

LONDON BOROUGH OF BRENT
STATEMENT OF ACCOUNTS
2006/07

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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 2006/07. They present fairly the financial position of the authority on 31st March 2007 and its income and expenditure for the year ending on that date.

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 2006/07.

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 2006/07 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.

CORE FINANCIAL STATEMENTS

Income and Expenditure Account - A summary of the resources generated and consumed during the year.

Statement of Movement on the General Fund Balance - This shows how the balance of resources generated/consumed in the year links in with statutory requirements for raising council tax.

Statement of Total Recognised Gains and Losses - This demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains/losses.

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.

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

SUPPLEMENTARY FINANCIAL STATEMENTS

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.

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.

EXPLANATORY FOREWORD (Continued)

Group Accounts - In line with accounting requirements, group accounts 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 2006 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.

2. GENERAL FUND REVENUE SPENDING IN 2006/07

The table below shows how actual expenditure on services in 2006/07 compares to the budgeted figures. Positive variances show underspends and negative variances show overspends compared with budgets.

	Budget £000	Outturn £000	Variance £000
Service Budgets			
Central	21,250	19,642	1,608
Children and Families	44,538	47,936	(3,398)
Environment and Culture	45,161	45,055	106
Housing and Community Care	-	-	-
- Housing and Customer Services	18,172	17,396	776
- Adult Social Care	<u>70,601</u>	<u>73,875</u>	<u>(3,274)</u>
Total Service Expenditure	199,722	203,904	(4,182)
Other Budgets/Debt Charges/Central Items	35,701	31,886	3,815
Contribution to/(from) Balances	<u>90</u>	<u>(277)</u>	<u>367</u>
Budget Requirement	235,513	235,513	0
Financed By:			
Formula Grant	147,334	147,334	0
Council Tax Income	89,357	89,357	0
Collection Fund Net Deficit	<u>(1,178)</u>	<u>(1,178)</u>	<u>0</u>
	235,513	235,513	0

The table above reflects the Council's service structure at the end of 2006/07. This differs from the Income and Expenditure Account since the relevant SORP requires that the I&E Account 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.

EXPLANATORY FOREWORD (Continued)

Explanations of Major Variances

	Under/(Over)spending	
	£'000	£'000
Finance & Corporate Resources and Central		
Information Technology procurement savings	305	
Council Tax summons income	177	
Housing Benefit Subsidy income plus recovery of overpayments	720	
Local Taxation and Benefits staffing vacancies	254	
Delayed Projects	326	
Miscellaneous (individually below £250k)	<u>(174)</u>	
		1,608
Children and Families		
Youth Services – staff vacancies and other net savings	355	
Children's Services		
- Higher than anticipated placements within residential care and independent foster carers due to rising numbers.	(3,562)	
Other (below £250k)	<u>(191)</u>	
		(3,398)
Environment and Culture		
Land Charges – increase in income	183	
Libraries – salary and utility costs	(200)	
Street Lighting – energy costs	(254)	
Transportation		
- Traffic Management	130	
- Legal costs	(256)	
- Salary savings	210	
Waste and Recycling – delay in estates roll-out	444	
Other (individually below £250k)	<u>(151)</u>	
		106
Housing and Community Care		
<u>Housing and Customer Services</u>		
- Temporary Accommodation – various budgets	814	
Other (individually below £250k)	<u>(38)</u>	
		776
<u>Adult Social Care</u>		
- Elderly residential and nursing care placement costs and underachievement of income	(2,229)	
- Assessment and Care Management staffing	(188)	
- Physical disabilities care purchasing	(1,420)	
- Mental health residential care/supported living	(930)	
- Increased income from Mental Health clients	679	
Other (individually below £250k)	<u>814</u>	
		<u>(3,274)</u>
Total Service Expenditure		<u>(4,182)</u>

EXPLANATORY FOREWORD (Continued)

	Under/(Over)spending	
	£'000	£'000
Other Budgets		
Capital Financing – Lower interest rates and debt restructuring	3,361	
Waste Levy – Less waste for disposal	1,351	
Ward Working – Delay in roll-out of scheme	697	
Legal Ruling on Penalty Charge Parking Notices – uncollectible income	(1,018)	
Bad Debt Write-Off	(904)	
South Kilburn development delays	390	
Others (Individually below £250k)	(62)	
		<u>3,815</u>
TOTAL		<u>(367)</u>

3. CAPITAL EXPENDITURE

The Council's in-year capital expenditure in 2006/07 was £80.851m (2005/06 £114.123m). The expenditure was within the definition of the Local Government and Housing Act 1989.

Capital Expenditure has been financed from the following sources:

Funding Source	2006/07 £000's
Borrowing	19,333
Government Grants	24,088
Capital Receipts	-
Major Repairs Reserve	15,682
General Fund Revenue Contributions	3,310
HRA Revenue Contributions	8,663
Capital Accruals	2,071
Capital Funding Account	7,704
Total	<u>80,851</u>

Gross capital receipts during the year totalled £5.751m. No usable receipts were used to finance capital expenditure. Capital projects and other significant capital expenditure in excess of £500k during the year were as follows:

EXPLANATORY FOREWORD (Continued)

Scheme	2006/07 £000's
Renovation Grants	5,013
South Kilburn New Homes	4,579
Gladstone Park School	812
Alperton Community School	656
Queens Park Community College	579
Granville Plus Centre	1,118
Local Road Safety Schemes	4,133
Principal Road and Carriageways Programme	3,168
Upgrade Footways	1,070
Council Housing	34,301
Bus Priority Network	920
Bridge Strengthening Programme	939
Oakington Manor School	691
Parks and Open Spaces Programme	587
Claremont High	1,498
Willesden Green Library Centre	841
Community Safety Programme	569
Wembley Stadium Access Corridor Road	627
Wembley Stations Accessibility	1,456

Capital expenditure incurred by Service Departments in 2006/07 is summarised below:

Department	2006/07 Programme £000's	2006/07 Out-turn £000's	Variation £000's
Children and Families	19,197	15,626	3,571
Environment and Culture	24,789	14,837	9,952
Housing and Community Care	52,760	45,420	7,340
Finance and Corporate Resources	3,158	2,058	1,100
Central Items	5,587	2,910	2,677
Total	105,491	80,851	24,640

Outstanding capital commitments at 31st March 2007 amounted to £23.867m.

EXPLANATORY FOREWORD (Continued)

Borrowing/Investments

During 2006/07 the Council's borrowing rose by £32.0m from £571.8m at 31st March 2006 to £603.8m at 31st March 2007. This was to refinance maturities and finance the capital programme. Advantage was taken of exceptionally low long term rates.

Investments include £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 carried forward surplus of £400k after a net transfer to earmarked reserves. The final accounts show a carried forward surplus of £893k. 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

The statement of accounts has been amended in accordance with revised accounting requirements.

- The Consolidated Revenue Account shown in previous annual accounts has been replaced with an Income and Expenditure (I&E) Account and a Statement of Movement on the General Fund Balance (SMGFB).
- The Statement of Total Recognised Gains and Losses (STRGL) is now included instead of a Statement of Total Movement in Reserves.
- The format of the Housing Revenue Account (HRA) has been amended in line with changes to the core financial statements. There is now an HRA income and expenditure account and a Statement of Movement on the HRA Balance.
- The order of the financial statements has changed. The core financial statements are grouped together i.e. I&E Account, SMGFB, STRGL, Balance Sheet and Cash Flow Statement. These statements are followed by the notes to the core statements. Afterwards there are supplementary statements, the Housing Revenue Account and Collection Fund.
- Notional interest is no longer charged to services in the new Income and Expenditure Account.
- New arrangements were introduced for schools' funding from 2006/07. Previously schools' funding was part of Brent Council's overall support grant. From 2006/07 it was paid as a ring-fenced specific grant. This change in funding arrangements has caused net operating expenditure in 2006/07 to reduce significantly in comparison with 2005/06.

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.

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.

RESERVED FOR AUDITOR'S REPORT

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES' RESPONSIBILITIES

The Director of Finance and Corporate Resources is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present fairly the financial position of the Authority at the Accounting date and its income and expenditure for the year ended 31st March 2007.

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.

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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 26th June 2007, the accounts were approved and adopted on behalf of the Council.

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CHAIR
General Purposes Committee

Date:

BRENT COUNCIL STATEMENT ON INTERNAL CONTROL 2006/07

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 2007 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 2006 to 2010 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.
- A new administration was formed on 26th June 2006. This is a joint administration between the Liberal Democrats and the Conservatives. The ten member Executive is drawn from the two parties (Liberal Democrats 6 and Conservatives 4). Following the production of an outline joint policy programme by the administration, a new Corporate Strategy 2006-2010 was produced and agreed by Full Council in November 2006.
- The Best Value Performance Plan sets out improvement targets across a range of statutory and local performance indicators and is produced annually in June. The Council monitors achievement of its objectives through the Corporate Strategy Action Plan, which is updated every six months and reported to the Executive and Corporate Management Team at the annual service planning meeting and also to the Performance and Finance Select Committee. The action plan update is also submitted to Full Council with the budget proposals in order that financial planning can be considered against agreed corporate objectives. The Overview and Scrutiny

Committee have specific responsibility for assessing the action plan and budget proposals. This is undertaken through a cross party Budget Panel who make recommendations to the Executive prior to final agreement of the budget in February.

- 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.
- Forthcoming Executive decisions are included 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 and deals with any items called in.

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 Domestic and European legislation and 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 Codes of Conduct. The Council has updated its Corporate Standards and these are now available via the Council's web pages.
- The Council's elected members have a duty to act within the law in their dealings on behalf of the Council and their constituents and to abide by the Brent Member Code of Conduct. Their duties are set out in the Council's constitution and the Code of Conduct. The Code of Conduct will soon be renewed to take account of the new Model Code of Conduct issued by the Government. 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 Finance and Corporate Resources 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 utilise the Council wide risk register for this. Service areas are responsible for the identification, evaluation and mitigation of key risks. The Strategic Risk Management Group chaired by the Director of Housing and Community Care co-ordinates activity across the Council. The Audit Committee is tasked with overseeing the Council's risk management at member level and making recommendations to the Executive for improvements.

Economic, effective and efficient use of resources and continuous improvement

- The Strategic Performance Group – a sub group of the Corporate Management Team - co-ordinates a programme of critical support which addresses both individual service performance, 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 Chief Executive meets monthly to focus on services which have been identified as areas for improvement. Currently these are Adult Social Care, Children's Social Care, Waste and Recycling and StreetCare, the Revenues and Benefits Service, Cultural Services, resident's satisfaction and achievement of CPA performance targets across the Council. 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.

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 sessions in July and October which concentrate on ensuring the linkage between the budget and service priorities. The Budget Panel scrutinise the overall budget process.
- 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 regularly to 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 at least annually 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.
- 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. They also provided an annual judgement on the Council's Use of Resources which highlights strengths and areas for improvements.

- 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 thorough review of financial skills courses being delivered across the authority, in light of the Comprehensive Performance Assessment and future direction of the Council. The content of a number of courses were changed and courses have been delivered during 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 operates 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.
- This year the Council reviewed its approach to service planning introducing a standard planning framework across the Council. Each Service Area is now required to produce detailed plans which include performance targets, monitoring information and financial performance. These are constructed around the Corporate Strategy Priorities. The intention is for these plans to link clearly to the Corporate Strategy objectives and targets which are monitored through the use of the new Performanceplus IT system introduced in the summer of 2006. Service objectives are in-turn cascaded down to individuals' objectives and performance targets.
- A quarterly "Vital Signs" document is produced which reports on the critical Performance Indicators. This is reported to the Corporate Management Team and the Performance and Finance Select Committee. 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.
- In the Autumn of 2006 a cross party review was undertaken of the Overview and Scrutiny structure which resulted in the adoption of a single Overview and Scrutiny Committee to commission scrutiny activity and the introduction of a new Audit Committee. This has enabled a more integrated approach to scrutiny activities and reduced duplication.
- 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. During 2006 this included a programme of workshops on the Council's new service planning process and detailed training on the use of the Performanceplus system for reporting of performance data. 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 Audit Committee. The process which has been used during 2006/7 to maintain and review the effectiveness of internal control is described below:

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. This follows cross party review by the Constitutional Working Group.
- Considers the Annual Performance Plan.

The Executive

- Has established a Performance Board to consider the performance of specific Service Areas.
- Makes key decisions in accordance with the Budget and Policy Framework.
- Has sessions 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 Audit Committee

- In November 2006 the Council established an Audit Committee. This Committee is tasked with:
- Considering the Head of Internal Audit's annual report and opinion and reports from Internal Audit and the External Auditor's annual letter
- Maintaining an overview of the Council's constitution in respect of Contract Standing Orders and financial regulations.
- Monitoring the effective development and operation of risk management and corporate governance in the Council.
- Reviewing the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

The Standards Committee

- Standards Committee receives reports from the Council's Monitoring Officer on issues concerning member conduct and would consider reports referred from Ethical Standards Officers or the Monitoring Officer which require investigation and/or determination.

The Forward plan Select Committee

- Enables pre-scrutiny of Executive decisions by non-executive members.

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 two cross cutting sub-committees to examine detailed performance information on a six monthly basis, namely the Health Select Committee and the Performance and Finance Committee

The Performance and Finance Select Committee

- The Performance and Finance Select Committee: receives reports on Best Value, budget monitoring and considers the Annual Performance Plan and quarterly "Vital Signs" document;

Audit and Investigations

- Provide assurance to the Council on operational and financial controls via delivery of an agreed audit plan.
- Produce and Annual Audit Report including the Head of Audit annual opinion on the Council's internal controls

- 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 Audit Committee.

External Audit and Inspectorates

- The Director of Finance and Corporate Resources meets with the Council's External Auditors on a monthly basis and, if appropriate, they raise any concerns they have regarding the internal control environment. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised.
- The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment provide some assurance as to the Internal Control Environment. The latest assessment in April 2006 gave the Council a three star, improving well rating.

5 SIGNIFICANT CONTROL ISSUES

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

Control Issue	Action to be taken	Responsible Officer	Timescale for completion
Some Service and Corporate areas have identified Risk Management as a potential control issue. This relates to the embedding of Risk Management across the Council in a consistent manner, including the identification and assessment of risk.	Identified in the 2005/06 SIC and recognised as an ongoing issue. Training has been rolled out by the Procurement and Risk Management Team. The Risk Management Group, which has senior representation from all Directorates, is co-ordinating a consistent approach across the Council. New guidance has been issued relating to the identification and management of Corporate Risks, managed at a corporate level and how related service risks are identified and managed.	Corporate Management Team	December 2007
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 always been undertaken.	A report has been taken to the Corporate Management and additional funding has been identified for this area of work. All major IT applications have now been tested for disaster recovery and a programme currently being undertaken to identify priority service areas and to establish resource requirements in the event of building related failures.	Corporate Management Team	December 2007
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

6 CONCLUSION

There has been a review of the system of internal control during 2006/7. We have evaluated the effectiveness of the system of internal control by reference to the general work of the Council, the Executive, the Audit Committee, 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 via individual certificates of assurance. 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 **Paul Lorber, 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 2006 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 Income and Expenditure 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. 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 on a five year cycle, with a proportion of the asset base being revalued each year. The majority of land and building assets plus foundation schools and caretakers' houses were revalued at 1st April 2004. Subsequently a proportion of these were revalued at 1st April 2006. Council dwellings were revalued at 31st March 2006 and their values have been up-rated to 31st March 2007 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 depreciation charge for all fixed assets used in the provision of services. The charge is allocated to each individual service on the basis of the capital employed in its provision.

External interest payable and the provision for depreciation are charged to the Income and Expenditure Account. Depreciation charges are reversed in the Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account and written off to the Capital Financing Account.

STATEMENT OF ACCOUNTING POLICIES (Continued)

9. Premature Redemption of Debt - The practice for the Income and Expenditure 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 Revenue Account)

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 Public Works Loans Board (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 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 Income and Expenditure 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 31 to the Core Financial Statements there is a provision for unrecovered debts which has been netted off against the debtors figure on the balance sheet (see note 27 to the Core Financial Statements)
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 38 to the Core Financial Statements.
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 Revenue Account.
16. **VAT** - This is included in the income and expenditure accounts only to the extent that it is irrecoverable.

INCOME AND EXPENDITURE ACCOUNT

This Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

Note	2006/07 Gross Expenditure £000	2006/07 Income £000	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
1. On its Services the Council Spent				
Education	260,492	(245,594)	14,898	159,072
Cultural Services	17,088	(2,011)	15,077	13,552
Highways, Roads and Transport	32,251	(14,192)	18,059	15,097
Environmental	29,202	(3,785)	25,417	24,571
Planning and Development	20,251	(15,018)	5,233	7,793
Housing (General Fund)	238,603	(217,740)	20,863	25,621
Social Services	136,496	(34,869)	101,627	89,690
Courts	717	(558)	159	144
3. Central Services	<u>78,063</u>	<u>(61,410)</u>	<u>16,653</u>	<u>13,359</u>
Net Cost of General Fund Services	813,163	(595,177)	217,986	348,899
Housing Revenue Account	<u>40,464</u>	<u>(66,415)</u>	<u>(25,951)</u>	<u>(28,716)</u>
Net Cost of Services	853,627	(661,592)	192,035	320,183
(Profit)/Loss on Disposal of Fixed Assets			(3,023)	2,052
4. Levies			5,693	6,506
5. (Surplus)/Deficit on Trading Accounts			(610)	322
Interest Payable			33,755	34,736
Amounts payable into Housing Capital Receipts Pool			2,430	5,430
HRA share of Corporate and Democratic Core			201	243
Amortised premiums and discounts			3,551	2,998
HRA investment income/mortgage interest			(520)	(510)
6. Interest and Investment Income			(4,970)	(4,457)
Pensions Interest Cost and Expected Return on Pensions Assets			<u>9,770</u>	<u>12,240</u>
Net Operating Expenditure			238,312	379,743
Income from Collection Fund			(88,180)	(85,150)
General Government Grants			(23,839)	(192,038)
Distribution from Non-Domestic Rates Pool			<u>(123,495)</u>	<u>(89,231)</u>
Deficit for the Year			<u>2,798</u>	<u>13,324</u>

2006/07 STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE (SMGFB)

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over- or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2006/07 £000	2005/06 £000
Deficit for the Year on the Income and Expenditure Account	2,798	13,324
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year	(7,182)	(14,449)
Increase in General Fund Balance for the Year	(4,384)	(1,125)
General Fund Balance brought forward	(14,636)	(13,511)
General Fund Balance carried forward	(19,020)	(14,636)
Amount of General Fund Balance held by schools under local management schemes	(9,034)	(4,373)
Amount of General Fund Balance generally available for new expenditure	(9,986)	(10,263)
	(19,020)	(14,636)

DETAILS OF RECONCILING TRANSACTIONS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year

	2006/07 £000	2006/07 £000	2005/06 £000	2005/06 £000
- Depreciation and impairment of fixed assets (Note 7)	(17,011)		(14,629)	
- Government grants deferred amortisation	3,776		3,128	
- Write downs of deferred charges to be financed from capital resources	(5,052)		(9,010)	
- Net profit/(loss) on sales of fixed assets	3,023		(2,052)	
- Net charges made for retirement benefits in accordance with FRS17	<u>(5,260)</u>		<u>(7,340)</u>	
		(20,524)		(29,903)

Amounts not included in the Income and Expenditure but required to be included by statute when determining the Movement on the General Fund Balance for the year

- Minimum revenue provision for capital financing (Note 7)	7,975		7,397	
- Capital expenditure charged in year to the General Fund Balance	3,310		4,760	
- Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool (Note 22)	<u>(2,430)</u>		<u>(5,430)</u>	
		8,855		6,727

Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

- Transfer to/(from) HRA balances	8,763		4,573	
- Net transfer to/(from) earmarked reserves	<u>(4,276)</u>		<u>4,154</u>	
		<u>4,487</u>		<u>8,727</u>
Net additional amount required to be credited to the General Fund balance for the year		<u>(7,182)</u>		<u>(14,449)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2006/07 £000	2005/06 £000
(Surplus) or Deficit for the Year on the Income and Expenditure Account	2,798	13,324
(Surplus) or Deficit arising on Revaluation of Fixed Assets (see note 23 to Core Financial Statements)	255,819	(47,878)
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities (see note 15 to Core Financial Statements)	(1,850)	14,910
Other (Gains) and Losses	<u>(3,565)</u>	<u>(5,603)</u>
Total recognised (Gains) or Losses for the Year	<u>253,202</u>	<u>(25,247)</u>

BALANCE SHEET

The Balance Sheet summarises in its top section all the assets that the Council owns and the liabilities that it owes to others. The bottom section sets out how the net assets of the Council are allocated between usable resources, resources that have been set aside to finance capital expenditure, unrealised gains from increases in asset values and reserves needed to manage the complexities of local authority accounting.

BALANCE SHEET AS AT 31st MARCH 2007

Note	31.03.07		Restated* 31.03.06	
	£000	£000	£000	£000
23.	Fixed Assets			
	Council Dwellings	700,408	934,919	
	Other Land and Buildings	410,475	398,791	
	Vehicle, Plant, Furniture and Equipment	11,495	12,352	
	Infrastructure	111,736	101,128	
	Community Assets	-	-	
	Non-Operational Properties	6,763	4,094	
	Net Fixed Assets			1,451,284
25.	Investments (Long Term)			100
26.	Long Term Debtors			1,236
40.	Premature Redemption of Debt			21,144
	Total Long Term Assets			1,473,764
	Current Assets			
	Stock and Work in Progress	251	333	
	Payments in Advance	7,505	7,617	
27.	Debtors	117,713	123,257	
	Less provision for bad debts	(56,913)	(56,458)	
	Short Term Investments	90,780	99,523	
	Cash at Bank	253	-	
	Cash in Hand	142	121	
				174,393
	Current Liabilities			
28.	Creditors	(73,695)	(71,882)	
	Deposits	(1,158)	(1,630)	
	Receipts in Advance	(6,227)	(7,703)	
	Cash Overdrawn	-	(5,345)	(86,560)
	Net Current Assets/(Liabilities)			87,833
	Total Assets Less Current Liabilities			1,561,597
29.	Long Term Borrowing			(571,757)
30.	Long Term Creditors			(308)
31.	Provisions			(4,391)
32.	Government Grants Deferred			(91,277)
	Liability related to defined benefit pension schemes			(359,790)
	Total Assets Less Liabilities			534,074

BALANCE SHEET (Continued)

Note	31.03.07		Restated* 31.03.06	
	£000	£000	£000	£000
	The Council finances this from:			
33.		441,274		700,292
34.		127,936		110,088
35.		3,322		1
36.		5,896		9,448
37.		414		491
		1,436		9,973
38.		45,381		49,657
		(363,200)		(359,790)
	Balances:			
39.	19,020		14,636	
	893		778	
	(1,500)		(1,500)	
		18,413		13,914
		280,872		534,074

* The balance sheet at 31st March 2006 has been restated to take account of the changes required by the 2006 Statement of Recommended Practice (SORP) and the revised treatment of the Collection Fund deficit.

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2006/07		2005/06	
	£000	£000	£000	£000
Revenue Activities				
- Cash Outflows				
Cash Paid to and on Behalf of Employees	298,168		289,130	
Other Operating Costs	265,092		269,022	
Housing Benefit Paid	211,481		200,144	
NNDR Payments to National Pool	72,367		69,255	
Precepts Paid	27,143	874,251	23,649	851,200
- Cash Inflows				
Rents (after Rebates)	(23,849)		(16,047)	
Community Charge Income	-		(5)	
Council Tax Income	(90,204)		(85,287)	
NNDR Income	(76,214)		(74,035)	
NNDR Income from National Pool	(124,143)		(91,287)	
Revenue Support Grant	(23,839)		(192,038)	
DWP Grants for Rebates	(214,014)		(205,820)	
Other Government Grants (See Note 47)	(301,222)		(139,263)	
Cash received for Goods and Services	(54,422)		(46,754)	
Other	(16,756)	(924,663)	(46,720)	(897,256)
Servicing of Finance				
- Cash Outflows				
Interest Paid	33,755		34,736	
- Cash Inflows				
Interest Received	(4,970)	28,785	(4,457)	30,279
Total Revenue Activities Cash Surplus (See Note 48)		(21,627)		(15,777)
Capital Activities				
- Cash Outflows				
Purchase of Fixed Assets	75,148		87,362	
Deferred Charges	8,072		26,103	
Other	-	83,220	658	114,123
- Cash Inflows				
Sale of Fixed Assets	(6,488)		(8,240)	
Capital Grants Received	(17,724)	(24,212)	(36,928)	(45,168)
Net Cash (Inflow)/Outflow Before Financing		37,381		53,178
Management of Liquid Resources				
Net (Inflow)/Outflow from Short Term Deposits		(11,000)		31,400
Financing				
- Cash Outflows				
Repayments of Amounts Borrowed		547,780		160,550
- Cash Inflows				
New Loans Raised	(201,000)		(110,000)	
New Short Term Loans	(378,780)	(579,780)	(139,550)	(249,550)
(Increase)/Decrease in Cash (See Note 49)		(5,619)		(4,422)

NOTES TO THE CORE FINANCIAL STATEMENTS

NOTE 1: INCOME AND EXPENDITURE 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, charging depreciation 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: EXPLANATION OF PRIOR PERIOD ADJUSTMENTS

In the 2006/07 Statement of Accounts, the council has adopted significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credit for government grants deferred is now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table).

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of Capital Financing Charges £000	Relocation of Government Grants Deferred Credits £000	Grants Applied to Finance Intangible Assets £000	2005/06 Comparatives in Income and Expenditure Account £000
Education	170,575	(10,419)	(1,017)	(67)	159,072
Cultural Services	15,227	(1,675)	-	-	13,552
Highways, Roads and Transport	19,348	(2,449)	(1,802)	-	15,097
Environmental	25,070	(368)	(131)	-	24,571
Planning and Development	24,756	(931)	(135)	(15,897)	7,793
Housing (General Fund)	27,094	(344)	-	(1,129)	25,621
Social Services	90,197	(507)	-	-	89,690
Courts	187	-	(43)	-	144
Central Services	13,938	(579)	-	-	13,359
Net Cost of General Fund Services	386,392	(17,272)	(3,128)	(17,093)	348,899
Housing Revenue Account	2,932	(31,648)	-	-	(28,716)
Net Cost of Services	389,324	(48,920)	(3,128)	(17,093)	320,183

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 3: CENTRAL SERVICES

Central Services for 2006/07 comprise the following elements:

	Gross Expenditure £000	Income £000	Net Expenditure £000	2005/06 Net Expenditure £000
Corporate and Democratic Core	5,275	-	5,275	5,927
Non Distributed Costs	990	-	990	430
Central Services to the Public	38,151	(31,376)	6,775	5,844
Other Operating Income and Expenditure	33,647	(30,034)	3,613	1,158
	78,063	(61,410)	16,653	13,359

NOTE 4: LEVIES

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

	2006/07 £000	2005/06 £000
Lee Valley Regional Park	279	270
London Pension Fund Authority	256	249
Environment Agency	109	172
West London Waste Authority	5,049	5,815
	5,693	6,506

NOTE 5: TRADING ACCOUNTS

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

Activity	2006/07		2005/06	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Brent Internal Repairs	-	-	844	(1)
Finance	327	34	253	50
Grounds Maintenance	1,220	105	1,200	31
Transport	6,382	(17)	6,194	(13)
Lead Tenants	7,160	(732)	5,710	255
TOTAL	15,089	(610)	14,201	322

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Brent Internal Repairs (BIR) - BIR provided housing maintenance services to the HRA particularly in relation to the re-letting of void properties. From 1st April 2006 they became part of Brent Housing Partnership.

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.

Brent Transport Service (BTS) - BTS provide home to school transport for schools, transport services for adult and childrens social care, 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.

NOTE 6: INTEREST RECEIVABLE

Interest receivable was £4.970m in 2006/07 (£4.457m in 2005/06). There were no unrealised gains or losses included as interest receivable in the 2005/06 or 2006/07 revenue accounts.

NOTE 7: CONTRIBUTION TO CAPITAL FINANCING ACCOUNT

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

	2006/07 £000	2005/06 £000
Statutory MRP	7,975	7,397
Provision for General Fund Depreciation	(17,011)	(14,629)
Additional Charge/(Credit) to/(from) Statement of Movement on the General Fund Balance	(9,036)	(7,232)

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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.

	2006/07 £000	2005/06 £000
Renovation Grants	5,013	5,408
Regeneration	1,857	16,051
Leased Buildings	586	408
Voluntary Aided Schools	154	267
Social Housing Grant	463	3,969
Total Contribution	8,073	26,103

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

	2006/07 £000	2005/06 £000
Planning and Economic Development	1,749	16,051
Housing General Fund	5,584	9,377
Central Services	586	408
Education	154	267
	8,073	26,103

NOTE 9: DEPLOYMENT OF DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resource.

Details of the deployment of DSG receivable in 2006/07 are as follows:

	Schools Budget Funded by edicated Schools Grant		
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Original grant allocation to Schools Budget for the current year in the authority's budget	14,582	144,542	159,124
Adjustment to finalised grant allocation	-	-	-
DSG receivable for the year	14,582	144,542	159,124
Actual expenditure for the year	14,406	144,542	158,948
(Over)/underspend for the year	176	-	176
Planned top-up funding of ISB from Council resources	-	-	-
(Over)/underspend carried forward to 2007/08	176		176

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 10: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2006/07 and 2005/06, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	2006/07 Number of Employees	2005/06 Number of Employees
£50,000 - £59,999	223	194
£60,000 - £69,999	55	53
£70,000 - £79,999	27	20
£80,000 - £89,999	14	12
£90,000 - £99,999	13	11
£100,000 - £109,999	1	3
£110,000 - £119,999	3	5
£120,000 - £129,999	3	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	1
£160,000 - £169,999	-	-
£170,000 - £179,999	1	-
	<u>340</u>	<u>299</u>

NOTE 11: EXPENDITURE ON PUBLICITY

Section 5(i) of the Local Government Act 1986 requires a local authority to keep a separate account of its expenditure on publicity. Expenditure on publicity in 2006/07 amounted to £1.297m (£2.141m in 2005/06). A large proportion of this expenditure relates to the Council's recruitment advertising.

NOTE 12: EXPENDITURE ON LEASING

In 2006/07 the Council paid out £219,000 (2005/06 - £301,000) for operating leases of vehicles, plant and equipment to lessors. The undischarged obligation in respect of operating leases was £361,000 (31.03.06 - £590,000). There was no expenditure on finance leases. Brent is committed to spending £189,000 in 2007/08 on operating leases of vehicles, plant and equipment. The leases to which these commitments relate expire in:

	£'000
The next financial year (2007/08)	80
2-5 years after 31.03.06 (2008/09 - 2011/12)	109
More than 5 years after these accounts (2012/13 onwards)	-
Total	<u>189</u>

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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 2006/07 Brent paid £11.4m (2005/06 £10.8m). The Council contributed at a rate of 13.5% of pensionable pay for the period April – December 2006, and 14.1% for the period January to March 2007 (13.5% in 2005/06), 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 2006/07 (2005/06 £1.8m).

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 360% of employees contributions in 2006/07 (335% in 2005/06). In 2006/07 the Council paid employer contributions of £22.3m (2005/06 £18.5m), representing 21.0% 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 2006/07 Brent made discretionary payments of £43,000 (2005/06 £99,000). Expenditure in 2006/07 on added years awarded by the authority amounted to £3.1m (£3.0m 2005/06) representing 3% of pensionable pay.

Pension payments made during 2006/07 in accordance with SSAP 24 "*Accounting for Pension Costs*" are £19.5m representing 18.4% 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.

Employer rates (for scheduled bodies) as a percentage of pensionable pay since 2001, where employees pay 6% of their annual salaries, are as follows:

2002/03	16.2%
2003/04	18.6%
2004/05	18.6%
2005/06	20.1%
2006/07	21.6%
2007/08	23.1%

NOTE 14: CAPITAL COST OF DISCRETIONARY INCREASES IN PENSION PAYMENTS

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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 31st 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 31st March 2007. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. Changes to the Local Government Pension Scheme permit employees retiring on or after 6th April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme.

London Borough of Brent's contribution rate over the accounting period was 360% of members' contributions. The contribution rates certified for London Borough of Brent at the 31st March 2004 valuation are as follows:

April 2005 to March 2006 - 335% of members' contributions
April 2006 to March 2007 - 360% of members' contributions
April 2007 to March 2008 - 385% of members' contributions

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

	31 March 2007	31 March 2006
Discount rate	5.3%	4.9%
Rate of increase in salaries	4.7%	4.5%
Rate of increase in pensions in payment	3.2%	3.0%
Rate of increase in deferred pensions	3.2%	3.0%
Rate of inflation	3.2%	3.0%
Proportion of employees opting to take a commuted lump sum	50%	50%
Long-term expected rates of return on:		
Equities	7.7%	7.3%
Private equity	7.7%	7.3%
Hedge funds	7.2%	6.8%
Currency	10.0%	10.0%
Government bonds	4.7%	4.3%
Corporate bonds	5.3%	4.9%
Property	6.7%	6.3%
Other assets	5.6%	4.6%
Average long term expected rate of return	7.3%	6.9%

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

	31 March 2007 (£m)	31 March 2006 (£m)
Equities	271.64	249.42
Private equity	9.39	4.36
Hedge funds	27.20	26.16
Currency	27.29	24.42
Government bonds	26.58	22.67
Corporate bonds	25.88	26.16
Property	34.57	22.67
Other	14.21	21.80
Total	<u>436.76</u>	<u>397.66</u>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31st March 2006 and 31st March 2007.

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

	31 March 2007 (£m)	31 March 2006 (£m)
Share of assets in the Fund	436.76	397.66
Estimated funded liabilities	(708.68)	(667.79)
Estimated unfunded liabilities	(91.28)	(89.66)
London Borough of Brent's surplus/(deficit)	<u>(363.20)</u>	<u>(359.79)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The surplus or deficiency revealed above should be borne in mind when considering the amount of overall General Fund balances held (page 31) i.e.

	£m
General Fund year end balances before FRS17 deficit	19.02
FRS17 deficit	<u>(363.20)</u>
Balances after FRS17 deficit	<u>(344.18)</u>

The movement in net surplus for the year to 31 March 2007 is as follows:

	£m	£m
Net surplus/(deficit) at beginning of year		(359.79)
Movement in year:		
Operating Charge:		
Current service cost	(21.46)	
Past service costs	<u>(0.99)</u>	
Total Operating Charge		(22.45)
Contributions:		
Contributions paid	<u>26.96</u>	26.96
Finance Income:		
Expected return on Pension Fund assets	27.47	
Interest on pension scheme liabilities	<u>(37.24)</u>	
Total Finance Income		(9.77)
Actuarial gain/(loss)		<u>1.85</u>
Net surplus/(deficit) at end of year		<u>(363.20)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The actuarial gain of £1.85m in 2006/07, together with actuarial adjustments in previous years, is analysed further in the table below:

	<u>2006/07</u>		<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	Amount (£m)	% of Assets/Liabilities
Actual return less expected return on assets	2.00	0.46%	42.43	10.7%	5.46	1.7%	36.16	11.5%	(87.01)	32.9%
Experience gains and losses on pension liabilities	(1.87)	0.43%	(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	1.72	0.39%	(51.99)	7.8%	(143.83)	24.5%	1.09	0.2%	(7.41)	1.5%
Total	1.85		(15.05)		(72.76)		36.03		(93.56)	

FRS17 indicates that Pension Fund liabilities are 62% funded as at 31st March 2007 (31st March 2006 60%). 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 managed in-house.

Voluntary Organisations

A number of organisations which received grants from the London Borough of Brent in 2006/07 have Brent Members as Directors, Trustees or employees. The following information has been obtained from Members' Declarations of Related Party Transactions:

	£'000
Brent Arts Council	10
Brent Irish Advisory Service	37
Middlesex ITEC	42
Tricycle Theatre	218

One councillor is a director of an organisation which provided services to the council costing £156,000. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 17: MEMBERS' ALLOWANCES

Total payments including National Insurance costs in 2006/07 were £814,000 (£851,000 in 2005/06). The scheme for Members' allowances and amounts paid to each Member under the scheme are publicly available.

NOTE 18: BUILDING CONTROL ACCOUNT

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

The figures for 2006/07 and 2005/06 are as follows:

	Chargeable 2006/07 £'000	Non- Chargeable 2006/07 £'000	Total Building Control 2006/07 £'000
<u>Expenditure</u>			
Employee Expenses	710	271	981
Premises	35	14	49
Transport	9	3	12
Supplies and Services	127	48	175
Central and Support Service Charges	123	47	170
Total Expenditure	1,004	383	1,387
<u>Income</u>			
Building Regulations Charges	(1,045)	-	(1,045)
Miscellaneous	-	(25)	(25)
Total Income	(1,045)	(25)	(1,070)
Surplus/(Deficit) for Year	41	(358)	(317)
<u>Comparatives for 2005/06</u>			
Expenditure	1,079	352	1,431
Income	(1,153)	-	1,153
Surplus/(Deficit) for Year	74	(352)	(278)

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 £1.604m in 2006/07 (£1.492m in 2005/06) and fully covered expenditure. The other public bodies are:

	2006/07 £'000	2005/06 £'000
London Borough of Harrow (Trading Standards)	844	798
Brent Primary Care Trust	642	664
Other	118	30
	1,604	1,492

NOTES TO THE CORE FINANCIAL STATEMENTS (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 2006/07 was:

	Learning Disabilities £'000	Mental Health £'000	Occupational Therapy £'000
Funding: London Borough of Brent	(108)	(416)	(975)
Brent tPCT	(330)	(967)	(312)
Total Funding	(438)	(1,383)	(1,287)
Expenditure	438	1,439	1,112
Net Overspend/(Underspend)	-	56	(175)
2005/06 Net Overspend	-	32	135

NOTE 21: AUDIT COSTS

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

	2006/07 £'000	2005/06 £'000
- Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with Section 5 of the Audit Commission Act 1998.	447	430
- Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1999.	86	111
- 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.	125	133
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above.	-	50

In 2005/06 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.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 22: HOUSING CAPITAL RECEIPTS

Under section 11 of the Local Government Act 2003, the Secretary of State 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.

NOTE 23: 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 31/03/06	942,587	416,898	23,950	117,373	-	4,172	1,504,980
Expenditure on Council Assets	34,301	22,177	3,004	13,298	-	-	72,780
Revaluations	(266,970)	(1,146)	-	-	-	2,686	(265,430)
Transfer/Reclassification	-	-	-	-	-	-	-
Less Disposals	(2,365)	(832)	-	-	-	-	(3,197)
Gross Book Value at 31/03/07	707,553	437,097	26,954	130,671	-	6,858	1,309,133
Depreciation on Assets Sold	-	52	-	-	-	-	52
Less Depreciation for Year	(7,145)	(10,433)	(3,861)	(2,690)	-	(42)	(24,171)
Write off for Revaluations	7,669	1,866	-	-	-	24	9,559
Less Accumulated Depreciation B/Fwd	(7,669)	(18,107)	(11,598)	(16,245)	-	(77)	(53,696)
Net Book Value at 31/03/07	700,408	410,475	11,495	111,736	-	6,763	1,240,877

The majority of land and building assets were valued as at 1st April 2004 by Phil Churton, MRICS, of Brent Council. Foundation Schools and Caretakers Houses were valued as at 1st April 2004 by Marcus J C Perry, FRICS, of Brent Council. A proportion of primary schools have been revalued at 1st April 2006 by James Young, BSc, MRICS. Voluntary aided schools are not included since they are not council assets. Council dwellings were revalued by FPD Savills at 31st March 2006 and their values have been up-rated to 31st March 2007 using Land Registry indices to reflect changes in property values. Intangible assets are not shown separately but are included under Vehicles, Plant, Furniture & Equipment.

The reduction in the value of council dwellings due to revaluation resulted from:

- (i) the revaluation of 31st March 2006 establishing that values of council dwellings had increased by less than the inflation factor applied in previous years;
- (ii) the application of a lower discounted value (37% at 31st March 2007 compared to 47% used at 31st March 2006) in line with Department of Communities and Local Government guidance on the adjustment to be made to values to reflect the difference between market rents and social housing rents.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 24: CAPITAL EXPENDITURE

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

	2006/07 £000	2005/06 £000
Borrowing	19,333	52,184
Government Grants	24,088	38,401
Capital Receipts	-	2,810
Major Repairs Reserve	15,682	-
General Fund Revenue Contributions	3,310	4,760
HRA Revenue Contributions	8,663	4,522
Capital Accruals	2,071	4,440
Capital Funding Account	7,704	7,006
	80,851	114,123

NOTE 25: 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.

In 2006/07 the Council injected £161,000 for insurance arrangements as a member of the London Authorities Mutual Limited (LAML).

NOTE 26: LONG TERM DEBTORS

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

	31.03.07 £000	31.03.06 £000
Sale of Council Houses	406	503
Housing Act Advances	2	4
Other	571	729
	979	1,236

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 27: DEBTORS

An analysis of debtors is shown below:

	31.03.07 £000	31.03.06 £000
Housing Rents	2,800	2,603
Government Departments and Local Authorities	20,634	33,211
Council Tax Payers	36,482	36,688
NNDR Payers	8,259	8,441
NNDR Refund due from Pool	1,243	648
Council Tax/NNDR Summons Costs	3,834	3,963
Parking	2,884	7,142
HRA	10,248	9,550
Housing Benefit Overpayments	8,766	7,305
Adult Social Care	9,663	5,054
Sundry	12,900	8,652
	117,713	123,257

NOTE 28: CREDITORS

An analysis of creditors is shown below:

	31.03.07 £000	31.03.06 £000
Government Departments and Local Authorities	9,715	13,982
Housing Revenue Account	16,649	15,898
Consolidated Loans Pool	8,684	8,408
Collection Fund	2,802	3,173
Adult Social Care	4,204	698
Children and Families	14,596	13,507
Environment and Culture	7,768	8,266
Other	9,277	7,950
	73,695	71,882

NOTE 29: 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:

	31.03.07 £000	31.03.06 £000
Between 1 – 2 years	9,500	9,500
Between 2 – 5 years	-	15,000
Between 5 – 10 years	-	87,000
More than 10 years	594,257	460,257
	603,757	571,757

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 30: LONG TERM CREDITORS

	31.03.07 £000	31.03.06 £000
Premature redemption of debt	1,042	308
Total	1,042	308

NOTE 31: PROVISIONS

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

	31.03.06 £000	Additions £000	Reductions £000	31.03.07 £000
Uninsured Losses	3,459	2,808	(2,245)	4,022
Employment Tribunals	64	-	(1)	63
Disrepair Cases	190	-	-	190
Leasing – Dilapidations	107	-	-	107
Housing Repairs	200	33	(33)	200
Advice Centres	20	-	-	20
Gloucester Close	26	-	-	26
Long Term Sickness	89	520	(324)	285
Mental Health Act 1983	236	-	-	236
Quainton Street S106	-	250	-	250
Fencing Repairs	-	150	-	150
	4,391	3,761	(2,603)	5,549

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 2007/08 will be more than sufficient to meet all claims that are likely to be settled in 2007/08.

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

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

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

Housing Repairs - To meet legal liabilities to repair 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.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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.

Quinton Street S106 - Court Case, legal course and return of funds.

Fencing Repairs - Repairs to fences damaged by the tornado in December 2006.

NOTE 32: GOVERNMENT GRANTS DEFERRED ACCOUNT

	£000
Balance at 1 st April 2006	91,277
Grants Received in Year	21,107
Grants Released to Revenue	(3,776)
Balance at 31st March 2007	108,608

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

NOTE 33. FIXED ASSET RESTATEMENT ACCOUNT

	£000
Balance at 1 st April 2006	700,292
Less: Asset Disposals (net of depreciation on assets sold)	(3,197)
Write off Depreciation for Revaluations	9,610
Add: Asset Revaluations	(265,431)
Balance at 31st March 2007	441,274

The fixed asset restatement reserve represents the difference between the valuation of assets under the previous system of capital accounting and the system introduced on 1st 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.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 34: CAPITAL FINANCING ACCOUNT

	£000
Balance at 1 st April 2006	110,088
Movements in Year:	
Capital Receipts Applied	-
Capital Grants Applied	6,797
General Fund Revenue Contributions to Capital Expenditure	3,310
Capital Funding Account	7,663
HRA Contributions to Capital Expenditure	8,663
Major Repairs Reserve	15,682
Less:	
Transfer to Revenue	(9,035)
Expenditure written off (Note 8)	(8,072)
HRA Depreciation (see HRA Note 6)	(7,160)
Balance at 31st March 2007	127,936

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 41.

NOTE 35: CAPITAL RECEIPTS UNAPPLIED

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

	2006/07 £000	2005/06 £000
Balance of Usable Receipts at 1 st April 2006 (5)	1	1
Add - Receipts from Sale of Assets etc.	5,751	8,240
Less – Pooled Payments	(2,430)	(5,430)
Less - Receipts Applied to New Capital Expenditure	-	(2,810)
Balance of Usable Receipts at 31st March 2007 (6)	3,322	1

NOTE 36: CAPITAL GRANTS UNAPPLIED

	2006/07 £000	2005/06 £000
Grants unapplied brought forward	9,448	10,921
Grants received during year	20,536	36,928
Grants applied during year	(3,021)	(17,093)
Grants transferred to Deferred Account	(21,067)	(21,308)
Grants unapplied carried forward	5,896	9,448

Note 24 shows £24.088m applied to fund capital spending in 2006/07. This consists of capital grants applied of £3.021m and grants transferred to deferred account of £21.067m.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 37: DEFERRED CREDITS

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

	2006/07 £000	2005/06 £000
Balance brought forward	491	601
Movement during the year	(77)	(110)
Balance carried forward	414	491

NOTE 38: EARMARKED RESERVES

	31.03.06 £'000	Additions £'000	Reductions £'000	31.03.07 £000
Section 106 and Commuted Car Parking	11,756	8,589	(9,200)	11,145
Dollis Hill House	149		(29)	120
Care of the Elderly	223	11	(1)	233
Capital Funding	5,414		(5,182)	232
NNDR Revaluation Refunds	427	162	(214)	375
Edward Harvist Trust Monies	110	60	(87)	83
Systems Development	993	1,224	(1,149)	1,068
Middlesex House and Lancelot Road	1,967	392		2,359
Housing Revenue Account	9,746	3,043	(7,467)	5,322
Nurseries	744	253		997
Standards Fund	1,939	950		2,889
Property	1,407	900		2,307
Single Regeneration Budget	1,224		(130)	1,094
Service Units	1,207	191	(723)	675
Local PSA	42	1,319		1,361
Connexions	132		(132)	0
J F S	1,397	884	(711)	1,570
Supporting People	1,983	297		2,280
Social Services and Housing PFI	250		(250)	0
Chalkhill	3,448		(108)	3,340
Viewstar Replacement	204	113	(120)	197
HB Verification Framework	465		(150)	315
Granville Plus	313	501		814
Brent Performance Fund	148	2	(36)	114
Verification Framework set up grant	221		(221)	0
Accommodation move	149		(149)	0
Willesden Sports Centre PFI	794	420		1,214
HR Transformation	334		(334)	0
Remuneration Strategy	427		(427)	0
Borough Elections	325		(296)	29
One-off Growth	404		(257)	147
Youth Opportunities	0	168		168
Local Housing Allowance	0	500		500
Dedicated Schools Grant Balance	0	176		176
Wembley Youth and Community	0	250		250
LABGI	0	462		462
Continuing Care Patients	0	2,000		2,000
Financial Skills and Systems	91	90	(42)	139
Boiler Refurbishment	77	70		147
Training Monies	60	98		158
Miscellaneous	1,087	606	(592)	1,101
	49,657	23,731	(28,007)	45,381

NOTES TO THE CORE FINANCIAL STATEMENTS (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 utilised for 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.

NDR 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 31st March 2007 are likely to be mainly distributed in 2007/08.

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 1st April 1997. This included the Council paying grants to NHA which are calculated annually based on factors, such as the level of RPI, included in the agreement.

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

Property - Monies earmarked to be spent on repairs, maintenance and dilapidations to council buildings. Also spending on property to deliver the accommodation strategy.

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

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

Local PSA - The balance of the grant for local public service agreements which was unspent at 31st March 2007.

Connexions - Monies from Connexions to be spent on youth services after 31st March 2007.

JFS - Grant relating to the setting up of JFS. (A secondary school in the Borough). 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.

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 2007/08 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 - Proposed 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.

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

Granville Plus - Redevelopment of community facilities site to include a children 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 2007/08.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

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

Willesden Sports Centre PFI - The new Willesden Sports Centre opened during 2006/07 is financed 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 the Human Resources Transformation programme and the establishment of the People Centre.

Remuneration Strategy - Monies for the development of the single status agreement for employees and other recruitment and retention initiatives.

Borough Elections - Monies for the May 2006 local elections and subsequent by-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 2006/07 which were unspent at 31st March 2007 have been carried forward to 2007/08.

Youth Opportunities - Funds received from the Government Office for London for a variety of projects involving group/organisation for young people e.g. safety programmes, gardening.

Local Housing Allowance - Reserve for implementation costs for new Local Housing Allowance commencing in April 2008 – costs for staff training, software development, publicity, start-up activities.

DSG Balance - Balance from Dedicated Schools Grant.

Wembley Youth and Community - Monies provided for the renovation of the Wembley Youth and Community Centre.

LABGI - To provide a reserve for Local Authority Business Growth Initiative monies owing to the uncertainty about future funding.

Continuing Care Cases - To meet potential costs associated with a number of Continuing Care Patients currently funded by Brent Teaching Primary Care Trust that the Trust are seeking to transfer to the Council.

Financial Skills and Systems - Costs involved in the implementation of various recommendations following comments from external auditors of the finance function within Brent.

Boiler Refurbishment - Refurbishment of the boiler at the centre for staff development.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

Training Monies - Government Office for London training money for management in joint venture with other West London boroughs.

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 39: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	31.03.07 £000	31.03.06 £000
Schools	9,034	4,373
Other	9,986	10,263
	19,020	14,636

NOTE 40: 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 41: PROVISION FOR CREDIT LIABILITIES

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

	2006/07 £000	2005/06 £000
Balance brought forward	-	-
Minimum Revenue Provision	7,975	7,397
Reserved Capital Receipts	-	-
	7,975	7,397
Amount of Debt Repaid	(7,975)	(7,397)
Balance Carried Forward	-	-

NOTE 42: DEFERRED PURCHASE

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

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 43: 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.

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

The Council is guarantor of a lease entered into by a company wholly owned by it.

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.

The Council has provided a guarantee of £609,500 as part of its membership of the London Authorities Mutual Limited (LAML) a mutual insurance fund and company limited by a guarantee set up by a number of London Boroughs. The LAML is established to provide the Boroughs with various types of insurance coverage from 1st April 2007. It is felt unlikely that the guarantee will be called upon.

Brent Teaching Primary Care Trust (tPCT) has indicated that a number of patients that it is currently responsible for to provide and fund care should transfer to the local authority as they do not meet health care criteria. The Council does not accept the legal basis of many of these funding changes and it cannot properly assess responsibility in individual cases without a proper assessment process having been undertaken. These uncertainties have resulted in the Council being unable to quantify any liability and the Council will deal with claims as they arise.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 44: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	31.03.07	31.03.06
Council Dwellings		
Council Dwellings	9,143	9,215
Land and Buildings		
Secondary Schools	13	13
Primary Schools	59	61
Nursery Schools	4	4
Special Schools	5	5
Pupil Referral Unit	2	2
Libraries	12	12
Social Services Establishments	86	86
Administrative Buildings	3	3
Car Parks	15	15
Infrastructure		
Kilometres of Roads	477	477
Community Assets		
Acres of Parks and Open Spaces	1,000	1,000
Acres of Allotments	49	49

NOTE 45: CAPITAL COMMITMENTS

Significant capital commitments at 31st March 2007 and 31st March 2006 are detailed below. The commitments include both capital schemes under contract and those that it would be prudent to provide for:

	31.03.07 £000	31.03.06 £000
Capital Commitments	23,867	5,630
	23,867	5,630

NOTE 46: EURO COSTS

No direct expenditure or commitments on the Euro were incurred in 2006/07. 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.

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 47: OTHER GOVERNMENT GRANTS CASH FLOW

	2006/07 £000	2005/06 £000
Access and Systems Capacity	3,006	3,215
AIDS and HIV	311	339
Asylum Seekers	901	2,781
Carers	1,269	1,304
Child and Adolescent Mental Health	-	919
Children's Services (Fund)	1,963	1,933
Community Safety - Crime Reduction	45	270
Dedicated Schools (DSG)	159,124	-
Delayed Discharge	533	785
Education Standards Fund	33,913	34,032
E-Government	70	2,233
Home Office – On Track Project	452	395
Homeless Strategy	1,985	841
Housing Subsidy	23,849	24,939
Human Resources Development Strategy	347	686
LAA Pump Priming	13,469	7,376
Local Authority Business Growth Incentive (LABGI)	1,463	475
Local Public Service Agreements	1,284	100
Learning and Skills Council	24,441	24,739
Magistrates Courts	523	652
Mental Illness	988	979
National Training Strategy	748	456
Neighbourhood Renewal Fund	2,279	2,529
Partnerships for Older People	536	-
Performance Fund	113	1,287
Planning Delivery	509	783
Preserved Rights	1,451	1,622
Private Finance Initiative	1,840	1,607
Residential Allowance	-	704
Regeneration Budget	8,933	6,399
Supporting People	13,034	13,260
Waste Performance and Efficiency	302	101
Young People's Substance Misuse	441	512
Youth Opportunities	359	-
Other Grants	741	1,010
	301,222	139,263

NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

NOTE 48: RECONCILIATION OF SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO NET CASH FLOW

	2006/07 £000	2005/06 £000
Net Surplus/(Deficit) on the Income and Expenditure Account	(2,798)	(13,324)
Additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see Statement of Movement on the General Fund Balance)	7,182	14,449
HRA surplus for the year	115	378
	4,499	1,503
Non Cash Transactions		
Minimum Revenue Provision	7,975	7,397
Other Provisions/Earmarked Reserves	1,714	13,855
Accruals Items		
(Increase)/Decrease in Stock and WIP	82	23
(Increase)/Decrease in Debtors	5,544	(11,163)
Increase/(Decrease) in Creditors	1,813	4,162
Net Revenue Cash Flow Surplus	21,627	15,777

NOTE 49: INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	Balance 31.03.07 £000	Balance 01.04.06 £000	Movement In Year £000
Cash	395	(5,224)	5,619
2005/06 Comparative			<u>4,422</u>

NOTE 50: ANALYSIS OF CHANGES IN NET DEBT

	Balance 31.03.07 £000	Balance 31.03.06 £000	Movement In Year £000
Cash in Hand	142	121	21
Cash at Bank/(Overdrawn)	253	(5,345)	5,598
	395	(5,224)	5,619
Long Term Borrowing	(603,757)	(571,757)	(32,000)
	(603,362)	(576,981)	(26,381)
Short Term Investments	90,780	99,523	(8,743)
Total	(512,582)	(477,458)	(35,124)

HOUSING REVENUE ACCOUNT - 2006/07

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 INCOME AND EXPENDITURE ACCOUNT **FOR THE YEAR ENDED 31st MARCH 2007**

Note	2006/07 £000	2005/06 £000
	<u>Income</u>	
	41,662	39,919
	371	217
	265	296
	692	241
7(A)	23,425	24,931
	66,415	65,604
	<u>Expenditure</u>	
	9,402	7,014
	18,498	17,894
	4,661	3,843
	7,160	7,692
	615	69
	128	76
7(B)	-	300
	40,464	36,888
	Net Cost of Services included in the Council's Income and Expenditure Account	
	(25,951)	(28,716)
	201	243
	(25,750)	(28,473)
	HRA share of the operating income and expenditure included in the Council's Income and Expenditure Account	
	(1,456)	2,319
10	18,357	18,341
	3,551	2,998
	(520)	(510)
	143	214
	(5,675)	(5,111)
	(Surplus) or Deficit for the Year on HRA Services	

HOUSING REVENUE ACCOUNT - 2006/07 (Continued)

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2006/07 £000	2005/06 £000
Increase or decrease in the Housing Revenue Account balance comprising:		
• (Surplus) or deficit for year on the HRA Income and Expenditure Account	(5,675)	(5,111)
• Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance		
- Gain or (loss) on sale of HRA fixed assets	1,456	(2,319)
- Net charges made for retirement benefits in accordance with FRS17	(457)	(529)
- Capital expenditure funded by the Housing Revenue Account	8,663	4,522
- Transfer to/from Major Repairs Reserve	(15)	(327)
- Employer's contributions payable to the Brent Pension Fund and retirement benefits payable direct to pensioners	337	351
- Transfer to other earmarked reserves	(4,424)	3,035
Increase in HRA Balance for the Year	(115)	(378)
Housing Revenue Account Balance brought forward	(778)	(400)
Housing Revenue Account Balance carried forward	(893)	(778)

NOTES TO THE HOUSING REVENUE ACCOUNT

NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 9,641 to 9,626 a net reduction of 15 dwellings. This reduction results from properties being sold under "Right to Buy" and Estate Regeneration Programmes but there were some new additions during the year.

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

	31.03.07	31.03.06
Leasehold	483	426
Freehold	9,143	9,215
Total	9,626	9,641

NOTE 2: RENT ARREARS

The level of rent arrears at 31st March 2007 was £2.800m. Movements on the arrears and related provisions are shown below.

	Arrears £'000	Provision £'000	Net Arrears £'000
Balances at 31.3.2006	2,603	2,530	73
Amounts written off and other adjustments (Decrease)/Increase in Provision	(358)	(358)	0
(Decrease)/Increase in Arrears	555	0	555
Balances at 31.03.07	2,800	2,780	20

NOTE 3: FIXED ASSETS

	Council Dwellings £'000	Non- Operational £'000	Total £'000
Gross Book Value at 1 April 2006	942,587	2,803	945,390
Revaluation Adjustment	(266,970)	2,686	(264,284)
Expenditure during the Year	34,301	0	34,301
Disposals	(2,365)	0	(2,365)
Gross Book Value at 31.3.2007	707,553	5,489	713,042
Accumulated Depreciation B/fwd	(7,669)	(24)	(7,693)
Accumulated Depreciation reversed out	7,669	24	7,693
Depreciation/adjustment for the Year	(7,145)	(15)	(7,160)
Net Book Value at 31.03.07	700,408	5,474	705,882

The explanation for the revaluation adjustment is in Note 23 on page 49.

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

NOTE 4: VACANT POSSESSION VALUE OF HRA DWELLINGS

The vacant possession value of dwellings within the HRA at 31st March 2007 is £1.826 billion. The difference between this value and the balance sheet value of dwellings within the HRA shows the economic cost of providing social housing at less than open market rents.

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 2006/07.

NOTE 6: MAJOR REPAIRS RESERVE

	2006/07 £'000	2005/06 £'000
Balance at 1 st April 2006 (2005)	9,973	2,608
Transfer to Major Repairs Reserve	7,160	7,692
Transfer from Major Repairs Reserve	(15)	(327)
Capital expenditure financed from Major Repairs Reserve	(15,682)	-
Balances at 31.03.07 (06)	1,436	9,973

NOTE 7(A): HRA SUBSIDY

	2006/07 £'000	2005/06 £'000
Management Allowance	7,343	7,081
Maintenance Allowance	12,550	12,170
ALMO Allowance	4,320	4,320
Admissible Allowance	222	445
Capital Charges	23,211	23,241
MRA	7,145	7,365
Interest on Receipt	(33)	(55)
Other Reckonable Expenditure	4,069	3,808
Rent Allowance Constraint	200	-
Prior Year Audit Adjustment	31	84
	59,059	58,459
Income to General Fund	(35,635)	(33,528)
	23,425	24,931

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

Rent Rebate and Subsidy ceased to be accounted for in the HRA with effect from 1st April 2004. Under a transitional arrangement scheme for the 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 2006/07

	2006/07 £'000	2005/06 £'000
Borrowing	9,956	34,115
Usable Capital Receipt	-	-
Revenue Contribution	8,663	4,522
Major Repairs Reserve	15,682	-
Total	34,301	38,637

NOTE 8(B): HRA CAPITAL RECEIPTS IN 2006/07

	2006/07 £'000	2005/06 £'000
Land	-	-
Houses	3,795	7,963
Other Properties	-	-
Total	3,795	7,963

NOTE 9: COST OF CAPITAL

In the 2005/06 financial year the Housing Revenue Account (HRA) was charged with a capital charge for the use of fixed assets as part of the Council's social landlord housing services. The capital charge was calculated in accordance with the rules set out in the HRA Subsidy Determination 2005/06. The capital charge in 2005/06 financial year was £31.165m. However, during the 2006/07 financial year, an amendment to the HRA Subsidy Determination 2006/07 abolished the requirement to charge the HRA Account with any capital charge from 1st April 2006.

NOTE 10: NET INTEREST RATE CHARGED TO THE HRA

The net interest charge to the HRA is calculated in accordance with government regulation.

	31 st March 2007 £'000s	31 st March 2006 £'000s
Interest on HRA mid year Capital Financing Requirement	18,357	18,341

The audited Capital Charges Accounting Adjustment of £12.238m closing balance at 31st March 2006 has been restated to £18.341m under the amended HRA Subsidy Determination 2006/07.

NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

NOTE 11: TRANSFER TO PENSION RESERVE

The 2006/07 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 Core Financial Statements.

The adjustment to Net Cost of Services in the HRA in 2006/07 and 2005/06 was:

	2006/07 £'000	2005/06 £'000
Direct Employee Costs	4	3
Premature Retirement Compensation	(27)	(39)
Adjustment	(23)	(36)

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.

COLLECTION FUND

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

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

Notes		2006/07 £000	Restated 2005/06 £000
	Income		
1	Income from Council Tax	87,093	85,985
	Transfers from General Fund		
	- Council Tax Benefits	26,047	25,420
4	Collection Fund Deficit	1,500	1,500
2	Income from Non Domestic Rates	71,545	69,032
		186,185	181,937
	Expenditure		
3	Precepts and Demands	116,500	109,982
2	Non-Domestic Rates:-		
	- Payment to National Pool	71,124	68,607
	- Cost of Collection Allowance	421	425
	Provision for uncollectible amounts (net of write-offs)	(1,860)	2,923
		186,185	181,937
	Deficit/Surplus for Year	0	0
	Collection Fund Account Reserves		
	Fund Balance Brought Forward	(1,500)	(1,500)
	Increase/(Decrease) in Fund Balance	0	0
	Fund Balance Carried Forward	(1,500)	(1,500)

COLLECTION FUND (Continued)

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

NOTE 1: COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 94,047 for 2006/07. This basic amount of Council Tax for a Band D property (£1,238.74 for 2006/07) 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	1,329	
Band B	0.78	7,370	
Band C	0.89	23,730	
Band D	1.00	26,593	
Band E	1.22	23,718	
Band F	1.44	8,185	
Band G	1.67	5,113	
Band H	2.00	<u>421</u>	
		<u>96,459</u>	x 97.5% Collection Rate = 94,047

The final income of £115.450m for 2006/07 (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	88,593
Council Tax Benefits	26,047
	114,640

This total includes the restated adjustment required for the collection fund deficit of £1,500,000 (see Note 4).

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 43.3p in the £ for 2006/07 (42.6p 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 nation-wide re-valuation of all properties which took effect from 1st April 2005. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £211,397,183 at 31st March 2007, 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 Formula Grant calculation. The amounts collected from the ratepayers on behalf of the Government and paid into the Pool can be analysed as follows:

	2006/07 £000	2005/06 £000
Original Debit	89,641	89,567
Transitional Relief	(844)	(3,910)
Charitable Relief	(4,870)	(4,205)
Provision for Uncollectible Amounts	(1,234)	(858)
Other Adjustments	(2,632)	(1,843)
Empty/Void Relief	(8,516)	(9,719)
Net NNDR Income	71,545	69,032
Cost of Collection Allowance Payable to General Fund	(421)	(425)
Amount Payable to NNDR Pool	71,124	68,607

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

	2006/07 £000	2005/06 £000
London Borough of Brent	89,357	86,333
Greater London Authority	27,143	23,649
	116,500	109,982

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

NOTE 4: ESTIMATED SURPLUS AND DEFICIT

An adjustment is also made for each authority paying a precept to the Greater London Authority in respect of the estimated surplus or deficit for the previous year on the Collection Fund.

	2006/07 £000	2005/06 £000
London Borough of Brent	1,177	1,183
Greater London Authority	323	317
Deficit	1,500	1,500

GROUP ACCOUNTS

Local authorities are required to produce group accounts which include interests in subsidiaries, associates and joint ventures.

Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. This is an arms length management organisation (ALMO) which was set up in October 2002 to manage council properties on behalf of Brent. The Council fully owns BHP.

The following group financial statements have been prepared:

- Group Income and Expenditure Account
- Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit
- Group Statement of Total Recognised Gains and Losses
- Group Balance Sheet
- Group Cash Flow Statement

A significant amount of information in these statements is identical to Brent's accounts on the preceding pages of this document. Information has not been reproduced in the group accounts where it can be readily seen in Brent's accounting statements.

The group accounts at 31st March 2006 have been restated to take account of the changes required by the 2006 Statement of Recommended Practice (SORP) and final adjustments to BHP's 2005/2006 accounts prior to audit certification.

GROUP INCOME AND EXPENDITURE ACCOUNT

The Group Income and Expenditure Account shows expenditure and how it was financed.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

	2006/07 Gross Expenditure £000	2006/07 Income £000	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Education	260,492	(245,593)	14,899	159,072
Cultural Services	17,088	(1,433)	15,655	14,079
Highways, Roads and Transport	32,251	(13,938)	18,313	15,097
Environmental	29,202	(3,784)	25,418	24,571
Planning and Development	20,251	(14,976)	5,275	7,793
Housing (General Fund)	238,589	(216,024)	22,565	26,599
Social Services	136,496	(34,869)	101,627	89,690
Courts	717	(558)	159	144
Central Services	78,063	(60,841)	17,222	14,056
Net Cost of General Fund Services	813,149	(592,016)	221,133	351,101
Housing Revenue Account	36,155	(66,415)	(30,260)	(32,230)
Net Cost of Services	849,304	(658,431)	190,873	318,871
Profit/loss on Disposals of Fixed Assets			(3,023)	2,052
Levies			5,693	6,506
(Surplus)/Deficit on Trading Accounts			(588)	1,180
Interest Payable			33,755	34,736
Interest Receivable			(5,027)	(4,507)
Contribution to Housing Pooled Capital Receipts			2,430	5,430
HRA Share of Corporate and Democratic Core			201	243
Amortised premiums and discounts			3,551	2,998
HRA investment income/mortgage interest			(520)	(510)
Pensions interest cost and expected return on pensions assets			9,660	12,220
Taxation Paid			70	10
Net Expenditure			237,075	379,229
Distribution From:				
General Government Grants			(23,839)	(192,038)
Non-Domestic Rate Pool			(123,495)	(89,231)
Income from Collection Fund			(88,180)	(85,150)
(Surplus)/Deficit for the Year			1,561	12,810

**RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR
TO THE GROUP SURPLUS OR DEFICIT**

	2006/07	2005/06
	£000	£000
(Surplus) or deficit on Brent's Single Entity Income and Expenditure Account for the year	2,798	13,324
BHP Surplus	(1,237)	(514)
Group (Surplus) or Deficit for the Year	1,561	12,810

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006/07 £000	2005/06 £000
Net (Surplus) or Deficit for the Year	1,561	12,810
(Surplus) or Deficit Arising on Revaluation of Fixed Assets	255,819	(47,878)
Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	(2,320)	15,020
Other (Gains) and Losses	(3,565)	(5,603)
Total Recognised (Gains) or Losses for the Year	251,495	(25,651)

GROUP BALANCE SHEET

The Group Balance Sheet shows the financial position of the group as a whole and summarises its assets and liabilities.

GROUP BALANCE SHEET AS AT 31st MARCH 2007

	31.03.07		31.03.06	
	£000	£000	£000	£000
Fixed Assets		1,241,015		1,451,284
Investments (Long Term)		261		100
Long Term Debtors		979		1,236
Premature Redemption of Debt		42,260		21,144
Total Long Term Assets		1,284,515		1,473,764
Current Assets:				
Stock and Work in Progress	289		333	
Payments in Advance	7,505		7,617	
Debtors	117,598		118,014	
Less provision for bad debts	(56,913)		(56,458)	
Short Term Investments	91,040		100,273	
Cash in Bank	625		-	
Cash in Hand	142		121	
		160,286		169,900
Current Liabilities:				
Creditors	(72,528)		(66,884)	
Deposits	(1,158)		(1,630)	
Receipts in Advance	(6,227)		(7,703)	
Cash Overdrawn	-		(5,277)	
		(79,913)		(81,494)
Net Current Assets/(Liabilities)		80,373		88,406
Total Assets Less Current Liabilities		1,364,888		1,562,170
Long Term Borrowing		(603,757)		(571,757)
Long Term Creditors		(1,042)		(308)
Provisions		(5,549)		(4,391)
Government Grants Deferred		(108,608)		(91,277)
Liability related to defined benefit pension schemes		(366,100)		(363,110)
Total Assets Less Liabilities		279,832		531,327
This is financed from:				
Miscellaneous Brent Reserves		262,459		520,160
Balances:				
General Fund	19,020		14,636	
Housing Revenue Account	893		778	
Collection Fund	(1,500)		(1,500)	
BHP	(1,040)		(2,747)	
		17,373		11,167
		279,832		531,327

GROUP 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.

	2006/07		2005/06	
	£000	£000	£000	£000
Net Cash(Inflow)/Outflow from Revenue Activities		(51,296)		(48,587)
Servicing of Finance				
- Cash Outflows				
Interest Paid	33,755		34,736	
- Cash Inflows				
Interest Received	(5,027)	28,728	(4,507)	30,229
Total Revenue Activities Cash Surplus (See Note 2)		(22,568)		(18,358)
Taxation Paid		10		2
Capital Activities				
- Cash Outflows				
Purchase of Fixed Assets	75,285		87,362	
Deferred Charges	8,072		26,103	
Other	-	83,357	658	114,123
- Cash Inflows				
Sale of Fixed Assets	(6,488)		(8,240)	
Capital Grants Received	(17,724)	(24,212)	(36,928)	(45,168)
Net Cash (Inflow)/Outflow Before Financing		36,587		50,599
Management of Liquid Resources				
Net (Inflow)/Outflow from Short Term Deposits		(10,510)		31,240
Financing				
- Cash Outflows				
Repayments of Amounts Borrowed		547,780		160,550
- Cash Inflows				
New Loans Raised	(201,000)		(110,000)	
New Short Term Loans	(378,780)	(579,780)	(139,550)	(249,550)
(Increase)/Decrease in Cash (See Note 3)		(5,923)		(7,161)

NOTES TO THE GROUP ACCOUNTS

NOTE 1: SUMMARY OF TRANSACTIONS INCLUDED IN GROUP BALANCE SHEET

<u>2006/07</u>	LBB £000	BHP £000	Total £000
Debtors	116,957	641	117,598
Short Term Investments	90,780	260	91,040
Cash at Bank	253	372	625
Creditors	67,022	5,506	72,528

<u>2005/06</u>	LBB £000	BHP £000	Total £000
Debtors	117,973	41	118,014
Short Term Investments	99,523	750	100,273
Creditors	65,691	1,193	66,884
Cash Overdrawn	5,345	(68)	5,277

NOTE 2: RECONCILIATION OF SURPLUS TO NET CASH FLOW

	2006/07 £000	2005/06 £000
Surplus/(Deficits) for the Year on the Group Net Income and Expenditure Account	(1,561)	(12,810)
Additional amount required by statute and non-statutory best practices to be debited or credited (see Brent's Statement of Movements on the General Fund Balance)	7,192	14,449
HRA	115	378
	5,746	2,017
Non Cash Transactions		
Minimum Revenue Provision	7,975	7,397
Other Provisions/Earmarked Reserves	2,743	13,907
Accruals Items		
(Increase)/Decrease in Stock and WIP	44	23
(Increase)/Decrease in Debtors	416	(8,805)
Increase/(Decrease) in Creditors	5,644	3,819
Net Revenue Cash Flow Surplus	22,568	18,358

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

	Balance 31.03.07 £000	Balance 01.04.06 £000	Movement In Year £000
Cash	767	(5,156)	5,923
2005/06 Comparative			<u>7,161</u>

GLOSSARY

ACCRUALS

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

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 "*pooled*" and paid to central government.

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.

CREDITORS

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

GLOSSARY (Continued)

DEBTORS

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

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 GRANT

The amount provided by Government to local authorities in the form of Revenue Support Grant and redistributed National Non-Domestic Rates based on relative needs and council tax base.

GOING CONCERN

The concept that the council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS - SPECIFIC

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.

GLOSSARY (Continued)

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.

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 councils as part of Formula Grant.

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.

GLOSSARY (Continued)

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.

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation which, together with redistributed National Non Domestic Rates, makes up total Formula Grant.

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

Guidance issued by the professional bodies on best accounting practice.

ABBREVIATIONS

CIPFA	Chartered Institute of Public Finance and Accountancy
DCLG	Department for Communities and Local Government (part of central government)
DfES	Department for Education and Skills
FTE	Full Time Equivalent
GLA	Greater London Authority
HRA	Housing Revenue Account
I&E Account	Income and Expenditure Account
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRP	Minimum Revenue Provision
NNDR	National Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PPP	Public Private Partnership
PWLB	Public Works Loans Board
SMGFB	Statement of Movement on the General Fund Balance
SORP	Statement of Recommended Practice
SRB	Single Regeneration Budget
SSAP	Statement of Standard Accounting Practice
STRGL	Statement of Total Recognised Gains and Losses

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