

**LONDON BOROUGH OF BRENT**  
**STATEMENT OF ACCOUNTS**  
**2002/2003**

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

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## INTRODUCTION BY THE DIRECTOR OF FINANCE

Brent's annual accounts show the financial performance of the Council for the year 2002/2003. They present fairly the financial position of the authority on 31<sup>st</sup> March 2003 and its income and expenditure for the year ending on that date.

It is hoped these accounts will provide a useful and important source of financial information for the community, Council members and other interested parties. The Explanatory Foreword on the next few pages gives a brief summary of the Council's financial position in 2002/2003.

Finally I should like to thank my staff and colleagues in other Units for their hard work and support during the year.



STEPHEN HUGHES  
DIRECTOR OF FINANCE

Date: 8/12/03

## EXPLANATORY FOREWORD

### 1. INTRODUCTION

The accounts for the year 2002/2003 consist of:

**Statement of Accounting Policies** - This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies, which have been followed in dealing with material items, are explained.

**Consolidated Revenue Account** - This reports the cost for the year of the major functions for which the Council is responsible and compares that cost with the finance provided from charges made by the Council, from Central Government and from the Collection Fund.

**Housing Revenue Account** - This reflects a statutory obligation to account separately for the Council's housing provision. It shows the major elements of housing expenditure and income.

**Consolidated Balance Sheet** - This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held. It excludes the Pension Fund.

**Statement of Total Movements in Reserves** - This brings together all the recognised gains and losses of the authority during the period and identifies those which have and those which have not been recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

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

**Collection Fund** - The Collection Fund accounts independently for income related to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised.

The accounts have been produced in line with the requirements of the 2003 Accounts and Audit Regulations, the 2002 Code of Practice on Local Authority Accounting in Great Britain (ACOP), a Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

## EXPLANATORY FOREWORD (Continued)

### 2. GENERAL FUND REVENUE SPENDING IN 2002/2003

The table below shows how actual expenditure on services in 2002/2003 compares to the budgeted figures. Positive variances show underspends and negative variances overspends compared with budgets.

	<b>Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Corporate Units and Local Taxation	26,591	26,875	(284)
Service Budgets			
Education, Arts and Libraries	126,575	126,109	466
Environment	26,478	26,571	(93)
Housing	13,151	11,733	1,418
Social Services	<u>66,417</u>	<u>73,012</u>	<u>(6,595)</u>
Service Expenditure – Budget Overspend	259,212	264,300	(5,088)
Other Budgets/Debt Charges/Central Items	26,640	23,853	2,787
Contribution to/(from) Balances	<u>1,000</u>	<u>(1,301)</u>	<u>2,301</u>
<b>Budget Requirement</b>	<b>286,852</b>	<b>286,852</b>	<b>0</b>
Financed By:			
Revenue Support Grant	148,245	148,245	-
Non-Domestic Rates	75,520	75,520	-
Council Tax Income	63,778	63,778	-
Collection Fund Net Deficit	(811)	(811)	-
Community Charge Surplus	<u>120</u>	<u>120</u>	<u>-</u>
	<b>286,852</b>	<b>286,852</b>	<b>-</b>

The table above reflects the Council's Committee structure in 2002/2003. This differs from the Consolidated Revenue Account (CRA) on page 19 since the relevant SORP requires that the CRA shows expenditure on services using CIPFA's standard classification in accordance with Best Value Accounting. In some cases this does not match the Council's structure.

#### Explanations of Major Variances

	<b>Under/(Over)spending £'000</b>	<b>£'000</b>
<b>Corporate Units and Local Taxation</b>		
Trading Units	246	
Rent Free Period (MG House)	281	
Projects	160	
Housing Benefit Deficit	(848)	
Local Tax Tender/Implementation Costs	(500)	
Miscellaneous (individually below £100k)	<u>377</u>	
		(284)

## EXPLANATORY FOREWORD (Continued)

	<b>Under/(Over)spending</b>	
	<b>£'000</b>	<b>£'000</b>
<b>Education, Arts and Libraries</b>		
Libraries Service/Culture (Deferred Growth)	130	
Standards Fund	523	
Brent Education Training Service	(140)	
Other (below £100k)	(47)	
	<hr/>	466
<b>Environment</b>		
Increased Income from Land Charges	126	
Upgrade Brent House LAN and Software Licensing	(176)	
Streetlighting PFI – Slippage on Core Investment Programme	125	
Waste Tonnage lower than forecast	133	
Shortfall in Parking Account Funding	(165)	
Other (individually below £100k)	(136)	
	<hr/>	(93)
<b>Housing</b>		
Temporary Accommodation	1,393	
Others (individually below £100k)	25	
	<hr/>	1,418
<b>Social Services</b>		
Older People's Services- Residential Care	(872)	
- Day Care	(391)	
Physical Disabilities - Domiciliary Care	(195)	
- Residential Care	(695)	
Learning Disabilities - Day Care	(823)	
- Residential Care	(976)	
Mental Health - Residential Care	(487)	
Children's Services - Residential Placements	(412)	
- Agency Foster Carers	(1,115)	
- Section 17 and Other Children's Services	(365)	
Core - Capital Grants	287	
Operational - Learning Disability Staffing	(450)	
Other (individually below £100k)	(101)	
	<hr/>	<u>(6,595)</u>
Service Expenditure – Budget Overspend		(5,088)
<b>Other Budgets</b>		
Debt Charges	375	
Asylum Seekers	535	
VAT Claim	202	
NNDR Appeals	500	
NRF Monies	(100)	
Insurance	(763)	
Social Services Bad Debts	(562)	
Capitalisation	1,155	
Middlesex House	1,000	
Willesden High School Reserve	100	

## EXPLANATORY FOREWORD (Continued)

	<b>Under/(Over)spending</b>	
	<b>£'000</b>	<b>£'000</b>
DeFRA Fridges Grant	100	
Council Tax Rebanding Compensation	100	
Pathfinder	100	
Others (individually below £100k)	45	
	<hr/>	<hr/>
<b>TOTAL</b>		<b>2,787</b>
		<hr/>
		<b>(2,301)</b>

### 3. CAPITAL EXPENDITURE

The Council's capital expenditure in 2002/2003 was £54.198m (2001/2002 £52.157). The expenditure was within the definition of the Local Government and Housing Act 1989.

Capital Expenditure has been financed from the following sources:

<b>Funding Source</b>	<b>2002/2003</b>
	<b>£000's</b>
Borrowing	17,605
Government Grants	14,778
Capital Receipts	3,800
Major Repairs Allowance	6,591
General Fund Revenue Contributions	2,659
HRA Revenue Contributions	4,985
Capital Accruals	2,565
Capital Funding Account	1,215
<b>Total</b>	<hr/>
	<b>54,198</b>

## EXPLANATORY FOREWORD (Continued)

Gross capital receipts during the year totalled £16.44m. £3.8m of usable receipts were used to finance capital expenditure (see table above) leaving a balance of usable receipts at the year end of £36k. During the year £0.011m of redundancy payments and £6.3m of pensions were treated as capital expenditure following approval gained from the Secretary of State under Part IV Section 40(6) of the Local Government and Housing Act 1989. Capital projects and other significant capital expenditure in excess of £0.5m during the year were as follows:

<b>Scheme</b>	<b>2002/2003 £000's</b>
Chalkhill Estate	3,404
Renovation Grants	5,326
Social Housing Grants	4,120
CCTV Programme	1,091
Deferred Purchase Payments	676
Barham Primary School	803
Gladstone Park Primary School	878
New Pupil Referral Unit	523
Wembley High School	1,217
Wembley Park Trading Estate Access Road	2,540
New Commitment to Kilburn	962
Park Royal Partnership	820
Controlled Parking Zones	1,504
Traffic Management Schemes	621
Principal Road and Carriageways Programme	924

Capital expenditure incurred by Service Departments in 2002/2003 is summarised below:

<b>Department</b>	<b>2002/2003 Programme £000's</b>	<b>2002/2003 Out-turn £000's</b>	<b>Variation £000's</b>
Corporate	22,179	14,964	(7,215)
Community Development	248	192	(56)
Education, Arts and Libraries	14,313	7,321	(6,992)
Environment	5,724	7,455	1,731
Housing	22,915	23,725	810
Social Services	806	541	(265)
<b>Total</b>	<b>66,185</b>	<b>54,198</b>	<b>(11,987)</b>

Outstanding capital commitments at 31<sup>st</sup> March 2003 amounted to £9.29m

In 2002/2003 the Council produced a capital investment strategy which set out the Council's capital investment priorities over a number of years.

## **EXPLANATORY FOREWORD (Continued)**

### **Borrowing/Investments**

During 2002/2003 the level of long term borrowing decreased by £16.6m from £461.277m to £444.677m. This was due to the repayment of maturing debts. All long term borrowing was undertaken with the Public Works Loan Board.

In 1986 the Council invested £100,000 to become a founder member of the Greater London Enterprise (GLE). An exit strategy is being developed, possibly through a flotation on the stock market, it is estimated that the Council's stake in GLE is worth approximately £1m.

#### **4. HOUSING REVENUE ACCOUNT (HRA)**

The Council originally budgeted for a small surplus of £373,000. The final accounts on page 30 show a surplus for the year of £479,000 before the net transfer to earmarked reserves. The main reasons for this variance are the transfer to earmarked reserves for the Arms Length Management Organisation (ALMO), leasing, insurance fund and Brent Building Cleaning.

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

- (i) Financial Reporting Standard (FRS) 17 on Retirement Benefits requires further disclosures on pension liabilities. These are shown in Note 16 to the Consolidated Revenue Account.
- (ii) In October 2002, the Council formed Brent Housing Partnership Limited, an arms length organisation. Brent Housing Partnership Limited is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). 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 requirement of 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.

#### **6. FURTHER INFORMATION**

Further information on these accounts may be obtained by writing to the Director of Finance, Room 114, Brent Town Hall, Wembley HA9 9HD or by e-mail from [zebunnissa.ali@brent.gov.uk](mailto:zebunnissa.ali@brent.gov.uk).

#### **7. GLOSSARY**

In the accounts which follow some technical accounting terms are used. Whenever possible, these are explained at the appropriate places in the accounts. However, if further information is needed please see the glossary of terms on page 61.

## **AUDITORS' REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BRENT**

We have audited the statement of accounts on pages 10 to 60 which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Council's accounts, on pages 19 to 55, which have been prepared in accordance with the accounting policies set out on pages 14 to 18, and the accounts of the Pension Fund, on pages 56 to 60, which have been prepared in accordance with the accounting policies set out on pages 57 to 58.

This report is made solely to the London Borough of Brent in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

### **Respective Responsibilities of the Chief Financial Officer and Auditors**

As described on page 10 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

We review whether the statement on the system of internal financial control on page 12 reflects compliance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the statement of accounts. We are not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the authority's system of internal financial control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. The other information comprises only the explanatory foreword.

### **Basis of Audit Opinion**

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

**AUDITORS' REPORT TO THE MEMBERS OF THE LONDON BOROUGH OF BRENT  
(Continued)**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the statement of accounts.

**Opinion on the Authority's Accounts**

In our opinion the statement of accounts presents fairly the financial position of the London Borough of Brent as at 31 March 2003 and its income and expenditure for the year then ended.

**Opinion on the Pension Fund Accounts**

In our opinion the statement of accounts presents fairly the financial transactions of the London Borough of Brent Pension Fund during the year ended 31 March 2003, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.



PricewaterhouseCoopers LLP  
Southwark Towers  
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London Bridge Street  
London  
SE1 9SY  
22 December 2003

## 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;
- ◆ 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'S RESPONSIBILITIES

The Director of Finance is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice') is required to present fairly the financial position of the Authority at the Accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2003.

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

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

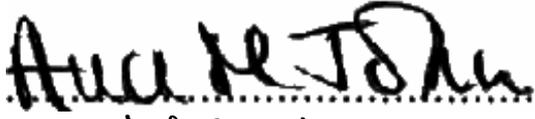


STEPHEN HUGHES  
DIRECTOR OF FINANCE

Date: 18/12/03

## COMMITTEE APPROVAL

At a meeting of the General Purposes Committee held at Brent Town Hall on 4<sup>th</sup> September 2003, the accounts were approved and adopted on behalf of the Council.

A handwritten signature in black ink, appearing to read "Alan R. Johnson", written over a dotted horizontal line.

Date: A handwritten date "4th Sept 03" written in black ink over a dotted horizontal line.

CHAIR  
General Purposes Committee

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the statement of accounts for the London Borough of Brent. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources contained.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:
  - comprehensive budgeting systems;
  - monthly revenue and capital returns comparing actual and forecasted expenditure with budgets reviewed by Members and senior officers;
  - setting targets to measure financial and other performance;
  - clearly-defined capital expenditure guidelines.
4.
  - Internal Audit coverage is provided within a managed audit approach with the Council's external auditors. The annual audit plan is based on a three year strategic plan and includes a risk analysis, undertaken in consultation with Executive Directors, External Audit and our internal audit partner.
  - Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. Internal Audit reports to the Chief Financial Officer.
  - Internal Audit reports to the Finance and Performance Select Committee who review and monitor the operation and effectiveness of, and compliance with, risk management, internal control and internal and external audit.
  - Through individual audit assignments and reports to Service Area Directors, the Head of Audit provides an independent opinion of the adequacy and effectiveness of the system of internal financial controls.
5. My review of the effectiveness of the system of internal financial control is informed by:
  - the work of managers within the Council;
  - the work of internal auditors as described above; and
  - the external auditors in their annual audit letter and other reports.

**STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL (Continued)**

6. Each internal audit report issued contains agreed recommendations and an action plan for implementation. Significant findings are reported in to the Chief Financial Officer and the Finance and Performance Select Committee. A programme of follow up reviews is undertaken by the internal audit team and any failures to implement recommendations are referred in the first instance to the relevant Executive Director. For 2002/2003 there were no significant identified weaknesses in the internal control system.



STEPHEN HUGHES  
DIRECTOR OF FINANCE

Date: 18/12/03

## STATEMENT OF ACCOUNTING POLICIES

- 1. Code of Practice** - The general policies adopted in preparing these accounts are in accordance with the revised Code of Practice on Local Authority Accounting for Great Britain issued by CIPFA.

### INCOME AND EXPENDITURE

- 2. Debtors and Creditors** - The revenue accounts of the Council have been compiled on an accruals basis in accordance with the Statement of Standard Accounting Practice (SSAP) 2 apart from the exceptions mentioned below. That is, sums of expenditure and income due from or to the Council during the year have been included in the accounts whether or not the cash has actually been paid or received.

However, accruals for a single order below £5,000 were not allowed unless failure to accrue would result in the loss of grant monies or the expenditure related to locally managed schools.

Repayments on Housing Subsidy have also not been fully accrued as described in Note 18 to the Balance Sheet.

- 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 centrally.

The full costs of support services have been charged to services in the Consolidated Revenue Account in accordance with CIPFA's *'Best Value Accounting Code of Practice'*. Charges have been made on a variety of bases. The main basis of charging is staff time. In some cases other appropriate statistics have been used, for example, Human Resources charges were based on staff numbers, One Stop Shops costs were based on time weighted enquiries and some IT costs were charged according to the number of telephone lines.

- 4. Pensions** - The Council participates in the two following pension schemes which provide members with defined benefits related to pay and services.

**Teachers:** This is an unfunded scheme administered by the Department for Education and Skills (DfES). The pension cost charged to the accounts is the contribution rate set by the DfES on the basis of a notional fund.

**Other Employees:** Other employees, subject to certain qualifying criteria, are eligible to join the funded Local Government Pension Scheme.

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

## STATEMENT OF ACCOUNTING POLICIES (Continued)

### CAPITAL ASSETS

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

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

Assets are valued on the following basis:

- ◆ Land, operational properties and other operational assets are included in the balance sheet at their Open Market Value (OMV). The exception to this are school buildings and Social Services establishments that are included at their Depreciated Replacement Cost (DRC). Council dwellings are valued using a beacon principle based on their OMV but adjusted with a social housing factor in accordance with ACOP.
- ◆ Non-operational assets, including investment properties and assets that are surplus to requirements are included in the balance sheet at their OMV.
- ◆ Community assets are included in the accounts at individual nominal values of £1 and as such are not shown in the balance sheet.
- ◆ Infrastructure assets, vehicles, plant, furniture and equipment have been valued at historic cost net of depreciation.

Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur.

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 on the basis of the planned amount required over the foreseeable future to maintain the stock in its existing condition.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

No depreciation is charged in the year an asset is acquired. Consequently, depreciation is charged on assets in the year of their disposal.

### 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.

### De Minimis Rules

The following de minimis rules for the capitalisation of new expenditure are applied:

<u>Asset Type</u>	<u>De Minimis Level for Capitalisation</u>
Land and Building Acquisition (excluding leases).	No lower limit, always capital.
HRA Dwellings	Works over £1,500
Works to Building:	
Additions, extensions and conversions.	Contracts more than £5,000.
Structural works that increase value of external useful life.	Contracts more than £5,000.
<i>Programmed</i> Energy Conservation or Efficiency Works.	No lower limit.
<i>Programmed</i> Health and Safety Works.	No lower limit.
<i>Programmed</i> Aids and Adaptations for the Disabled.	No lower limit.
Infrastructure works that increase value or external useful life.	No lower limit.
Vehicles and Plant.	No lower limit.
Office and Information Technology.	Individual items or service delivery and efficiency packages more than £5,000.
Furniture and equipment for new buildings or refurbishments.	No lower limit.
Other furniture and equipment.	Individual items or service delivery and efficiency packages more than £5,000.

These de minimis rules may be waived and small items capitalised in the following instances:

- (a) where specific capital grants are available for such de minimis items.
- (b) where specific credit approval is available for such de minimis items.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

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

The reserved proportion of capital receipts has been calculated in accordance with The Local Government and Housing Act 1989. Generally, this is 75% for HRA dwellings and 50% for HRA land. The remaining proportion after this reduction and 100% of General Fund capital receipts can be used to finance capital expenditure.

7. **Charges to Revenue** - The General Fund is charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying specified notional rates of interest to net asset values. These are 6% for assets recorded at current value and 6.75% for assets recorded at historic cost. The aggregate charge to each individual service is determined on the basis of the capital employed in its provision.

External interest payable and the provision for depreciation are charged to the asset management revenue account, which is credited with the capital charges charged to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

The charge made to the HRA is calculated on the basis determined by the Local Government and Housing Act 1989.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to earmarked reserves are disclosed separately as appropriations, on the face of the consolidated revenue account, below net operating expenditure.

8. **Deferred Charges** - Deferred Charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Expenditure is included in the Consolidated Revenue Account and written off to the Capital Financing Reserve.
9. **Government Grants and Contribution** - Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited initially to the Government grants deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

10. **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.
11. **Stocks** - Stocks and stores are valued at the lower of cost and net realisable value.
12. **Provisions** - The Council makes provision in compliance with FRS 12 where there is an obligation as a result of a past event where it is probable that the Council will incur expenditure to settle the obligation and where a reasonable estimate can be made of the amount involved. In addition to the provisions listed in note 9 to the Balance Sheet there is a provision for unrecovered debts which has been netted off against the debtors figure on the balance sheet (see note 5 to the Balance Sheet).
13. **Reserves** - These are amounts set aside for earmarked purposes out of the balances of the Council's funds. Further details of earmarked reserves are given in Note 16 to the Balance Sheet.
14. **Investments** - Long term investments are shown in the accounts at the original cost price, plus brokerage and fees. Short term investments are valued at the middle market prices at the close of business on 31<sup>st</sup> March. 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 gains or losses in market value compared with the cost of the investment are recognised in the Consolidated Revenue Account.
15. **VAT** - This is included in the income and expenditure accounts only to the extent that it is irrecoverable.

## CONSOLIDATED REVENUE ACCOUNT

The Consolidated Revenue Account shows the gross expenditure, income and net expenditure analysed by service (see Note 1) and how it was met from the Collection Fund.

### REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2003

Note	On its Services the Council Spent	2002/2003	2002/2003	2002/2003	2001/2002
		Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
	Education	197,007	(55,887)	141,120	143,813
	Cultural Services	14,371	(2,123)	12,248	11,093
	Highways, Roads and Transport	25,505	(9,365)	16,140	15,322
	Environmental	19,051	(4,623)	14,428	13,476
	Planning and Development	23,607	(14,802)	8,805	7,048
	Housing (General Fund)	150,252	(118,898)	31,354	30,192
	Social Services	112,361	(43,069)	69,292	61,942
	Courts	1,723	(747)	976	944
2.	Central Services	<u>44,507</u>	<u>(25,573)</u>	<u>18,934</u>	<u>17,927</u>
	Net Cost of General Fund Services	588,384	(275,087)	313,297	301,757
	Housing Revenue Account	<u>105,182</u>	<u>(96,476)</u>	<u>8,706</u>	<u>7,183</u>
	<b>Net Cost of Services</b>	<b>693,566</b>	<b>(371,563)</b>	<b>322,003</b>	<b>308,940</b>
3	Levies			6,870	6,632
4.	(Surplus)/Deficit on Trading Accounts			(422)	(212)
5.	Interest Receivable			(3,825)	(3,558)
6.	Net (Income)/Expenditure on the Asset Management Revenue Account			(6,502)	(7,891)
7.	Contribution to Council Tax Benefit Costs arising from Subsidy Limitation			-	190
	<b>Net Operating Expenditure</b>			<b>318,124</b>	<b>304,101</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

Note	2002/2003 Gross Expenditure £000	2002/2003 Income £000	2002/2003 Net Expenditure £000	2001/2002 Net Expenditure £000
			(10,410)	(8,747)
			1,108	450
8.			63	1,918
9.			(18,982)	(16,402)
10.			(438)	(1,603)
			(186)	1,162
			(1,215)	844
			1,704	1,564
			195	1,070
			<u>(1,810)</u>	<u>1,692</u>
			<b><u>288,153</u></b>	<b><u>286,049</u></b>
			148,245	155,180
			75,520	68,278
			63,778	58,590
			(811)	(600)
			<u>120</u>	<u>-</u>
			286,852	281,448
			<b><u>(1,301)</u></b>	<b><u>(4,601)</u></b>
			<u>1,351</u>	<u>5,952</u>
10.			<u>50</u>	<u>1,351</u>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

#### NOTE 1: CONSOLIDATED REVENUE ACCOUNT

The figures for the costs of individual services have been compiled in accordance with CIPFA's Best Value Accounting Code of Practice. This includes the allocation of overheads to services, updating of capital charges to services and the treatment of past service contributions to meet the pensions fund deficit. In addition information is shown in accordance with CIPFA's latest Service Expenditure Analysis.

#### NOTE 2: CENTRAL SERVICES

Central Services for 2002/2003 comprise the following elements (with last year's comparative figures shown):

	<b>Gross Expenditure £000</b>	<b>Income £000</b>	<b>Net Expenditure £000</b>	<b>2001/2002 Net Expenditure £000</b>
Corporate and Democratic Core	4,608	-	4,608	3,904
Unapportionable Central Overheads	2,934	(84)	2,850	4,052
Central Services to the Public	25,586	(18,521)	7,065	7,459
Other Operating Income and Expenditure	11,379	(6,968)	4,411	2,512
	<b>44,507</b>	<b>(25,573)</b>	<b>18,934</b>	<b>17,927</b>

#### NOTE 3: LEVIES

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

	<b>2002/2003 £000</b>	<b>2001/2002 £000</b>
Lee Valley Regional Park	238	235
London Pension Fund Authority	294	303
Environment Agency	1,354	1,337
West London Waste Authority	4,984	4,757
	<b>6,870</b>	<b>6,632</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 4: TRADING ACCOUNTS

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

Activity	<u>2002/2003</u>		<u>2001/2002</u>	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Building Cleaning/Maintenance	2,798	27	2,736	108
Finance	249	19	250	15
Grounds Maintenance	1,109	130	1,121	(22)
Highways Maintenance	1,043	70	1,016	(37)
Transport	5,447	(47)	5,173	(83)
Lead Tenants	4,441	(594)	4,647	(14)
Other	-	-	318	(71)
		(395)		(104)
Building Cleaning/Maintenance Deficit charged to HRA		(27)		(108)
<b>TOTAL</b>	<b>15,087</b>	<b>(422)</b>	<b>15,261</b>	<b>(212)</b>

### NOTE 5: INTEREST RECEIVABLE

The valuation of externally managed short term investments at market prices has led to the inclusion of an unrealised gain of £337,000 in the 2002/2003 accounts (2001/2002 unrealised gain £13,000).

### NOTE 6: ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account consists of the following items:

	<u>2002/2003</u> £000	<u>2001/2002</u> £000
External Interest Charges	39,726	39,668
Debt Management Expenses	171	211
Grants released from Government Grants Deferred Account	1,195	880
Provision for Depreciation	18,668	16,819
Capital Charges to Service Accounts	(65,067)	(64,589)
Grants applied to Capital Financing Reserve	(1,195)	(880)
<b>Net Expenditure/(Income)</b>	<b>(6,502)</b>	<b>(7,891)</b>

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### NOTE 7: COUNCIL TAX BENEFITS LIMITATION COST

In 1999/2000 the Government introduced a scheme whereby Council Tax Benefit Subsidy to authorities is reduced if the Council Tax level is set above Government guidelines. In these circumstances billing and precepting authorities therefore have to meet a proportion of the increase in benefits awarded attributable to the higher tax level. This scheme continued in 2001/2002. Brent's revised Council Tax Benefit Subsidy was reduced by £190,000 as a result. The scheme then ended and there were no costs for 2002/2003.

### NOTE 8: CONTRIBUTION TO CAPITAL FINANCING RESERVE

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

	2002/2003 £000	2001/2002 £000
Statutory MRP	10,744	10,723
Provision for General Fund Depreciation	(10,681)	(8,805)
Additional Charge/(Credit) to Revenue Account	63	1,918

### NOTE 9: CONTRIBUTION FROM THE CAPITAL FINANCING RESERVE

The contribution from the CFR represents the write-off of expenditure in relation to assets which the Council does not own or from which the Council does not derive any material benefit or for expenditure which government direction allows to be capitalised.

	2002/2003 £000	2001/2002 £000
Acorn Estate	117	276
Pensions	6,300	2,864
Redundancy Costs	11	259
Renovation Grants	5,326	5,352
Regeneration	1,947	1,877
Leased Buildings	648	218
Voluntary Aided Schools	353	1,265
Social Housing Grant	4,280	4,291
Total Contribution	18,982	16,402

## CONSOLIDATED REVENUE ACCOUNT (Continued)

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

	<b>2002/2003</b> <b>£000</b>	<b>2001/2002</b> <b>£000</b>
Planning and Economic Development	1,947	1,877
Housing General Fund	9,723	9,919
Other Services	6,959	3,341
Education	353	1,265
	<b>18,982</b>	<b>16,402</b>

### NOTE 10: BALANCES

Schools balances are committed to be spent on the Education Service and are not available for general use. The figures at the end of the Consolidated Revenue Account relate solely to General Fund Balances. See Note 17 to the Balance Sheet.

### NOTE 11: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2002/2003 and 2001/2002, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

<b>Remuneration Band</b>	<b>2002/2003 Number of Employees</b>	<b>2001/2002 Number of Employees</b>
£50,000 - £59,999	60	39
£60,000 - £69,999	15	15
£70,000 - £79,999	11	12
£80,000 - £89,999	3	4
£90,000 - £99,999	4	-
£100,000 - £110,000	1	1
£110,000 - £120,000	<u>1</u>	<u>1</u>
	<b><u>95</u></b>	<b><u>72</u></b>

### NOTE 12: 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 2002/2003 amounted to £1.767m (£1.632m in 2001/2002). A large proportion of this expenditure relates to the Council's recruitment advertising.

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

### **NOTE 13: EXPENDITURE ON LEASING**

In 2002/2003 the Council paid out £269,000 (2001/2002 - £301,000) for operating leases to lessors. The undischarged obligation in respect of operating leases was £1,091,000 (31.03.02 - £843,000). There was no expenditure on finance leases.

### **NOTE 14: PENSION ARRANGEMENTS**

Pensions are provided for all full-time Council employees under the requirements of statutory regulations. In certain circumstances these regulations extend to cover part-time employees. The principal schemes in operation are:

**TEACHERS** - This is a defined benefit scheme administered by the Department of Education and Skills. In 2002/2003 Brent paid £5.3m (2001/2002 £4.6m). The Council contributes at a rate of 8.35% of pensionable pay 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 £1.9m in 2002/2003 (2001/2002 £1.7m).

**OTHER EMPLOYEES** - Pensions are provided from the Pension Fund, the accounts of which have been produced separately. Employer's contributions, at rates advised by the Fund's actuaries, are charged to revenue as incurred. In 2002/2003 £6.300m of pension contributions were capitalised (2001/2002 £2.864m). The Council's actuaries recommended an employers' contribution of 270% of employees contributions in 2002/2003 (260% in 2001/2002). In 2002/2003 the Council paid employer contributions of £11.2m (2001/2002 £9.8m), representing 14.7% of pensionable pay. The Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2002/2003 Brent made discretionary payments of £88,000 (2001/2002 £48,000). Expenditure in 2002/2003 on added years awarded by the authority amounted to £2.9m. (£2.8m 2001/2002) representing 3.8% of pensionable pay.

The pension costs it would have been necessary to provide for in the year in accordance with SSAP 24 "Accounting for Pension Costs" are £17.5m representing 23% of pensionable pay.

The 2001 actuarial valuation indicates that the assets of the fund cover 84% of fund liabilities following a fall in investment returns and increasing member longevity. It has been decided to increase employer contributions to cover the deficit over the revised working lifetime of the average employee (13 years).

Employer rates (for scheduled bodies) since 1998 are as follows:

1999/2000	12.6%
2000/2001	14.4%
2001/2002	15.6%
2002/2003	17.1%
2003/2004	18.6%

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

### **NOTE 15: CAPITAL COST OF DISCRETIONARY INCREASES IN PENSION PAYMENTS**

The disclosure note for Pension costs in the Code of Practice on local authority accounting in the United Kingdom 2000 (the SORP) requires the authority to disclose the capital cost of any discretionary increase in pension payments, agreed by the authority. These are as follows:

	<b>LGPS</b>	<b>Teachers</b>
	<b>£m</b>	<b>£m</b>
Commenced in Year	0.6	-
Commenced in Earlier Years	48.3	33.8

Increases in pension payments that are being funded from the Brent Pension Fund as a result of discretions given to Brent as employer are de minimis.

### **NOTE 16: 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.

The most recent valuation was carried out as at 31 March 2001, and has been updated by independent actuaries to the London Borough of Brent Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2003. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

London Borough of Brent's contribution rate over the accounting period was 270% of members' contributions. The contribution rates certified for London Borough of Brent at the 31 March 2001 valuation are as follows:

April 2002 to March 2003	270% of members' contributions
April 2003 to March 2004	310% of members' contributions
April 2004 to March 2005	310% of members' contributions

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

## CONSOLIDATED REVENUE ACCOUNT (Continued)

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

	<b>31 March 2003</b>	<b>31 March 2002</b>
Discount rate	6.1% pa	6.1% pa
Rate of increase in salaries	4.4% pa	4.3% pa
Rate of increase in pensions in payment	2.6% pa	2.5% pa
Rate of increase in deferred pensions	2.6% pa	2.5% pa
Rate of inflation	2.6% pa	2.5% pa
Long-term expected rates of return on:		
Equities	7.6% pa	7.5% pa
Bonds	5.0% pa	5.6% pa
Property	6.6% pa	7.2% pa
Other assets	3.1% pa	3.7% pa
Average long term expected rate of return	6.7% pa	6.9% pa

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

	<b>31 March 2003</b>	<b>31 March 2002</b>
	<b>(£m)</b>	<b>(£m)</b>
Equities	177.34	231.82
Bonds	72.23	83.34
Property	9.09	8.60
Other	5.63	6.94
Total	264.29	330.70

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2003 and 31 March 2002.

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

	<b>31 March</b>	<b>31 March</b>
	<b>2003</b>	<b>2002</b>
	<b>(£m)</b>	<b>(£m)</b>
Share of assets in the Fund	264.29	330.70
Estimated liabilities in the Fund	(488.05)	(457.60)
London Borough of Brent's surplus/(deficit) in the Fund	(223.76)	(126.90)

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

Net reserves before FRS17 Deficit	0.05
FRS17 Deficit	(223.76)
Net reserves after FRS17 Deficit	(223.71)

## CONSOLIDATED REVENUE ACCOUNT (Continued)

The movement in net surplus for the year to 31 March 2003 is as follows:

	<b>£m</b>	<b>£m</b>
Net surplus/(deficit) at beginning of year		(126.90)
Movement in year:		
Operating Charge:		
Current service cost	(8.20)	
Past service costs	(1.23)	
Gain/loss on any settlements or curtailments	0.00	
Total Operating Charge		(9.43)
Contributions		11.19
Finance Income:		
Expected return on Pension Fund assets	22.78	
Interest on pension scheme liabilities	(27.84)	
Total Finance Income		(5.06)
Actuarial gain/loss		(93.56)
Net surplus/(deficit) at end of year		-(223.76)

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

	<b>Amount (£m)</b>	<b>Percentage</b>
Actual return less expected return on assets	(87.01)	32.9% of scheme assets
Experience gains and losses on pension liabilities	0.86	0.2% of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	(7.41)	1.5% of scheme liabilities
Total	(93.56)	

Although FRS17 indicates that liabilities are only 54% funded as at 31<sup>st</sup> March, markets have risen sharply since then, reducing the deficit. Under traditional methods of actuarial valuation, the deficit is £117m (76% funded), considerably below the 84% assessed at the 2001 Valuation.

### NOTE 17: RELATED PARTY TRANSACTIONS

Information in respect of material transactions not disclosed elsewhere in the Statement of Accounts is shown below:

London Borough of Brent Pension Fund  
Administrative support is provided to the Fund. UK equities are now managed in-house.

## CONSOLIDATED REVENUE ACCOUNT (Continued)

### Voluntary Organisations

A number of organisations which received grants or SRB funds from the London Borough of Brent in 2001/2002 have Brent Members acting as Directors or Trustees. The following information has been obtained from Members' Declarations of Related Party Transactions:

	<b>£'000</b>
Bengali Community Education Centre	13
Brent Irish Advisory Service	36
Middlesex ITEC	50

In addition, one Councillor works for the same organisation as the Council's appointed auditor. However, her particular line of business ensures that she has not and would not be required to have any dealings with the Council in a professional capacity.

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

### NOTE 18: MEMBERS' ALLOWANCES

Total payments in 2002/2003 were £776,000 (£762,000 in 2001/2002).

### NOTE 19: BUILDING CONTROL ACCOUNT

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

The figures for 2002/2003 and 2001/2002 are as follows:

	<b>2002/2003</b>	<b>2001/2002</b>
	<b>£'000</b>	<b>£'000</b>
Total Costs (including all Central and Support Service Costs)	800	704
Income raised from Building Control Charges	(823)	(749)
(Surplus)/Deficit for year	(23)	(45)

### NOTE 20: 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 £2.307m in 2002/2003 (£1.823m in 2001/2002) and fully covered expenditure.

## HOUSING REVENUE ACCOUNT - 2002/2003

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

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

### HOUSING REVENUE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2003

	2002/2003 £000	2001/2002 £000
<b><u>Income</u></b>		
Dwelling Rents	38,927	40,486
Non Dwelling Rents	283	274
Charges for Services and Facilities	417	466
HRA Subsidy Receivable	56,835	55,808
Housing Benefit Transfers	14	19
<b>Total Income</b>	<b>96,476</b>	<b>97,053</b>
<b><u>Expenditure</u></b>		
Repairs and Maintenance	9,280	8,350
Supervision and Management	19,080	17,920
Rent and Rates	3,843	3,533
Rent Rebates	25,177	25,846
Bad or Doubtful Debts	210	951
Cost of Capital	39,509	39,425
Depreciation	7,988	8,042
Debt Management Expenses	95	169
<b>Total Expenditure</b>	<b>105,182</b>	<b>104,236</b>
<b>Net Cost Of Services</b>	<b>8,706</b>	<b>7,183</b>
Transfer from AMRA	(18,850)	(17,111)
Amortised Payment and Discount	311	324
HRA Investment Income/Mortgage Interest	(564)	(751)
Transfer from General Fund	(200)	(205)
<b>Net Operating Expenditure</b>	<b>(10,597)</b>	<b>(10,560)</b>
<b><u>Appropriations</u></b>		
Revenue Contributions To Capital	4,984	4,836
HRA Set Aside	5,197	5,436
Transfer from Major Reserves	(63)	(29)
	<b>(479)</b>	<b>(317)</b>
<b>HRA Account Balance</b>		
Balance Brought Forward	(1,739)	(2,986)
(Surplus)/Deficit for the Year	(479)	(317)
Transfer to Earmarked Reserves	1,704	1,564
Balance Carried Forward	(514)	(1,739)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 10,390 to 10,193 a reduction of 197 Dwellings. This reduction results from properties being sold under "Right to Buy", leased properties expiring in the Housing Revenue Account and Estate Regeneration Programmes.

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

	<b>31.03.03</b>	<b>31.03.02</b>
Leasehold	559	646
Freehold	9,634	9,744
<b>Total</b>	<b>10,193</b>	<b>10,390</b>

### NOTE 2: RENT ARREARS

The level of rent arrears at 31<sup>st</sup> March 2003 was £3.491m. Movements on the arrears and related provisions are shown below.

	<b>Arrears £'000</b>	<b>Provision £'000</b>	<b>Net Arrears £'000</b>
Balances at 31.3.2002	4,325	3,493	832
Amounts written off and other adjustments	(230)	(230)	-
Increase in Provision	-	210	(210)
(Decrease)/Increase in Arrears	(604)	-	(604)
<b>Balances at 31.03.03</b>	<b>3,491</b>	<b>3,473</b>	<b>18</b>

### NOTE 3: FIXED ASSETS

	<b>Council Dwellings £'000</b>	<b>Non- Operational £'000</b>	<b>Total £'000</b>
Gross Book Value at 1 April 2002	667,301	2,551	669,852
Expenditure during the Year	14,002	-	14,002
Disposals	(16,926)	-	(16,926)
Gross Book Value at 31.3.2003	664,377	2,551	666,928
Accumulated Depreciation B/fwd	(15,595)	(30)	(15,625)
Depreciation/adjustment For the Year	(7,957)	(31)	(7,988)
<b>Net Book Value at 31.03.03</b>	<b>640,825</b>	<b>2,490</b>	<b>643,315</b>

Depreciation became applicable from 1<sup>st</sup> April 2001 with the introduction of resource accounting in the HRA.

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

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

The vacant possession value of dwellings within the HRA at 31<sup>st</sup> March 2003 is £1,396m.

### NOTE 5: DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. There were no deferred charges during the Financial Year 2002/2003.

### NOTE 6: IMPAIRMENT CHARGE

Impairment charges represent a permanent reduction in the value of fixed assets due to circumstances other than changes in property prices. There were no impairment charges during the Financial Year 2002/2003.

### NOTE 7: MAJOR REPAIRS RESERVE

	<b>31.03.03</b> <b>£'000</b>	<b>31.03.02</b> <b>£'000</b>
Balance at 1 April 2002	2,664	-
Transfer to Major Repairs Reserve	7,988	8,042
Transfer from Major Repairs Reserve	(63)	(29)
Capital expenditure financed from Major Repairs Reserve	(6,592)	(5,349)
<b>Balances at 31.03.03</b>	<b>3,997</b>	<b>2,664</b>

### NOTE 8: HRA SUBSIDY

	<b>31.03.03</b> <b>£'000</b>	<b>31.03.02</b> <b>£'000</b>
Housing Subsidy Element Allowance	31,488	31,219
Rent Rebate Subsidy	25,347	24,438
Other	-	151
<b>Total</b>	<b>56,835</b>	<b>55,808</b>

### NOTE 9(A): HRA CAPITAL EXPENDITURE FUNDING IN 2002/2003

	<b>31.03.03</b> <b>£'000</b>	<b>31.03.02</b> <b>£'000</b>
Borrowing	-	-
Usable Capital Receipt	-	35
Revenue Contribution	4,984	4,836
Major Repairs Reserve	6,592	5,349
<b>Total</b>	<b>11,576</b>	<b>10,220</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 9(B): HRA CAPITAL RECEIPTS IN 2002/2003

	31.03.03 £'000	31.03.02 £'000
Land	-	-
Houses	11,112	8,858
Other Properties	-	-
<b>Total</b>	<b>11,112</b>	<b>8,858</b>

### NOTE 10: COST OF CAPITAL

The Housing Revenue Account (HRA) is charged with a capital charge for fixed assets used in provision of services in the Council's landlord role. The Cost of capital is charged at 6% of the value of HRA Dwellings based on Existing Use Value as Social Housing. The cost charge for the Financial Year 2002/2003 was £39.5m.

### NOTE 11: ADJUSTING TRANSFER FROM ASSET MANAGEMENT REVENUE ACCOUNTS

The capital asset charges accounting adjustment represents the difference between the cost of capital charge and the HRA interest costs required by government regulation. The net charge to the HRA is £20.659m.

	31.03.03 £'000	31.03.02 £'000
Reserve Capital Charges	39,509	39,425
Interest on HRA mid-year credit ceiling	(20,659)	(22,314)
<b>Capital Charges Accounting Adjustment</b>	<b>18,850</b>	<b>17,111</b>

The Reserve Capital Charges and the Capital Charge Accounting Adjustment balances at 31<sup>st</sup> March 2002 has been reduced by £3.750m. This adjustment related to value of Leasehold properties excluded from the value of HRA Operational Assets for the purpose of calculating the cost of capital. However, this adjustment has no effect on the Housing Revenue Account.

### NOTE 12: BRENT HOUSING PARTNERSHIP

In October 2002, the Council formed Brent Housing Partnership Limited, an arms length organisation. Brent Housing Partnership Limited is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). 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 requirement of the current CIPFA Code of Practice and legislation. Brent Housing Partnership Limited is required by law to prepare a set of accounts which shows its management and administrative cost.

## CONSOLIDATED BALANCE SHEET

The Balance Sheet shows the financial position of the Council as a whole (excluding amounts attributable to the Pension Fund), and summarises its assets and liabilities.

### BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2003

Note	2002/2003		2001/2002	
	£000	£000	£000	£000
1.	Fixed Assets			
	Council Dwellings	640,825	651,706	
	Other Land and Buildings	280,672	279,597	
	Vehicle, Plant, Furniture and Equipment	6,355	6,171	
	Infrastructure	63,675	55,560	
	Community Assets	-	-	
	Non-Operational Properties	3,662	3,715	
	Net Fixed Assets		995,189	996,749
3.	Investments (Long Term)		100	100
4.	Long Term Debtors		1,896	1,781
	Total Long Term Assets		997,185	998,630
	Current Assets			
	Stock and Work in Progress	300	339	
	Payments in Advance	3,983	1,262	
5.	Debtors	65,442	51,167	
	Cash in Hand	36	39	
	Short Term Investments	64,362	99,120	
	Current Liabilities		134,123	151,927
	Short Term Borrowing	(26,600)	(20,500)	
6.	Creditors	(51,338)	(57,632)	
	Deposits	(925)	(860)	
	Receipts in Advance	(4,434)	(2,545)	
	Cash Overdrawn	(5,103)	(10,581)	(92,118)
	Net Current Assets		45,723	59,809
	Total Assets Less Current Liabilities		1,042,908	1,058,439
7.	Long Term Borrowing		(444,677)	(461,277)
8.	Long Term Creditors		(2,902)	(4,721)
9.	Provisions		(1,520)	(1,466)
	Total Assets Less Liabilities		593,809	590,975

**CONSOLIDATED BALANCE SHEET (Continued)**

Note	2002/2003		2001/2002	
	£000	£000	£000	£000
The Council finances this from:				
10.		405,074		422,505
11.		41,947		31,281
12.		107,183		96,413
13.		36		463
14.		4,365		3,348
15.		975		1,213
		3,997		2,664
16.		27,877		29,189
Balances:				
17.	2,787		4,525	
	514		1,739	
18.	(946)		(2,365)	
		2,355		3,899
		593,809		590,975

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTES TO THE CONSOLIDATED BALANCE SHEET

#### NOTE 1: FIXED ASSETS

	<b>Council Dwellings £000</b>	<b>Land and Buildings £000</b>	<b>VPF&amp;E £000</b>	<b>Infra- structure £000</b>	<b>Community Assets £000</b>	<b>Non- Operational £000</b>	<b>Total £000</b>
Gross Book Value 31/03/02	667,301	293,033	8,520	63,353	-	3,775	1,035,982
Expenditure on Council Assets	14,002	8,966	1,585	9,987	-	-	34,540
Less Disposals	(16,926)	(517)	-	-	-	-	(17,443)
Gross Book Value at 31/03/03	664,377	301,482	10,105	73,340	-	3,775	1,053,079
Depreciation on Assets Sold	-	12	-	-	-	-	12
Less Depreciation for Year	(7,957)	(7,386)	(1,402)	(1,871)	-	(54)	(18,670)
Less Accumulated B/Fwd	(15,595)	(13,436)	(2,348)	(7,794)	-	(59)	(39,232)
<b>Net Book Value at 31/03/03</b>	<b>640,825</b>	<b>280,672</b>	<b>6,355</b>	<b>63,675</b>	<b>-</b>	<b>3,662</b>	<b>995,189</b>

The majority of land and building assets were valued as at 1<sup>st</sup> April 1999 by Iain Tingle, FRICS, at Amey Property Services. Foundation Schools and Caretakers Houses were valued as at 1<sup>st</sup> April 1999 by Marcus J C Perry, FRICS, of Brent Council. Council dwellings were revalued by FPD Savills at 31<sup>st</sup> March 2002.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 2: CAPITAL EXPENDITURE

The Council's capital expenditure was financed as follows:

	<b>2002/2003</b> <b>£000</b>	<b>2001/2002</b> <b>£000</b>
Borrowing	17,605	20,040
Government Grants	14,778	13,789
Capital Receipts	3,800	3,391
Major Repairs Allowance	6,591	5,349
General Fund Revenue Contributions	2,659	5,286
HRA Revenue Contributions	4,985	
Capital Accruals	2,565	1,248
Capital Funding Account	1,215	3,022
	<b>54,198</b>	<b>52,125</b>

### NOTE 3: LONG TERM INVESTMENTS

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

### NOTE 4: LONG TERM DEBTORS

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

	<b>31.03.03</b> <b>£000</b>	<b>31.03.02</b> <b>£000</b>
Sale of Council Houses	1,066	1,387
Housing Act Advances	24	46
Housing Associations	27	27
Other	779	321
	<b>1,896</b>	<b>1,781</b>

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 5: DEBTORS

An analysis of debtors is shown below:

	<b>31.03.03</b>	<b>31.03.02</b>
	<b>£000</b>	<b>£000</b>
Housing Rents	3,491	4,325
Government Departments and Local Authorities	19,446	11,748
Council Tax Payers	25,292	21,329
NNDR Payers	19,364	20,886
NNDR Refund due from Pool	6,326	3,306
Sundry	44,921	40,160
	<b>118,840</b>	<b>101,754</b>
Less Provision for Bad Debts	<b>(53,398)</b>	<b>(50,587)</b>
	<b>65,442</b>	<b>51,167</b>

### NOTE 6: CREDITORS

An analysis of creditors is shown below:

	<b>31.03.03</b>	<b>31.03.02</b>
	<b>£000</b>	<b>£000</b>
Government Departments and Local Authorities	8,697	9,953
Sundry	42,641	47,679
	<b>51,338</b>	<b>57,632</b>

### NOTE 7: LONG TERM BORROWING

Loans which mature within one year are shown under short term borrowing.

The analysis of the long term loans by maturity is shown below:

	<b>31.03.03</b>	<b>31.03.02</b>
	<b>£000</b>	<b>£000</b>
Between 1 - 2 years	16,000	16,600
Between 2 - 5 years	14,500	35,500
Between 5 - 10 years	47,000	46,500
More than 10 years	367,177	362,677
	<b>444,677</b>	<b>461,277</b>

All of the long term loans were provided by the Public Works Loans Board.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 8: LONG TERM CREDITORS

	31.03.03 £000	31.03.02 £000
Deferred Purchase	1,959	2,634
Housing Subsidy	-	2,087
Other	943	-
<b>Total</b>	<b>2,902</b>	<b>4,721</b>

### NOTE 9: PROVISIONS

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

	31.03.02 £000	Additions £000	Reductions £000	31.03.03 £000
Uninsured Losses	1,200	1,463	(1,836)	827
Employment Tribunals	130	-	(40)	90
Disrepair Cases	130	320	(130)	320
Disputed Invoices	6	-	-	6
Leasing – Dilapidations	-	257	-	257
Redundancy	-	20	-	20
	<b>1,466</b>	<b>2,060</b>	<b>(2,006)</b>	<b>1,520</b>

**Uninsured Losses** - The Council meets a proportion of its insurance liabilities and claims from the Uninsured Losses provision. The level of the provision is reviewed annually on the basis of information from the Council's advisers. The Council estimates that the amount held as a provision plus additional amounts to be provided in 2003/2004 will be more than sufficient to meet all claims that are likely to be settled in 2003/2004.

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

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

**Disputed Invoices** - Relates to an ongoing legal case.

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

**Redundancy** - Amounts required following a re-organisation.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 10. FIXED ASSET RESTATEMENT RESERVE

	<b>£000</b>
Balance at 1st April 2002	(422,505)
Less: Asset Disposals	17,431
Balance at 31st March 2003	<b>(405,074)</b>

The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1<sup>st</sup> April 1999. This was implemented from 1<sup>st</sup> April 2000. This has resulted in a significant increase in the size of the reserve. The reserve will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

### NOTE 11: GOVERNMENT GRANTS DEFERRED ACCOUNTS

	<b>£000</b>
Balance at 1st April 2002	31,281
Grants Received in Year	11,861
Grants Released to Revenue	(1,195)
Balance at 31st March 2003	<b>41,947</b>

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

### NOTE 12: CAPITAL FINANCING RESERVE

	<b>£000</b>
Balance at 1 <sup>st</sup> April 2002	96,413
Movements in Year:-	
Capital Receipts Set Aside	13,068
Capital Receipts Applied	3,800
Statutory Charge to CRA (note 8 page 23)	63
Capital Grant Applied	4,113
General Fund Revenue Contributions to Capital Expenditure	5,121
HRA Contributions to Capital Expenditure	4,984
Major Repairs Reserve	(1,397)
Less Transfer to Revenue	(18,982)
Balance at 31 <sup>st</sup> March 2003	<b>107,183</b>

The Capital Financing Reserve (CFR) 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 CFR replaced the Provision for Credit Liabilities (PCL) which is retained but only on a memorandum basis as shown at Note 19.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 13: CAPITAL RECEIPTS UNAPPLIED

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

	<b>£000</b>
Balance of Usable Receipts at 1 <sup>st</sup> April 2002	463
Add - Receipts from Sale of Assets etc.	16,441
Less - Receipts Set Aside	(13,068)
Less - Receipts Applied to New Capital Expenditure	(3,800)
Balance of Usable Receipts at 31 <sup>st</sup> March 2003	36

### NOTE 14: CAPITAL GRANTS UNAPPLIED

	<b>2002/2003</b>	<b>2001/2002</b>
	<b>£000</b>	<b>£000</b>
Grants unapplied brought forward	3,348	606
Grants received during year	15,795	16,531
Grants applied during year	(2,917)	(2,537)
Grants transferred to Deferred Account	(11,861)	(11,252)
Grants unapplied carried forward	<b>4,365</b>	<b>3,348</b>

### NOTE 15: DEFERRED CREDITS

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

	<b>2002/2003</b>	<b>2001/2002</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward	1,213	1,495
Movement during the year	(238)	(282)
Balance carried forward	<b>975</b>	<b>1,213</b>

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 16: EARMARKED RESERVES

	31.03.02 £'000	Additions £'000	Reductions £'000	31.03.03 £000
Section 106 and Commuted Car Parking	8,208	2,521	(2,707)	8,022
Dollis Hill House	228	227	(249)	206
Care of the Elderly	206	3	(2)	207
Capital Funding	9,664	3,907	(5,122)	8,449
Further Education Funding Council	209	-	(192)	17
NNDR Revaluation Refunds	648	-	(492)	156
Willesden High School Deficit	500	-	(100)	400
Edward Harvist Trust Monies	118	53	(56)	115
Learning & Skills Council	212	188	-	400
Systems Development	413	-	(35)	378
Middlesex House and Lancelot Road	1,082	170	(1,000)	252
Housing Revenue Account	3,210	3,118	(1,414)	4,914
Education	98	174	-	272
Standards Fund	1,070	407	(212)	1,265
Chesterfield House Refurbishment	164	-	(164)	-
Outdated HB Cheques	140	-	(140)	-
Lead Tenants and Property	130	-	(51)	79
Single Regeneration Budget	762	48	-	810
Service Units	115	-	-	115
Financial Skills and Systems	110	3	(56)	57
New Opportunities Fund	307	125	(273)	159
Access Fund	145	208	(158)	195
Neighbourhood Renewal Fund	589	-	(589)	-
Community Against Drugs	260	-	(260)	-
Behaviour Improvement	-	113	-	113
Jewish Free School	-	345	-	345
Restructuring Reserve	-	249	-	249
Miscellaneous	601	101	-	702
	<b>29,189</b>	<b>11,960</b>	<b>(13,272)</b>	<b>27,877</b>

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

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

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

**Capital Funding** - This represents revenue contributions set aside to meet commitments included in the capital programme. This only relates to the General Fund. There are no contributions from the Housing Revenue Account.

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

**Further Education Funding Council (FEFC)** - Income received which can only be spent on FEFC courses.

**NNDR Revaluation Refunds** - Monies earmarked to pay consultants working on valuation appeals and accounts which will be paid centrally.

**Willesden High School Deficit** - The Council is ultimately responsible for funding an accumulated deficit if Willesden High School cannot meet it from its own resources. £400k has thus been reserved for this eventuality.

**Edward Harvist Trust Monies** - Monies provided by the Edward Harvist Trust for the London Borough of Brent to distribute to voluntary organisations. Brent has set conditions for funding organisations. The amounts in the earmarked reserve at 31<sup>st</sup> March 2003 are likely to be mainly spent in 2003/2004.

**Learning and Skills Council** - Monies from the Learning and Skills Council not spent by 31<sup>st</sup> March 2003.

**Systems Development** - To finance improvements and enhancements in the Borough's ITC systems. This will also finance action necessitated by Year 2000 issues.

**Middlesex House and Lancelot Road** - In 1987 the Council entered into financial arrangements in connection with a loan raised by Network Housing Association (NHA) to fund the purchase and conversion of Middlesex House and a new building at Lancelot Road. These were to be primarily utilised to house homeless families. The Council leases the properties from NHA.

The Council entered a revised arrangement with NHA in 2000/2001 effective from 1<sup>st</sup> April 1997. This included the Council paying grants to NHA which are calculated annually based on factors, such as the level of RPI, included in the agreement.

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

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

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

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

**Chesterfield House Refurbishment** - Monies earmarked to refurbish Chesterfield House which houses some Education offices. This is a condition of the lease extension.

**Outdated HB Cheques** - Outdated Housing Benefit Cheques not presented at 31<sup>st</sup> March 2003.

**Lead Tenants and Property** - Monies set aside for repairs to Council administrative buildings.

## CONSOLIDATED BALANCE SHEET (Continued)

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

**Service Units** - Monies set aside to meet Service Units' deficits.

**Financial Skills and Systems** - Following the Arthur Anderson review of the finance function there were a number of recommendations which required some investment to implement. This was principally relating to skill differences highlighted by a survey of all staff undertaking finance tasks. It is also to develop an integrated financial system.

**New Opportunities Fund** - Grant monies to fund programmes which will be completed after the end of the 2002/2003 financial year.

**Access Fund** - Monies from the Access Fund not spent by 31<sup>st</sup> March 2003.

**Community Against Drugs** - Monies received in March 2003 which will be spent in 2003/2004.

**Behaviour Improvement** - The Behaviour Improvement Programme is aimed at excluded pupils.

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

**Restructuring Reserve** - Future monies available from discounts on loan restructuring.

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

### NOTE 17: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	<b>31.03.03</b>	<b>31.03.02</b>
	<b>£000</b>	<b>£000</b>
Schools	2,737	3,174
Other	50	1,351
	<b>2,787</b>	<b>4,525</b>

Schools balances are committed to be spent on the Education Service and are not available to Brent for general use.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 18: DEFERRED CHARGES

In previous years deferred charges included HRA subsidy. At 31<sup>st</sup> March 2003, there was no deferred charge in relation to HRA subsidy.

#### (1) HRA Subsidy - Consolidated Rate of Interest

During the latter part of 1997/98 the Department of the Environment, Transport and the Regions (DETR) informed the Council that it believed the methodology adopted by the Council for the calculation of the consolidated rate of interest, which forms part of the HRA subsidy claim, did not comply with the grant conditions. This methodology had been used since 1990/91 the first year of the current regime. The impact was that Housing Subsidy had been over-claimed and DETR required repayment. This has to be funded from the General Fund. It amounted to the following for the stated financial years:

	£'000
1992/93	(219)
1993/94	-
1994/95	1,586
1995/96	2,660
1996/97	307
1997/98	4,012
	<u>8,346</u>

Due to the late notification of this matter, there was also an adverse financial impact on 1996/97 and 1997/98 as assumptions in setting the revenue budgets for these years were based on receiving a higher level of Housing Subsidy than was in fact the case. DETR recognised the severe financial impact of meeting over £8.3m of unbudgeted expenditure and agreed to an arrangement whereby repayments would be staggered from 1999/2000 until 2002/2003. It has been agreed that 25% would be re-payable in each of these years (£2.1m). There is no outstanding liability as at 31<sup>st</sup> March 2003.

#### (2) Premature Redemption of Debt

The deferred charge includes premia incurred and discounts earned in prematurely redeeming debt. Premia are apportioned between the General Fund and Housing Revenue Account and charged to the Housing Revenue Account over the remaining life of the redeemed debt and to the General Fund over the life of the debt which was raised to replace it. If an opportunity arises to capitalise the General Fund component, this is normally exercised, as it represents an efficient way of managing the portfolio. Discounts are held to finance further restructurings in future years. The accounting treatment reflects this.

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 19: PROVISION FOR CREDIT LIABILITIES

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

	2002/2003 £000	2001/2002 £000
Balance brought forward		-
Minimum Revenue Provision	10,744	10,723
Reserved Capital Receipts	13,068	10,070
	23,812	20,793
Amount of Debt Repaid	(23,812)	(20,793)
Premium paid on redemption	-	-
Balance Carried Forward	-	-

### NOTE 20: DEFERRED PURCHASE

The Council is in the process of terminating a deferred purchase scheme entered into in the 1980s. It will be repaid in instalments on 14<sup>th</sup> April each year until 2005. At 31<sup>st</sup> March 2003 £1.959m remained outstanding on this scheme.

### NOTE 21: CONTINGENT LIABILITIES

Potential claims from two parties arising out of a planning agreement have been notified to the Council which disputes liability. No provision is being made.

The Council has a series of loan guarantees as detailed below:

The Council has a liability in respect of mortgages guaranteed under the Equity Sharing Scheme. The total value of the mortgages originally guaranteed was £900,000.

The Council has entered into a number of agreements, including guarantees and indemnities, leases and management agreements with Housing Associations and other bodies both for private sector leasing schemes and for the accommodation for the homeless. It is not considered necessary to make any direct provision in respect of these agreements.

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

The Council is being sued for an as yet unquantified sum in respect of a development agreement which the Council has terminated for non-performance. The Council is disputing the claim and is not making any provision.

## CONSOLIDATED BALANCE SHEET (Continued)

The Council has been notified of a claim made in respect of an alleged breach of a Service Agreement terminated by the Council in 1998. No proceedings have been issued. The Council disputes the claim and is not making any provision.

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

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

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

A claim has been made against the Council under the Leasehold Reform Act 1967 which if successful would result in the freehold transfer of a property. The Council disputes liability and has not made any provision.

### NOTE 22: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	31.03.03	31.03.02
Council Dwellings		
Council Dwellings	9,364	9,744
Land and Buildings		
Foundation Schools	18	18
Secondary Schools	10	10
Primary Schools	58	58
Nursery Schools	4	4
Special Schools	5	5
Pupil Referral Unit	1	1
Libraries	11	11
Social Services Establishments	86	86
Administrative Buildings	3	3
Car Parks	15	15
Infrastructure		
Kilometres of Roads	428	428
Community Assets		
Acres of Parks and Open Spaces	1,000	1,000

## CONSOLIDATED BALANCE SHEET (Continued)

### NOTE 23: CAPITAL COMMITMENTS

Significant capital commitments at 31<sup>st</sup> March 2003 and 31<sup>st</sup> March 2002 are detailed below. The total value of commitments represents the amount notified to and agreed by the Council's Corporate Deciding Committee. It includes both capital schemes under contract and those that it would be prudent to provide for:

	<b>31.03.03</b> <b>£000</b>	<b>31.03.02</b> <b>£000</b>
Committee Commitments	6,912	6,816
Deferred Purchase	1,959	2,634
Chalkhill Redevelopment	420	634
	<b>9,291</b>	<b>10,084</b>

### NOTE 24: EURO COSTS

No direct expenditure or commitments on the Euro were incurred in 2002/2003. 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.

## STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES			Total £000
	Fixed Asset Restatement Reserve £000	Capital Financing Reserve £000	Usable Capital Receipts £000	General Fund £000	Specific Reserves £000	HRA £000	
Balance as at 01.04.02	(422,505)	(96,413)	(463)	(4,525)	(29,189)	(1,739)	(554,834)
Net (Surplus)/ Deficit for the Year				1,738	1,312	1,225	4,275
Unrealised (Gains)/Loss, from Revaluation of Fixed Assets		18,982					18,982
Effects of Disposals of Fixed Assets:							
Cost or Value of Assets Disposed of	17,431						17,431
Proceeds of Disposals		(13,068)	(3,373)				(16,441)
Net (Surplus)/ Deficit	17,431	(13,068)	(3,373)				990
Financing of Fixed Assets		(16,684)	3,800				(12,884)
<b>Balance at 31.03.03</b>	<b>(405,074)</b>	<b>(107,183)</b>	<b>(36)</b>	<b>(2,787)</b>	<b>(27,877)</b>	<b>(514)</b>	<b>(543,471)</b>

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

Fixed Asset Restatement Reserve	Note 10 to Consolidated Balance Sheet
Capital Financing Reserve	Note 12 to Consolidated Balance Sheet
Usable Capital Receipts	Note 13 to Consolidated Balance Sheet
General Fund Balances	Note 17 to Consolidated Balance Sheet
Specific Reserves	Note 16 to Consolidated Balance Sheet
HRA	Housing Revenue Account

## 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.

	2002/2003		2001/2002	
	£000	£000	£000	£000
<b>Revenue Activities</b>				
- Expenditure				
Cash Paid to and on Behalf of Employees	205,528		188,241	
Other Operating Costs	286,740		264,449	
Housing Benefit Paid Out	115,894		97,467	
NNDR Payments to National Pool	65,600		64,888	
Precepts Paid	<u>15,753</u>	689,515	<u>13,629</u>	628,674
- Income				
Rents (after Rebates)	(16,699)		(16,075)	
Community Charge Income	(36)		(100)	
Council Tax Income	(56,446)		(56,446)	
NNDR Income	(69,175)		(69,175)	
NNDR Income from National Pool	(78,826)		(74,627)	
Revenue Support Grant	(148,245)		(155,180)	
DSS Grants for Rebates	(112,845)		(107,111)	
Other Government Grants (See Note 1)	(134,680)		(122,786)	
Cash received for Goods and Services	(41,366)		(33,257)	
Other	<u>(56,871)</u>	(715,189)	<u>(46,584)</u>	(681,341)
<b>Servicing of Finance</b>				
- Expenditure				
Interest Paid	39,726		39,668	
- Income				
Interest Received	<u>(3,825)</u>	<u>35,901</u>	<u>(3,558)</u>	<u>36,110</u>
Total Revenue Activities Cash Surplus (See Note 2)		10,227		(16,557)
<b>Capital Activities</b>				
- Expenditure				
Purchase of Fixed Assets	31,975		33,816	
Deferred Charges	18,982		16,402	
Other	<u>676</u>	51,633	<u>659</u>	50,877
- Income				
Sale of Fixed Assets	(16,440)		(13,684)	
Capital Grants Received	<u>(15,795)</u>	<u>(32,235)</u>	<u>(16,531)</u>	<u>(30,215)</u>
<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>29,625</b>		<b>4,105</b>
<b>Management of Liquid Resources</b>				
Net (Inflow)/Outflow from Short Term Deposits		(36,100)		27,600
<b>Financing</b>				
- Expenditure				
Repayments of Amounts Borrowed		209,800		55,200
- Income				
New Loans Raised	(16,000)		(25,000)	
New Short Term Loans	<u>(192,800)</u>	<u>(208,800)</u>	<u>(55,200)</u>	<u>(80,200)</u>
<b>(Increase)/Decrease in Cash (See Note 3)</b>		<b><u>(5,475)</u></b>		<b><u>6,705</u></b>

## CASH FLOW STATEMENT (Continued)

### NOTE 1: OTHER GOVERNMENT GRANTS

	2002/2003 £000	2001/2002 £000
Housing Subsidy	57,808	53,533
LSC	14,777	-
Child Care and Early Years	-	1,095
Education Standards Fund	17,846	16,956
School Standards Grant	4,316	2,794
ESF - Childcare	171	-
Devolved Funding Grant	-	1,037
GM Protection Grant	-	903
Home Office – S3 Project	-	108
Home Office – On Track Project	359	507
Mandatory Student Awards	698	1,431
Teachers Pay Reform	2,616	2,201
Education Maintenance Allowances	1,346	664
Child Care	835	446
Social Services Training Support	273	163
AIDS and HIV	319	329
Mental Illness	1,001	959
Quality Protects	4,975	3,433
Promoting Independence	902	1,580
Carers	1,558	468
Workstep	-	143
Child and Adolescent Mental Health	336	119
Building Care Capacity	747	359
Performance Fund	245	-
Preserved Rights	1,495	-
Residential Allowance	517	-
IT for Social Care	163	-
Asylum Seekers	6,994	14,975
Magistrates Courts	759	806
Single Regeneration Budget	7,395	14,882
Drugs Action	662	-
ESF	250	-
Aid to Refugees	166	-
Community Safety	413	-
E-Government	200	-
DeFRA Fridges	279	-
Jewish Free School	570	-
Neighbourhood Renewal Fund	2,051	1,140
PFI	839	850
Miscellaneous	799	905
	<b>134,680</b>	<b>122,786</b>

## CASH FLOW STATEMENT (Continued)

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

	2002/2003 £000	2001/2002 £000
<b>Surplus/(Deficits) for the Year</b>		
Schools	(437)	(1,603)
Other General Fund	(1,301)	(4,601)
HRA	(1,225)	(1,247)
	(2,963)	(7,451)
<b>Non Cash Transactions</b>		
Minimum Revenue Provision	10,744	10,723
Other Provisions/Earmarked Reserves	2,522	8,365
<b>Accruals Items</b>		
(Increase)/Decrease in Stock and WIP	39	34
(Increase)/Decrease in Debtors	(14,275)	(3,203)
Increase/(Decrease) in Creditors	(6,294)	8,089
<b>Net Revenue Cash Flow Surplus</b>	<b>(10,227)</b>	<b>16,557</b>

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

	Balance 31.03.03 £000	Balance 01.04.02 £000	Movement In Year £000
Cash	(5,067)	(10,542)	5,475
2001/2002 Comparative			<u>(6,705)</u>

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

	Balance 31.03.03 £000	Balance 31.03.02 £000	Movement In Year £000
Cash in Hand	36	39	(3)
Cash Overdrawn	(5,103)	(10,581)	5,478
	(5,067)	(10,542)	5,475
Long Term Borrowing	(444,677)	(461,277)	16,600
Short Term Borrowing	(26,600)	(20,500)	(6,100)
	(476,344)	(492,319)	15,975
Short Term Investments	64,362	99,120	(34,758)
<b>Total</b>	<b>(411,982)</b>	<b>(393,199)</b>	<b>(18,783)</b>

## COLLECTION FUND

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

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2003

Notes	2002/2003 £000	2001/2002 £000
<b>Income</b>		
1	64,201	58,708
	Transfers from General Fund	
	- Council Tax Benefits	14,297
	- Discount for prompt payment	390
2	60,143	62,022
	<b>140,884</b>	<b>135,417</b>
<b>Expenditure</b>		
3	79,532	72,219
2	Non-Domestic Rates:-	
	- Payment to National Pool	61,582
	- Cost of Collection Allowance	440
	Provision for Non-Payment of Council Tax	1,176
	<b>140,884</b>	<b>135,417</b>

## COLLECTION FUND (Continued)

### NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

#### NOTE 1: COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1<sup>st</sup> April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the Council Tax Base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts) which was 90,600 for 2002/2003. This basic amount of Council Tax for a Band D property (£877.84 for 2002/2003) 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:

<b>Proportion of Band D Charge</b>	<b>Number of Band D Equivalent Properties</b>	
Band A	0.67	1,445
Band B	0.78	6,908
Band C	0.89	22,341
Band D	1.00	25,271
Band E	1.22	23,339
Band F	1.44	8,004
Band G	1.67	5,185
Band H	2.00	<u>430</u>
	<u>92,923</u>	x 97.5% Collection Rate = 90,600

The income of £80.921m for 2002/2003 (including the provision for non-payment) was receivable from the following sources:

	<b>£'000</b>
Billed to Council Tax Payers	64,201
Council Tax Benefits	16,429
Discount for Prompt Payment	291
	<b>80,921</b>

## COLLECTION FUND (Continued)

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

Non Domestic Rates are organised on a national basis. The Government specified a rate of 43.7p in 2002/2003 and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties taking effect from 1<sup>st</sup> April 2000. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £190,795,675 at 31<sup>st</sup> March 2003 but pays the proceeds into a national NDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The amounts collected from the ratepayers on behalf of the Government and paid into the Pool can be analysed as follows:-

	<b>2002/2003</b> <b>£000</b>	<b>2001/2002</b> <b>£000</b>
Original Debit	83,378	84,215
Transitional Relief	2,260	89
Charitable Relief	(3,221)	(3,303)
Provision for Uncollectable Amounts	(1,565)	(2,363)
Other Adjustments	(8,382)	(4,336)
Empty/Void Relief	(12,762)	(12,280)
Net NNDR Income	59,708	62,022
Cost of Collection Allowance Payable to General Fund	(435)	(440)
Amount Payable to NNDR Pool	<b>59,273</b>	<b>61,582</b>

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

### NOTE 3: PRECEPTS

	<b>2002/2003</b> <b>£000</b>	<b>2001/2002</b> <b>£000</b>
London Borough of Brent	63,778	58,590
Greater London Authority	15,754	13,629
	<b>79,532</b>	<b>72,219</b>

The Greater London Authority (GLA) was established in 2000/2001. Its functions include those previously undertaken by the London Fire and Civil Defence Authority (LFCDA) and the Metropolitan Police, who used to levy separate precepts.

**LONDON BOROUGH OF BRENT  
PENSION FUND ACCOUNTS AS AT 31 MARCH 2003**

	Note	<u>2001/2002</u> <u>£ 000s</u>	<u>2002/2003</u> <u>£ 000s</u>
<b>Contributions and Benefits</b>			
Contributions Receivable	4	15,902	18,254
Transfer Values In	5	3,458	4,695
		<b>19,360</b>	<b>22,949</b>
Benefits Payable	6	19,878	22,293
Administrative Expenses	7	696	823
		<b>20,574</b>	<b>23,116</b>
<b>Net Additions (withdrawals) from dealings</b>		<b>(1,214)</b>	<b>(167)</b>
<b>GAIN ON INVESTMENT</b>			
Investment Income	8	10,650	10,799
Change in Market Value of Investments	9	(8,673)	(77,636)
Investment Management Expenses	10	(640)	(612)
<b>Total Gains On Investments</b>		<b>1,337</b>	<b>(67,449)</b>
<b>Net Additions during the Year</b>		<b>123</b>	<b>(67,616)</b>
<b>Net Assets of the Scheme</b>			
at 1 April 2003		<b>346,307</b>	<b>346,430</b>
at 31 March 2003		<b>346,430</b>	<b>278,814</b>
<b>NET ASSETS STATEMENT 31 MARCH</b>			
<b>INVESTMENTS</b>			
UK Equities	9	139,709	80,091
UK Small Companies		6,185	4,163
Private equity-Capital Fund		-	500
Overseas Equities		97,102	102,562
Fixed Interest Securities		51,628	76,284
Index-Linked Securities		35,761	-
Property Unit Trusts		8,911	9,594
Cash Deposits		4,925	3,823
		<b>344,221</b>	<b>277,017</b>
<b>Current Assets/(Liabilities)</b>	11	<b>2,209</b>	<b>1,797</b>
<b>Net Assets of the Scheme at 31 March</b>		<b>346,430</b>	<b>278,814</b>

**LONDON BOROUGH OF BRENT PENSION FUND**  
**NOTES TO THE ACCOUNTS 31st March 2003**

**1. BASIS OF PREPARATION**

The financial statements summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the fund, which **does** take account of such liabilities, is dealt with in the statement by the actuary on page 6 of the annual report and these financial statements should be read in conjunction with it.

**2. ACCOUNTING POLICIES**

The consolidated accounts of the Pension Fund for the year to 31st March 2003 are presented in accordance with the following accounting policies:

**(A) STATEMENT OF ACCOUNTING POLICIES**

- (i) The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the pension fund for those employees.
- (ii) Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates that are set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government Regulations.

**(B) BASIS OF ACCOUNTING**

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting for Great Britain "the code" issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and with the Statement of Recommended Practice for the Financial Reports of Pension Schemes.

**(C) CONSOLIDATION**

The consolidated accounts include the accounts for the external fund managers and the internal Brent balances.

**(D) ASSET VALUATION PRINCIPLES**

- (i) UK quoted securities are valued at mid-market prices as at the close of business on the date of the external managers' Valuation for 31 March 2003 or at the date of the last pricing of the security.
- (ii) Overseas quoted securities are valued at the closing price or last trading price on the date of the external manager's report.
- (iii) UK unquoted unit trusts and other unquoted securities are valued below the external manager's own valuation of the underlying securities in view of the limited potential that now exists to realise these investments. The book values of these investments have been written down to nil.

**(E) INCOME FROM INVESTMENTS**

Dividends on investments are credited to the revenue account on the ex-dividend date. Interest on fixed-interest securities is accrued on a day to day basis. Income is shown gross of taxes deducted at source in the accounts.

**(F) FOREIGN CURRENCIES**

Transactions in foreign currencies are accounted for in sterling at the rate ruling on the date of the transactions. Monetary and other assets denominated in foreign currencies are translated into sterling at exchange rates ruling on 31 March 2003. Translation and conversion differences arising on transactions are included in the Revenue Account.

**(G) TRANSFER VALUES TO AND FROM THE FUND**

The Revenue Account has been prepared on an accruals basis. Transfer values due to or from the fund during the year have been included whether or not the cash had been received.

**3. NOTES TO THE ACCOUNTS**

**(A) EX-GRATIA PAYMENTS**

No ex-gratia payments were met from the Fund in 2002/2003.

**(B) TAXATION**

**(i) Investments**

The Fund is exempt from United Kingdom Capital Gains Tax. Income from overseas sources suffers a withholding tax in the country of origin, unless exemption is permitted as in the United States and Australia. A proportion of the tax deducted in some European Countries is recovered. The amounts recovered will vary from the amounts paid due to exchange rate fluctuations. All VAT paid is recoverable. Irrecoverable Overseas Withholding Tax and UK Income Tax has been written off to the Revenue account in 2002/2003.

**(ii) Compounded Pensions**

There is a liability to income tax on these items, which are small pensions converted into lump sums. The rate of tax is 20% and the liability is minimal.

**(C) EMPLOYERS' CONTRIBUTIONS**

In 2002/2003 employers' contributions of £13.1 million were paid (2001/2002 £11.2 million). The increase follows the 1998 Actuarial Valuation that agreed employers should raise contributions over a three year period. The increased contributions will allow elimination of the funding deficit over the expected working life of the average employee (13 years).

**4. CONTRIBUTIONS RECEIVABLE**

Employees contributed £5.1 million in 2002/2003. The numbers of contributing members increased during the year.

	<u>2001/2002</u> <u>£000s</u>	<u>2002/2003</u> <u>£000s</u>
<b>Employers</b>		
Brent	9,755	11,185
Scheduled	754	1,138
Admitted	739	808
<b>Members</b>		
Brent	3,877	4,201
Scheduled	290	421
Admitted	381	374
Additional Voluntary Contributions	106	127
	<u>15,902</u>	<u>18,254</u>

	<u>2001/2002</u> <u>£000s</u>	<u>2002/2003</u> <u>£000s</u>
<b>5. TRANSFERS IN</b>		
Individual Transfers in from other schemes	<u>3,458</u>	<u>4,695</u>
<b>6. BENEFITS PAYABLE</b>		
<b>On Retirement or Death</b>		
Pensions	14,722	15,459
Lump Sum Retirement Benefits	1,604	2,085
<b>Payments to and on account of leavers</b>		
Refund to members leaving service	156	211
Individual transfers to other schemes	<u>3,396</u>	<u>4,538</u>
	<u><b>19,878</b></u>	<u><b>22,293</b></u>
<b>7. ADMINISTRATION EXPENSES</b>		
Administration and processing	656	783
Actuarial fees	<u>40</u>	<u>40</u>
	<u><b>696</b></u>	<u><b>823</b></u>
<b>8. INVESTMENT INCOME</b>		
Dividend income Equities	5,059	5,407
Income from Fixed Interest Securities	3,842	4,008
Income from Index-Linked Securities	925	632
Income from Property Unit Trusts Securities	648	555
Interest on Cash Deposits	<u>176</u>	<u>197</u>
<b>Total Investment Income</b>	<u><b>10,650</b></u>	<u><b>10,799</b></u>

## 9. INVESTMENTS

	<u>Value at</u> <u>31.03.02</u> <u>£'000s</u>	<u>Purchases</u> <u>At cost</u> <u>£'000s</u>	<u>Sales</u> <u>Proceeds</u> <u>£'000s</u>	<u>Change in</u> <u>Market</u> <u>Value</u> <u>£'000s</u>	<u>Value at</u> <u>31.03.03</u> <u>£'000s</u>
UK Equities	139,709	16,187	31,997	(43,808)	80,091
UK Small Companies	6,185	25	0	(2,047)	4,163
Private Equity-Capital Fund	0	500	0	0	500
Overseas Equities	97,102	51,229	9,125	(36,644)	102,562
Fixed Interest Securities	51,628	90,944	69,054	2,766	76,284
Index-Linked Securities	35,761	16,389	52,306	156	0
Property Unit Trusts	8,911	409	0	274	9,594
Cash Deposits	<u>4,925</u>	<u>0</u>	<u>2,769</u>	<u>1,667</u>	<u>3,823</u>
	<u><b>344,221</b></u>	<u><b>175,683</b></u>	<u><b>165,251</b></u>	<u><b>(77,636)</b></u>	<u><b>277,017</b></u>

The change in Market Value of Investments during the year comprises all increases and decreases in the Market Value of Investments held at any time during the year.

	<u>2001/2002</u> <u>£000s</u>	<u>2002/2003</u> <u>£000s</u>
UK Equities-Quoted	139,709	80,091
UK Small Companies	6,185	4,163
Private Equity-Capital Fund	0	500
Overseas Equities-Quoted	97,102	102,562
Fixed Interest Securities	51,628	76,284
Index-Linked Securities	35,761	0
UK Property Unit Trusts	8,911	9,594
UK Cash Deposit	4,925	3,823
	<u>344,221</u>	<u>277,017</u>

#### 10. INVESTMENT AND MANAGEMENT EXPENSES

Fund Management and Custody fees	578	563
Performance Measurement fees	14	15
Computerisation	25	25
Conferences & Meetings	23	9
	<u>640</u>	<u>612</u>

#### 11. CURRENT ASSETS AND LIABILITIES

Investment Income due	1,645	1,182
Transfer Values Receivable	448	810
Contributions Due	332	319
Other Miscellaneous Debtors	130	62
Transfer Values Payable	(138)	(35)
Management Fees	(102)	(122)
Lump sums not paid	(39)	(49)
Employers Contributions	0	(334)
Other Miscellaneous Creditors	(67)	(36)
	<u>2,209</u>	<u>1,797</u>

## **GLOSSARY**

### **ACCRUALS**

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

### **CAPITAL CHARGES**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL RECEIPTS**

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

### **COMMUNITY ASSETS**

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

### **CONSISTENCY**

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

### **CORPORATE AND DEMOCRATIC CORE**

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

### **CORPORATE MANAGEMENT (CM)**

Those activities which relate to the general running of the authority. These provide the infrastructure that allows services to be provided whether by the authority or not and the information required for public accountability. Activities relating to the provision of services, even indirectly are overheads on those services, not on CM.

## **GLOSSARY (Continued)**

### **CREDITORS**

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

### **DEBTORS**

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

### **DEFERRED CHARGES**

Expenditure of a capital nature which is met from borrowing but for which there is no tangible asset e.g. improvement grants and expenses of private acts. It also includes loans outstanding on

### **DEMOCRATIC REPRESENTATION AND MANAGEMENT**

This concerns corporate policy making and all other member-based activities. It includes the costs of officer time spent on appropriate advice and support activities plus subscriptions to local authority associations.

### **DIRECT SERVICE ORGANISATION (DSO)**

The term is used to cover both Direct Labour Organisations (DLO) and Direct Service Organisation (DSO). It is a unit operating within the council's responsibility which has won a competitive tendering exercise to provide a service established under the Local Government, Planning and Land Act 1980 for DLOs and the Local Government Act 1988 for DSOs. There is no longer a requirement to publish separate DSO accounts from 2000/2001.

### **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of an asset to the lessee (the council) and at the end of the lease term substantially all the asset value and interest payments have been made.

### **FIXED ASSETS**

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year.

### **GOING CONCERN**

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

## **GLOSSARY (Continued)**

### **GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to the council in return for past or future compliance with certain conditions relating to the activities of the authority.

### **INFRASTRUCTURE ASSETS**

A classification of fixed assets, whose life is of indefinite length and which are not usually capable of being sold, e.g. highways, street lighting and footpaths.

### **LONG TERM INVESTMENTS**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments which do not meet the above criteria, should be classified as current assets.

### **INVESTMENT PROPERTIES**

Interest in land and/or buildings which are fully, developed which are held for its investment potential any rental income negotiated at arms length.

### **LEVIES**

There are payments to London-wide bodies whose costs are borne by local authorities in the area concerned.

### **LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

### **MINIMUM REVENUE PROVISION**

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

## **GLOSSARY (Continued)**

### **NATIONAL NON DOMESTIC RATE (NNDR)**

A flat rate in the pound set by the Central Government and levied on all non-residential premises according to their rateable value collected by the council and paid into a central pool (NNDR POOL) which is administered by the central government. The total collected is then redistributed to the council on the basis of population.

### **OPERATING LEASES**

The lessor is paid rental for the hire of an asset for a period, which is substantially less than the useful economic life of an asset. The lessor is taking a risk on the residual value at the end of the lease.

### **OPERATIONAL ASSETS/NON OPERATIONAL ASSETS**

- (a) Fixed assets held and occupied, used or consumed by the council in the direct delivery of services for which it has either a statutory or discretionary responsibility.
- (b) Non-operational assets, not directly occupied or are surplus to requirements pending sale or development.

### **PRECEPTS**

A charge made by another authority on the council to finance its net expenditure. This council has two charges on the collection fund the Metropolitan Police and the London Fire and Civil Defence Authority.

### **PRIOR YEAR ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets the ultimate cash realisation of which can be assessed with reasonable certainty.

### **REVENUE SUPPORT GRANT**

Primary grant paid by the government in support of the Council's revenue expenditure.

### **STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)**

Guidance issued by the professional bodies on best accounting practice.

## **GLOSSARY (Continued)**

### **STANDARD SPENDING ASSESSMENT (SSA)**

The amount that the Government considers individual local councils need to spend to provide a standard level of service. SSA's are the key element in calculating a local authority's Revenue Support Grant.

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