Monies set aside to cover the set up/closure costs of SRB schemes.

**Service Units** - Monies set aside to meet Service Units' deficits.

## CONSOLIDATED BALANCE SHEET (Continued)

**New Opportunities Fund** - Grant monies to fund programmes which will be completed after the end of the 2003/2004 financial year.

**Access Fund** - Monies from the Access Fund not spent by 31<sup>st</sup> March 2004.

**Behaviour Improvement** - The Behaviour Improvement Programme is aimed at excluded pupils.

**Jewish Free School** - Grant relating to the setting up of the Jewish Free School.

**Restructuring Reserve** - Future monies available from discounts on loan restructuring.

**Capital Support for Disabilities** - Works to be carried out in order to comply with the Disability Discrimination Act.

**Quality Improvement** - To improve adult education.

**Supporting People** - Monies underspent in 2003/2004 which must be carried forward to spend on housing support in 2004/2005.

**Geron Way** - Monies set aside from the underspend in the Neighbourhood Renewal Fund Programme to be spent in 2004/2005.

**Chalkhill** - Monies earmarked for the development of a new community building on the Chalkhill estate.

**Viewstar Replacement** - Monies earmarked to replace part of the Housing Benefits support system.

**Miscellaneous** - This comprises of a variety of miscellaneous small reserves each totalling below £100,000. Some of these small reserves have relevance to more than one Service Area.

### NOTE 17: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	<b>31.03.04</b>	<b>31.03.03</b>
	<b>£000</b>	<b>£000</b>
Schools	2,362	2,737
Other	5,150	50
	<b>7,512</b>	<b>2,787</b>

Schools balances are committed to be spent on the Education Service and are not available to Brent for general use.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 18: DEFERRED CHARGES

#### Premature Redemption of Debt

The deferred charge includes premia incurred and discounts earned in prematurely redeeming debt. Premia are apportioned between the General Fund and Housing Revenue Account and charged to the Housing Revenue Account over the remaining life of the redeemed debt and to the General Fund over the life of the debt which was raised to replace it. If an opportunity arises to capitalise the General Fund component, this is normally exercised, as it represents an efficient way of managing the portfolio. Discounts are held to finance further restructurings in future years. The accounting treatment reflects this.

### NOTE 19: PROVISION FOR CREDIT LIABILITIES

This comprises amounts set aside from revenue and capital receipts to repay loans and credit arrangements as required by the Local Government and Housing Act 1989. From 1<sup>st</sup> April 1994 it is accounted for on a memorandum basis and is not a separate entity on the balance sheet. During the year all amounts set aside were utilised for the repayment of debt.

	<b>2003/2004</b> <b>£000</b>	<b>2002/2003</b> <b>£000</b>
Balance brought forward	-	-
Minimum Revenue Provision	10,717	10,744
Reserved Capital Receipts	12,642	13,068
	23,359	23,812
Amount of Debt Repaid	(23,359)	(23,812)
Premium paid on redemption	-	-
<b>Balance Carried Forward</b>	<b>-</b>	<b>-</b>

### NOTE 20: DEFERRED PURCHASE

The Council is in the process of terminating a deferred purchase scheme entered into in the 1980s. It will be repaid in instalments on 14<sup>th</sup> April each year until 2005. At 31<sup>st</sup> March 2004 £1.3m remained outstanding on this scheme.

### NOTE 21: CONTINGENT LIABILITIES

Potential claims from two parties arising out of a planning agreement have been notified to the Council which disputes liability. No provision is being made.

The Council has a series of loan guarantees as detailed below:

The Council has a liability in respect of mortgages guaranteed under the Equity Sharing Scheme. The total value of the mortgages originally guaranteed was £900,000.

## **CONSOLIDATED BALANCE SHEET (Continued)**

The Council has entered into a number of agreements, including guarantees and indemnities, leases and management agreements with Housing Associations and other bodies both for private sector leasing schemes and for the accommodation for the homeless. It is not considered necessary to make any direct provision in respect of these agreements.

The Court of Appeal ruling on the Allerdale case cast doubt over the enforceability of, at least, some of the guarantees and indemnities previously given by the Council listed above.

The Council is being sued for an as yet unquantified sum in respect of a development agreement which the Council has terminated for non-performance. The Council is disputing the claim and is not making any provision.

The Council has been asked to make repayment in respect of some regional development funding it has received. The Council is disputing that any repayment is due and is not making any provision for repayment.

The Council has been notified of a claim made in respect of an alleged breach of a Service Agreement terminated by the Council in 1998. No proceedings have been issued. The Council disputes the claim and is not making any provision.

A number of claims to Employment Tribunals have been made against the Council. The Council is disputing these claims.

As a result of a House of Lords judgement in 2002, in respect of the 1983 Mental Health Act, some social services clients who received services from the Council under a particular section of the Act may be entitled to a refund of some or all of the charges made to them by the Council. The Council cannot quantify the liability and will deal with any claims as they arise.

The Council has been notified of a claim for sums alleged to be due under a service contract. The Council disputes the claim and is not making any provision.

A claim has been made against the Council under the Leasehold Reform Act 1967 which if successful would result in the freehold transfer of a property. The Council disputes liability and has not made any provision.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 22: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	<b>31.03.04</b>	<b>31.03.03</b>
Council Dwellings		
Council Dwellings	9,460	9,634
Land and Buildings		
Foundation Schools	18	18
Secondary Schools	10	10
Primary Schools	58	58
Nursery Schools	4	4
Special Schools	5	5
Pupil Referral Unit	1	1
Libraries	11	11
Social Services Establishments	86	86
Administrative Buildings	3	3
Car Parks	15	15
Infrastructure		
Kilometres of Roads	428	428
Community Assets		
Acres of Parks and Open Spaces	1,000	1,000

### NOTE 23: CAPITAL COMMITMENTS

Significant capital commitments at 31<sup>st</sup> March 2004 and 31<sup>st</sup> March 2003 are detailed below. The total value of commitments represents the amount notified to and agreed by the Council's Corporate Deciding Committee. It includes both capital schemes under contract and those that it would be prudent to provide for:

	<b>31.03.04</b>	<b>31.03.03</b>
	<b>£000</b>	<b>£000</b>
Committee Commitments	6,146	6,912
Deferred Purchase	1,318	1,959
Chalkhill Redevelopment	271	420
	<b>7,735</b>	<b>9,291</b>

### NOTE 24: EURO COSTS

No direct expenditure or commitments on the Euro were incurred in 2003/2004. Areas where expenditure is likely to be incurred if the Euro is adopted have been identified but not yet quantified because of the uncertainty of the timescale. However Brent's IT strategy states that all replacement PCs and software must be Euro compliant.

**CONSOLIDATED BALANCE SHEET (Continued)**

**NOTE 25: RETIREMENT BENEFITS**

Further information on retirement benefits is given in Note 15 in the Consolidated Revenue Account.

## STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES			Total £000
	Fixed Asset Restatement Reserve £000	Capital Financing Reserve £000	Usable Capital Receipts £000	General Fund £000	Specific Reserves £000	HRA £000	
Balance as at 01.04.03	(405,074)	(107,183)	(36)	(2,787)	(27,877)	(514)	(543,471)
Net (Surplus)/ Deficit for the Year				(4,725)	(12,255)	(724)	(17,704)
Unrealised (Gains)/Loss, from Revaluation of Fixed Assets	(122,483)	41,746					(80,737)
Effects of Disposals of Fixed Assets:							
Cost or Value of Assets Disposed of	25,213						25,213
Proceeds of Disposals		(12,641)	(9,004)				(21,645)
Net (Surplus)/ Deficit	25,213	(12,641)	(9,004)				3,568
Financing of Fixed Assets		(21,326)	6,016				(15,310)
<b>Balance at 31.03.04</b>	<b>(502,344)</b>	<b>(99,404)</b>	<b>(3,024)</b>	<b>(7,512)</b>	<b>(40,132)</b>	<b>(1,238)</b>	<b>(653,654)</b>

Further details on items in the Statement of Total Movement in Reserves are included in the accounts as follows:

Fixed Asset Restatement Reserve	Note 10 to Consolidated Balance Sheet
Capital Financing Reserve	Note 12 to Consolidated Balance Sheet
Usable Capital Receipts	Note 13 to Consolidated Balance Sheet
General Fund Balances	Note 17 to Consolidated Balance Sheet
Specific Reserves	Note 16 to Consolidated Balance Sheet
HRA	Housing Revenue Account

Information on retirement benefits is given in Note 15 to the Consolidated Revenue Account. This includes further details on the reduction of £29.72m in the Pensions Reserve deficit from £281.74m to £252.02m.



## CASH FLOW STATEMENT

This statement groups together both revenue and capital income and expenditure. It provides a link between the Balance Sheet at the beginning of the year, the revenue account for the year and the Balance sheet at the end of the year. It summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2003/2004		2002/2003	
	£000	£000	£000	£000
<b>Revenue Activities</b>				
- Expenditure				
Cash Paid to and on Behalf of Employees	252,751		205,528	
Other Operating Costs	262,566		286,740	
Housing Benefit Paid Out	121,481		115,894	
NNDR Payments to National Pool	60,840		65,600	
Precepts Paid	<u>20,364</u>	718,002	<u>15,753</u>	689,515
- Income				
Rents (after Rebates)	(16,277)		(16,699)	
Community Charge Income	(19)		(36)	
Council Tax Income	(73,815)		(56,446)	
NNDR Income	(69,607)		(69,175)	
NNDR Income from National Pool	(83,560)		(78,826)	
Revenue Support Grant	(174,018)		(148,245)	
DSS Grants for Rebates	(131,890)		(112,845)	
Other Government Grants (See Note 1)	(169,319)		(134,680)	
Cash received for Goods and Services	(42,643)		(41,366)	
Other	<u>(17,350)</u>	(778,498)	<u>(56,871)</u>	(715,189)
<b>Servicing of Finance</b>				
- Expenditure				
Interest Paid	35,201		39,726	
- Income				
Interest Received	<u>(2,874)</u>	<u>32,327</u>	<u>(3,825)</u>	<u>35,901</u>
Total Revenue Activities Cash Surplus (See Note 2)		(28,169)		10,227
<b>Capital Activities</b>				
- Expenditure				
Purchase of Fixed Assets	51,716		31,975	
Deferred Charges	12,750		18,982	
Other	<u>659</u>	65,125	<u>676</u>	51,633
- Income				
Sale of Fixed Assets	(21,646)		(16,440)	
Capital Grants Received	<u>(18,575)</u>	<u>(40,221)</u>	<u>(15,795)</u>	<u>(32,235)</u>
<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>(3,265)</b>		<b>29,625</b>
<b>Management of Liquid Resources</b>				
Net (Inflow)/Outflow from Short Term Deposits		14,300		(36,100)
<b>Financing</b>				
- Expenditure				
Repayments of Amounts Borrowed		503,069		209,800
- Income				
New Loans Raised	(35,000)		(16,000)	
New Short Term Loans	<u>(477,719)</u>	<u>(512,719)</u>	<u>(192,800)</u>	<u>(208,800)</u>
<b>(Increase)/Decrease in Cash (See Note 3)</b>		<b><u>1,385</u></b>		<b><u>(5,475)</u></b>

## CASH FLOW STATEMENT (Continued)

### NOTE 1: OTHER GOVERNMENT GRANTS

	2003/2004 £000	2002/2003 £000
Housing Subsidy	57,538	57,808
Supporting People	13,685	-
LSC	20,865	14,777
Education Standards Fund	20,364	17,846
School Standards Grant	3,739	4,316
Children's Centres	246	-
Children's Fund	1,332	-
Home Office – On Track Project	748	359
Mandatory Student Awards	794	698
Teachers Pay Reform	5,669	2,616
Education Maintenance Allowances	1,631	1,346
Child Care and Early Years	1,696	835
Social Services Training Support	553	273
AIDS and HIV	328	319
Mental Illness	966	1,001
Quality Protects	6,374	4,975
Promoting Independence	-	902
Carers	702	1,558
Child and Adolescent Mental Health	478	336
Building Care Capacity	-	747
Performance Fund	543	245
Preserved Rights	2,342	1,495
Residential Allowance	794	517
Access and Systems Capacity	927	-
Delayed Discharge	273	-
Sure Start	734	-
Asylum Seekers	8,141	6,994
Magistrates Courts	752	759
Single Regeneration Budget	10,308	7,395
Drugs Action	-	662
ESF	494	250
Aid to Refugees	353	166
Community Safety	565	413
E-Government	200	200
DeFRA Fridges	-	279
Jewish Free School	1,131	570
Neighbourhood Renewal Fund	2,315	2,051
PFI	806	839
Planning Delivery	283	-
Miscellaneous	650	1,133
	<b>169,319</b>	<b>134,680</b>

## CASH FLOW STATEMENT (Continued)

### NOTE 2: RECONCILIATION OF SURPLUS TO NET CASH FLOW

	2003/2004 £000	2002/2003 £000
<b>Surplus/(Deficits) for the Year</b>		
Schools	(375)	(437)
Other General Fund	5,100	(1,301)
HRA	724	(1,225)
	5,449	(2,963)
<b>Non Cash Transactions</b>		
Minimum Revenue Provision	10,717	10,744
Other Provisions/Earmarked Reserves	6,036	2,522
<b>Accruals Items</b>		
(Increase)/Decrease in Stock and WIP	(81)	39
(Increase)/Decrease in Debtors	3,339	(14,275)
Increase/(Decrease) in Creditors	2,709	(6,294)
<b>Net Revenue Cash Flow Surplus</b>	<b>28,169</b>	<b>(10,227)</b>

### NOTE 3: INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	Balance 31.03.04 £000	Balance 01.04.03 £000	Movement In Year £000
Cash	(6,452)	(5,067)	(1,385)
2002/2003 Comparative			<u>5,475</u>

### NOTE 4: ANALYSIS OF CHANGES IN NET DEBT

	Balance 31.03.04 £000	Balance 31.03.03 £000	Movement In Year £000
Cash in Hand	285	36	249
Cash Overdrawn	(6,737)	(5,103)	(1,634)
	(6,452)	(5,067)	(1,385)
Long Term Borrowing	(381,757)	(444,677)	62,920
Short Term Borrowing	(114,170)	(26,600)	(87,570)
	(502,379)	(476,344)	(26,035)
Short Term Investments	74,877	64,362	10,515
<b>Total</b>	<b>(427,502)</b>	<b>(411,982)</b>	<b>(15,520)</b>

## COLLECTION FUND

These statements represent the transactions of the Collection Fund. This is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. Administration costs are borne by the General Fund.

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2004

Notes	2003/2004 £000	2002/2003 £000
<b>Income</b>		
1	77,858	64,201
	Transfers from General Fund	
	21,027	16,249
	424	291
2	59,818	60,143
	159,127	140,884
<b>Expenditure</b>		
3	97,559	79,532
2	Non-Domestic Rates:-	
	59,380	59,708
	438	435
	1,750	1,209
	<b>159,127</b>	<b>140,884</b>

## COLLECTION FUND (Continued)

### NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

#### NOTE 1: COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1<sup>st</sup> April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 90,748 for 2003/2004. This basic amount of Council Tax for a Band D property (£1,075.05 for 2003/2004) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions and property numbers for Bands A to H:

<b>Proportion of Band D Charge</b>	<b>Number of Band D Equivalent Properties</b>	
Band A	0.67	1,388
Band B	0.78	6,953
Band C	0.89	22,387
Band D	1.00	25,448
Band E	1.22	23,381
Band F	1.44	7,971
Band G	1.67	5,129
Band H	2.00	<u>418</u>
		<u>93,075</u>
		x 97.5% Collection Rate = 90,748

The income of £99.309m for 2003/2004 (including the provision for non-payment) was receivable from the following sources:

	<b>£'000</b>
Billed to Council Tax Payers	77,858
Council Tax Benefits	21,027
Discount for Prompt Payment	424
	<b>99,309</b>

## COLLECTION FUND (Continued)

### NOTE 2: NATIONAL NON-DOMESTIC RATES (NNDR)

Non Domestic Rates are organised on a national basis. The Government specified a rate of 44.4p in 2003/2004 and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties taking effect from 1<sup>st</sup> April 2000. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £182,806,637 at 31<sup>st</sup> March 2004 but pays the proceeds into a national NDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The amounts collected from the ratepayers on behalf of the Government and paid into the Pool can be analysed as follows:-

	<b>2003/2004</b> <b>£000</b>	<b>2002/2003</b> <b>£000</b>
Original Debit	81,166	83,378
Transitional Relief	3,155	2,260
Charitable Relief	(3,275)	(3,221)
Provision for Uncollectable Amounts	(1,263)	(1,565)
Other Adjustments	(12,501)	(8,382)
Empty/Void Relief	(7,464)	(12,762)
Net NNDR Income	59,818	59,708
Cost of Collection Allowance Payable to General Fund	(438)	(435)
<b>Amount Payable to NNDR Pool</b>	<b>59,380</b>	<b>59,273</b>

The figure for adjustments for previous years mainly relates to a large number of backdated reductions processed during the year relating to downward revaluations.

### NOTE 3: PRECEPTS

	<b>2003/2004</b> <b>£000</b>	<b>2002/2003</b> <b>£000</b>
London Borough of Brent	77,195	63,778
Greater London Authority	20,364	15,754
	<b>97,559</b>	<b>79,532</b>

The Greater London Authority (GLA) was established in 2000/2001. Its functions include those previously undertaken by the London Fire and Civil Defence Authority (LFCDA) and the Metropolitan Police, who used to levy separate precepts.

## **GLOSSARY**

### **ACCRUALS**

Amounts charged to the accounts for goods and services received during the year for which payments have not been made.

### **CAPITAL CHARGES**

Charges made to service revenue accounts based on the value of assets employed, comprising of interest and depreciation.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of assets to be of value to the council beyond the end of the financial year, e.g. purchase of land and buildings, construction of roads etc or revenue expenditure which the Government may exceptionally permit the council to capitalise e.g. redundancy payments.

### **CAPITAL RECEIPTS**

Money received from the sale of land, buildings and plant. A prescribed portion of the receipt must be set aside to repay loans.

### **COMMUNITY ASSETS**

A classification of fixed assets that the council intends to hold in perpetuity that may have restrictions on their disposal. Examples of such assets are parks, historic buildings and works of art.

### **CONSISTENCY**

The principle that the accounting treatment of like items should be treated the same from one period to the next.

### **CORPORATE AND DEMOCRATIC CORE**

This 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 single purpose body managing the same service. There is no logical basis for apportioning these costs to services. It comprises of Democratic Representation and Management and Corporate Management.

### **CORPORATE MANAGEMENT (CM)**

Those activities which relate to the general running of the authority. These provide the infrastructure that allows services to be provided whether by the authority or not and the information required for public accountability. Activities relating to the provision of services, even indirectly are overheads on those services, not on CM.

## **GLOSSARY (Continued)**

### **CREDITORS**

Amounts owed by the Council at 31<sup>st</sup> March for goods received or services rendered but not yet paid for.

### **DEBTORS**

Amounts owed to the Council which are collectable or outstanding at 31<sup>st</sup> March.

### **DEFERRED CHARGES**

Expenditure of a capital nature which is met from borrowing but for which there is no tangible asset e.g. improvement grants and expenses of private acts. It also includes loans outstanding on

### **DEMOCRATIC REPRESENTATION AND MANAGEMENT**

This concerns corporate policy making and all other member-based activities. It includes the costs of officer time spent on appropriate advice and support activities plus subscriptions to local authority associations.

### **DIRECT SERVICE ORGANISATION (DSO)**

The term is used to cover both Direct Labour Organisations (DLO) and Direct Service Organisation (DSO). It is a unit operating within the council's responsibility which has won a competitive tendering exercise to provide a service established under the Local Government, Planning and Land Act 1980 for DLOs and the Local Government Act 1988 for DSOs. There is no longer a requirement to publish separate DSO accounts from 2000/2001.

### **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee (the council) and at the end of the lease term substantially all the asset value and interest payments have been made.

### **FIXED ASSETS**

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year.

### **FORMULA SPENDING SHARE**

Formerly known as Standard Spending Assessment this calculates an estimated amount that authorities need to spend on their main services based on '*client*' numbers and measures of deprivation.



## **GLOSSARY (Continued)**

### **GOING CONCERN**

The concept that the council 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.

### **GOVERNMENT GRANTS**

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the council in return for past or future compliance with certain conditions relating to the activities of the authority.

### **INFRASTRUCTURE ASSETS**

A classification of fixed assets, whose life is of indefinite length and which are not usually capable of being sold, e.g. highways, street lighting and footpaths.

### **LONG TERM INVESTMENTS**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments which do not meet the above criteria, should be classified as current assets.

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings which are fully, developed which are held for its investment potential any rental income negotiated at arms length.

### **LEVIES**

There are payments to London-wide bodies whose costs are borne by local authorities in the area concerned.

### **LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

## **GLOSSARY (Continued)**

### **MINIMUM REVENUE PROVISION**

The minimum amount the Council must charge to the revenue accounts each year to repay loans as defined by Government regulation.

### **NATIONAL NON DOMESTIC RATE (NNDR)**

A flat rate in the pound set by the Central Government and levied on all non-residential premises according to their rateable value collected by the council and paid into a central pool (NNDR POOL) which is administered by the Central Government. The total collected is then redistributed to the council on the basis of population.

### **OPERATING LEASES**

The lessor is paid rental for the hire of an asset for a period, which is substantially less than the useful economic life of an asset. The lessor is taking a risk on the residual value at the end of the lease.

### **OPERATIONAL ASSETS/NON OPERATIONAL ASSETS**

- (a) Fixed assets held and occupied, used or consumed by the council in the direct delivery of services for which it has either a statutory or discretionary responsibility.
- (b) Non-operational assets, not directly occupied or are surplus to requirements pending sale or development.

### **PRECEPTS**

A charge made by another authority on the council to finance its net expenditure. This council has two charges on the collection fund the Metropolitan Police and the London Fire and Civil Defence Authority.

### **PRIOR YEAR ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

## **GLOSSARY (Continued)**

### **REVENUE SUPPORT GRANT**

Grant paid by the Government in support of the Council's revenue expenditure. The amount is fixed by the Government before the start of each financial year based on the Government's calculation of Brent's Formula Spending Share after taking account of Council Tax and NNDR resources.

### **STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)**

Guidance issued by the professional bodies on best accounting practice.