

LONDON BOROUGH OF BRENT
STATEMENT OF ACCOUNTS
2004/2005

C O N T E N T S

	Page
INTRODUCTION BY DIRECTOR OF FINANCE AND CORPORATE RESOURCES	1
EXPLANATORY FOREWORD	2
RESERVED FOR AUDITOR'S REPORT	8
STATEMENT OF RESPONSIBILITIES	10
COMMITTEE APPROVAL	11
STATEMENT ON INTERNAL CONTROL	12
STATEMENT OF ACCOUNTING POLICIES	22
CONSOLIDATED REVENUE ACCOUNT	26
HOUSING REVENUE ACCOUNT	39
CONSOLIDATED BALANCE SHEET	44
STATEMENT OF TOTAL MOVEMENT IN RESERVES	58
CASH FLOW STATEMENT	59
COLLECTION FUND	62
GLOSSARY	65

INTRODUCTION BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Brent's annual accounts show the financial performance of the Council for the year 2004/2005. They present fairly the financial position of the authority on 31st March 2005 and its income and expenditure for the year ending on that date.

These accounts have been published prior to the start of the audit. It is hoped these accounts 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 2004/2005.

I should also like to thank my staff and colleagues throughout the Council for their hard work and support during the year.

..... Date:

DUNCAN McLEOD
DIRECTOR OF FINANCE AND CORPORATE RESOURCES

EXPLANATORY FOREWORD

1. INTRODUCTION

The accounts for the year 2004/2005 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 2004 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 2004/2005

The table below shows how actual expenditure on services in 2004/2005 compares to the budgeted figures. Positive variances show underspends and negative variances show overspends compared with budgets.

	Budget £000	Outturn £000	Variance £000
Corporate Units and Local Taxation and Benefits	24,201	24,276	(75)
Service Budgets			
Education, Arts and Libraries	152,366	151,590	776
Environment	32,657	32,454	203
Housing	13,626	13,433	193
Social Services	<u>85,362</u>	<u>85,733</u>	<u>(371)</u>
Total Service Expenditure	308,212	307,486	726
Other Budgets/Debt Charges/Central Items	37,113	34,278	2,835
Contribution to/(from) Balances	<u>2,090</u>	<u>5,651</u>	<u>(3,561)</u>
Budget Requirement	347,415	347,415	0
Financed By:			
Revenue Support Grant	189,131	189,131	-
Non-Domestic Rates	76,108	76,108	-
Council Tax Income	83,363	83,363	-
Collection Fund Net Deficit	<u>(1,187)</u>	<u>(1,187)</u>	<u>-</u>
	347,415	347,415	-

The table above reflects the Council's Committee structure in 2004/2005. This differs from the Consolidated Revenue Account (CRA) on page 26 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

	Under/(Over)spending	
	£'000	£'000
Corporate Units and Local Taxation and Benefits		
Property – Commercial Portfolio Surplus	148	
Property – Municipal Portfolio	352	
Property – Repairs and Maintenance Reserve	(1,000)	
Legal Services trading surplus	125	
BFS – Procurement Recharges	(145)	
HB Overpayments Recovery/Subsidy Regulations	353	
Human Resources Salaries	170	
Miscellaneous (individually below £100k)	<u>(78)</u>	
		(75)

EXPLANATORY FOREWORD (Continued)

	Under/(Over)spending £'000	£'000
Education, Arts and Libraries		
Special Education Needs – More in-borough placements and extra recharges	778	
PRC/LT sickness scheme/maternity/trade union	(169)	
Standards Fund – unused balance from old years	115	
Transport – 2 Easters in financial year	299	
Willesden LSC – reduced income	(265)	
Other (below £100k)	18	
	<hr/>	776
Environment		
Directorate – savings on vacant posts	137	
Sports – Bridge Park and PFI	(141)	
Transportation – increased staff vacancies and capital fees	269	
Parking – vandalism, reduction in tickets issued and lower repayment rates	(896)	
Service Units – staffing vacancies	589	
Other (individually below £100k)	245	
	<hr/>	203
Housing		
Other (individually below £100k)	193	
	<hr/>	193
Social Services		
Transport not through Brent Transport Services	(286)	
Children's Professional Fees overspend	(968)	
Client Equipment overspend	(140)	
Residential Allowance grant increased income	554	
Asylum Seekers grant income reduction	(389)	
Higher recharges to partner agencies	877	
Lower client contributions for residential and nursing care	(217)	
Other (individually below £100k)	198	
	<hr/>	(371)
Total Service Expenditure		<hr/> 726
Other Budgets		
Willesden PFI – additional costs for legal and other advisors	(235)	
Sports Centre Claim – settlement of long running dispute	(336)	
HB Overpayments recovery – temporary accommodation	875	
Increased interest on cash balances from higher interest rates	700	
Continued benefit from previous debt restructuring	700	
Borrowing costs on capital programme reduced from improved capital receipts and slippage on main programme	650	
Utility savings not fully realised	(150)	
Increased external audit costs	(183)	
Premature Retirement Compensation budget savings	172	
Additional leasing income	151	
Advertising hoardings income – delays in finalising contracts	(110)	
Additional insurance fund contribution to provide for liabilities	(1,000)	
Underspend of remuneration strategy in 2004-2005	1,271	
Defra waste grant – additional income	123	
Others (Individually below £100k)	207	
		<hr/> 2,835
TOTAL		<hr/> 3,561

EXPLANATORY FOREWORD (Continued)

3. CAPITAL EXPENDITURE

The Council's in-year capital expenditure in 2004/2005 was £110.530m (2003/2004 £65.125m). 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	2004/2005 £000's
Borrowing	45,096
Government Grants	25,448
Capital Receipts	9,215
Major Repairs Allowance	13,483
General Fund Revenue Contributions	3,766
HRA Revenue Contributions (£6,210k from 2004/05 HRA and £1,803k from HRA earmarked reserves)	8,013
Capital Accruals	1,185
Capital Funding Account	4,324
Total	110,530

Gross capital receipts during the year totalled £21.910m. £9.215m of usable receipts were used to finance capital expenditure. All available usable capital receipts have been used to finance capital expenditure. Capital projects and other significant capital expenditure in excess of £0.5m during the year were as follows:

Scheme	2004/2005 £000's
Renovation Grants	5,891
Social Housing Grants	4,964
Disability Discrimination Act Programme	605
Deferred Purchase Payments	659
Gladstone Park Primary School	954
Donnington Primary School	584
Kingsbury High School	919
Wembley Park Trading Estate Access Road	3,330
Granville Plus Centre	610
Local Road Safety Schemes	567
Principal Road and Carriageways Programme	2,577
Upgrade Footways	2,321
Council Housing	51,860
Bus Priority Network	810
Bridge Strengthening Programme	1,933
Neasden Pedestrian Improvements	1,212

EXPLANATORY FOREWORD (Continued)

Capital expenditure incurred by Service Departments in 2004/2005 is summarised below:

Department	2004/2005 Programme £000's	2004/2005 Out-turn £000's	Variation £000's
Corporate	4,071	2,580	(1,491)
Central Items	8,324	17,503	9,179
Education, Arts and Libraries	15,936	11,604	(4,332)
Environment	16,072	14,388	(1,684)
Housing – General Fund	11,606	12,020	414
Housing – HRA	27,764	51,860	24,096
Social Services	1,157	575	(582)
Total	84,930	110,530	25,600

Outstanding capital commitments at 31st March 2005 amounted to £11.384m.

Borrowing/Investments

During 2004/2005 the level of long term borrowing rose by £85.0m from £381.8m to £466.8m. This was matched by a reduction in short term borrowing of £84.2m, from £114.2m to £30.0m. Borrowing was undertaken with both financial institutions and the Public Works Loans 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 deficit for the year of £838,000 and a surplus carried forward of £400,000 after a net transfer to earmarked reserves. The final accounts show a deficit for the year of £815,000 and a surplus carried forward of £400,000 after the net transfer to earmarked reserves. The main reasons are variances relating to Housing Subsidy, capital finance charges, leasing, insurance fund, rental income and leaseholder service charges.

EXPLANATORY FOREWORD (Continued)

5. SIGNIFICANT CHANGES FROM LAST YEAR'S ACCOUNTS

- (i) The accounts include the Fixed Asset Restatement Account and Capital Financing Account. They were previously known as the Fixed Asset Restatement Reserve and Capital Financing Reserve.
- (ii) Retirement benefits are now accounted for in accordance with FRS 17 in the HRA as well as the General Fund.
- (iii) The HRA no longer includes rent rebate expenditure and rent rebate subsidy. They are now accounted for in the General Fund.
- (iv) The Consolidated Revenue Account now includes Housing Pooled Capital Receipts. There is no effect on the surplus for the year.

6. FURTHER INFORMATION

Further information on these accounts may be obtained by writing to the Director of Finance and Corporate Resources, Room 114, Brent Town Hall, Wembley HA9 9HD or by e-mail from 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 65.

**AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BRENT
TO FOLLOW AFTER THE CONCLUSION OF THE AUDIT**

AUDITOR'S 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 and Corporate Resources;
- ◆ 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 AND CORPORATE RESOURCES' RESPONSIBILITIES

The Director of Finance and Corporate Resources 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 31st March 2005.

In preparing this statement of accounts, the Director of Finance and Corporate Resources 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 and Corporate Resources has also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

.....

Date:

DUNCAN McLEOD
DIRECTOR OF FINANCE AND CORPORATE RESOURCES

COMMITTEE APPROVAL

At a meeting of the General Purposes Committee held at Brent Town Hall on 12th July 2005, the accounts were approved and adopted on behalf of the Council.

.....
CHAIR
General Purposes Committee

Date:

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005

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 2005 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 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.
- 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 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.

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

- 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.
- The Improving Brent Action Plan and CPA Action Plan help the Council to focus on the key drivers towards improving performance.

The facilitation of policy and decision making

- The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual members. In accordance with the Local Government Act 2000 the Council has 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 including call-in and question time. The conduct of the Council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- Decisions are subject to inclusion in the Forward Plan which sets out all future key decisions which are to be made within the following four month period. The Forward Plan Select Committee enables pre-scrutiny of Executive decisions by non-executive members.

Compliance with established policies, procedures, laws and regulations

- 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 which includes Corporate Standards and Financial Regulations, the Contract Management and Procurement Guidelines and departmental procedure documentation. The Council has updated its Corporate Standards and these are now available via the Council's web pages.
- 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 member code of conduct. The Standards Committee is responsible for promoting and maintaining high standards of conduct by members and for receiving reports from the monitoring officer. The Council has implemented a member training programme which addresses high risk areas, such as planning and licensing.
- Every Committee report is subject to a review by Legal Services and Brent Financial Services to ensure that the Council is acting lawfully and in accordance with the Council budget.

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

- 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.

Economic, effective and efficient use of resources and continuous improvement

- 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.
- The Best Value Strategic Group – a sub group of CMT Co-ordinators a programme of critical support 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 issues arising from this work is monitored every six months and are reported to the Performance and Finance Select Committee and the Executive when appropriate.
- A high level monitoring group chaired by the Leader of the Council focuses on services which have been identified as areas for improvement. Currently these are the Revenues and Benefits Service, Waste and Recycling and StreetCare, Sports and Leisure, Youth, HR, Property and Children Social Services. This group provides a corporate response to support specific performance issues.
- The Overview and Scrutiny task groups undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.
- The Policy and Regeneration Unit provide continuous improvement support to specific service areas and co-ordinate the performance activity of the above corporate groupings.

Financial Management of the Council

- 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.

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

- The Chief Financial Officer, the Director of Finance and Corporate Resources, 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:
 - Maintain accounts and financial records to meet the requirements of Statutes, Regulations, Accounting Conventions and Codes of Practice
 - Be responsible for maintaining an independent audit function to carry out an examination of accounting, financial and other operations of the Council.
 - 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.
- 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 which concentrate on ensuring the linkage between the budget and service priorities.
- 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. The Capital Board also meets monthly to review the Capital Programme, including value for money issues. It also monitors the Prudential indicators and ensures the linkage of the Corporate Asset Plan and the Capital Strategy.
- 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.
- 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.
- 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.

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

- 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.
- 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 and Corporate Resources as to the adequacy of the Council's financial and operational systems.
- The Council's external auditors provide independent scrutiny of the control mechanisms and the accuracy and legitimacy of the Council's financial transactions.
- 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.
- 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.
- Every committee report is subject to a review by Brent Financial Services to ensure that all financial implications have been considered.
- The Council has established an Efficiency Board to address the Gershon agenda and other value for money considerations.
- 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 Executive Members 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.

Performance management and reporting

- 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.

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

- 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 individual's objectives and performance targets.
- A quarterly "Vital Signs" document is produced which reports on the critical Performance Indicators. This is reported to the Corporate Management Team and the Performance and Finance Select Committee. All Departmental Management Teams review their own key performance indicators on a monthly basis.
- There are three cross cutting scrutiny panels which review performance information on a six-monthly basis.
- 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.
- 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.

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 of effectiveness is informed by the work of internal audit and the Service Area and Corporate Area Directors. These Directors have all signed Statements of Assurance for their areas of responsibility and these have been considered as part of the review. The review has also been informed by comments made by the external auditors and other review agencies and inspectorates.

This Statement has been produced by the Strategic Finance Group following discussions with key officers and oversight by the Head of Audit and Investigations and Director of Finance and Corporate Resources. The statement has been reviewed by the Performance and Finance Select Committee and approved by the General Purposes Committee. The process which has been used during 2004/5 to maintain and review the effectiveness of internal control is described below:

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

The Council

- 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.
- Receives an annual budget report which summarises the financial position and the transactions for the year.
- Has agreed the Constitution which sets out the decision making structure, delegated authority and financial regulations which underpin the internal control framework.
- Makes key decisions subject to inclusion in the Forward Plan which sets. The Forward Plan Select Committee enables pre-scrutiny of Executive decisions by non-executive members.
- Considers and reviews the key corporate risks on a quarterly basis.
- Considers the Annual Performance Plan.
- Considers the output from Best Value reviews.

The Executive

- Has established a Performance Board to consider the performance of specific Service Areas.
- Has two days away with the Corporate Management Team twice per year to consider the medium term financial strategy and its linkages with the Council's policy priorities.
- 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.

The Performance and Finance Select Committee and Standards Committee

- Performance and Finance Select Committee receives reports on Best Value reviews and monitors the performance of Internal Audit and the Council's External Auditors.
- Receives budget monitoring reports.
- Considers the Annual Performance Plan and quarterly "Vital Signs" document

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

- Standards Committee receives reports from the Council's Monitoring Officer on issues concerning member conduct and considers reports referred from Ethical Standards Officers for local investigation and/or determination.

Overview and Scrutiny

- Oversee and scrutinise decisions made by the Executive.
- Have task groups who undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.
- Have three cross cutting scrutiny panels to examine detailed performance information on a six monthly basis.

Audit and Investigations

- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan.
- The timing of this Statement of Internal Control coincides with the production of the Internal Audit Annual Review. The statement of assurance by the Head of Audit has been considered as part of the review.
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Service Directors and copied to the relevant Service or Corporate Area Director. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director and the Performance and Finance Select Committee.

External Audit and Inspectorates

- The Director of Finance and Corporate Resources meets with the Council's External 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.
- The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment provide some assurance as to the Internal Control Environment. The latest assessment in December 2004 gives the Council a Good rating. This moves the council from its previous fair rating.

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

5 SIGNIFICANT CONTROL ISSUES

As a result of the review of Internal Controls, four 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
A lack of understanding of the Council's procurement rules by some officers has, on occasion, led to delays in the tendering process caused by additional reports to members being required.	A review is being undertaken of procurement reports with a view to ascertaining the extent of the problem, if any, and what steps can be taken to improve the level of compliance	Borough Solicitor	December 2005
The Council's Legal Team require receipt of reports for clearance at least 10 days in advance. This, on occasions does not happen, with the result that the decision making process could be jeopardised due to inadequate legal input	Discussions will take place with CMT members to agree how to improve the existing report clearance process	Chief Executive	December 2005
The Council has now produced a Council wide risk register. Managing these risks need to be embedded in management culture and risk management training across the Council is being developed to support this development.	PWC, our external Auditors will be carrying out a review to highlight any weaknesses.	Director of Finance and Corporate Resources	July 2005
Service Area and Corporate Area Directors have identified a common control issue concerning the testing of Business Continuity Plans. Although, most areas have plans the actual testing of those plans has not been undertaken.	A programme is to be established to test Disaster Recovery/Business Continuity Plans	Risk Management Group	December 2005
Service Area and Corporate Area Directors have identified a number of issues specific to their areas. These are shown on individual certificates of assurance.	Action plans will be developed to address all of these control weaknesses and will be monitored at a departmental level	Oversight by Strategic Finance Group	Ongoing

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2004/2005 (Continued)

6 CONCLUSION

There has been a review of the system of internal control during 2004/5. 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 and Corporate Resources, Monitoring Officer, Head of Audit and Investigation, PricewaterhouseCoopers and those inspectorates described in section 4 above. We have also sought assurance from Service Area and Corporate Area Directors as to the effectiveness of the principal controls in place in each of their areas. 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 Financial Reporting Standard (FRS) 18.
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 in the corporate centre of Brent.

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 service.

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 from 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 31st March. The effects of FRS17 are shown in the 2004/2005 Housing Revenue Account for the first time.

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

STATEMENT OF ACCOUNTING POLICIES (Continued)

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:

Fixed assets are valued on the basis required 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. The majority of land and building assets plus foundation schools and caretakers' houses were revalued at 1st April 2004.

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 by an assessment of the consumption of economic benefits.

STATEMENT OF ACCOUNTING POLICIES (Continued)

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.

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 account, and has not been used to finance capital expenditure in the period, is included in the balance sheet as capital receipts unapplied.

The treatment of capital receipts is determined by the Local Government Act 2003. Under this Act and its supporting regulations, the Council is required to pay to the Secretary of State any 'pooled' HRA receipts. The value of these 'pooled' receipts is calculated as 75% of HRA dwellings and 50% of HRA land. The remaining proportions 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 3.5% for assets recorded at current value and 4.8% 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. **Contributions from the Capital Financing Account** – These 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 Account.
9. **Deferred Charges** – Deferred Charges in respect of premature redemption of debt are written off over more than one year.

STATEMENT OF ACCOUNTING POLICIES (Continued)

- 10. 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. Government grants and contributions are subsequently reversed out of the Consolidated Revenue Account.

- 11. 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.
- 12. Stocks** - Stocks and stores are valued at the lower of cost and net realisable value.
- 13. 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).
- 14. 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.
- 15. Investments** - Long term investments are shown in the accounts at the original cost price, plus brokerage and fees. Short term investments are valued at cost. 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 losses in market value compared with the cost of the investment are recognised in the Consolidated Revenue Account.
- 16. 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 31st MARCH 2005

Note	2004/2005 Gross Expenditure £000	2004/2005 Income £000	2004/2005 Net Expenditure £000	2003/2004 Net Expenditure £000
1. On its Services the Council Spent				
Education	241,447	(79,963)	161,484	146,477
Cultural Services	16,744	(1,827)	14,917	12,715
Highways, Roads and Transport	30,725	(11,170)	19,555	16,239
Environmental	23,135	(4,174)	18,961	16,968
Planning and Development	28,737	(12,894)	15,843	8,317
Housing (General Fund)	220,370	(192,680)	27,690	29,749
Social Services	117,191	(33,830)	83,361	72,165
Courts	1,663	(647)	1,016	989
2. Central Services	<u>62,095</u>	<u>(45,629)</u>	<u>16,466</u>	<u>8,872</u>
Net Cost of General Fund Services	742,107	(382,814)	359,293	312,491
Housing Revenue Account	<u>69,146</u>	<u>(63,609)</u>	<u>5,537</u>	<u>(3,321)</u>
Net Cost of Services	811,253	(446,423)	364,830	309,170
3 Levies			6,342	7,289
4. (Surplus)/Deficit on Trading Accounts			(352)	(444)
5. Interest Receivable			(3,246)	(2,874)
6. Net (Income)/Expenditure on the Asset Management Revenue Account			(2,446)	(1,625)
Contribution to Housing Pooled Capital Receipts			15,718	-
Pensions interest cost and expected return on pensions assets			14,000	15,250
Net Operating Expenditure			394,846	326,766

CONSOLIDATED REVENUE ACCOUNT (Continued)

Note	2004/2005 Net Expenditure £000	2003/2004 Net Expenditure £000
Transfer to/(from) HRA Balances	(5,648)	1,635
Capital Expenditure Charged to Revenue Account	3,766	3,113
7. Contribution to Capital Financing Account	(8,178)	(1,040)
8. Contribution from Capital Financing Account	(23,432)	(12,750)
9. Transfer to/(from) Schools Balances	877	(281)
Transfer to Section 106 Reserve	1,947	1,576
Transfer to/(from) Capital Funding Reserve	(3,600)	2,416
Transfer to/(from) Housing Revenue Account Earmarked Reserve	111	1,686
Transfer to/(from) Other Earmarked Reserves	7,077	6,189
Movement on Pensions Reserve	(10,284)	(6,310)
Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts	(15,718)	-
Amount to be met from Government Grants and Local Taxpayers	341,764	323,000
Financed By:-		
Revenue Support Grant	189,131	174,018
Non-Domestic Rate Pool	76,108	77,234
Income from Local Taxation	83,363	77,195
Collection Fund Deficit	(1,187)	(802)
Budget Requirement	<u>347,415</u>	<u>327,645</u>
Surplus/(Deficit) for the Year	<u>5,651</u>	<u>4,645</u>
Balances at the start of the Year were	<u>4,695</u>	<u>50</u>
9. Leaving Year End Balances of	<u>10,346</u>	<u>4,695</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 Pension Fund deficit. In addition information is shown in accordance with CIPFA's latest Service Expenditure Analysis.

NOTE 2: CENTRAL SERVICES

Central Services for 2004/2005 comprise the following elements:

	Gross Expenditure £000	Income £000	Net Expenditure £000	2003/2004 Net Expenditure £000
Corporate and Democratic Core	5,803	-	5,803	5,154
Non Distributed Costs	230	-	230	530
Central Services to the Public	36,225	(29,400)	6,825	9,324
Other Operating Income and Expenditure	19,837	(16,229)	3,608	(6,136)
	62,095	(45,629)	16,466	8,872

NOTE 3: LEVIES

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

	2004/2005 £000	2003/2004 £000
Lee Valley Regional Park	258	244
London Pension Fund Authority	243	292
Environment Agency	158	1,388
West London Waste Authority	5,683	5,365
	6,342	7,289

CONSOLIDATED REVENUE ACCOUNT (Continued)

NOTE 4: TRADING ACCOUNTS

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

Activity	2004/2005		2003/2004	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Building Cleaning	723	60	1,744	129
Voids Team	756	18	670	2
Finance	220	53	275	7
Grounds Maintenance	1,104	(10)	956	(23)
Highways Maintenance	324	(49)	880	47
Transport	5,621	(207)	5,692	(61)
Lead Tenants	6,111	(139)	5,500	(414)
		(274)		(313)
Building Cleaning/Maintenance Deficit charged to HRA		(78)		(131)
TOTAL	14,859	(352)	15,717	(444)

Brent Building Cleaning (BBC) - BBC provide estate cleaning services for the HRA, office cleaning contracts for a small number of Council buildings and cleaning of graffiti, public conveniences and street furniture for Environment Services. The unit became unviable after the loss of housing contracts in 2003/2004 and was finally wound up in January 2005. The loss is to be funded by the HRA.

Brent Voids Team (BVT) - BVT provide housing maintenance services to the HRA particularly in relation to the re-letting of void properties. The unit's small loss in 2004/2005 will be funded by the HRA.

Financial Information Solutions (FIS) FIS provides financial services to Environment and a number of other Council units.

Grounds Maintenance - Grounds maintenance is the ex-DLO function of the Parks Service and only includes those contracts subject to external competition.

Highways and Emergency Operations - The trading arm of this unit provides a number of services relating to Highways e.g. traffic management, signing, emergency call outs. It also provides a stores service for cleaning and other materials.

Brent Transport Service (BTS) - BTS provide home to school transport for Education, transport services for Social Services, courier service for the Council and a small number of fleet management contracts for other Council units.

Lead Tenant Accounts - The Council operates a number of lead tenant accounts for its main office buildings. All the costs of running these buildings are charged to these accounts and the tenants are charged a rental based on market rents plus a service charge.

CONSOLIDATED REVENUE ACCOUNT (Continued)

NOTE 5: INTEREST RECEIVABLE

The valuation of externally managed short term investments at market prices led to the inclusion of an unrealised loss of £7,000 in the 2003/2004 accounts. There are no unrealised gains or losses included as interest receivable in the 2004/2005 revenue account.

NOTE 6: ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account consists of the following items:

	2004/2005 £000	2003/2004 £000
External Interest Charges	32,479	35,201
Debt Management Expenses	265	164
Grants released from Government Grants Deferred Account	2,394	1,664
Provision for Depreciation	23,702	19,909
Capital Charges to Service Accounts	(58,892)	(56,899)
Grants applied to Capital Financing Account	(2,394)	(1,664)
Net Expenditure/(Income)	(2,446)	(1,625)

NOTE 7: CONTRIBUTION TO CAPITAL FINANCING ACCOUNT

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

	2004/2005 £000	2003/2004 £000
Statutory MRP	7,164	10,717
Provision for General Fund Depreciation	(15,342)	(11,757)
Additional Charge/(Credit) to/(from) Revenue Account	(8,178)	(1,040)

NOTE 8: CONTRIBUTION FROM THE CAPITAL FINANCING ACCOUNT

The contribution from the CFA 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.

	2004/2005 £000	2003/2004 £000
Acorn Estate	-	162
Buildings	-	695
Renovation Grants	5,891	5,288
Regeneration	9,273	2,185
Leased Buildings	1,778	-
Voluntary Aided Schools	1,526	414
Social Housing Grant	4,964	4,006
Total Contribution	23,432	12,750

CONSOLIDATED REVENUE ACCOUNT (Continued)

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

	2004/2005 £000	2003/2004 £000
Planning and Economic Development	8,108	2,185
Housing General Fund	12,020	9,456
Other Services	1,778	695
Education	1,526	414
	23,432	12,750

NOTE 9: BALANCES

Schools balances are committed to be spent on the Education Service. The figures at the end of the Consolidated Revenue Account relate solely to General Fund Balances. See Note 17 to the Balance Sheet.

NOTE 10: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2004/2005 and 2003/2004, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	2004/2005 Number of Employees	2003/2004 Number of Employees
£50,000 - £59,999	141	102
£60,000 - £69,999	36	25
£70,000 - £79,999	11	12
£80,000 - £89,999	7	7
£90,000 - £99,999	11	6
£100,000 - £110,000	-	1
£110,000 - £120,000	1	1
£120,000 - £129,999	-	-
£130,000 - £139,999	-	1
£140,000 - £149,999	<u>1</u>	<u>-</u>
	<u>208</u>	<u>155</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 2004/2005 amounted to £1.852m (£1.868m in 2003/2004). A large proportion of this expenditure relates to the Council's recruitment advertising.

CONSOLIDATED REVENUE ACCOUNT (Continued)

NOTE 12: EXPENDITURE ON LEASING

In 2004/2005 the Council paid out £303,000 (2003/2004 - £253,000) for operating leases of vehicles, plant and equipment to lessors. The undischarged obligation in respect of operating leases was £915,000 (31.03.04 - £870,000). There was no expenditure on finance leases. Brent is committed to spending £301,000 in 2005/2006 on operating leases of vehicles, plant and equipment. The leases to which these commitments relate expire in:

	£'000
The next financial year (2005/2006)	78
2-5 years after 31.03.05 (2006/2007 - 2009/2010)	209
More than 5 years after these accounts (2010/2011 onwards)	<u>14</u>
Total	<u>301</u>

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 2004/2005 Brent paid £10.6m (2003/2004 £9.9m). The Council contributed at a rate of 13.5% of pensionable pay in 2004/2005 (13.5% in 2003/2004) 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 £1.7m in 2004/2005 (2003/2004 £1.8m).

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 310% of employees contributions in 2004/2005 (310% in 2003/2004). In 2004/2005 the Council paid employer contributions of £16.4m (2003/2004 £14.9m), representing 18.2% of pensionable pay of all employees. The Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2004/2005 Brent made discretionary payments of £17,000 (2003/2004 £40,000). Expenditure in 2004/2005 on added years awarded by the authority amounted to £2.9m (£2.8m 2003/2004) representing 3.2% 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 £17.5m representing 19.5% of pensionable pay.

The 2004 actuarial valuation indicates that the assets of the fund cover 67% of fund liabilities following a fall in investment returns and interest rates, and increasing member longevity. It has been decided to increase employer contributions to cover the deficit over 25 years.

CONSOLIDATED REVENUE ACCOUNT (Continued)

Employer rates (for scheduled bodies) as a percentage of pensionable pay since 2001 are as follows:

2000/2001	14.4%
2001/2002	15.6%
2002/2003	16.2%
2003/2004	18.6%
2004/2005	18.6%
2005/2006	20.1%

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 2004, 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 2005. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

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 2003 to March 2004	310% of members' contributions
April 2004 to March 2005	310% of members' contributions
April 2005 to March 2006	335% of members' contributions

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

CONSOLIDATED REVENUE ACCOUNT (Continued)

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

	31 March 2005	31 March 2004
Discount rate	5.3%	6.4%
Rate of increase in salaries	4.4%	4.7%
Rate of increase in pensions in payment	2.9%	2.9%
Rate of increase in deferred pensions	2.9%	2.9%
Rate of inflation	2.9%	2.9%
Long-term expected rates of return on:		
Equities	7.7%	7.7%
Private equity	7.7%	7.7%
Hedge funds	7.2%	-
Government bonds	4.7%	4.7%
Corporate bonds	5.3%	5.5%
Property	6.7%	6.7%
Other assets	4.8%	4.2%
Average long term expected rate of return	7.0%	7.0%

Assets are valued at fair value, principally market value for investments, and comprise:

	31 March 2005 (£m)	31 March 2004 (£m)
Equities	222.26	226.58
Private equity	1.00	0.70
Hedge funds	15.68	-
Government bonds	40.55	40.91
Corporate bonds	32.13	31.47
Property	11.90	9.44
Other	6.63	5.59
Total	<u>330.15</u>	<u>314.69</u>

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 2005 and 31 March 2004.

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

	31 March 2005 (£m)	31 March 2004 (£m)
Share of assets in the Fund	330.15	314.69
Estimated funded liabilities	(586.28)	(506.09)
Estimated unfunded liabilities	(78.92)	(60.62)
London Borough of Brent's surplus/(deficit)	<u>(335.05)</u>	<u>(252.02)</u>

CONSOLIDATED REVENUE ACCOUNT (Continued)

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

	£m
Net reserves before FRS17 Deficit	10.35
FRS17 Deficit	<u>(335.05)</u>
Net reserves after FRS17 Deficit	<u>(324.70)</u>

The movement in net surplus for the year to 31 March 2005 is as follows:

	£m	£m
Net surplus/(deficit) at beginning of year		(252.02)
Movement in year:		
Operating Charge:		
Current service cost	(17.06)	
Past service costs	(0.23)	
Gain/loss on any settlements or curtailments	<u>0.00</u>	
Total Operating Charge		(17.29)
Contributions:		
Contributions paid	<u>21.02</u>	21.02
Finance Income:		
Expected return on Pension Fund assets	22.06	
Interest on pension scheme liabilities	<u>(36.06)</u>	
Total Finance Income		(14.00)
Actuarial gain/loss		<u>(72.76)</u>
Net surplus/(deficit) at end of year		<u>(335.05)</u>

CONSOLIDATED REVENUE ACCOUNT (Continued)

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

	<u>2004/2005</u>		<u>2003/2004</u>	
	Amount (£m)	Percentage of Assets/Liabilities	Amount (£m)	Percentage of Assets/Liabilities
Actual return less expected return on assets	5.46	1.7%	36.16	11.5%
Experience gains and losses on pension liabilities	65.61	11.2%	(1.22)	0.2%
Changes in assumptions underlying the present value of pension liabilities	(143.83)	24.5%	1.09	0.2%
Total	(72.76)		36.03	

FRS17 indicates that Pension Fund liabilities are 56% funded as at 31st March 2005 (31st March 2004 62%), considerably below the 67% assessed at the 2004 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 2004/2005 have Brent Members as Directors, Trustees or employees. The following information has been obtained from Members' Declarations of Related Party Transactions:

	£'000
Bengali Community Education Centre	13
Brent Irish Advisory Service	36
Federation of Patidar Association	10
Stonebridge Area Youth	14

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.

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

NOTE 17: MEMBERS' ALLOWANCES

Total payments including National Insurance costs in 2004/2005 were £840,000 (£805,000 in 2003/2004). The scheme for Members' Allowances and amounts paid to each Member under the scheme are publicly available.

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 1st 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 2004/2005 and 2003/2004 are as follows:

	Chargeable 2004/2005 £'000	Non- Chargeable 2004/2005 £'000	Total Building Control 2004/2005 £'000
<u>Expenditure</u>			
Employee Expenses	693	225	918
Premises	52	17	69
Transport	9	3	12
Supplies and Services	128	41	169
Central and Support Service Charges	124	40	164
Total Expenditure	1,006	326	1,332
<u>Income</u>			
Building Regulations Charges	(1,056)	-	(1,056)
Miscellaneous	(1)	(23)	(24)
Total Income	(1,057)	(23)	(1,080)
Surplus/(Deficit) for Year	51	(303)	(252)
<u>Comparatives for 2003/2004</u>			
Expenditure	891	289	1,180
Income	(892)	(23)	(915)
Surplus/(Deficit) for Year	1	(266)	(265)

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 £1.284m in 2004/2005 (£1.293m in 2003/2004) and fully covered expenditure. The other public bodies are:

	2004/2005 £'000	2003/2004 £'000
London Borough of Harrow (Trading Standards)	784	762
Brent Primary Care Trust	482	462
Other	18	69
	1,284	1,293

CONSOLIDATED REVENUE ACCOUNT (Continued)

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, Brent Mental Health Partnership and, from 2004/2005, the Integrated Community Equipment Service Partnership Board. The London Borough of Brent is the host partner for Learning Disabilities and Occupational Therapy equipment. Brent PCT is the host partner for Mental Health.

The Partnerships' income and expenditure for 2004/2005 was:

	Learning Disabilities £'000	Mental Health £'000	Occupational Therapy £'000
Funding: London Borough of Brent	(87)	(427)	(763)
Brent Primary Care Trust (PCT)	(253)	(869)	(229)
Total Funding	(340)	(1,296)	(992)
Expenditure	341	1,297	1,105
Net Overspend	1	1	113
2003/2004 Net Underspend	(20)	(7)	-

London Borough of Brent and Brent PCT agreed to each fund one half of the overspend on equipment maintenance in the Occupational Therapy pooled budget.

NOTE 21: AUDIT COSTS

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

	2004/2005 £'000	2003/2004 £'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.	531	312
- 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.	198	117
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above.	-	-

Prior years' figures are not strictly comparable as they were estimated from the total amount paid for fees for a 17 month period from 2002 – 2004. 2004 – 2005 figures relate to the 12 month period 01.04.04 – 31.03.05. In addition some grant claims charged in 2004 – 2005 relate to 2002 – 2003 and 2001 – 2002.

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 9,931 to 9,707 a reduction of 224 Dwellings. This reduction results from properties being sold under "Right to Buy" and Estate Regeneration Programmes.

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

	31.03.05	31.03.04
Leasehold	438	479
Freehold	9,269	9,452
Total	9,707	9,931

NOTE 2: RENT ARREARS

The level of rent arrears at 31st March 2005 was £3.076m. Movements on the arrears and related provisions are shown below.

	Arrears £'000	Provision £'000	Net Arrears £'000
Balances at 31.3.2004	3,198	3,185	13
Amounts written off and other adjustments	(352)	(352)	-
(Decrease)/Increase in Provision	-	40	(40)
(Decrease)/Increase in Arrears	230	27	203
Balances at 31.03.05	3,076	2,900	176

NOTE 3: FIXED ASSETS

	Council Dwellings £'000	Non- Operational £'000	Total £'000
Gross Book Value at 1 April 2004	830,705	2,764	833,469
Revaluation Adjustment	20,333	19	20,352
Expenditure during the Year	51,860	-	51,860
Disposals	(28,146)	-	(28,146)
Gross Book Value at 31.3.2005	874,752	2,783	877,535
Accumulated Depreciation B/fwd	(31,707)	(89)	(31,796)
Depreciation/adjustment For the Year	(8,359)	(27)	(8,386)
Net Book Value at 31.03.05	834,686	2,667	837,353

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 31st March 2005 is £1,751m. The difference between this value and the balance sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than open market value.

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 2004/2005.

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 2004/2005.

NOTE 7: MAJOR REPAIRS RESERVE

	£'000	£'000
Balance at 1 April 2004 (2003)	8,605	3,997
Transfer to Major Repairs Reserve	8,387	8,183
Transfer from Major Repairs Reserve	(901)	(198)
Capital expenditure financed from Major Repairs Reserve	(13,483)	(3,377)
Balances at 31.03.05 (04)	2,608	8,605

It is planned and anticipated that all of the Major Repairs Reserve (balance brought forward and annual allocations) will be fully utilised in the next 3 years on the Decent Homes programme. This aims to bring all Brent's Council Dwellings up to statutory standards.

NOTE 8(A): HRA SUBSIDY

	2004/2005 £'000	2003/2004 £'000
Housing Subsidy Element Allowance	24,646	31,440
Rent Rebate Subsidy*	-	24,972
Other	-	-
Total	24,646	56,412

* Rent Rebate Subsidy and Rent Rebate expenditure ceased to be accounted for in the HRA with effect from 1st April 2004. They are now accounted for in the General Fund.

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

NOTE 8(B): SUM DIRECTED BY THE SECRETARY OF STATE

The HRA included a sum of £600,000 as directed by the Secretary of State. This is because Rent Rebate and Subsidy ceased to be accounted for in the HRA with effect from 1st April 2004. They are now accounted for in the General Fund. Under the transitional measures scheme for Financial Year 2004/2005, Brent Council has been given approval to transfer £600,000 from the HRA to compensate the General Fund.

NOTE 9(A): HRA CAPITAL EXPENDITURE FUNDING IN 2004/2005

	2004/2005 £'000	2003/2004 £'000
Borrowing	30,364	14,051
Usable Capital Receipt	-	-
Revenue Contribution	8,013	5,576
Major Repairs Reserve	13,483	3,377
Total	51,860	23,004

NOTE 9(B): HRA CAPITAL RECEIPTS IN 2004/2005

	2004/2005 £'000	2003/2004 £'000
Land	-	-
Houses	21,853	17,410
Other Properties	-	-
Total	21,853	17,410

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% (2003/2004 – 3.5%) of the value of HRA Dwellings based on Existing Use Value as Social Housing as specified in the HRA Subsidy Determination 2004/2005. The cost charge for the Financial Year 2004/2005 was £29.214m (2003/2004 - £27.965m).

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 £16.928m has been charged to the HRA.

	2004/2005 £'000	2003/2004 £'000
Reserve Capital Charges	29,214	27,965
Interest on HRA mid-year credit ceiling	(16,928)	(18,134)
Capital Charges Accounting Adjustment	12,286	9,831

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

NOTE 12: TRANSFER TO PENSION RESERVE

The 2004/2005 HRA has been produced in accordance with the requirements of Financial Reporting Standard (FRS) 17 – Retirement Benefits. FRS17 is described further in the notes to the Consolidated Revenue Account.

The adjustment to Net Cost of Services in the 2004/2005 HRA was:

	£'000
Direct Employee Costs	13
Premature Retirement Compensation	(26)
Adjustment	(13)

This is balanced by a transfer to the Pension Reserve of £13,000. Consequently there is no net effect on the HRA deficit for the year or HRA balances at 31st March 2005.

NOTE 13: BRENT HOUSING PARTNERSHIP

In October 2002, the Council formed Brent Housing Partnership Limited, an arms length management organisation. Brent Housing Partnership Limited is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). The housing stock remains in the ownership of the Council and rents are collected by Brent Housing Partnership Limited. 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 transitional arrangements in 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.

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 31st MARCH 2005

Note	31.03.05		31.03.04	
	£000	£000	£000	£000
1.	Fixed Assets			
	Council Dwellings	834,686	798,998	
	Other Land and Buildings	350,317	284,196	
	Vehicle, Plant, Furniture and Equipment	9,453	8,749	
	Infrastructure	88,401	73,980	
	Community Assets	-	-	
	Non-Operational Properties	4,168	3,822	
	Net Fixed Assets			1,169,745
3.	Investments (Long Term)			100
4.	Long Term Debtors			26,063
	Total Long Term Assets			1,195,908
	Current Assets			
	Stock and Work in Progress	356	341	
	Payments in Advance	2,884	3,138	
5.	Debtors	58,930	62,568	
	Cash in Hand	189	285	
	Short Term Investments	66,853	74,877	
	Current Liabilities			
	Short Term Borrowing	(30,000)	(114,170)	
6.	Creditors	(64,964)	(54,726)	
	Deposits	(854)	(770)	
	Receipts in Advance	(4,799)	(4,400)	
	Cash Overdrawn	(9,996)	(6,750)	(180,816)
	Net Current Assets/(Liabilities)			(39,607)
	Total Assets Less Current Liabilities			1,156,301
7.	Long Term Borrowing			(381,757)
8.	Long Term Creditors			(2,215)
9.	Provisions			(2,171)
	Liability related to defined benefit pension schemes			(252,020)
	Total Assets Less Liabilities			518,138

CONSOLIDATED BALANCE SHEET (Continued)

Note	31.03.05		31.03.04	
	£000	£000	£000	£000
	The Council finances this from:			
10.		602,398		547,855
11.		73,096		57,905
12.		110,471		99,404
13.		1		3,024
14.		10,921		4,315
15.		601		828
		2,608		8,605
16.		45,280		39,745
		(335,050)		(252,020)
	Balances:			
17.	13,679		7,151	
	400		1,326	
		14,079		8,477
		524,405		518,138

CONSOLIDATED BALANCE SHEET (Continued)

NOTES TO THE CONSOLIDATED BALANCE SHEET

NOTE 1: FIXED ASSETS

	Council Dwellings £000	Land and Buildings £000	VPF&E £000	Infra-structure £000	Community Assets £000	Non-Operational £000	Total £000
Gross Book Value 31/03/04	830,705	312,794	14,285	85,773	-	3,988	1,247,545
Expenditure on Council Assets	51,860	14,190	3,799	16,590	-	-	86,439
Revaluations	20,333	62,767	-	-	-	399	83,499
Less Disposals	(28,146)	(956)	-	-	-	-	(29,102)
Gross Book Value at 31/03/05	874,752	388,795	18,084	102,363	-	4,387	1,388,381
Depreciation on Assets Sold		146					146
Less Depreciation for Year	(8,359)	(10,026)	(3,094)	(2,169)		(53)	(23,701)
Less Accumulated B/Fwd	(31,707)	(28,598)	(5,537)	(11,793)		(166)	(77,801)
Net Book Value at 31/03/05	834,686	350,317	9,453	88,401		4,168	1,287,025

The majority of land and building assets were valued as at 1st April 2004 by Phil Churton, MRICS, of Brent Council. Foundation Schools and Caretakers Houses were valued as at 1st April 2004 by Marcus J C Perry, FRICS, of Brent Council. Voluntary aided schools are not included since they are not council assets. Council dwellings were revalued by FPD Savills at 31st March 2002. Due to changes in property values, HRA dwellings were reviewed at 31st March 2004. Land Registry indices were used to update the values of Council Dwellings.

CONSOLIDATED BALANCE SHEET (Continued)

NOTE 2: CAPITAL EXPENDITURE

The Council's in-year capital expenditure was financed as follows:

	2004/2005 £000	2003/2004 £000
Borrowing	45,096	28,400
Government Grants	25,448	16,298
Capital Receipts	9,215	6,016
Major Repairs Allowance	13,483	3,377
General Fund Revenue Contributions	3,766	3,452
HRA Revenue Contributions (£6,210k from 2004/05 HRA and £1,803k from HRA earmarked reserves)	8,013	5,576
Capital Accruals	1,185	2,006
Capital Funding Account	4,324	0
	110,530	65,125

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:

	31.03.05 £000	31.03.04 £000
Premature Redemption of Debt	24,020	24,534
Sale of Council Houses	637	867
Housing Act Advances	7	14
Other	793	648
	25,457	26,063

Premature Redemption of Debt

The long term debtor 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 offset against premia before amortising the balance unless separate amortisation is required, as for the Housing Revenue Account. In previous years this was shown as a deferred charge. In accordance with the requirements of the 2004 SORP, deferred charges has been deleted as a heading from the balance sheet. Consequently premature redemption of debt is now accounted for in long term debtors.

CONSOLIDATED BALANCE SHEET (Continued)

NOTE 5: DEBTORS

An analysis of debtors is shown below:

	31.03.05 £000	31.03.04 £000
Housing Rents	3,076	3,198
Government Departments and Local Authorities	25,397	23,381
Council Tax Payers	32,901	29,676
NNDR Payers	11,634	15,113
NNDR Refund due from Pool	2,056	1,460
Council Tax/NNDR Summons Costs	3,292	2,685
Parking	7,143	6,919
HRA	7,761	6,777
Housing Benefit Overpayments	6,453	13,782
Social Services	6,176	6,458
Sundry	5,519	8,963
	111,408	118,412
Less Provision for Bad Debts	(52,478)	(55,844)
	58,930	62,568

NOTE 6: CREDITORS

An analysis of creditors is shown below:

	31.03.05 £000	31.03.04 £000
Government Departments and Local Authorities	13,861	10,444
Education	8,991	7,716
Environment	7,297	5,345
Housing Revenue Account	12,525	11,098
Consolidated Loans Pool	7,220	7,553
Collection Fund	2,921	2,051
Social Services	6,694	4,500
Other	5,455	6,019
	64,964	54,726

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:

	31.03.05 £000	31.03.04 £000
Between 1 – 2 years	-	-
Between 2 – 5 years	24,500	24,500
Between 5 – 10 years	77,000	27,000
More than 10 years	365,257	330,257
	466,757	381,757

CONSOLIDATED BALANCE SHEET (Continued)

NOTE 8: LONG TERM CREDITORS

	31.03.05 £000	31.03.04 £000
Deferred Purchase	642	1,300
Other	392	915
Total	1,034	2,215

NOTE 9: PROVISIONS

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

	31.03.04 £000	Additions £000	Reductions £000	31.03.05 £000
Uninsured Losses	1,106	3,638	(1,750)	2,994
Employment Tribunals	67	-	(3)	64
Disrepair Cases	342	-	-	342
Leasing – Dilapidations	206	-	(74)	132
Housing Repairs	-	137	-	137
Harlesden Road	17	-	(17)	-
Advice Centres	87	-	(67)	20
Gloucester Close	175	-	(149)	26
Long Term Sickness	15	500	(451)	64
Mental Health Act 1983	156	-	-	156
	2,171	4,275	(2,511)	3,935

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 2005/2006 will be more than sufficient to meet all claims that are likely to be settled in 2005/2006.

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.

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

Housing Repairs - To meet legal liabilities to repair housing properties.

Harlesden Road - Costs due on scheme subject to negotiations.

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

CONSOLIDATED BALANCE SHEET (Continued)

Gloucester Close - Historic debt raised against leaseholders of Gloucester Close. The majority of the debt was written off in 2004/2005.

Long Term Sickness - Monies expected to be required to fund long term sickness in schools funded by contributions from schools.

Mental Health Act 1983 - Following a House of Lords judgement in 2002 some charges made by the Council under the 1983 Mental Health Act now have to be refunded.

NOTE 10. FIXED ASSET RESTATEMENT ACCOUNT

	£000
Balance at 1 st April 2004	547,855
Less: Asset Disposals (net of depreciation on assets sold)	(28,956)
Add: Asset Revaluations	83,499
Balance at 31st March 2005	602,398

The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1st April 2004. The balance 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 ACCOUNT

	£000
Balance at 1 st April 2004	57,905
Grants Received in Year	17,585
Grants Released to Revenue	(2,394)
Balance at 31st March 2005	73,096

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 ACCOUNT

	£000
Balance at 1 st April 2004	99,404
Movements in Year:	
Capital Receipts Applied	9,215
Capital Grants Applied (see Notes 11 and 14)	12,069
General Fund Revenue Contributions to Capital Expenditure	3,766
Capital Funding Account (including 2003/04 accrual of £194k)	4,518
HRA Contributions to Capital Expenditure (£6,210k from 2004/05 HRA and £1,803k from HRA earmarked reserves)	8,013
Major Repairs Reserve	13,483
Less:	
Transfer to Revenue	(31,819)
Statutory Charge to CRA (note 7 page 30)	(8,178)
Balance at 31st March 2005	110,471

CONSOLIDATED BALANCE SHEET (Continued)

The Capital Financing Account (CFA) 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 CFA 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.

	2004/2005 £000	2003/2004 £000
Balance of Usable Receipts at 1 st April 2004 (3)	3,024	36
Add - Receipts from Sale of Assets etc.	21,910	21,646
Less – Pooled Payments	(15,718)	(12,642)
Less - Receipts Applied to New Capital Expenditure	(9,215)	(6,016)
Balance of Usable Receipts at 31st March 2005 (4)	1	3,024

NOTE 14: CAPITAL GRANTS UNAPPLIED

	2004/2005 £000	2003/2004 £000
Grants unapplied brought forward	4,315	4,365
Grants received during year	33,866	18,813
Grants applied during year	(9,675)	(1,241)
Grants transferred to Deferred Account	(17,585)	(17,622)
Grants unapplied carried forward	10,921	4,315

Note 2 shows £25,448k applied to fund capital spending in 2004/05. This consists of capital grants applied of £9,675k, grants transferred to deferred account of £17,585k, less 2003/04 grant accrual of £1,812k.

NOTE 15: DEFERRED CREDITS

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

	2004/2005 £000	2003/2004 £000
Balance brought forward	828	975
Movement during the year	(227)	(147)
Balance carried forward	601	828

CONSOLIDATED BALANCE SHEET (Continued)

NOTE 16: EARMARKED RESERVES

	31.03.04 £'000	Additions £'000	Reductions £'000	31.03.05 £000
Section 106 and Commuted Car Parking	9,598	9,129	(7,182)	11,545
Dollis Hill House	193	-	-	193
Care of the Elderly	210	5	(1)	214
Capital Funding	10,865	4,684	(8,284)	7,265
NNDR Revaluation Refunds	440	656	(32)	1,064
Willesden High School Deficit	121	-	(121)	-
Edward Harvist Trust Monies	73	51	(21)	103
Learning & Skills Council	301	9	(110)	200
Systems Development	339	1,503	(1,306)	536
Middlesex House and Lancelot Road	1,252	355	-	1,607
Housing Revenue Account	6,600	2,900	(2,789)	6,711
Education	320	76	-	396
Standards Fund	1,653	234	-	1,887
Property	41	1,000	-	1,041
Single Regeneration Budget	1,212	70	-	1,282
Service Units	282	205	-	487
Local PSA	-	813	-	813
Access Fund	176	161	(170)	167
Connexions	-	118	-	118
Jewish Free School	710	1,105	715	1,100
Capital Support for DDA	181	427	(235)	373
Quality Improvement	140	-	(62)	78
Supporting People	721	748	-	1,469
Social Services and Housing PFI	-	256	-	256
Chalkhill	3,470	235	(155)	3,550
Viewstar Replacement	290	361	(99)	552
Pension Transfer Rights	-	115	-	115
HB Verification Framework	-	500	-	500
Reorganisation Costs	-	396	-	396
Granville Plus	-	353	-	353
Miscellaneous	557	1,663	(1,311)	909
	39,745	28,128	(22,593)	45,280

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.

CONSOLIDATED BALANCE SHEET (Continued)

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

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 HRA in this reserve.

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 was responsible for funding an accumulated deficit if Willesden High School could not meet it from its own resources. As Willesden High School is now closed, this earmarked reserve is no longer considered to be necessary.

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 31st March 2005 are likely to be mainly spent in 2005/2006.

Learning and Skills Council - Monies from the Learning and Skills Council not spent by 31st March 2005.

Systems Development - To finance improvements and enhancements in the Borough's Information Technology and Communication (ITC) systems.

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 1st 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 31st August.

CONSOLIDATED BALANCE SHEET (Continued)

Property - Monies earmarked to be spent on works to council buildings.

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

Service Units - Monies set aside to meet unbudgeted items and deficits in service units.

Local PSA - The balance of the grant for local public service agreements which was unspent at 31st March 2005.

Access Fund - Monies to enable access for students not spent by 31st March 2005.

Connexions - Monies from Connexions to be spent on youth services after 31st March 2005.

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

Capital Support for DDA - 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 and 2004/2005. The grant conditions say this must be carried forward to spend on housing support.

Social Services and Housing PFI - Private Finance Initiative involving Brent Social Services and Housing. This is to modernise residential care for people with learning disabilities and acquisition of permanent and temporary accommodation.

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

Viewstar Replacement - Monies earmarked to replace the Housing Benefits document imaging system.

Pension Transfer Rights - Costs of restoring pensions rights of Benefits staff which was lost while they were employed by EDS.

HB Verification Framework - Additional costs to meet new requirements for verification of housing benefit claims.

Reorganisation Costs - Monies set aside for the implementation of the Children's Act and the consequential changes to other parts of the organisation that flow from this.

Granville Plus - Redevelopment of community facilities site to include children's centre.

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.

CONSOLIDATED BALANCE SHEET (Continued)

NOTE 17: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	31.03.05 £000	31.03.04 £000
Schools	3,333	2,456
Other	10,346	4,695
	13,679	7,151

NOTE 18: DEFERRED CHARGES

In previous years premature redemption of debt was shown as a deferred charge. In accordance with the requirements of the 2004 SORP, deferred charges has been deleted as a heading from the balance sheet. Premature redemption of debt is now accounted for in long term debtors.

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 1st 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.

	2004/2005 £000	2003/2004 £000
Balance brought forward	-	-
Minimum Revenue Provision	7,164	10,717
Reserved Capital Receipts	-	12,642
	7,164	23,359
Amount of Debt Repaid	(7,164)	(23,359)
Balance Carried Forward	-	-

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 14th April each year until 2005. At 31st March 2005 £0.6m 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 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.

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.

NOTE 22: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	31.03.05	31.03.04
Council Dwellings		
Council Dwellings	9,269	9,452
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

CONSOLIDATED BALANCE SHEET (Continued)

NOTE 23: CAPITAL COMMITMENTS

Significant capital commitments at 31st March 2005 and 31st March 2004 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:

	31.03.05 £000	31.03.04 £000
Service Commitments	11,384	6,146
Deferred Purchase	659	1,318
Chalkhill Redevelopment	-	271
	12,043	7,735

NOTE 24: EURO COSTS

No direct expenditure or commitments on the Euro were incurred in 2004/2005. 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.

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 Account £000	Capital Financing Account £000	Usable Capital Receipts £000	General Fund £000	Specific Reserves £000	HRA £000	
Balance as at 01.04.04	(547,855)	(99,404)	(3,024)	(7,151)	(39,745)	(1,326)	(698,505)
Net (Surplus)/ Deficit for the Year				(6,528)	(5,535)	926	(11,137)
Unrealised (Gains)/Loss, from Revaluation of Fixed Assets	(83,499)	39,997					(43,502)
Effects of Disposals of Fixed Assets:							
Cost or Value of Assets Disposed of	28,956						28,956
Proceeds of Disposals			(6,192)				(6,192)
Net (Surplus)/ Deficit	28,956		(6,192)				22,764
Financing of Fixed Assets		(51,064)	9,215				(41,849)
Balance at 31.03.05	(602,398)	(110,471)	(1)	(13,679)	(45,280)	(400)	(772,229)

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 increase of £83.03m in the Pensions Reserve deficit from £252.02m to £335.05m.

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.

	2004/2005		2003/2004	
	£000	£000	£000	£000
Revenue Activities				
- Cash Outflows				
Cash Paid to and on Behalf of Employees	263,917		252,751	
Other Operating Costs	248,368		244,347	
Housing Benefit Paid Out	187,595		142,508	
NNDR Payments to National Pool	65,454		60,840	
Precepts Paid	22,357	787,691	20,364	720,810
- Cash Inflows				
Rents (after Rebates)	(15,439)		(16,277)	
Community Charge Income	(10)		(19)	
Council Tax Income	(81,565)		(73,815)	
NNDR Income	(69,847)		(69,607)	
NNDR Income from National Pool	(77,655)		(83,560)	
Revenue Support Grant	(189,131)		(174,018)	
DWP Grants for Rebates	(196,768)		(131,890)	
Other Government Grants (See Note 1)	(139,504)		(169,319)	
Cash received for Goods and Services	(37,307)		(42,663)	
Other	(45,580)	(852,806)	(20,125)	(781,293)
Servicing of Finance				
- Cash Outflows				
Interest Paid	32,479		35,201	
- Cash Inflows				
Interest Received	(3,246)	29,233	(2,874)	32,327
Total Revenue Activities Cash Surplus (See Note 2)		(35,882)		(28,156)
Capital Activities				
- Cash Outflows				
Purchase of Fixed Assets	86,439		51,716	
Deferred Charges	23,432		12,750	
Other	659	110,530	659	65,125
- Cash Inflows				
Sale of Fixed Assets	(21,910)		(21,646)	
Capital Grants Received	(33,866)	(55,776)	(18,575)	(40,221)
Net Cash (Inflow)/Outflow Before Financing		18,872		(3,252)
Management of Liquid Resources				
Net (Inflow)/Outflow from Short Term Deposits		(9,700)		14,300
Financing				
- Cash Outflows				
Repayments of Amounts Borrowed		717,220		503,069
- Cash Inflows				
New Loans Raised	(100,000)		(35,000)	
New Short Term Loans	(623,050)	(723,050)	(477,719)	(512,719)
(Increase)/Decrease in Cash (See Note 3)		3,342		1,398

CASH FLOW STATEMENT (Continued)

NOTE 1: OTHER GOVERNMENT GRANTS

	2004/2005 £000	2003/2004 £000
Access and Systems Capacity	2,522	927
Aid to Refugees	462	353
AIDS and HIV	369	328
Asylum Seekers	4,841	8,141
Carers	889	702
Child and Adolescent Mental Health	658	478
Child Care and Early Years	1,570	1,696
Children's Centres	-	246
Children's Services (Fund)	1,352	1,332
Community Safety	332	565
Delayed Discharge	552	273
Document Image Processing	254	-
Education Maintenance Allowances	1,405	1,631
Education Standards Fund	27,352	20,364
E-Government	350	200
European Social Fund	-	494
Home Office – On Track Project	460	748
Homeless Strategy	588	-
Housing Subsidy	23,157	57,538
Local Public Service Agreements	951	-
Learning and Skills Council	22,975	20,865
Magistrates Courts	674	752
Mandatory Student Awards	192	794
Mental Illness	979	966
Neighbourhood Renewal Fund	2,518	2,315
Performance Fund	-	543
Planning Delivery	750	283
Preserved Rights	2,164	2,342
Private Finance Initiative	1,859	1,937
Quality Protects	979	6,374
Residential Allowance	1,955	794
School Standards Grant	3,909	3,739
Single Regeneration Budget	15,931	10,308
Social Services Training Support	568	553
Supporting People	14,008	13,685
Sure Start	747	734
Teachers Pay Reform (now part of Education Standards Fund)	-	5,669
Other Grants	1,232	650
	139,504	169,319

CASH FLOW STATEMENT (Continued)

NOTE 2: RECONCILIATION OF SURPLUS TO NET CASH FLOW

	2004/2005 £000	2003/2004 £000
Surplus/(Deficits) for the Year		
Schools	877	(281)
Other General Fund	5,651	4,645
HRA	(926)	812
	5,602	5,176
Non Cash Transactions		
Minimum Revenue Provision	7,164	10,717
Other Provisions/Earmarked Reserves	9,255	6,042
Accruals Items		
(Increase)/Decrease in Stock and WIP	(15)	(41)
(Increase)/Decrease in Debtors	3,638	2,874
Increase/(Decrease) in Creditors	10,238	3,388
Net Revenue Cash Flow Surplus	35,882	28,156

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

	Balance 31.03.05 £000	Balance 01.04.04 £000	Movement In Year £000
Cash	(9,807)	(6,465)	(3,342)
2003/2004 Comparative			<u>(1,398)</u>

NOTE 4: ANALYSIS OF CHANGES IN NET DEBT

	Balance 31.03.05 £000	Balance 31.03.04 £000	Movement In Year £000
Cash in Hand	189	285	(96)
Cash Overdrawn	(9,996)	(6,750)	(3,246)
	(9,807)	(6,465)	(3,342)
Long Term Borrowing	(466,757)	(381,757)	(85,000)
Short Term Borrowing	(30,000)	(114,170)	84,170
	(506,564)	(502,392)	(4,172)
Short Term Investments	66,853	74,877	(8,024)
Total	(439,711)	(427,515)	(12,196)

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 31ST MARCH 2005

Notes	2004/2005 £000	2003/2004 £000
Income		
1	83,540	77,885
	Transfers from General Fund	
	24,927	21,027
	- Council Tax Benefits	
4	-	424
	Discount for prompt payment	
2	63,828	59,818
	Income from Non Domestic Rates	
	172,295	159,154
Expenditure		
3	105,720	97,559
	Precepts and Demands	
2	Non-Domestic Rates:-	
	63,397	59,380
	- Payment to National Pool	
	431	438
	- Cost of Collection Allowance	
	2,747	1,777
	Provision for Non-Payment of Council Tax	
	172,295	159,154

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 1st 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 92,643 for 2004/2005. This basic amount of Council Tax for a Band D property (£1,141.16 for 2004/2005) 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:

Proportion of Band D Charge		Number of Band D Equivalent Properties	
Band A	0.67	1,326	
Band B	0.78	7,139	
Band C	0.89	23,120	
Band D	1.00	26,060	
Band E	1.22	23,630	
Band F	1.44	8,083	
Band G	1.67	5,212	
Band H	2.00	<u>448</u>	
		<u>95,018</u>	x 97.5% Collection Rate = 92,643

The income of £108.467m for 2004/2005 (including the provision for non-payment) was receivable from the following sources:

	£'000
Billed to Council Tax Payers	83,540
Council Tax Benefits	24,927
	108,467

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 45.6p in 2004/2005 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 1st April 2000. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £180,719,761 at 31st March 2005, 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:-

	2004/2005 £000	2003/2004 £000
Original Debit	82,408	81,166
Transitional Relief	(76)	3,155
Charitable Relief	(3,760)	(3,275)
Provision for Uncollectable Amounts	(815)	(1,263)
Other Adjustments	(3,872)	(12,501)
Empty/Void Relief	(10,057)	(7,464)
Net NNDR Income	63,828	59,818
Cost of Collection Allowance Payable to General Fund	(431)	(438)
Amount Payable to NNDR Pool	63,397	59,380

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

	2004/2005 £000	2003/2004 £000
London Borough of Brent	83,363	77,195
Greater London Authority	22,357	20,364
	105,720	97,559

The Greater London Authority (GLA) was established in 2000. Its functions include London's policing, fire and emergency planning services and transport for London.

NOTE 4: PROMPT PAYMENT DISCOUNT

Up to the 2003/2004 financial year Brent operated a prompt payment discount scheme whereby residents paying their year's bill in full at the start of the year received a discount (3% in 2003/2004). This scheme was discontinued for the 2004/2005 financial year.

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 principal 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 31st March for goods received or services rendered but not yet paid for.

DEBTORS

Amounts owed to the Council which are collectable or outstanding at 31st 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.

mg\acs\2004\Annual Accounts 2004-2005(i)(arial)