

**LONDON BOROUGH OF BRENT**  
**STATEMENT OF ACCOUNTS**  
**2005/06**

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

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## **INTRODUCTION BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

Brent's annual accounts show the financial performance of the Council for the year 2005/06. They present fairly the financial position of the authority on 31<sup>st</sup> March 2006 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 that 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 2005/06.

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 2005/06 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.

**Group Accounts** - In line with new accounting requirements, group accounts now are shown for Brent and its subsidiary Brent Housing Partnership (BHP).

The accounts have been produced in line with the requirements of the 2003 Accounts and Audit Regulations, the 2005 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 2005/06

The table below shows how actual expenditure on services in 2005/06 compares to the budgeted figures. Positive variances show underspends and negative variances show overspends compared with budgets.

	Budget £000	Outturn £000	Variance £000
Finance & Corporate Resources and Central Service Budgets	21,849	21,360	489
Children and Families	183,842	184,914	(1,072)
Environment and Culture	41,956	42,564	(608)
Housing and Community Care			
- Housing and Customer Services	18,986	18,525	461
- Adults and Social Care	<u>65,403</u>	<u>67,215</u>	<u>(1,812)</u>
Total Service Expenditure	332,036	334,578	(2,542)
Other Budgets/Debt Charges/Central Items	35,513	31,793	3,720
Contribution to/(from) Balances	<u>(315)</u>	<u>48</u>	<u>(363)</u>
<b>Budget Requirement</b>	<b>367,234</b>	<b>366,419</b>	<b>815</b>
Financed By:			
Revenue Support Grant	192,853	192,038	(815)
Non-Domestic Rates	89,231	89,231	-
Council Tax Income	86,333	86,333	-
Collection Fund Net Deficit	<u>(1,183)</u>	<u>(1,183)</u>	<u>-</u>
	<b>367,234</b>	<b>366,419</b>	<b>(815)</b>

The table above reflects the Council's service structure at the end of 2005/06. 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
<b>Finance &amp; Corporate Resources and Central</b>		
Legal Services - Increased internal demand	108	
PRU - Additional project expenditure	(147)	
Council Tax summons income	141	
HB Subsidy income plus recovery of overpayments	379	
Miscellaneous (individually below £100k)	<u>8</u>	
		489

## EXPLANATORY FOREWORD (Continued)

	Under/(Over)spending	
	£'000	£'000
<b>Children and Families</b>		
Youth Services including meeting OFSTED recommendations	(321)	
Schools – Net SEN underspend due to savings on out-borough placements	390	
Children's Services		
- Underspend from staff vacancies	292	
- Community Safety Team	(324)	
- Payments to internal foster carers	(200)	
- Increase in adoption placements	(250)	
- Higher than anticipated placements within residential care and independent fosterer carers	(1,887)	
- Adjustments to asylum seekers grant for 2005/06 and previous years	1,265	
Other (below £100k)	<u>(37)</u>	
		(1,072)
<b>Environment and Culture</b>		
Building Control – staff vacancies	101	
Environment Health – project costs	(106)	
Libraries – extra costs	(358)	
Highways and Street Lighting – energy costs	(139)	
Highway Operations – CCTV	(133)	
Other (individually below £100k)	<u>27</u>	
		(608)
<b>Housing and Community Care</b>		
<u>Housing and Customer Services</u>		
- Homelessness strategy underspend due to scheme delays	322	
Other (individually below £100k)	<u>139</u>	
		461
<u>Adults and Social Care</u>		
- Elderly residential care placements	(526)	
- Elderly care management and review	(161)	
- Central costs underspend	754	
- Physical disabilities purchasing overspend	(1,323)	
- Mental health residential care/supported living	(417)	
Other (individually below £100k)	<u>(139)</u>	
		<u>(1,812)</u>
Total Service Expenditure		(2,542)
<b>Other Budgets</b>		
Capital Financing	2,873	
Waste Levy	248	
Premature Retirement Costs	168	
Ward Working	250	
School loans – additional balances	319	
Tax penalties	(167)	
Local Authority Business Growth Initiative	475	
One-off Growth Items	(520)	
Local Elections	(300)	
Others (Individually below £100k)	<u>374</u>	
		<u>3,720</u>
<b>TOTAL</b>		<u><b>1,178</b></u>

## EXPLANATORY FOREWORD (Continued)

### 3. CAPITAL EXPENDITURE

The Council's in-year capital expenditure in 2005/06 was £114.123m (2004/05 £110.530m). The expenditure was within the definition of the Local Government and Housing Act 1989.

Capital Expenditure has been financed from the following sources:

<b>Funding Source</b>	<b>2005/06 £000's</b>
Borrowing	52,184
Government Grants	38,401
Capital Receipts	2,810
General Fund Revenue Contributions	4,760
HRA Revenue Contributions	4,522
Capital Accruals	4,440
Capital Funding Account	7,006
<b>Total</b>	<b>114,123</b>

Gross capital receipts during the year totalled £8.969m. £2.810m of usable receipts were used to finance capital expenditure. All but £1k of available usable capital receipts have been used to finance capital expenditure. Capital projects and other significant capital expenditure in excess of £500k during the year were as follows:

<b>Scheme</b>	<b>2005/06 £000's</b>
Renovation Grants	5,408
Social Housing Grants	3,969
South Kilburn New Homes	1,680
Deferred Purchase Payments	659
Gladstone Park Primary School	670
Chalkhill Primary School	1,167
Kingsbury High School	519
Wembley Park Trading Estate Access Road	1,704
Granville Plus Centre	1,370
Local Road Safety Schemes	951
Principal Road and Carriageways Programme	2,448
Upgrade Footways	2,124
Council Housing	38,638
Bus Priority Network	759
Bridge Strengthening Programme	610
Data Network	552
Oakington Manor School	620
Salisbury Primary School	735
Wembley High School	602
Willesden Green Library Centre	2,299
Children's Centres	2,802
Willesden Sports Centre	3,200
Organic Waste Programme	1,003
Wembley Stadium Access Corridor Road	2,310
Wembley Stations Accessibility	14,278

## EXPLANATORY FOREWORD (Continued)

Capital expenditure incurred by Service Departments in 2005/06 is summarised below:

<b>Department</b>	<b>2005/06 Programme £000's</b>	<b>2005/06 Out-turn £000's</b>	<b>Variation £000's</b>
Children and Families	18,484	15,854	(2,630)
Environment and Culture	31,559	24,263	(7,296)
Adult Social Care	357	238	(119)
Housing	54,631	50,181	(4,450)
Finance and Corporate Resources	3,917	1,514	(2,403)
Central Items	23,566	22,073	(1,493)
<b>Total</b>	<b>132,514</b>	<b>114,123</b>	<b>(18,391)</b>

Outstanding capital commitments at 31<sup>st</sup> March 2006 amounted to £17.908m.

### **Borrowing/Investments**

During 2005/06 the Council's borrowing rose by £75.0m from £496.8m at 31<sup>st</sup> March 2005 to £571.8m at 31<sup>st</sup> March 2006 and investments rose by £33.2m from £66.4m at 31<sup>st</sup> March 2005 to £99.6m at 31<sup>st</sup> March 2006. The increase in net borrowing (borrowing less investments) was £41.8m and reflects the combined effect of borrowing to fund the capital programme, repayment of principal of past borrowing, and changes in cash flow requirements.

The figure of £66.4m for investments includes £100k invested in Greater London Enterprise (GLE) in 1986 when Brent became a founder member. 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 balanced budget for the year and a surplus carried forward of £400k after a net transfer to earmarked reserves. The final accounts show a surplus for the year of £3.325m and a surplus carried forward of £778k 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.

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

In accordance with new accounting requirements, group accounts are included for the first time. Statements are shown for Brent and its subsidiary – Brent Housing Partnership (BHP) which manages housing properties on behalf of the Council.

## **EXPLANATORY FOREWORD (Continued)**

### **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](mailto:zebunnissa.ali@brent.gov.uk).

### **7. GLOSSARY**

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



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

Signature: .....

Date: .....

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 31<sup>st</sup> March 2006.

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 29th June 2006, the accounts were approved and adopted on behalf of the Council.

.....  
CHAIR  
General Purposes Committee

Date: .....

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06**

### **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 2006 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. Due to the change in political balance as a result of the Local Elections, the Council has not yet been able to agree a new Corporate Strategy. Although a strategy is under development and some of the themes in the previous Corporate Strategy are likely to be retained, no new Strategy for 2006 to 2010 has been agreed. The three political leaders and Chief Executive are working closely together to ensure that a new administration can be formed as soon as possible in order that a new strategy can be developed and agreed.
- 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

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (Continued)**

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 Committee have specific responsibility for assessing the action plan and budget proposals although the detail of the structure and allocation of responsibilities of overview and scrutiny is currently under review.

- The Executive meets monthly and Corporate Management Team meet fortnightly 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 Improvement Board, chaired by the Chief Executive, oversees all improvement initiatives across the Council.

### **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.

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (Continued)**

- 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.
- 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. Service areas are responsible for maintaining an up to date list of risks and storing these on the Council wide risk register. Service areas are responsible for the identification, evaluation and mitigation of key risks.

### **Economic, effective and efficient use of resources and continuous improvement**

- The Strategic Performance Group – a sub group of CMT - co-ordinates a programme of critical support which addresses 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 are 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, Children's Social Services and Adult Social Care. 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 provides continuous improvement support to specific service areas and co-ordinates the performance activity of the above corporate groupings.

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (Continued)**

### **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 of the Council's functions.
- 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, two-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 COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (Continued)**

- The core finance function in Finance and Corporate Resources collates financial information, monitors implementation of the financial control framework, supports service accountants and managers in their financial responsibilities, and gives assurance to management and members that adequate controls exist to produce sound financial administration.
- Service area accountants collate financial information about their service area, provide financial advice to their managers and committees, provide financial information to core finance in Finance and Corporate Resources, 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 further financial skills audit during 2005/6 and continued to provide financial training. In addition a review of training needs in new areas, such as the Comprehensive Performance Assessment, has led to the development of an action plan to be delivered in 2006/07
- Every committee report is subject to a review by the core finance function to ensure that all financial implications have been considered.
- The Council has continued to operate an Efficiency Board to address the Gershon agenda and other value for money considerations.

### **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.
- Each Service Area Development Plan includes performance targets and monitoring information and these are constructed around the Corporate Strategy Priorities. Individual Service Units also produce operational plans which are derived from the wider Service Development Plan. The intention is for these plans to link clearly to Corporate Strategy Objectives and in-turn down to individuals' objectives and performance targets.

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (Continued)**

- 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. When areas of concern are identified, Service Directors are required to return to a future meeting to report back on those concerns.
- All Departmental Management Teams review their own key performance indicators on a monthly basis.
- During 2005/6 There were 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 approved by the General Purposes Committee. The process which has been used during 2005/6 to maintain and review the effectiveness of internal control is described below:

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (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.
- 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.
- 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.
- 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;
  - considers and reviews risks on a quarterly basis.
- 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.

## **BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (Continued)**

### **Overview and Scrutiny**

- Oversees and scrutinises decisions made by the Executive.
- Has task groups who undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.
- Has 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 assessments in December 2005 and April 2006 gave the Council a three star rating.

## BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2005/06 (Continued)

### 5 SIGNIFICANT CONTROL ISSUES

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

<b>Control Issue</b>	<b>Action to be taken</b>	<b>Responsible Officer</b>	<b>Timescale for completion</b>
Some Service and Corporate areas have identified a lack of training in Risk Management as a potential control. This could lead to inadequate identification of risk.	Training is currently being rolled out by the Procurement and Risk Management Team. All Directorates are responsible for ensuring the relevant officers receive training	Service and Corporate Area Directors	December 2006
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 report has been taken to the Corporate Management and additional funding has been identified for this area of work. A programme is to be established to test relevant Disaster Recovery/Business Continuity Plans	Director of Environment and Culture	December 2006
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 2005/06 (Continued)**

**6 CONCLUSION**

There has been a review of the system of internal control during 2005/6. 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 Investigations, 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 ..... Signed..... Date .....**  
**Gareth Daniel, Chief Executive                      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 2005 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 2003/04. This applied to the Housing Revenue Account from 2004/05. 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.

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

### CAPITAL ASSETS

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

## STATEMENT OF ACCOUNTING POLICIES (Continued)

Fixed assets are valued on the basis 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 exceptions 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, intangible 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 1<sup>st</sup> April 2004. Council dwellings were revalued at 31<sup>st</sup> March 2002 and their values have been up-rated to 31<sup>st</sup> March 2006 using Land Registry indices to reflect changes in property values.

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.

Where buildings assets are revalued, the accumulated depreciation at the beginning of the year is written down to the fixed asset restatement reserve.



## 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 4.95% 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.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

**9. Premature Redemption of Debt** - The practice for the Consolidated Revenue Account, in accordance with the SORP, is to amortise the loans over the life of the loans with which they are refinanced determined as described below. This will not be followed in the following situations:

- Where it is permissible and advantageous to capitalise premia (in which case the question of amortisation will not arise)
- Where the loans redeemed are not refinanced (when premia and discounts will be taken directly to the CRA)

Where discounts and premia are amortised over a broadly similar period, for convenience they will be shown as a net figure.

The practice for the HRA is different because it is determined by the Housing Subsidy rules. In this case, discounts and premia are amortised, individually, over the remaining life of the loan repaid or ten years, whichever is the shorter.

The Council's policy on repayment of debt is as follows:

- For strategic financial reasons, the optimum level of borrowing for an authority in the position of Brent is to maintain gross borrowing at the authority's overall Capital Financing Requirement. Unless borrowing required to fund the capital programme is less than the Minimum Revenue Provision, this will always involve refinancing debt redeemed prematurely with new borrowing. Borrowing to fund Brent's capital programme is likely to exceed Minimum Revenue Provision by a substantial margin for the foreseeable future. It is, therefore, judged that refinancing will always be undertaken for the longest period which the PWLB will allow borrowing to be undertaken from them. If, for tactical reasons, shorter loans are used immediately, it is felt that this position still holds true in the long term.

**10. Government Grants and Contributions** - 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.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

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 (page 51) 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 on page 50).
14. **Reserves** - These are amounts set aside for earmarked purposes out of the balances on the Council's funds. Further details of earmarked reserves are given in Note 16 to the Balance Sheet (page 54).
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 on page 29) and how it was financed.

### REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2006

Note	2005/06 Gross Expenditure £000	2005/06 Income £000	2005/06 Net Expenditure £000	2004/05 Net Expenditure £000
1. <b>On its Services the Council Spent</b>				
Education	257,815	(87,780)	170,035	161,358
Cultural Services	16,930	(1,676)	15,254	14,917
Highways, Roads and Transport	32,524	(13,161)	19,363	19,552
Environmental	29,447	(4,313)	25,134	18,946
Planning and Development	44,200	(19,363)	24,837	15,854
Housing (General Fund)	230,179	(202,984)	27,195	27,666
Social Services	129,616	(39,317)	90,299	83,433
Courts	786	(599)	187	1,016
2. Central Services	<u>59,303</u>	<u>(45,675)</u>	<u>13,628</u>	<u>16,576</u>
Net Cost of General Fund Services	800,800	(414,868)	385,932	359,318
Housing Revenue Account	<u>68,383</u>	<u>(65,363)</u>	<u>3,020</u>	<u>5,537</u>
<b>Net Cost of Services</b>	<b>869,183</b>	<b>(480,231)</b>	<b>388,952</b>	<b>364,855</b>
3 Levies			6,506	6,342
4. (Surplus)/Deficit on Trading Accounts			(388)	(352)
5. Interest Receivable			(4,457)	(3,311)
6. Net (Income)/Expenditure on the Asset Management Revenue Account			(877)	(3,653)
22. Contribution to Housing Pooled Capital Receipts			5,430	15,718
Pensions interest cost and expected return on pensions assets			12,240	14,160
Pensions Actuarial (Gain)/Loss			14,910	72,750
<b>Net Operating Expenditure</b>			<b>422,316</b>	<b>466,509</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

Note	2005/06 Net Expenditure £000	2004/05 Net Expenditure £000
	(5,967)	(5,648)
	4,760	3,766
7.	(7,232)	(6,854)
8.	(26,103)	(23,432)
9.	1,661	877
	157	2,001
	(1,851)	(3,600)
	2,947	111
	3,399	7,077
	(7,376)	(10,444)
	(14,910)	(72,750)
22.	(5,430)	(15,718)
	<b><u>366,371</u></b>	<b><u>341,895</u></b>
Financed By:-		
Revenue Support Grant	192,038	189,131
Non-Domestic Rate Pool	89,231	76,108
Income from Local Taxation	86,333	83,363
Collection Fund Deficit	<u>(1,183)</u>	<u>(1,187)</u>
Budget Requirement	<b><u>366,419</u></b>	<b><u>347,415</u></b>
<b>Surplus/(Deficit) for the Year</b>	<b><u>48</u></b>	<b><u>5,520</u></b>
Balances at the start of the Year were	<u>10,215</u>	<u>4,695</u>
9. Leaving Year End Balances of	<u>10,263</u>	<u>10,215</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 2005/06 comprise the following elements:

	<b>Gross Expenditure £000</b>	<b>Income £000</b>	<b>Net Expenditure £000</b>	<b>2004/05 Net Expenditure £000</b>
Corporate and Democratic Core	5,927	-	5,927	5,803
Non Distributed Costs	517	(87)	430	230
Central Services to the Public	36,582	(30,738)	5,844	6,825
Other Operating Income and Expenditure	16,277	(14,850)	1,427	3,718
	<b>59,303</b>	<b>(45,675)</b>	<b>13,628</b>	<b>16,576</b>

#### NOTE 3: LEVIES

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

	<b>2005/06 £000</b>	<b>2004/05 £000</b>
Lee Valley Regional Park	270	258
London Pension Fund Authority	249	243
Environment Agency	172	158
West London Waste Authority	5,815	5,683
	<b>6,506</b>	<b>6,342</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 4: TRADING ACCOUNTS

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

Activity	2005/06		2004/05	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Building Cleaning	-	-	723	60
Brent Internal Repairs	844	(1)	756	18
Finance	253	52	220	53
Grounds Maintenance	1,200	31	1,104	(10)
Highways Maintenance	-	-	324	(49)
Transport	6,194	(13)	5,621	(207)
Lead Tenants	6,422	(457)	6,111	(139)
		(388)		(274)
Building Cleaning/Maintenance Deficit charged to HRA in 2004/05		-		(78)
<b>TOTAL</b>	<b>14,913</b>	<b>(388)</b>	<b>14,859</b>	<b>(352)</b>

**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 2003/04 and was finally wound up in January 2005. The loss was funded by the HRA.

**Brent Internal Repairs (BIR)** - BIR provide housing maintenance services to the HRA particularly in relation to the re-letting of void properties.

**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 previously provided a number of services relating to Highways e.g. traffic management, signing, emergency call outs. They also provided a stores service for cleaning and other materials. They have now merged with their main client (Streetcare) so the 2005/06 results are shown in the net cost of services rather than as a trading account.

**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

Interest receivable was £4.457m in 2005/06 (£3.311m in 2004/05). There were no unrealised gains or losses included as interest receivable in the 2004/05 or 2005/06 revenue accounts.

### NOTE 6: ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account consists of the following items:

	2005/06 £000	2004/05 £000
External Interest Charges	34,736	32,479
Debt Management Expenses	153	265
Grants released from Government Grants Deferred Account	3,128	2,394
Provision for Depreciation	22,322	22,378
Capital Charges to Service Accounts	(58,088)	(58,775)
Grants applied to Capital Financing Account	(3,128)	(2,394)
<b>Net Expenditure/(Income)</b>	<b>(877)</b>	<b>(3,653)</b>

### NOTE 7: CONTRIBUTION TO CAPITAL FINANCING ACCOUNT

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

	2005/06 £000	2004/05 £000
Statutory MRP	7,397	7,164
Provision for General Fund Depreciation	(14,629)	(14,018)
<b>Additional Charge/(Credit) to/(from) Revenue Account</b>	<b>(7,232)</b>	<b>(6,854)</b>

### 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 expenditure which government direction allows to be capitalised.

	2005/06 £000	2004/05 £000
Renovation Grants	5,408	5,891
Regeneration	16,051	9,273
Leased Buildings	408	1,778
Voluntary Aided Schools	267	1,526
Social Housing Grant	3,969	4,964
<b>Total Contribution</b>	<b>26,103</b>	<b>23,432</b>



## CONSOLIDATED REVENUE ACCOUNT (Continued)

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

	2005/06 £000	2004/05 £000
Planning and Economic Development	16,051	8,108
Housing General Fund	9,377	12,020
Central Services	408	1,778
Education	267	1,526
	<b>26,103</b>	<b>23,432</b>

### 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 (page 57).

### NOTE 10: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2005/06 and 2004/05, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	2005/06 Number of Employees	2004/05 Number of Employees
£50,000 - £59,999	194	141
£60,000 - £69,999	53	37
£70,000 - £79,999	20	11
£80,000 - £89,999	12	8
£90,000 - £99,999	11	11
£100,000 - £109,999	3	-
£110,000 - £119,999	5	1
£120,000 - £129,999	-	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	1
£150,000 - £159,000	<u>1</u>	<u>-</u>
	<b><u>299</u></b>	<b><u>210</u></b>

### 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 2005/06 amounted to £2.141m (£1.852m in 2004/05). A large proportion of this expenditure relates to the Council's recruitment advertising.

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 12: EXPENDITURE ON LEASING

In 2005/06 the Council paid out £301,000 (2004/05 - £303,000) for operating leases of vehicles, plant and equipment to lessors. The undischarged obligation in respect of operating leases was £590,000 (31.03.05 - £915,000). There was no expenditure on finance leases. Brent is committed to spending £224,000 in 2006/07 on operating leases of vehicles, plant and equipment. The leases to which these commitments relate expire in:

	<b>£'000</b>
The next financial year (2006/07)	30
2-5 years after 31.03.06 (2007/08 - 2010/11)	194
More than 5 years after these accounts (2011/12 onwards)	<u>-</u>
<b>Total</b>	<b><u>224</u></b>

### 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 for Education and Skills. In 2005/06 Brent paid £10.8m (2004/05 £10.6m). The Council contributed at a rate of 13.5% of pensionable pay in 2005/06 (13.5% in 2004/05) and in addition is responsible for all pension payments relating to added years awarded by the authority together with the related increases. These amounted to a further £1.8m in 2005/06 (2004/05 £1.7m).

**OTHER EMPLOYEES** - Pensions are provided from the Pension Fund, the accounts of which have been produced separately. The employer's contributions, at rates advised by the Fund's actuaries, are charged to revenue as incurred. The Council's actuaries recommended an employer's contribution of 335% of employees contributions in 2005/06 (310% in 2004/05). In 2005/06 the Council paid employer contributions of £18.5m (2004/05 £16.4m), representing 18.7% of pensionable pay of all employees (including some contributing at 5% as well as others contributing at 6%). The Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2005/06 Brent made discretionary payments of £99,000 (2004/05 £17,000). Expenditure in 2005/06 on added years awarded by the authority amounted to £3.0m (£2.9m 2004/05) representing 3% of pensionable pay.

Pension payments made during 2005/06 in accordance with SSAP 24 "*Accounting for Pension Costs*" are £18.8m representing 19.0% 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 ,where employees pay 6% of their annual salaries, are as follows:

2001/02	15.6%
2002/03	16.2%
2003/04	18.6%
2004/05	18.6%
2005/06	20.1%
2006/07	21.6%

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

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

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

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

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

The most recent valuation was carried out as at 31<sup>st</sup> 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<sup>st</sup> March 2006. 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 335% of members' contributions. The contribution rates certified for London Borough of Brent at the 31<sup>st</sup> March 2004 valuation are as follows:

April 2004 to March 2005	310% of members' contributions
April 2005 to March 2006	335% of members' contributions
April 2006 to March 2007	360% 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 2006	31 March 2005
Discount rate	4.9%	5.3%
Rate of increase in salaries	4.5%	4.4%
Rate of increase in pensions in payment	3.0%	2.9%
Rate of increase in deferred pensions	3.0%	2.9%
Rate of inflation	3.0%	2.9%
Long-term expected rates of return on:		
Equities	7.3%	7.7%
Private equity	7.3%	7.7%
Hedge funds	6.8%	7.2%
Currency	10.0%	N/A
Government bonds	4.3%	4.7%
Corporate bonds	4.9%	5.3%
Property	6.3%	6.7%
Other assets	4.6%	4.8%
Average long term expected rate of return	6.9%	7.0%

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

	31 March 2006 (£m)	31 March 2005 (£m)
Equities	249.42	220.58
Private equity	4.36	0.99
Hedge funds	26.16	15.56
Currency	24.42	N/A
Government bonds	22.67	40.24
Corporate bonds	26.16	31.89
Property	22.67	11.82
Other	<u>21.80</u>	<u>6.58</u>
<b>Total</b>	<b><u>397.66</u></b>	<b><u>327.66</u></b>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31<sup>st</sup> March 2006 and 31<sup>st</sup> March 2005. The figures for March 2005 have been restated to reflect an agreement not to transfer a share of the pension fund deficit to Brent Housing Partnership when it became a separate body in 2002.

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

	31 March 2006 (£m)	31 March 2005 (£m)
Share of assets in the Fund	397.66	327.66
Estimated funded liabilities	(667.79)	(586.28)
Estimated unfunded liabilities	(89.66)	(78.92)
<b>London Borough of Brent's surplus/(deficit)</b>	<b><u>(359.79)</u></b>	<b><u>(337.54)</u></b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

The surplus or deficiency revealed above should be borne in mind when considering the amount of overall General Fund balances held (page 28) i.e.

	<b>£m</b>
General Fund year end balances before FRS17 deficit	10.26
FRS17 deficit	<u>(359.79)</u>
<b>Balances after FRS17 deficit</b>	<b><u>(349.53)</u></b>

The movement in net surplus for the year to 31 March 2006 is as follows:

	<b>£m</b>	<b>£m</b>
Net surplus/(deficit) at beginning of year		(337.54)
Movement in year:		
Operating Charge:		
Current service cost	(18.02)	
Past service costs	(2.12)	
Gain/loss on any settlements or curtailments	<u>1.83</u>	
Total Operating Charge		(18.31)
Contributions:		
Contributions paid	<u>23.35</u>	23.35
Finance Income:		
Expected return on Pension Fund assets	23.05	
Interest on pension scheme liabilities	<u>(35.29)</u>	
Total Finance Income		(12.24)
Actuarial gain/loss		<u>(15.05)</u>
<b>Net surplus/(deficit) at end of year</b>		<b><u>(359.79)</u></b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

The actuarial loss of £15.05m in 2005/06, together with actuarial adjustments in previous years, is analysed further in the table below:

	<u>2005/06</u>		<u>2004/05</u>		<u>2003/04</u>		<u>2002/03</u>	
	Amount (£m)	% of Assets/Liabilities	Amount (£m)	% of Assets/Liabilities	Amount (£m)	% of Assets/Liabilities	Amount (£m)	% of Assets/Liabilities
Actual return less expected return on assets	42.43	10.7%	5.46	1.7%	36.16	11.5%	(87.01)	32.9%
Experience gains and losses on pension liabilities	(5.49)	0.8%	65.61	11.2%	(1.22)	0.2%	0.86	0.2%
Changes in assumptions underlying the present value of pension liabilities	(51.99)	7.8%	(143.83)	24.5%	1.09	0.2%	(7.41)	1.5%
<b>Total</b>	<b>(15.05)</b>		<b>(72.76)</b>		<b>36.03</b>		<b>(93.56)</b>	

FRS17 indicates that Pension Fund liabilities are 60% funded as at 31<sup>st</sup> March 2006 (31<sup>st</sup> March 2005 56%). This is 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 2005/06 have Brent Members as Directors, Trustees or employees. The following information has been obtained from Members' Declarations of Related Party Transactions:

	£'000
Brent Irish Advisory Service	36
Federation of Patidar Associations	10

In addition, one councillor is a Director of South Kilburn New Deal for Communities, funded by the Government Office for London, for which Brent is the accountable body. A further councillor is an employee of an organisation which provided works and services to the council costing £90,000. The contract was entered into in compliance with the Council's standing orders.

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

### NOTE 17: MEMBERS' ALLOWANCES

Total payments including National Insurance costs in 2005/06 were £851,000 (£840,000 in 2004/05). 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 1<sup>st</sup> April 1999. The basic principle is that income received over any three year period shall not be less than the costs directly or indirectly incurred.

The figures for 2005/06 and 2004/05 are as follows:

	Chargeable 2005/06 £'000	Non- Chargeable 2005/06 £'000	Total Building Control 2005/06 £'000
<b><u>Expenditure</u></b>			
Employee Expenses	788	257	1,045
Premises	-	-	-
Transport	7	2	9
Supplies and Services	171	56	227
Central and Support Service Charges	113	37	150
<b>Total Expenditure</b>	<b>1,079</b>	<b>352</b>	<b>1,431</b>
<b><u>Income</u></b>			
Building Regulations Charges	(1,112)	-	(1,112)
Miscellaneous	(41)	-	(41)
<b>Total Income</b>	<b>(1,153)</b>	<b>-</b>	<b>(1,153)</b>
<b>Surplus/(Deficit) for Year</b>	<b>74</b>	<b>(352)</b>	<b>(278)</b>
<b><u>Comparatives for 2004/05</u></b>			
Expenditure	1,006	326	1,332
Income	(1,057)	(23)	(1,080)
<b>Surplus/(Deficit) for Year</b>	<b>51</b>	<b>(303)</b>	<b>(252)</b>

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

The Council is empowered by this Act to provide goods and services to other public bodies. Income from these services amounted to £1.492m in 2005/06 (£1.284m in 2004/05) and fully covered expenditure. The other public bodies are:

	2005/06 £'000	2004/05 £'000
London Borough of Harrow (Trading Standards)	798	784
Brent Primary Care Trust	664	482
Other	30	18
	<b>1,492</b>	<b>1,284</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 20: POOLED BUDGETS

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with Brent Teaching Primary Care Trust (tPCT) for pooled budget arrangements of the Senior Management Teams and related expenditure of the Learning Disability Partnership Board, Brent Mental Health Partnership, and the Integrated Community Equipment Service Partnership Board. The London Borough of Brent is the host partner for Learning Disabilities and Occupational Therapy equipment. Brent tPCT is the host partner for Mental Health.

The Partnerships' income and expenditure for 2005/06 was:

	<b>Learning Disabilities £'000</b>	<b>Mental Health £'000</b>	<b>Occupational Therapy £'000</b>
Funding: London Borough of Brent	(101)	(406)	(850)
Brent tPCT	(364)	(948)	(300)
<b>Total Funding</b>	<b>(465)</b>	<b>(1,354)</b>	<b>(1,150)</b>
<b>Expenditure</b>	<b>465</b>	<b>1,386</b>	<b>1,285</b>
<b>Net Overspend</b>	<b>-</b>	<b>32</b>	<b>135</b>
<b>2004/05 Net Overspend</b>	<b>1</b>	<b>1</b>	<b>113</b>

### NOTE 21: AUDIT COSTS

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

	<b>2005/06 £'000</b>	<b>2004/05 £'000</b>
- 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.	430	551
- Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1999.	111	106
- 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.	133	198
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above.	50	-

As well as duties relating to external audit and inspection, the Council's auditors were also engaged on a project to improve processes and cash flow relating to the Council's VAT responsibilities. The Council paid £50,000 for this service in 2005/06.



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

### **NOTE 22: HOUSING CAPITAL RECEIPTS**

Under section 11 of the Local Government Act 2003, the Secretary of State has determined from 1 April 2004 onwards to replace the “set aside” means of redistribution for housing capital receipts, with the pooling regime. Councils are now required to pay over to the Secretary of State 75% of Right to Buy and 50% of other housing land capital receipts, subject to defined exemptions and deductions, for pooling centrally and distribution on a needs basis.

## HOUSING REVENUE ACCOUNT - 2005/06

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

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

### HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2006

<u>Note</u>	2005/06 £000	2004/05 £000
<b><u>Income</u></b>		
	39,919	38,300
	217	310
	296	353
7(A)	24,931	24,646
	<b>65,363</b>	<b>63,609</b>
<b><u>Expenditure</u></b>		
	7,014	8,839
	17,894	17,901
	4,086	4,010
7(B)	300	600
	157	40
9	31,164	29,214
	7,692	8,387
	76	155
	<b>68,383</b>	<b>69,146</b>
	<b>3,020</b>	<b>5,537</b>
10	(12,823)	(12,286)
	2,998	2,945
	(510)	(530)
	(241)	(173)
	<b>(7,556)</b>	<b>(4,507)</b>
<b><u>Appropriations</u></b>		
	4,522	6,210
11	36	13
6	(327)	(901)
	<b>(3,325)</b>	<b>815</b>
<b><u>HRA Account Balance</u></b>		
	(400)	(1,326)
	(3,325)	815
	2,947	111
	(778)	(400)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 9,707 to 9,641 a reduction of 66 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:

	31.03.06	31.03.05
Leasehold	426	438
Freehold	9,215	9,269
<b>Total</b>	<b>9,641</b>	<b>9,707</b>

### NOTE 2: RENT ARREARS

The level of rent arrears at 31<sup>st</sup> March 2006 was £2.603m. Movements on the arrears and related provisions are shown below.

	Arrears £'000	Provision £'000	Net Arrears £'000
Balances at 31.3.2005	3,076	2,900	176
Amounts written off and other adjustments (Decrease)/Increase in Provision	(527)	(527)	(157)
(Decrease)/Increase in Arrears	54	-	54
<b>Balances at 31.03.06</b>	<b>2,603</b>	<b>2,530</b>	<b>73</b>

### NOTE 3: FIXED ASSETS

	Council Dwellings £'000	Non- Operational £'000	Total £'000
Gross Book Value at 1 April 2005	874,752	2,783	877,535
Revaluation Adjustment	35,036	20	35,056
Expenditure during the Year	38,638	0	38,638
Disposals	(10,281)	0	(10,281)
Gross Book Value at 31.3.2006	938,145	2,803	940,948
Accumulated Depreciation B/fwd	(8,359)	-	(8,359)
Depreciation/adjustment For the Year	690	(24)	666
<b>Net Book Value at 31.03.06</b>	<b>930,476</b>	<b>2,779</b>	<b>933,255</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

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

The vacant possession value of dwellings within the HRA at 31<sup>st</sup> March 2006 is £1.914 billion. 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: 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 2005/06.

### NOTE 6: MAJOR REPAIRS RESERVE

	2005/06 £'000	2004/05 £'000
Balance at 1 April 2005 (2004)	2,608	8,605
Transfer to Major Repairs Reserve	7,692	8,387
Transfer from Major Repairs Reserve	(327)	(901)
Capital expenditure financed from Major Repairs Reserve	-	(13,483)
<b>Balances at 31.03.06 (05)</b>	<b>9,973</b>	<b>2,608</b>

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 7(A): HRA SUBSIDY

	2005/06 £'000	2004/05 £'000
Housing Subsidy Element Allowance	24,931	24,646

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

### NOTE 7(B): SUM DIRECTED BY THE SECRETARY OF STATE

The HRA in 2005/06 included a sum of £300,000 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 1<sup>st</sup> April 2004. They are now accounted for in the General Fund. Under the transitional measures scheme for Financial Year 2005/06, Brent Council was given approval to transfer £300,000 from the HRA to compensate the General Fund.

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 8(A): HRA CAPITAL EXPENDITURE FUNDING IN 2005/06

	2005/06 £'000	2004/05 £'000
Borrowing	34,115	30,364
Usable Capital Receipt	-	-
Revenue Contribution	4,522	8,013
Major Repairs Reserve	-	13,483
<b>Total</b>	<b>38,637</b>	<b>51,860</b>

### NOTE 8(B): HRA CAPITAL RECEIPTS IN 2005/06

	2005/06 £'000	2004/05 £'000
Land	-	-
Houses	7,963	21,853
Other Properties	-	-
<b>Total</b>	<b>7,939</b>	<b>21,853</b>

### NOTE 9: 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% (2004/05 – 3.5%) of the value of HRA dwellings based on Existing Use Value as Social Housing as specified in the HRA Subsidy Determination 2005/06. The cost charge for the Financial Year 2005/06 was £31.164m (2004/05 - £29.214m).

### NOTE 10: ADJUSTING TRANSFER FROM ASSET MANAGEMENT REVENUE ACCOUNTS

The capital asset charges accounting adjustment represents the difference between the cost of capital charge and the HRA interest costs required by government regulation. Net interest of £18.316m has been charged to the HRA.

	31 <sup>st</sup> March 2006 £'000s	31 <sup>st</sup> March 2005 £'000s
Reserve Capital Charges	31,164	29,214
Interest on HRA mid-year Capital Financing Requirement	(18,341)	(16,928)
<b>Capital Charges Accounting Adjustment</b>	<b>12,823</b>	<b>12,286</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 11: TRANSFER TO PENSION RESERVE

The 2005/06 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 2005/06 HRA was:

	<b>£'000</b>
Direct Employee Costs	3
Premature Retirement Compensation	(39)
Adjustment	<b>(36)</b>

This is balanced by a transfer to the Pension Reserve of £36,000. Consequently there is no net effect on the HRA deficit for the year or HRA balances at 31<sup>st</sup> March 2006.

### NOTE 12: 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 31<sup>st</sup> MARCH 2006

Note	31.03.06		31.03.05	
	£000	£000	£000	£000
1.	Fixed Assets			
	Council Dwellings	930,476	866,393	
	Other Land and Buildings	398,791	381,738	
	Vehicle, Plant, Furniture and Equipment	12,352	9,129	
	Infrastructure	101,128	87,282	
	Community Assets	-	-	
	Non-Operational Properties	4,094	4,105	
	Net Fixed Assets			1,348,647
3.	Investments (Long Term)			100
4.	Long Term Debtors			1,417
	Total Long Term Assets			1,350,164
	Current Assets			
	Stock and Work in Progress	519	356	
	Payments in Advance	7,617	2,974	
5.	Debtors	123,700	112,094	
	Less provision for bad debts	(56,745)	(52,493)	
	Cash in Hand	121	192	
	Short Term Investments	99,523	66,267	
	Current Liabilities			
	Short Term Borrowing	-	(30,000)	
6.	Creditors	(69,249)	(66,220)	
	Deposits	(1,630)	(854)	
	Receipts in Advance	(7,703)	(4,535)	
	Cash Overdrawn	(5,462)	(9,838)	(111,447)
	Net Current Assets/(Liabilities)			17,943
	Total Assets Less Current Liabilities			1,368,107
7.	Long Term Borrowing			(466,757)
8.	Long Term Creditors			(392)
9.	Provisions			(4,015)
25.	Liability related to defined benefit pension schemes			(337,540)
	<b>Total Assets Less Liabilities</b>			<b>559,403</b>

## CONSOLIDATED BALANCE SHEET (Continued)

Note	31.03.06		31.03.05	
	£000	£000	£000	£000
	The Council finances this from:			
10.		695,849		662,696
11.		91,277		73,096
12.		110,088		111,795
13.		1		1
18.		(20,868)		(24,020)
14.		9,448		10,921
15.		491		601
		9,973		2,608
16.		50,155		45,334
25.		(359,790)		(337,540)
	Balances:			
17.	15,220		13,511	
	778		400	
		15,998		13,911
		<b>602,622</b>		<b>559,403</b>



## 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 31/03/05	874,752	390,463	17,793	101,241	-	4,132	1,388,381
Expenditure on Council Assets	38,638	26,435	6,157	16,132	-	-	87,362
Revaluations	35,036	-	-	-	-	40	35,076
Transfer/ Reclassification	-	-	-	-	-	-	-
Less Disposals	(10,282)	-	-	-	-	-	(10,282)
Gross Book Value at 31/03/06	938,144	416,898	23,950	117,373	-	4,172	1,500,537
Depreciation on Assets Sold	-	-	-	-	-	-	-
Less Depreciation for Year	(7,668)	(9,382)	(2,934)	(2,286)	-	(51)	(22,321)
Write off for Revaluations	8,359	-	-	-	-	-	8,359
Less Accumulated Depreciation B/Fwd	(8,359)	(8,725)	(8,664)	(13,959)	-	(27)	(39,734)
<b>Net Book Value at 31/03/06</b>	<b>930,476</b>	<b>398,791</b>	<b>12,352</b>	<b>101,128</b>	<b>-</b>	<b>4,094</b>	<b>1,446,841</b>

The majority of land and building assets were valued as at 1<sup>st</sup> April 2004 by Phil Churton, MRICS, of Brent Council. Foundation Schools and Caretakers Houses were valued as at 1<sup>st</sup> 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 31<sup>st</sup> March 2002 and their values have been up-rated to 31<sup>st</sup> March 2006 using Land Registry indices to reflect changes in property values. Intangible assets are not shown separately but are included under Vehicles, Plant, Furniture & Equipment.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 2: CAPITAL EXPENDITURE

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

	2005/06 £000	2004/05 £000
Borrowing	52,184	45,096
Government Grants	38,401	25,448
Capital Receipts	2,810	9,215
Major Repairs Allowance	-	13,483
General Fund Revenue Contributions	4,760	3,766
HRA Revenue Contributions	4,522	8,013
Capital Accruals	4,440	1,185
Capital Funding Account	7,006	4,324
	<b>114,123</b>	<b>110,530</b>

### NOTE 3: LONG TERM INVESTMENTS

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

### NOTE 4: LONG TERM DEBTORS

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

	31.03.06 £000	31.03.05 £000
Sale of Council Houses	503	637
Housing Act Advances	4	7
Other	729	773
	<b>1,236</b>	<b>1,417</b>

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 5: DEBTORS

An analysis of debtors is shown below:

	31.03.06 £000	31.03.05 £000
Housing Rents	2,603	3,076
Government Departments and Local Authorities	33,410	23,341
Council Tax Payers	36,688	32,901
NNDR Payers	8,441	11,634
NNDR Refund due from Pool	648	2,071
Council Tax/NNDR Summons Costs	3,963	3,292
Parking	7,142	7,143
HRA	9,550	7,761
Housing Benefit Overpayments	7,305	6,453
Social Services	-	6,182
Adults and Social Care	5,054	-
Sundry	8,896	8,240
	<b>123,700</b>	<b>112,094</b>

The structure of the Council was reorganised during 2005/06. Consequently the figures shown as debtors for Social Services at 31<sup>st</sup> March 2005 are not directly comparable with the amount for debtors for Adults and Social Care at 31<sup>st</sup> March 2006.

### NOTE 6: CREDITORS

An analysis of creditors is shown below:

	31.03.06 £000	31.03.05 £000
Government Departments and Local Authorities	13,982	13,863
Education	-	8,973
Environment	-	7,297
Housing Revenue Account	15,898	12,525
Consolidated Loans Pool	8,408	7,220
Collection Fund	3,173	2,921
Social Services	-	6,790
Adults and Social Care	897	-
Children and Families	13,507	-
Environment and Culture	8,266	-
Other	5,118	6,631
	<b>69,249</b>	<b>66,220</b>

As shown under Note 5, the structure of the Council was reorganised during 2005/06. Consequently some of the creditors' figures at 31<sup>st</sup> March 2005 and 31<sup>st</sup> March 2006 are not strictly comparable.

## CONSOLIDATED BALANCE SHEET (Continued)

### 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:

	31.03.06 £000	31.03.05 £000
Between 1 – 2 years	-	-
Between 2 – 5 years	24,500	24,500
Between 5 – 10 years	87,000	77,000
More than 10 years	460,257	365,257
	<b>571,757</b>	<b>466,757</b>

### NOTE 8: LONG TERM CREDITORS

	31.03.06 £000	31.03.05 £000
Premature redemption of debt	308	392
<b>Total</b>	<b>308</b>	<b>392</b>

### NOTE 9: PROVISIONS

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

	31.03.05 £000	Additions £000	Reductions £000	31.03.06 £000
Uninsured Losses	2,994	2,915	(2,450)	3,459
Employment Tribunals	64	-	-	64
Disrepair Cases	342	-	(152)	190
Leasing – Dilapidations	132	-	(25)	107
Housing Repairs	137	90	(27)	200
Advice Centres	20	-	-	20
Gloucester Close	26	-	-	26
Long Term Sickness	64	506	(481)	89
Mental Health Act 1983	236	-	-	236
	<b>4,015</b>	<b>3,511</b>	<b>(3,135)</b>	<b>4,391</b>

**Uninsured Losses** - The Council meets a proportion of its insurance liabilities and claims from the Uninsured Losses provision. The level of the provision is reviewed annually on the basis of information from the Council's advisers. The Council estimates that the amount held as a provision plus additional amounts to be provided in 2006/07 will be more than sufficient to meet all claims that are likely to be settled in 2006/07.

**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.

## CONSOLIDATED BALANCE SHEET (Continued)

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

**Housing Repairs** - To meet legal liabilities to repair leased properties.

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

**Gloucester Close** - Historic debt raised against leaseholders of Gloucester Close. The majority of the debt was written off in 2004/05.

**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 <sup>st</sup> April 2005	662,696
Less: Asset Disposals (net of depreciation on assets sold)	(10,282)
Write off Depreciation for Revaluations	8,359
Add: Asset Revaluations	35,076
<b>Balance at 31<sup>st</sup> March 2006</b>	<b>695,849</b>

The fixed asset restatement reserve represents the difference between the valuation of assets under the previous system of capital accounting and the new system introduced on 1<sup>st</sup> April 1994. The balance is written down each year 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 <sup>st</sup> April 2005	73,096
Grants Received in Year	21,308
Grants Released to Revenue	(3,127)
<b>Balance at 31<sup>st</sup> March 2006</b>	<b>91,277</b>

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

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 12: CAPITAL FINANCING ACCOUNT

	£000
Balance at 1 <sup>st</sup> April 2005	111,795
<b>Movements in Year:</b>	
Capital Receipts Applied	2,810
Capital Grants Applied (see Notes 11 and 14)	20,221
General Fund Revenue Contributions to Capital Expenditure	4,760
Capital Funding Account	7,007
HRA Contributions to Capital Expenditure	4,522
Major Repairs Reserve	-
<b>Less:</b>	
Transfer to Revenue	(33,795)
Statutory Charge to CRA (note 7 page 31)	(7,232)
<b>Balance at 31<sup>st</sup> March 2006</b>	<b>110,088</b>

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 (page 58).

### NOTE 13: CAPITAL RECEIPTS UNAPPLIED

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

	2005/06 £000	2004/05 £000
Balance of Usable Receipts at 1 <sup>st</sup> April 2005 (4)	1	3,024
Add - Receipts from Sale of Assets etc.	8,240	21,910
Less – Pooled Payments	(5,430)	(15,718)
Less - Receipts Applied to New Capital Expenditure	(2,810)	(9,215)
<b>Balance of Usable Receipts at 31<sup>st</sup> March 2006 (5)</b>	<b>1</b>	<b>1</b>

### NOTE 14: CAPITAL GRANTS UNAPPLIED

	2005/06 £000	2004/05 £000
Grants unapplied brought forward	10,921	4,315
Grants received during year	36,928	33,866
Grants applied during year	(17,093)	(9,675)
Grants transferred to Deferred Account	(21,308)	(17,585)
<b>Grants unapplied carried forward</b>	<b>9,448</b>	<b>10,921</b>

Note 2 on page 49 shows £38.401m applied to fund capital spending in 2005/06. This consists of capital grants applied of £17.093m, grants transferred to deferred account of £21.308m.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 15: DEFERRED CREDITS

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

	2005/06 £000	2004/05 £000
Balance brought forward	601	828
Movement during the year	(110)	(227)
<b>Balance carried forward</b>	<b>491</b>	<b>601</b>

### NOTE 16: EARMARKED RESERVES

	31.03.05 £'000	Additions £'000	Reductions £'000	31.03.06 £000
Section 106 and Commuted Car Parking	11,599	7,405	(7,248)	11,756
Dollis Hill House	193	-	(44)	149
Care of the Elderly	214	10	(1)	223
Capital Funding	7,265	9,916	(11,767)	5,414
NNDR Revaluation Refunds	1,064	-	(51)	1,013
Edward Harvist Trust Monies	103	55	(48)	110
Learning & Skills Council	200	-	(200)	-
Systems Development	536	1,214	(757)	993
Middlesex House and Lancelot Road	1,607	360	-	1,967
Housing Revenue Account	6,711	6,211	(3,264)	9,658
Nurseries	396	348	-	744
Standards Fund	1,887	52	-	1,939
Property	1,041	366	-	1,407
Single Regeneration Budget	1,282	-	(58)	1,224
Service Units	487	720	-	1,207
Local PSA	813	-	(771)	42
Access Fund	167	-	(167)	-
Connexions	118	132	(118)	132
J F S	1,100	297	-	1,397
Capital Support for DDA	373	-	(373)	-
Supporting People	1,469	514	-	1,983
Social Services and Housing PFI	256	250	(256)	250
Chalkhill	3,550	-	(102)	3,448
Viewstar Replacement	552	-	(348)	204
Pension Transfer Rights	115	-	(115)	-
HB Verification Framework	500	-	(35)	465
Reorganisation Costs	396	-	(335)	61
Granville Plus	353	1,330	(1,370)	313
Brent Performance Fund	42	116	(10)	148
Verification Framework set up grant	-	221	-	221
Accommodation move	-	149	-	149
Willesden Sports Centre PFI	-	794	-	794
HR Transformation	-	334	-	334
Single Status	-	427	-	427
Borough Elections	-	325	-	325
One-off Growth	-	404	-	404
Miscellaneous	945	1,250	(941)	1,254
	<b>45,334</b>	<b>33,200</b>	<b>(28,379)</b>	<b>50,155</b>

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

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

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

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

**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.

**Edward Harvist Trust Monies** - Monies provided by the Edward Harvist Trust for the London Borough of Brent to distribute to voluntary organisations. Brent has set conditions for funding organisations. The amounts in the earmarked reserve at 31<sup>st</sup> March 2006 are likely to be mainly spent in 2006/07.

**Learning and Skills Council** - Monies from the Learning and Skills Council unspent by 31<sup>st</sup> March 2005 was used in 2005/06.

**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 2000/01 effective from 1<sup>st</sup> April 1997. This included the Council paying grants to NHA which are calculated annually based on factors, such as the level of RPI, included in the agreement.

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

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

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



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

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

**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 31<sup>st</sup> March 2006.

**Access Fund** - Monies to enable access for students unspent at 31<sup>st</sup> March 2005 and used in 2005/06.

**Connexions** - Monies from Connexions to be spent on youth services after 31<sup>st</sup> March 2006.

**JFS** - Grant relating to the setting up of JFS. The PFI agreement means that government funding exceeds contract payments in earlier years but tapers off in later years. The reserve was set up to take account of the funding profile.

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

**Supporting People** - Monies underspent in 2003/04 and 2004/05. During 2005/06 services were reviewed and managed to reduce contract values. The underspend will be utilised during 2006/07 to balance funding cuts and set up new services in Brent. 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 for the third stage of the new Housing Benefits document imaging system for filing and work allocation – phases 1 and 2 have been completed.

**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.

## CONSOLIDATED BALANCE SHEET (Continued)

**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.

**Brent Performance Fund** - The fund is used to pay for various service improvements across the Council. There has been an underspend partly because of delays in recruiting to a post to administer the fund. The underspend is being carried forward to fund initiatives in 2006/07.

**Verification Framework Set-Up Grant** - Government grant received in 2005/06 which will be spent in 2006/07 when the new verification framework module commences.

**Accommodation Move** - Costs for making good the 3<sup>rd</sup> and 4<sup>th</sup> floors of Mahatma Gandhi House following Brent Housing Partnership's move.

**Willesden Sports Centre PFI** - The new Willesden Sports Centre is being built and funded through a 25 year PFI agreement. This involves an arrangement whereby funds received from the Council's own budget and from Government PFI credits are used to cover payments to the contractor. At the start of the project surplus funds are paid into a reserve which is used up over the life of the project.

**HR Transformation** - Monies held for the set-up costs for HR Transformation and the People's Centre.

**Single Status** - Monies for the implementation of the single status agreement for employees.

**Borough Elections** - Monies for the May 2006 local elections.

**One-Off Growth** - This is to provide for spending on library standards, Environment and Culture campaigns, freedom of information, school audits, credit unions, disabled parking and emergency planning. Amounts budgeted for 2005/2006 which were unspent at 31.3.06 have been carried forward to 2006/2007.

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

### NOTE 17: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	31.03.06 £000	31.03.05 £000
Schools	4,957	3,296
Other	10,263	10,215
	<b>15,220</b>	<b>13,511</b>

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 18: PREMATURE REDEMPTION OF DEBT

Premia incurred and discounts earned in prematurely redeeming debt are shown here. 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.

### NOTE 19: PROVISION FOR CREDIT LIABILITIES

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

	2005/06 £000	2004/05 £000
Balance brought forward	-	-
Minimum Revenue Provision	7,397	7,164
Reserved Capital Receipts	-	-
	7,397	7,164
Amount of Debt Repaid	(7,397)	(7,164)
<b>Balance Carried Forward</b>	-	-

### NOTE 20: DEFERRED PURCHASE

The Council has terminated a deferred purchase scheme entered into in the 1980s. It was repaid in instalments on 14<sup>th</sup> April each year until 2005. The scheme was fully repaid at 31<sup>st</sup> March 2006.

### 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.

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 accommodation for the homeless. It is not considered necessary to make any direct provision in respect of these agreements.

## CONSOLIDATED BALANCE SHEET (Continued)

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.

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

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

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

A challenge has been made to certain charges made by the Council under leases of residential properties. The Council disputes the claim and is appealing a decision made against it and not making any provision.

### NOTE 22: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	31.03.06	31.03.05
Council Dwellings		
Council Dwellings	9,215	9,269
Land and Buildings		
Secondary Schools	14	14
Primary Schools	60	60
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 31<sup>st</sup> March 2006 and 31<sup>st</sup> March 2005 are detailed below. The commitments include both capital schemes under contract and those that it would be prudent to provide for:

	31.03.06 £000	31.03.05 £000
Service Commitments	5,630	11,384
Deferred Purchase	-	659
	<b>5,630</b>	<b>12,043</b>

### NOTE 24: EURO COSTS

No direct expenditure or commitments on the Euro were incurred in 2005/06. 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

The 2004/05 accounts showed a balance on the pensions liability and reserve at 31<sup>st</sup> March 2005 of £335.050m. This has been restated as £337.540m in the 2005/06 accounts to reflect an agreement not to transfer a share of the Pension Fund deficit to Brent Housing Partnership when it became a separate body in 2002. Further information on retirement benefits is given in Note 15 in the Consolidated Revenue Account (page 34).

## 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	Pensions Reserve £000	
Balance as at 01.04.05	(662,696)	(111,795)	(1)	(13,511)	(45,334)	(400)	337,540	(496,197)
Net (Surplus)/ Deficit for the Year				(1,709)	(4,821)	(378)		(6,908)
Actuarial Gains/Losses							15,050	15,050
Other Movements							7,200	7,200
Unrealised (Gains)/Loss, from Revaluation of Fixed Assets	(35,076)	41,027						5,951
Effects of Disposals of Fixed Assets:								
Cost or Value of Assets Disposed of	1,923							1,923
Proceeds of Disposals			(8,240)					(8,240)
Net (Surplus)/ Deficit	1,923		(8,240)					(6,317)
Amounts Payable to Housing Capital Receipts Pool			5,430					5,430
Financing of Fixed Assets		(39,320)	2,810					(36,510)
<b>Balance at 31.03.06</b>	<b>(695,849)</b>	<b>(110,088)</b>	<b>(1)</b>	<b>(15,220)</b>	<b>(50,155)</b>	<b>(778)</b>	<b>359,790</b>	<b>(512,301)</b>

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

Fixed Asset Restatement Account	Note 10 to Consolidated Balance Sheet (page 52)
Capital Financing Account	Note 12 to Consolidated Balance Sheet (page 53)
Usable Capital Receipts	Note 13 to Consolidated Balance Sheet (page 53)
General Fund Balances	Note 17 to Consolidated Balance Sheet (page 57)
Specific Reserves	Note 16 to Consolidated Balance Sheet (page 54)
HRA	Housing Revenue Account (page 41)
Pensions Reserve	Note 15 to Consolidated Revenue Account (page 36)

## 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.

	2005/06		2004/05	
	£000	£000	£000	£000
<b>Revenue Activities</b>				
- Cash Outflows				
Cash Paid to and on Behalf of Employees	289,130		263,917	
Other Operating Costs	269,139		247,832	
Housing Benefit Paid Out	200,144		187,595	
NNDR Payments to National Pool	69,255		65,454	
Precepts Paid	23,649	851,317	22,357	787,155
- Cash Inflows				
Rents (after Rebates)	(16,047)		(15,439)	
Community Charge Income	(5)		(10)	
Council Tax Income	(85,287)		(81,565)	
NNDR Income	(74,035)		(69,847)	
NNDR Income from National Pool	(91,287)		(77,655)	
Revenue Support Grant	(192,038)		(189,131)	
DWP Grants for Rebates	(205,820)		(196,768)	
Other Government Grants (See Note 1)	(139,263)		(139,504)	
Cash received for Goods and Services	(46,754)		(37,307)	
Other	(46,720)	(897,256)	(50,205)	(857,431)
<b>Servicing of Finance</b>				
- Cash Outflows				
Interest Paid	34,736		32,479	
- Cash Inflows				
Interest Received	(4,457)	30,279	(3,246)	29,233
Total Revenue Activities Cash Surplus (See Note 2)		(15,660)		(41,043)
<b>Capital Activities</b>				
- Cash Outflows				
Purchase of Fixed Assets	87,362		86,439	
Deferred Charges	26,103		23,432	
Other	658	114,123	659	110,530
- Cash Inflows				
Sale of Fixed Assets	(8,240)		(21,910)	
Capital Grants Received	(36,928)	(45,168)	(33,866)	(55,776)
<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>53,295</b>		<b>13,711</b>
<b>Management of Liquid Resources</b>				
Net (Inflow)/Outflow from Short Term Deposits		31,400		(9,700)
<b>Financing</b>				
- Cash Outflows				
Repayments of Amounts Borrowed		160,550		737,220
- Cash Inflows				
New Loans Raised	(110,000)		(105,000)	
New Short Term Loans	(139,550)	(249,550)	(633,050)	(738,050)
<b>(Increase)/Decrease in Cash (See Note 3)</b>		<b>(4,305)</b>		<b>3,181</b>

## CASH FLOW STATEMENT (Continued)

### NOTE 1: OTHER GOVERNMENT GRANTS

	2005/06 £000	2004/05 £000
Access and Systems Capacity	3,215	2,522
AIDS and HIV	339	369
Asylum Seekers	2,781	4,841
Carers	1,304	889
Child and Adolescent Mental Health	919	658
Children's Services (Fund)	1,933	2,331
Community Safety - Crime Reduction	270	332
Delayed Discharge	785	552
Document Image Processing	-	254
Education Maintenance Allowances	-	1,405
Education Standards Fund	34,032	31,261
E-Government	2,233	350
Home Office – On Track Project	395	460
Homeless Strategy	841	588
Housing Subsidy	24,939	23,157
Human Resources Development Strategy	686	-
Local Authority Business Growth Incentive (LABGI)	475	-
Local Public Service Agreements	100	951
Learning and Skills Council	24,739	22,975
Magistrates Courts	652	674
Mental Illness	979	979
National Training Strategy	456	568
Neighbourhood Renewal Fund	2,529	2,518
Performance Fund	1,287	-
Planning Delivery	783	750
Positive Action for Young People (PAYP)	1,077	-
Preserved Rights	1,622	2,164
Private Finance Initiative	1,607	1,859
Residential Allowance	704	1,955
Regeneration Budget	6,399	16,393
Supporting People	13,260	14,008
Sure Start (General)	6,299	2,317
Young People's Substance Misuse	512	95
Other Grants	1,111	1,329
	<b>139,263</b>	<b>139,504</b>



## CASH FLOW STATEMENT (Continued)

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

	2005/06 £000	2004/05 £000
<b>Surplus/(Deficits) for the Year</b>		
Schools	1,661	840
Other General Fund	48	5,520
HRA	378	(926)
	<b>2,087</b>	<b>5,434</b>
<b>Non Cash Transactions</b>		
Minimum Revenue Provision	7,397	7,164
Other Provisions/Earmarked Reserves	14,916	10,648
<b>Accruals Items</b>		
(Increase)/Decrease in Stock and WIP	(163)	(15)
(Increase)/Decrease in Debtors	(11,606)	6,318
Increase/(Decrease) in Creditors	3,029	11,494
<b>Net Revenue Cash Flow Surplus</b>	<b>15,660</b>	<b>41,043</b>

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

	Balance 31.03.06 £000	Balance 01.04.05 £000	Movement In Year £000
Cash	(5,341)	(9,646)	4,305
2004/05 Comparative			<u>(3,181)</u>

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

	Balance 31.03.06 £000	Balance 31.03.05 £000	Movement In Year £000
Cash in Hand	121	192	(71)
Cash Overdrawn	(5,462)	(9,838)	4,376
	(5,341)	(9,646)	4,305
Long Term Borrowing	(571,757)	(466,757)	(105,000)
Short Term Borrowing	-	(30,000)	30,000
	(577,098)	(506,403)	(70,695)
Short Term Investments	99,523	66,267	33,256
<b>Total</b>	<b>(477,575)</b>	<b>(440,136)</b>	<b>(37,439)</b>

## COLLECTION FUND

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

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006

Notes		2005/06 £000	2004/05 £000
	<b>Income</b>		
1	Income from Council Tax	87,485	83,540
	Transfers from General Fund		
	- Council Tax Benefits	25,420	24,927
2	Income from Non Domestic Rates	69,032	63,813
		<b>181,937</b>	<b>172,280</b>
	<b>Expenditure</b>		
3	Precepts and Demands	109,982	105,720
2	Non-Domestic Rates:-		
	- Payment to National Pool	68,607	63,382
	- Cost of Collection Allowance	425	431
	Provision for Non-Payment of Council Tax	2,923	2,747
		<b>181,937</b>	<b>172,280</b>

## COLLECTION FUND (Continued)

### NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

#### NOTE 1: COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1<sup>st</sup> April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 92,879. for 2005/06. This basic amount of Council Tax for a Band D property (£1,184.14 for 2005/06) 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	1,210
Band B	0.78	7,212
Band C	0.89	23,339
Band D	1.00	26,187
Band E	1.22	23,626
Band F	1.44	8,121
Band G	1.67	5,135
Band H	2.00	<u>431</u>
		<u>95,261</u>

x 97.5% Collection Rate = 92,879

The final income of £112.905m for 2005/06 (including the provision for non-payment, and adjustments to debits during the year) was receivable from the following sources:

	£'000
Billed to Council Tax Payers	87,485
Council Tax Benefits	25,420
	<b>112,905</b>

## COLLECTION FUND (Continued)

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

Non Domestic Rates are organised on a national basis. The Government specified a rate of 42.2p in the £ for 2005/06 (41.5p for small businesses having a rateable value of below £10,000) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nationwide re-valuation of all properties taking effect from 1<sup>st</sup> April 2005. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £217,375,129 at 31<sup>st</sup> March 2006, 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:

	2005/06 £000	2004/05 £000
Original Debit	89,567	82,408
Transitional Relief	(3,910)	(76)
Charitable Relief	(4,205)	(3,760)
Provision for Uncollectable Amounts	(858)	(830)
Other Adjustments	(1,843)	(3,872)
Empty/Void Relief	(9,719)	(10,057)
Net NNDR Income	69,032	63,813
Cost of Collection Allowance Payable to General Fund	(425)	(431)
<b>Amount Payable to NNDR Pool</b>	<b>68,607</b>	<b>63,382</b>

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

### NOTE 3: PRECEPTS

	2005/06 £000	2004/05 £000
London Borough of Brent	86,333	83,363
Greater London Authority	23,649	22,357
	<b>109,982</b>	<b>105,720</b>

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

## **GLOSSARY**

### **ACCRUALS**

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

### **CAPITAL CHARGES**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL RECEIPTS**

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

### **COMMUNITY ASSETS**

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

### **CONSISTENCY**

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

### **CORPORATE AND DEMOCRATIC CORE**

This comprises all activities which local authorities engage in specifically because they are elected multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a single purpose body managing the same service. There is no logical basis for apportioning these costs to services. It comprises of Democratic Representation and Management and Corporate Management.

### **CORPORATE MANAGEMENT**

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 a charge to corporate management.

## **GLOSSARY (Continued)**

### **CREDITORS**

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

### **DEBTORS**

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

### **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.

### **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.

## **GLOSSARY (Continued)**

### **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.

### **LEVIES**

These 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.

### **MINIMUM REVENUE PROVISION**

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

## **GLOSSARY (Continued)**

### **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 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 a charge on the collection fund by the Greater London 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.

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