

	<p>General Purposes Committee 26th June 2007</p> <p>Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: All
<p>2006/07 Statement Of Accounts</p>	

1. Summary

It is a requirement under the Accounts and Audit Regulations for the Council's Annual Statement of Accounts to be approved by Committee. The accounts are in the process of being finalised. This report sets out key issues that will be covered in the accounts. The accounts themselves will be circulated before the Committee meets.

2. Recommendations

- 2.1 Members will be asked to approve the 2006/07 Statement of Accounts and agree to forward them to PricewaterhouseCoopers for audit.
- 2.2 The Chair of the Committee will be asked to sign the accounts.

3. Detail

- 3.1 Brent's 2006/07 accounts are in the process of being finalised and will be circulated before the Committee meets on 26th June. A further report giving more detailed explanations about the accounts will also be circulated. In accordance with the 2003 Accounts and Audit Regulations the accounts have to be approved by Committee no later than 30th June. (The Brent Constitution makes it the responsibility of the General Purposes Committee to approve the accounts). They will then be forwarded to our external auditors PricewaterhouseCoopers (PwC) who will then be able to formally commence the 2006/07 audit. During the course of the audit, it is possible that PwC may require amendments to be made to the accounts in the light of further information. The legislation requires that a further report must be submitted to

the approving Committee if there are any material amendments to the accounts arising from the audit.¹

- 3.2 The 2003 Accounts and Audit Regulations have required the deadline for the accounts to be approved by Committee to be brought forward by one month each year as follows:

Financial Year	Latest Date for Accounts to be approved by Committee	Audit Completed/ Accounts Published
2002/2003 and previous years	30 th September 2003	31 st December 2003
2003/2004	31 st August 2004	30 th November 2004
2004/2005	31 st July 2005	31 st October 2005
2005/2006	30 th June 2006	30 th September 2006
2006/2007 and subsequent years	30 th June 2007	30 th September 2007

- 3.3 The Accounts have been prepared according to the Code of Practice on Local Authority Accounting in the United Kingdom. This specifies the principles and practices of accounting required to prepare a Statement of Accounts that is intended to '*present fairly*' the financial position and transactions of the authority.
- 3.4 There have been significant changes in the way the 2006/07 accounts are presented compared to previous years. The accounts have been produced in line with CIPFA's revised accounting requirements contained in the 2006 Statement of Recommended Practice (SORP). Some of the figures for 2005/06 have been amended from last year's audited accounts. This enables 2005/06 figures to be shown in the same format as 2006/07 for comparative purposes.
- 3.5 The 2006/07 accounts will include the following elements:
- The *explanatory foreword* which is intended to offer a more easily understandable guide to the most significant matters reported in the accounts. Brent's General Fund outturn revenue expenditure is shown in the accounts by service and compared with the budget for 2006/07. Explanations are provided for major variances. There is also information on significant capital expenditure and funding sources. There is further information on borrowing, the Housing Revenue Account (HRA) and changes from last year's accounts.

¹ The accounts will also be subject to review by the Audit Committee 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 Audit Committee will also receive the external auditor's report on issues arising from the audit of the accounts. The approval process is, however, the responsibility of GPC, not the Audit Committee.

- The *Statement of Internal Control* describes Brent's internal control environment. It also reviews the effectiveness of control and significant control issues. The statement is being reviewed by the Audit Committee – whose terms of reference include overseeing its production and recommending its adoption - on 20th June.
- The *Statement of Accounting Policies* describes the general policies adopted in preparing the accounts for recognition, measurement and disclosure of transactions and other events in the accounts.

Core Financial Statements

- The *Income and Expenditure Account (I&E Account)* shows the costs of all Brent's functions. It shows how the costs have been financed from general government grants and income from local taxpayers. The account is in 3 sections. The first section shows the net cost of Brent's services and is similar to the first section in the Consolidated Revenue Account (CRA) which was included in previous years' accounting statements. The second section comprises income and expenditure relating to the authority as a whole (net operating expenditure) and is also similar to the CRA in previous years' accounts. The third section shows income from local taxation and general government grants as were previously included in the CRA. However the deficit for the year is very different to previous years as the Income and Expenditure account does not include transfers from revenue and capital reserves. They were shown in the CRA in previous years and are now included in the next statement (Statement of Movement on the General Fund Balance).
- *Statement of Movement on the General Fund Balance (SMGFB)* reconciles the deficit for the year shown in the I&E Account to the change in General Fund balances as was shown at the end of the CRA in previous annual accounts. The reconciling items shown in the SMGFB are detailed in a further statement. They include transfers to or from earmarked reserves and adjustments to ensure that only actual capital financing costs are charged to council taxpayers (rather than the costs for the depreciation of fixed assets which are charged to services in the I&E Account). This ensures that amounts determined by statute are reflected in Brent's budget requirement and hence charged to council taxpayers.
- *Statement of Total Recognised Gains and Losses (STRGL)* brings together all Brent's gains and losses for the year. This shows the increase or decrease in net worth and agrees to the Balance sheet.
- The *Balance Sheet* shows the Council's fixed and current assets. Current and longer term liabilities are subtracted from assets to give the figure for total assets less liabilities. The other side of the balance sheet shows reserves and balances including the General Fund balance carried forward from the SMGFB.

- The *Cash Flow Statement* summarises inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The increase or decrease in cash reflects the difference between the figures in the balance sheet at the start and end of the year.

Supplementary Financial Statements

- The *Housing Revenue Account (HRA)* reflects the statutory obligation to account separately for local authority housing provision. This is now split into 2 statements – the HRA Income and Expenditure Account and the Statement of Movement on the HRA Balance. They show the major elements of expenditure – repairs and maintenance, supervision and management and depreciation and impairment of fixed assets – and how these are met by rents and subsidy. All income and expenditure in the HRA is ring-fenced which means it cannot be subsidised by – or subsidise - council tax.
- The *Collection Fund* is statutorily required to show transactions in relation to non-domestic rates and council tax. Income from these sources is shown as well as its distribution including to the General Fund.

Group Accounts

- The Group Accounts consolidate Brent's accounts with the accounts of Brent Housing Partnership (BHP) which is a subsidiary and manages housing properties on behalf of the Council. Transactions and balances between Brent and BHP are internal to the group so are excluded. This is the second year that the group accounts are required because of new accounting regulations. These accounts have been produced in line with these regulations.

4. Committee Approval and Signature

- 4.1 One of the requirements of the 2003 Accounts and Audit Regulations is that the accounts have to be signed and dated by the Chair of the Committee approving the accounts. This shows that the accounts have been approved and adopted on behalf of the Council.

5. Financial Implications

- 5.1 This report wholly relates to the Borough's finances.

6. Legal Implications

- 6.1 Legal requirements in relation to the approval and publication of accounts are set out in the 2003 Accounts and Audit Regulations. The requirements are covered in the report.

7. Diversity Implications

- 7.1 This report has been subject to screening and officers believe that there are no diversity implications.

8. Staffing Implications

- 8.1 There are no specific staffing implications.

9. Background Information

Code of Practice on Local Authority Accounting in the United Kingdom 2006.

Accounts and Audit Regulations 2003.

10. Contact Officers

Any person wishing to inspect these documents should contact Max Gray, Finance Manager, Room 115, Brent Town Hall, Forty Lane, Wembley, Middlesex HA9 9HD, Tel. 020 8937 1464.

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