



**General Purposes Committee  
29 June 2010**

**Report from the Director of Finance and  
Corporate Resources**

For Action

Wards Affected: All

**2009/10 Statement of Accounts**

**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 and will be circulated before the Committee meeting. This report also presents the legal and accounting requirements for the Accounts.

**2. RECOMMENDATIONS**

- 2.1 The Committee approves the 2009/10 Statement of Accounts and agrees to forward them to the Audit Commission for audit.
- 2.2 The Chair of the Committee signs the Statement of Accounts.

**3. DETAIL**

- 3.1 Brent's 2009/10 accounts are in the process of being finalised and will be circulated before the Committee meets on 29<sup>th</sup> 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 30<sup>th</sup> June. (The Brent Constitution makes it the responsibility of the General Purposes Committee to approve the accounts). After committee approval, the accounts will be forwarded to our external auditors, the Audit Commission. They will then be able to formally commence the 2009/10 audit. During the course of the audit, it is possible that the Audit Commission 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. 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 the General Purposes Committee.

- 3.2 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 The process for the compiling the council's accounts for 2009/10 has been challenging due to:
- The additional workloads involved in complying with new accounting requirements under International Financial Reporting Standards (IFRS)
  - New accounting treatment to be applied to the collection fund accounts
  - Additional disclosures relating to senior employees' remuneration
  - The implementation of the oracle financial system across the council for April 2010
- 3.3 The 2009/10 accounts 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 2009/10. 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.
  - The *Annual Governance Statement* includes a review of the effectiveness of the system of internal control. This is being considered by the Audit Committee on 15<sup>th</sup> June prior to inclusion in the Accounts.
  - 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. The second section comprises income and expenditure relating to the authority as a whole (net operating expenditure). The third section shows income from local taxation and general government grants.

- *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. 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 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.

## Pension Fund Accounts

- The Pension Fund Accounts set out the transactions and net assets of the scheme administered by the Council on behalf of employers and members within the local government pension scheme.

### **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 2009.

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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