

**LONDON BOROUGH OF BRENT**  
**STATEMENT OF ACCOUNTS**  
**2007/08**

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

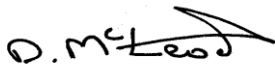
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## INTRODUCTION BY THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES

Brent's annual accounts show the financial performance of the Council for the year 2007/08. They present fairly the financial position of the authority on 31<sup>st</sup> March 2008 and its income and expenditure for the year ending on that date.

It is hoped that these accounts will provide a useful and important source of financial information for the community, Council Members and other interested parties. The Explanatory Foreword on the next few pages gives a brief summary of the Council's financial position in 2007/08.

I should also like to thank my staff and colleagues throughout the Council for their hard work and support during the year.



Date: 26<sup>th</sup> June 2008

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DUNCAN McLEOD  
Director of Finance and Corporate Resources

## EXPLANATORY FOREWORD

### 1. INTRODUCTION

The accounts for the year 2007/08 consist of:

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

#### CORE FINANCIAL STATEMENTS

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

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

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

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

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

#### SUPPLEMENTARY FINANCIAL STATEMENTS

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

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

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

## EXPLANATORY FOREWORD (Continued)

**Pension Fund** - The Pension Fund is separately managed by Brent and the Fund's accounts are separate from Brent's accounts.

The accounts have been produced in line with the requirements of the 2003 Accounts and Audit Regulations, the 2006 Code of Practice on Local Authority Accounting in Great Britain (ACOP), a Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.

## 2. GENERAL FUND REVENUE SPENDING IN 2007/08

The table below shows how actual expenditure on services in 2007/08 compares to the budgeted figures. Positive variances show underspends and negative variances show overspends compared with budgets.

	Budget £000	Outturn £000	Variance £000
<b>Service Area Budgets</b>			
Finance & Corporate Resources/Central Units	22,006	20,322	1,684
Children & Families	48,902	49,261	(359)
Environment & Culture	46,819	46,405	414
Housing & Community Care			
- Housing & Customer Services	17,990	17,708	282
- Adult Social Care	75,418	79,410	(3,992)
<b>Total</b>	<b>211,135</b>	<b>213,106</b>	<b>(1,971)</b>
<b>Central Budgets</b>	33,379	30,636	2,743
<b>Net Cost of General Fund Services</b>	<b>244,514</b>	<b>243,742</b>	<b>772</b>
Contribution from Balances	(1,624)	(852)	(772)
<b>Total Budget Requirement</b>	<b>242,890</b>	<b>242,890</b>	<b>0</b>
<b>Financed By:</b>			
Formula Grant	150,556	150,556	0
Council Tax Income	93,485	93,485	0
Collection Fund Net Deficit	(1,151)	(1,151)	0
<b>Total</b>	<b>242,890</b>	<b>242,890</b>	<b>0</b>

The table above reflects the Council's service structure at the end of 2007/08. This differs from the Income and Expenditure Account since the relevant SORP requires that the I&E Account shows expenditure on services using CIPFA's standard classification in accordance with Best Value Accounting. In some cases this does not match the Council's structure.

## EXPLANATORY FOREWORD (Continued)

### Explanations of Major Variances

	Under/(Over)spending	
	£'000	£'000
<b>Finance &amp; Corporate Resources/Central Units</b>		
Housing Benefit Subsidy and overpayment recovery	1,199	
Local Taxation and Benefits staffing vacancies and consultancy costs	422	
Additional Support Services costs	(174)	
Other	237	
	1,684	1,684
<b>Children and Families</b>		
Children's Services – Higher than budgeted placements within residential care and independent foster carers	(947)	
Various Education Services – Underspends on Pupil Referral Units, premature retirement costs and Education Psychology Service through a combination of factors including staff vacancies	588	
	(359)	(359)
<b>Environment and Culture</b>		
Sports Centres and facilities management – mainly salaries and underspends on premises	392	
Environmental Health – staffing	219	
Trading Standards – monies from the Proceeds of Crime Act and staffing underspends	197	
Transportation – operational budgets	229	
Planning – fee income and legal costs	(365)	
Streetcare – bulky waste service	(222)	
Other	(36)	
	414	414
<b>Housing and Community Care</b>		
<u>Housing and Customer Services</u>		
Supporting People Administration funded through grant	220	
One Stop Shop – salary underspends	202	
Private Housing Services – legal costs	(105)	
Other	(35)	
	282	282
<u>Adult Social Care</u>		
Combination of overspending on purchasing budgets including increases in the use of step down beds due to high levels of bed blocking, some transformation savings not achieved, income levels not achieved and an increase in bad debt provision. There has also been the establishment of a £1.4m reserve with the Brent PCT (See note 38 on earmarked reserves).	(3,992)	(3,992)

## EXPLANATORY FOREWORD (Continued)

	Under/(Over)spending	
	£'000	£'000
<b>Central Items</b>		
Debt Charges/Net interest receipts – mainly higher gross external interest received	2,500	
Remuneration Strategy – Lower than expected provision required for 2007/08	671	
South Kilburn Development – Slippage on project	387	
Property Maintenance/Civic Centre Development	547	
Local Authority Business Growth Incentives (LABGI) – Additional grant	710	
Neighbourhood Working – slippage in project costs	257	
Premature retirement – funding of capital costs	(639)	
Transfer to reserves of monies to support improvement projects	(750)	
Local Development Framework reserve for 2008/09 and 2009/10	(200)	
Payroll Adjustments	(305)	
Other	(435)	
		<u>2,743</u>
Total		<u>772</u>

### 3. CAPITAL EXPENDITURE

The Council's in-year capital expenditure in 2007/08 was £77.490m (2006/07 £80.851m). The expenditure was within the definition of capital expenditure within the Local Government and Housing Act 1989.

Capital Expenditure has been financed from the following sources:

Funding Source	2007/08 £000's
Borrowing	21,185
Government Grants	24,154
Capital Receipts	7,443
Major Repairs Reserve	4,009
General Fund Revenue Contributions	5,348
HRA Revenue Contributions	5,995
Capital Accruals	3,106
Capital Funding Account	6,250
<b>Total</b>	<b><u>77,490</u></b>

Gross capital receipts during the year totalled £9.315m.

## EXPLANATORY FOREWORD (Continued)

Capital projects and other significant capital expenditure in excess of £500k during the year were as follows:

<b>Scheme</b>	<b>2007/08 £000's</b>
Council Housing	11,004
Housing Renovation Grants	5,013
South Kilburn – Granville New Homes	9,940
Wembley Manor School	6,045
Mitchell Brook School	539
Fryent School	504
Preston Park School	900
Grove Park, Hay Lane SEN Schools	2,127
Chalkhill Youth Centre	1,943
Chalkhill Re-development	1,476
Church End Re-development	1,897
Local Road Safety Schemes	4,766
Principal Roads, Carriageways and Footways	4,596
Bus Priority Network	1,163
Public Transport – Rail and Other	1,350
Priority Backlog Repairs to Operational Buildings	1,513

Capital expenditure incurred by Service Departments in 2007/08 is summarised below:

<b>Department</b>	<b>2007/08 Programme £000's</b>	<b>2007/08 Out-turn £000's</b>	<b>Variation £000's</b>
Children and Families	32,716	25,334	7,382
Environment and Culture	20,752	14,283	6,469
Housing and Community Care	39,582	30,012	9,570
Finance and Corporate Resources	4,119	2,502	1,617
Central Items	6,630	5,359	1,271
<b>Total</b>	<b>103,799</b>	<b>77,490</b>	<b>26,309</b>

## EXPLANATORY FOREWORD (Continued)

Outstanding capital commitments at 31<sup>st</sup> March 2008 amounted to £35.833m and are shown below.

	<b>£000</b>
<b>Children &amp; Families:</b>	
Schools	5,487
Non-schools	2,853
<b>Environment &amp; Culture:</b>	
Roads & Highway	5,648
Leisure, Sport & Parks	612
Libraries & Culture	28
Environmental Initiatives	477
<b>Housing &amp; Community Care</b>	
Adults	586
Work to dwellings	13,757
Customer Services	297
<b>Finance &amp; Corporate Resources:</b>	
Information and Communications Technology schemes	446
Administrative and other Buildings	1,953
Local Area Agreements	1,962
<b>Central Items</b>	<u>1,727</u>
<b>Total</b>	<u><u>35,833</u></u>

### **Borrowing/Investments**

During 2007/08 the Council's net borrowing (gross borrowing less investments) fell from £513.0m at 31<sup>st</sup> March 2007 to £511.4m at 31<sup>st</sup> March 2008. This resulted from a combination of increased borrowing to fund the capital programme, repayment of debt, and other changes in financing requirements. The council was able to take advantage of low long term interest rates to restructure debt. In addition, relatively high short term interest rates meant the council was able to increase its interest on balances. The result was that interest payable by the Council reduced from £33.755m in 2006/07 to £31.537m in 2007/08 whilst interest receivable increased from £4.970m in 2006/07 to £6.208m in 2007/08.

The Council's borrowing is governed by a Prudential Code, under which the Council adopts a borrowing limit and restrictions on the types and pattern of debt in order to ensure that financing costs are sustainably affordable and the risk of unexpected costs is minimised. The limit was £780m for 2007/08 and the Council complied with this and the other limits established.

Investments include £100k invested in Greater London Enterprise (GLE) in 1986 when Brent became a founder member. An exit strategy is being developed, possibly through a flotation on the stock market. It is estimated that the Council's stake in GLE is worth approximately £1m.



## **EXPLANATORY FOREWORD (Continued)**

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

The Council originally budgeted for a carried forward surplus of £400k after a net transfer to earmarked reserves. The final accounts show a carried forward surplus of £2.509m. The main reasons are variances relating to repairs and maintenance expenditure, provision for bad and doubtful debts, income from pooling of right to buy capital receipts, income from commercial rents and management costs.

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

In line with revised accounting requirements, two major changes are reflected in this year's accounts:

- (i) The treatment of financial instruments which are defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
- (ii) The replacement of the Fixed Asset Restatement Account and the Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. The Revaluation Reserve has a zero opening balance at 1<sup>st</sup> April 2007.

### **6. FURTHER INFORMATION**

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

### **7. GLOSSARY**

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

**RESERVED FOR AUDITOR'S REPORT**

**RESERVED FOR AUDITOR'S REPORT (Continued)**





## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

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

### THE DIRECTOR OF FINANCE AND CORPORATE RESOURCES' RESPONSIBILITIES

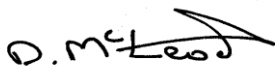
The Director of Finance and Corporate Resources is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Authority at the Accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2008.

In preparing this statement of accounts, the Director of Finance and Corporate Resources has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the Code of Practice.

The Director of Finance and Corporate Resources has also:

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



Date: 26<sup>th</sup> June 2008

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DUNCAN McLEOD  
Director of Finance and Corporate Resources

## COMMITTEE APPROVAL

At a meeting of the General Purposes Committee held at Brent Town Hall on 26<sup>th</sup> June 2008, the accounts were approved and adopted on behalf of the Council.

*Aud Egan*

Date: 26<sup>th</sup> June 2008

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CHAIR  
General Purposes Committee

**BRENT COUNCIL  
ANNUAL GOVERNANCE STATEMENT  
2007/08**

**1 Scope of responsibility**

- 1.1 The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is contained in the council's Constitution and can be found on our website at <http://www.brent.gov.uk/Democracy.nsf/>.
- 1.4 This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

**2 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.



## **ANNUAL GOVERNANCE STATEMENT (Continued)**

### **3 The governance framework**

#### **Identifying and communicating the Council's vision and intended outcomes for citizens and service users**

- 3.1 In November 2006 the council agreed its new corporate strategy for the coming 4 years. The aims and targets set out in the strategy are consistent with those set out in the partnership Community Strategy and have been used to support the development of the Local Area Agreement 2008. Individual service area objectives are linked to the corporate objectives through service development plans for all areas across the council.
- 3.2 The council and its partners on the Local Strategic Partnership (LSP) have been through an extensive consultation and challenge process to identify the 35 priorities for inclusion in their new LAA for 2008 onwards. These have now been agreed by the partnership and reviewed by the membership.
- 3.3 The Improving Brent Action Plan 2007-2010 sets out the key actions and priorities derived from the Corporate Strategy and is supported by a detailed monitoring report which is assessed every six months by the Corporate Management Team and the Executive against the agreed targets. Significant improvements in monitoring of shared Community Plan objectives have taken place with quarterly monitoring reports on the LAA targets being considered by both the LSP and the Public Services Board.
- 3.4 A joint review of performance and summary of accounts has been produced annually over the last two years and is planned for July/August 2008 as part of The Brent Magazine.
- 3.5 The Best Value Performance Plan sets out improvement targets across a range of statutory and local performance indicators and is produced annually in June.
- 3.6 The Improving Brent Action Plan and CPA Action Plan help the council to focus on the key drivers towards improving performance.
- 3.7 The Improvement Board, chaired by the Chief Executive, oversees all improvement initiatives across the council.

#### **Reviewing the vision**

- 3.8 Implementation of the Corporate Strategy is regularly monitored by the Executive and the LAA by the Local Strategic Partnership. The council monitors achievement of its objectives through the Corporate Strategy Action Plan, which is updated every six months and reported to the Executive and Corporate Management Team at the annual service planning meeting and also to the Performance and Finance Select Committee. The action plan update is also submitted to Full Council with the budget proposals in order that financial planning can be considered against agreed corporate objectives.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

- 3.9 The introduction of the Local Area Agreement in April 2006 provided the opportunity to review the governance arrangements and operational effectiveness of our LSP and partnership structures. A mapping of partnership activity was undertaken and a framework and guidance on effective partnership working adopted by the LSP. Significant improvements in monitoring of shared Community Plan objectives have taken place with quarterly monitoring reports on the LAA targets being considered by both the LSP and the Public Services Board. Key targets continue to be monitored through the Improving Brent Action Plan 2007-2010.
- 3.10 The Executive meets monthly and Corporate Management Team meet fortnightly to monitor progress of the Corporate Strategy Objectives and to consider the key risks to achievement of those objectives.

### **Measuring service quality and ensuring best use of resources**

- 3.11 Standards for performance are set out in the Corporate Strategy, individual service plans, and the Best Value Performance Plan. Quarterly reports on service and financial performance are produced and considered by the CMT, Executive and Performance and Finance Select committee. This includes performance on key partnership targets within the Local Area Agreement. The LAA is designed to deliver the aims of the published Community Strategy.
- 3.12 The Corporate Strategy sets out specific improvement targets across the range of council services. These are reflected in our new LAA priorities and monitored through the corporate PerformancePlus system. Performance reports on all council and partnership improvement priorities area reported to the Executive and the CMT on a quarterly basis. A summary of the council's performance is published each year in the Brent Magazine and delivered to all households. All performance data is available on the council's website
- 3.13 Potential service failure is identified through the PerformancePlus system and service plans. These are regularly reviewed and referred to High Level Monitoring for a corporate response and remedial action. Services that are undergoing significant change or require support to achieve improvements are monitored through regular meetings with the Chief Executive.
- 3.14 Actions to address areas of weakness or priorities for improvement are set out in the Improving Brent Action Plan. Specific efficiency targets set out in the Efficiency Strategy and the tool kit for supporting managers to achieve greater value for money.
- 3.15 The PerformancePlus system is now fully operational across the council and a standard service planning template with detailed target setting was introduced in 2007. One integrated quarterly monitoring report is now produced. This is reviewed by the Executive, CMT and the Performance and Finance Select Committee. Partners will have direct access to PerformancePlus during 2008 to monitor shared LAA objectives.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

- 3.16 The council has an overall efficiency strategy and has included delivering improvements in VFM as one of its eight Improving Brent themes. The Efficiency Board measures progress on the efficiency programme which underpins the Efficiency Strategy.
- 3.17 The council monitors progress on delivering government efficiency targets set under the Gershon initiative and also has included a stretch efficiency target under its Phase 1 Local Area Agreement. The council now brings together finance, activity and performance monitoring in a single performance and finance review report which enables officers and members to have a more holistic view of progress across the council on Value for Money. In addition, development of a value for money tool-kit for managers is one of a range of measures to support managers delivering better value for money. Unit costs are also used to measure progress in key areas, for example on the children's transformation agenda.

### **Defining roles**

- 3.18 Article 2 of the Constitution describes the role of Members of the council, the Executive, Mayor, Full Council and Overview and Scrutiny. Members completed annual reports which were published on the website although reports were not received from all Members.
- 3.19 Officer responsibilities are set out in the Constitution. An officer, the Chief executive, is responsible for all aspects of operational management. The Director of Finance and Corporate Resources is responsible for all financial matters and the Borough Solicitor for legal matters. Other statutory responsibilities are set out for the Directors of Children and Families, Housing and Community Care and Environment and Culture.
- 3.20 Up to date job descriptions are in place for Senior Officers and relevant officers have written delegated authority to undertake statutory functions.
- 3.21 The Legislation Tracker shows which Corporate Management Team member is responsible for implementation of emerging legislation
- 3.22 The Borough Solicitor maintains a register of officer authorisations.
- 3.23 The Constitution is renewed and reported to Full Council every May.

### **Standards of behaviour**

- 3.24 The Corporate Strategy sets out the expectation that all members and officers will observe the highest standards of conduct. The Member Code of Conduct includes the 10 general principles of conduct, including respect for others, leadership and stewardship. The Constitution contains the Planning Code of Practice, Licensing Code of Practice, Code of Practice on Publicity and the protocol for Member Officer Relations. All members receive advice notes from the Monitoring Officer which provide guidance on decision making and standards of conduct.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

- 3.25 Executive members have undertaken a range of training, including media and presentation skills, and key members have had support from an external mentor. IDeA have been engaged to provide peer support to executive members with a specific brief to work on team working and communication within the Executive and within the political groups.
- 3.26 The officer code of conduct, agreed in 2005, is held on the intranet site. Other codes, including the IT Usage Policy and Harassment Policy are all held on the Intranet. Staff are made aware of their responsibilities through general communications, such as the Chief Executives Newsletter, Insight Magazine and via attachment to payslips as well as at team briefings.
- 3.27 The Improving Brent Programme sets out the requirement for having the highest standards of ethical behaviour across the organisation and a zero tolerance towards corrupt or illegal behaviour.
- 3.28 Periodic reviews are conducted on members and officers gifts and hospitality and reported to the Standards Committee and Director of HR and Diversity. The registers of member interests and member gifts and hospitality are now placed on the web site enabling easy public access.
- 3.29 A new Anti-Fraud Framework, replacing the earlier 2003 framework, was publicised and issued in February 2008 and is being disseminated to all staff through fraud awareness training presentations.
- 3.30 A new competency framework has been developed for Managers and Staff together with a management charter which all set out the expected behaviours for officers, including Leadership and working with others.

### **Decision making**

- 3.31 Decision making arrangements are set out in the constitution. The council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for Full Council, most are made by the Executive or by committees, sub-committees or officers. There are currently no decision making powers delegated to individual members. In accordance with the Local Government Act 2000 the council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process including call-in and question time. The conduct of the council's business is governed by the Constitution, which includes Standing Orders and Financial Regulations.
- 3.32 Forthcoming Executive decisions are included in the Forward Plan which sets out all future key decisions which are to be made within the following four month period. The Forward Plan Select Committee enables pre-scrutiny of Executive decisions by non-executive members and deals with any items called in.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

- 3.33 The Executive are responsible for the implementation of policy and ensuring the effectiveness of service delivery.
- 3.34 The Overview and Scrutiny Committee have specific responsibility for assessing the corporate strategy action plan and budget proposals. This is undertaken through a cross party Budget Panel who make recommendations to the Executive prior to final agreement of the budget in February. Scrutiny is responsible for monitoring the performance of the Executive.
- 3.35 The Chair of Overview and Scrutiny is given an opportunity to report back to every Full Council meeting. Call in arrangements in the Constitution allows overview and scrutiny to review decisions made by the Executive. Forward Plan Select Committee is able to scrutinise decisions before they are made.
- 3.36 The Improving Brent Action plan includes enabling elected members to scrutinise effectively the decision-making and performance of the council through robust overview and scrutiny. Decision making meetings of the Executive are open to the public. Copies of reports and decisions are available on the intranet and through One Stop Shop and Libraries.
- 3.37 All meetings are clerked by well trained and experienced committee support officers and lawyers are present to provide advice on law and procedure.
- 3.38 Members are required to make sound decisions based on written reports which are prepared in accordance with the report writing guide and have to be cleared by Finance and Legal. The Executive receive a briefing (Leaders Briefing) two weeks prior to the Executive meeting when members can ask detailed technical questions of officers. A large cohort of councillors have attended general training skills sessions. Specific skills sessions and mentoring has been arranged for Executive members and those with special responsibilities. A programme of training and development is in place to support members and provide them with enough information and the skills to be able to make effective decisions
- 3.39 The Constitution details those decisions which may not be taken by the Executive and those which have been delegated to officers.

### **Internal control and risk management**

- 3.40 The council's internal control and risk management arrangements are assessed every year by the Audit Commission. In the most recent assessment in December 2007 the council were rated as 3 out of 4. This means the council is consistently operating at above minimum requirements and performing well.
- 3.41 The council has a duty to manage its risks effectively. This is achieved through various mechanisms. The key corporate risks are reviewed on a quarterly basis by the Policy Co-ordination Group, Executive and Corporate Management Team.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

- 3.42 The Strategic Finance Group considers the financial risks to the authority on a monthly basis.
- 3.43 Service areas are responsible for maintaining an up to date list of service based risks and utilise the council wide risk register for this. Service areas are responsible for the identification, evaluation and mitigation of key risks which are also recorded in individual service plans.
- 3.44 The Risk Management Group chaired by the Director of Housing and Community Care co-ordinates activity across the council. The Audit Committee is tasked with overseeing the council's risk management at member level and making recommendations to the Executive for improvements.

### **Audit arrangements**

- 3.45 The provision of the internal audit function within the council is through the Audit and Investigations Team, part of Finance and Corporate Resources. The team work in partnership with Deloitte and Touche Public Sector Ltd, who provide the majority of audit coverage. The audit plan for 2007/08 was agreed by the Audit Committee in April 2007 and consisted of 1,200 planned audit days. 98% of the planned work was completed during the year. Internal audit is provided in accordance with the Cipfa Code of Practice on Internal Audit in Local Government.
- 3.46 External audit, for 2007/08 and onwards is provided by the District Auditor, appointed by the Audit Commission. Audit work is conducted on the basis of a joint audit approach with the Audit and Investigations Team in accordance with the requirements of the code of practice for external auditors. The joint approach involved the sharing of plans, regular meetings and sharing of information during the course of the year. The external audit joint audit and inspection plan for 2007/08 was presented to the Audit Committee in April 2007. District Audit will provide an annual audit letter to the council in early 2009 covering their audit work for the 2007/08 year.

### **Compliance with statute and internal policies and procedures**

- 3.47 All committee reports have to be cleared by the Borough Solicitor for legal implications. The Borough Solicitor attends all Leader's briefings and meetings of the Executive and Full Council. A lawyer also attends all other committee meetings.
- 3.48 The Borough Solicitor issues a regular legislation tracker notice which is disseminated to all service unit managers. The Borough Solicitor also issues monitoring officer advice notes and legal bulletins.
- 3.49 The council's standing orders concerning committee meetings are set out in the constitution. Further standing orders exist in relation to staff and contracts, both of which are supported by a set of corporate standards, policies and procedures. The council has a set of financial regulations and further corporate standards in relation to property, information technology, health and safety, information governance, procurement, democratic process and health and safety. All of these standards are held on the intranet and all service areas are expected to comply with them.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

- 3.50 Compliance is assessed through various mechanisms, including internal and external audit reviews, external inspectorates, the work of legal services, risk management and procurement, human resources and health and safety.
- 3.51 Prior to 2007/08 the council required directors to submit certificates of assurance for their internal controls. These have been replaced with more general governance assurance certificates. A signed annual assurance certificate is required for each directorate.

### **Whistle-blowing and Complaints**

- 3.52 The council has a whistleblowing policy, publicised to staff and on intranet. The policy is primarily designed for staff to raise concerns but is also explicit regarding contractors/agents and the points of contact outside the authority. Whistleblowing allegations are dealt with, in the first instance by the Audit and Investigations Team.
- 3.53 The council has a well developed and publicised complaints procedure for members of the public to complain about individual service areas. Details are contained on the internet. Complaints are initially handled by service area managers and, if appealed, by trained complaints officers within departments. A central team is also in place within the Policy and Regeneration Team to handle complaints.

### **Training and development**

- 3.54 The council runs a member development programme which is reported to the standards committee annually. The Borough Solicitor provides training to new and existing members on decision making and standards of conduct.
- 3.55 Officers have an annual appraisal containing developmental objectives linked to the Corporate Strategy and departmental service plans. The council has a corporate learning and development plan and service offering based on the needs identified in individual appraisals and service plans. As part of the development of departmental service plans and the workforce development plan, analysis is being undertaken to identify the skills required for future service delivery to ensure that officers are fully skilled to deliver quality services.
- 3.56 The training and development plan and service offering reflect the skills and knowledge required to deliver the corporate strategy and is reviewed on an annual basis to ensure continuing improvement and alignment to the goals of the council. Individuals are encouraged to develop through their annual appraisal, 6 monthly review and regular one to ones which focus on improving performance and achievement of corporate/departmental objectives.
- 3.57 Whilst many areas/professions have a clear career structure work is being undertaken to develop career pathways, generic job roles and a talent management system. A new management development centre has been established to assist in the further development of junior and middle managers. The current workforce development planning work includes succession planning.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

### **Communication and consultation**

- 3.58 The Corporate Strategy and other policies and services are communicated to residents through the Brent Magazine, other publications and Area Forums. A Citizens' Panel, recruited from March 2007, has been used regularly throughout 2007. This includes focus groups on budget publications and environmental enforcement services. Service user forums continue to work well and include: Pensioners forum, Black and Minority Ethnic forum, Voluntary Sector forum, Private Sector Housing forum and Brent Disabled forum.
- 3.59 Regular ward meetings provide a forum for Members to discuss matters of concern with officers and shape how services are provided at the neighbourhood level. Depending on the issues being addressed, these meetings are attended by the Police and other partner agencies.
- 3.60 A Youth Parliament has been operating since March 2007 and has met three times during the year, providing an opportunity for children and young people to present their views to the council.
- 3.61 Communication protocols for members and officers are set out in part 7 of the Constitution. Members and chief officers work collaboratively on the Policy Coordination Group, Leader's Briefing, Service Planning and Budget Awaydays. The Leader meets weekly with the Chief Executive and also addresses to Corporate Roadshows and the Senior Managers Conference.
- 3.62 There are various forms of staff communication including the Corporate Roadshows, Chief Executives Newsletter, the staff magazine - Insight, the intranet, Improving Brent Programme and Team Briefings. Key messages are provided to senior managers via the Brent Senior Managers Group which meets quarterly and has one main annual conference.
- 3.63 A Consultation Strategy 2006 – 2009 was formally launched in January 2006 with implementation monitored by the Consultation Team.
- 3.64 All committee meetings are held in public. Some parts of meetings are held in private when exempt or confidential information might be disclosed. This is subject to the agreement of the members present.
- 3.65 The council's managing change policy includes guidance on staff and trade union consultation. A draft engagement policy has also been developed. The role of the line manager in people management has been documented and is shortly to be published which includes guidance on engagement. The content of this is being incorporated into the council's new people management courses.



## **ANNUAL GOVERNANCE STATEMENT (Continued)**

### **Partnerships**

- 3.66 Partnership is defined in the constitution. As part of the process for agreeing the 35 improvement priorities for the LAA, partners committed to a number of values around addressing inequality, focusing on preventative actions and delivering value for money through the LAA. They have also signed up to a 'compact agreement' setting out the principles for partnership working and how they engage with the voluntary and community sector.
- 3.67 Following a review of partnership activity in Brent, a set of protocols and guidelines for the operation of joint working was agreed by the Local Strategic Partnership in early 2007. This document covers roles and responsibilities, protocols for financial administration and staff management. In January 2008 a partnership conference was held in Brent, addressed by the Local Government Ombudsman to consider the issue of complaints within partnerships. The council is currently working on proposals for the handling of complaints within partnership services.
- 3.68 Service directors are required to list their key partnerships within their governance assurance statements and to consider partnership risk as part of their risk management process.
- 3.69 LSP Partners are committed to using a common platform for performance monitoring and review. The Council is rolling out PerformancePlus to the partners in the LSP.

### **4 Review of Effectiveness**

- 4.1 The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Investigation's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework, is described below:

#### **The Council**

- Has monitored performance against the Corporate Strategy Objectives by taking an annual report and has set the annual budget in accordance with the Corporate Strategy priorities.
- Receives the annual budget report which summarises the financial position and the transactions for the year and considers the annual performance plan.
- Has agreed the Constitution which sets out the decision making structure, delegated authority and financial regulations which underpin the internal control framework. This follows cross party review by the Constitutional Working Group.

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

### **The Executive**

- Makes key decisions in accordance with the Budget and Policy Framework.
- Has established a Performance Board to consider the performance of specific service areas.
- Has sessions with the Corporate Management Team twice per year to consider the medium term financial strategy and its linkages with the council's policy priorities.
- Meets monthly with the Corporate Management Team to receive an update on the council's financial position and monitoring reports from the Strategic Finance Group.

### **The Audit Committee**

- Has met four times during 2007/08 and has considered the work of internal audit during the year, the Head of Internal Audit's annual report and opinion and the External Auditor's annual letter.
- Maintains an overview of the council's constitution in respect of contract standing orders and financial regulations.
- Monitors the effective development and operation of risk management and corporate governance in the council.
- Reviews the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

### **The Standards Committee**

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

### **The Forward plan Select Committee**

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

### **Overview and Scrutiny**

- Oversees and scrutinises decisions made by the Executive.
- Has task groups who undertake detailed work on improving prioritised service areas linked to the Corporate Strategy themes.
- Has two cross cutting sub-committees to examine detailed performance information on a six monthly basis, namely the Health Select Committee and the Performance and Finance Committee

## **ANNUAL GOVERNANCE STATEMENT (Continued)**

### **The Performance and Finance Select Committee**

- Receives reports on Best Value, budget monitoring and considers the Annual Performance Plan and quarterly "Vital Signs" document;

### **Audit and Investigations**

- Provide assurance to the council on operational and financial controls via delivery of an agreed audit plan.
- Produce and Annual Audit Report including the Head of Audit annual opinion on the council's internal controls
- Where identified as a result of audit work, significant internal control weaknesses have been reported to Service Directors and copied to the relevant Service or Corporate Area Director. Recommendations for improvement are made in each report. Each significant audit report is followed up after a suitable period and any failure to implement recommendations is noted and reported back to the relevant director and the Audit Committee.

### **External Audit and Inspectorates**

- The Director of Finance and Corporate Resources meets with the council's external auditors on a monthly basis and, if appropriate, they raise any concerns they have regarding the internal control environment. These meetings become more frequent during the closing of the accounts process when any material weaknesses or issues are raised.
- The outputs from various Inspectorates in relation to the Comprehensive Performance Assessment provide some assurance as to the internal control environment. The latest assessment in February 2008 gave the Council a three star, improving well rating.

4.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

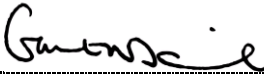

## **5 Significant Governance Issues**

5.1 With the increasing number of services delivered jointly within the LAA we will be looking at the appropriate legal and organisational structures to ensure that governance arrangements are adequate.

5.2 The Corporate Risk Register requires some work to ensure the link to the Corporate Strategy objectives is clear and the scoring of risk is consistent. Management reports are required to give clear direction on risks requiring greater attention, revised or more frequent monitoring and/or escalation as needed.

## ANNUAL GOVERNANCE STATEMENT (Continued)

- 5.3 Adult Social Care had significant difficulties in managing its overall budget in 2007/08. This reflected the ongoing discussions with the Primary Care Trust over financial responsibility for a number of clients. This has now been substantially resolved which will allow more certainty in 2008/09. All of the budgets have now been reviewed for 2008/09 and zero based using client numbers, the cost of services and income from clients. In total the budget has been increased by 15% to meet the costs identified. Financial activity will be closely monitored during 2008/09 by monthly budget monitoring. Monitoring is reviewed by senior managers and appropriate action taken. The amount of information provided to senior managers has been increased and will include client numbers and monthly spending profiles.
- 5.4 A major transformation agenda is being set for the council over the next four years. This is focussed upon improving performance to achieve an excellent CPA rating and delivering upon a number of key projects. These include the construction of a new civic centre, major regeneration in South Kilburn and Wembley and a significant schools expansion programme. This agenda will require some new governance arrangements around project delivery and improved consistency of application of corporate policy, standards and procedure across all service areas.
- 5.5 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

	25.06.08		25.06.08
<b>Signed</b>	<b>Date</b>	<b>Signed</b>	<b>Date</b>
<b>Gareth Daniel, Chief Executive</b>		<b>Paul Lorber, Leader of the Council</b>	

## STATEMENT OF ACCOUNTING POLICIES

1. **Code of Practice** - The general policies adopted in preparing these accounts are in accordance with the 2007 Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA - Statement of Recommended Practice (SORP).

### INCOME AND EXPENDITURE

2. **Debtors and Creditors** - The revenue accounts of the Council have been compiled on an accruals basis in accordance with Financial Reporting Standard (FRS) 18.
3. **Cost of Support Services** - Brent's structure means that some finance, personnel and IT functions are undertaken directly by Service Units. Other support services are located in Service Areas and in the corporate centre of Brent.

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

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

**Teachers:** This is an unfunded scheme administered by the Department for Children, Schools and Families.

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

Retirement benefits are accounted for according to the principles of FRS17. The accounts recognise the full liability that the Council has for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

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

### CAPITAL ASSETS

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

## STATEMENT OF ACCOUNTING POLICIES (Continued)

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

Individual categories of assets are valued on the following basis:

- ◆ Land, operational properties and other operational assets are included in the balance sheet at their Open Market Value (OMV). The exceptions to this are school buildings and Social Services establishments that are included at their Depreciated Replacement Cost (DRC). Council dwellings are valued using a beacon principle based on their OMV but adjusted to reflect their value as social housing 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 balance sheet at depreciated historic cost where appropriate otherwise they are included at a nominal value.
- ◆ Infrastructure assets, vehicles, plant, furniture and equipment have been valued at historic cost, net of depreciation.
- ◆ Intangible fixed assets represent expenditure which has been properly capitalised but which does not result in, or remain matched with, tangible fixed assets. Expenditure on purchasing intangible fixed assets such as computer software has been capitalised at cost.

Subsequent revaluations of fixed assets are planned on a five year cycle, with a proportion of the asset base being revalued each year. The majority of land and building assets plus foundation schools and caretakers' houses were revalued at 1<sup>st</sup> April 2004. Subsequently a proportion of these were revalued at 1<sup>st</sup> April 2006. Council dwellings were revalued at 31<sup>st</sup> March 2006 and their values have been up-rated to 31<sup>st</sup> March 2008 using Land Registry indices to reflect changes in property values.

Assets acquired under finance leases are capitalised together with the liability to pay future rentals.

### **Depreciation**

With the exception of HRA dwellings depreciation is calculated on all building assets using the straight line method as set out below. Land Assets are not depreciated.

Buildings	5 – 40 years as determined by the Valuer
Infrastructure	10 – 40 years
Plant, Vehicles, Equipment and Machinery	Up to 10 years

Housing Revenue Account dwellings are depreciated by an assessment of the consumption of economic benefits.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

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

### Impairment

Impairment reviews on groups of assets are undertaken on an annual basis by the valuer. Where impairment is identified as being due to the consumption of benefit the loss is charged to the relevant service revenue account, otherwise it is written off against the Revaluation Reserve.

### Capital Expenditure

Capital expenditure on building assets is added to the value of the asset and depreciated over the remaining useful life.

Capital expenditure on HRA dwellings is added to the value of fixed assets.

### Income from the Sale of Fixed Assets

Income from the disposal of fixed assets is known as capital receipts. Such income that is not reserved for the repayment of external loans and forms part of the capital financing account, and has not been used to finance capital expenditure in the period, is included in the balance sheet as capital receipts unapplied.

The treatment of capital receipts is determined by the Local Government Act 2003. Under this Act and its supporting regulations, the Council is required to pay to the Secretary of State any 'pooled' HRA receipts. The value of these 'pooled' receipts is calculated as 75% of HRA dwellings and 50% of HRA land. The remaining proportions and 100% of General Fund capital receipts can be used to finance capital expenditure.

- 7. Charges to Revenue** - The General Fund is charged with a depreciation charge for all fixed assets used in the provision of services. The charge is allocated to each individual service on the basis of the capital employed in its provision.

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

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

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to earmarked reserves are disclosed in the Statement of Movement on the General Fund Balance.

- 8. Contributions from the Capital Adjustment Account** - These represent expenditure which may properly be capitalised but which does not represent tangible fixed assets. Expenditure is included in the Income and Expenditure Account and written off to the Capital Adjustment Account.

## STATEMENT OF ACCOUNTING POLICIES (Continued)

- 9. Premature Redemption of Debt** - The practice for the Income and Expenditure Account, in accordance with the SORP as amended by Regulations, is to amortise premia and discounts over a period which reflects the life of the loans with which they are refinanced determined as described below. This will not be followed in the following situations:

Where it is permissible and advantageous to capitalise premia (in which case the question of amortisation will not arise)

Where the loans redeemed are not refinanced (when premia and discounts will be taken directly to the Revenue Account)

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

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

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

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

- 10. Government Grants and Contributions** - Where the acquisition of a fixed asset is financed either wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited initially to the Government grants deferred account. Amounts are released over the useful life of the asset to match the depreciation charged on the asset to which it relates.

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

- 11. Leasing** - The Council has acquired a number of assets, mainly vehicles, plant and computer equipment, by means of leases. In accordance with accounting convention, rentals payable under operating leases are charged to revenue in the year in which they are paid and no provision is made for outstanding lease commitments.



## STATEMENT OF ACCOUNTING POLICIES (Continued)

**12. Private Finance Initiative (PFI)** - The council has entered into two PFI projects which have generated assets to be used by the council, these are:

- In 1998/99 a 20 year project to provide and maintain new street lights throughout the Borough;
- In 2006/07 a 25 year project to provide and maintain a new sports centre and related facilities in Willesden.

FRS 5 provides the detailed factors to be taken into account when determining the treatment of these assets, and whether they should be reflected on the balance sheet of the purchaser or the contractor. An assessment of the projects risks and rewards and the substance of the transaction was carried out in accordance with FRS 5. As a result, the assets generated from the projects are not included on the council's balance sheet.

**13. Stocks** - Stocks and stores are valued at the lower of cost and net realisable value.

**14. Provisions** - The Council makes provision in compliance with FRS 12 where there is an obligation as a result of a past event where it is probable that the Council will incur expenditure to settle the obligation and where a reasonable estimate can be made of the amount involved. In addition to the provisions listed in note 31 to the Core Financial Statements there is a provision for unrecovered debts which has been netted off against the debtors figure on the balance sheet (see note 27 to the Core Financial Statements)

**15. Reserves** - These are amounts set aside for earmarked purposes out of the balances on the Council's funds. Further details of Earmarked Reserves are given in Note 38 to the Core Financial Statements.

**16. Investments** - Long term investments are shown in the accounts at the original cost price, plus brokerage and fees. Short term investments are valued at cost. Valuations are supplied by the Council's external Cash Fund Managers, who invest in certificates of deposit, cash deposits and government fixed interest gilts. Any losses in market value compared with the cost of the investment are recognised in the Revenue Account.

**17. VAT** - This is included in the income and expenditure accounts only to the extent that it is irrecoverable.

**18. Interest in Companies** - Brent Housing Partnership is a subsidiary of the London Borough of Brent. It is the only organisation that meets the criteria for inclusion in Brent's group accounts. Group accounts are included in this document after Brent's single entity financial statements.

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008

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

Note	2007/08 Gross Expenditure £000	2007/08 Income £000	2007/08 Net Expenditure £000	2006/07 Net Expenditure £000
<b>1. On its Services the Council Spent</b>				
Education	277,424	(265,214)	12,210	14,613
Cultural Services	19,737	(3,189)	16,548	15,077
Highways, Roads and Transport	33,106	(15,761)	17,345	18,059
Environmental	30,871	(3,402)	27,469	25,417
Planning and Development	21,863	(16,135)	5,728	5,233
Housing (General Fund)	253,651	(234,155)	19,496	20,863
Adult Social Care	95,894	(26,363)	69,531	] 101,653
Children's Social Services	42,156	(6,827)	35,329	
Courts	673	(504)	169	159
<b>3. Central Services</b>	<b>72,347</b>	<b>(58,305)</b>	<b>14,042</b>	<b>9,043</b>
Net Cost of General Fund Services	847,722	(629,855)	217,867	210,117
Housing Revenue Account	<u>37,113</u>	<u>(62,878)</u>	<u>(25,765)</u>	<u>(25,951)</u>
<b>Net Cost of Services</b>	<b>884,835</b>	<b>(692,733)</b>	<b>192,102</b>	<b>184,166</b>
(Profit)/Loss on Disposal of Fixed Assets			-	(3,023)
Net Revaluation of Fixed Asset Disposals			374	-
<b>4. Levies</b>			6,455	5,693
<b>5. (Surplus)/Deficit on Trading Accounts</b>			(448)	(610)
Interest Payable			31,537	33,755
Amounts payable into Housing Capital Receipts Pool			4,695	2,430
HRA share of Corporate and Democratic Core			269	201
Amortised premiums and discounts			4,793	3,551
HRA investment income/mortgage interest			(511)	(520)
<b>6. Interest and Investment Income</b>			(6,208)	(4,970)
Pensions Interest Cost and Expected Return on Pensions Assets			<u>11,020</u>	<u>9,770</u>
<b>Net Operating Expenditure</b>			<b>244,078</b>	<b>230,443</b>
Income from Collection Fund			(92,334)	(88,180)
General Government Grants			(21,635)	(23,839)
Distribution from Non-Domestic Rates Pool			<u>(128,920)</u>	<u>(123,495)</u>
<b>(Surplus)/Deficit for the Year</b>			<b><u>1,189</u></b>	<b><u>(5,071)</u></b>

## 2007/08 STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE (SMGFB)

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed. Consequently depreciation charges in the I&E Account are reversed in the SMGFB so only external interest payments are charged against council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

	2007/08 £000	2006/07 £000
(Surplus)/Deficit for the Year on the Income and Expenditure Account	1,189	(5,071)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the Year (see table on the next page for further details)	(5,033)	766
Increase in General Fund Balance for the Year	(3,844)	(4,305)
General Fund Balance brought forward	(18,941)	(14,636)
<b>General Fund Balance carried forward</b>	<b>(22,785)</b>	<b>(18,941)</b>
Amount of General Fund Balance held by schools under local management schemes	(13,730)	(9,034)
Amount of General Fund Balance generally available for new expenditure	(9,055)	(9,907)
	<b>(22,785)</b>	<b>(18,941)</b>

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

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

	2007/08 £000	2007/08 £000	2006/07 £000	2006/07 £000
- Depreciation and impairment of fixed assets (Note 7)	(18,017)		(17,011)	
- Government grants deferred amortisation	4,440		3,776	
- Write downs of deferred charges to be financed from capital resources	(5,262)		(5,052)	
- Net profit/(loss) on sales of fixed assets	-		3,023	
- Net revaluation of fixed asset disposals	(374)		-	
- Net charges made for retirement benefits in accordance with FRS17	(9,090)		(5,260)	
		(28,303)		(20,524)

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

- Minimum revenue provision for capital financing (Note 7)	8,114		7,975	
- Capital expenditure charged in year to the General Fund Balance	11,596		10,973	
- Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool (Note 22)	(4,695)		(2,430)	
		15,015		16,518

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

- Transfer to/(from) HRA balances	7,558		8,763	
- Net transfer to/(from) earmarked reserves	697		(3,991)	
		8,255		4,772
Net additional amount required to be debited/ (credited) to the General Fund balance for the year		(5,033)		766

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

	<b>2007/08</b> <b>£000</b>	<b>2006/07</b> <b>£000</b>
(Surplus) or Deficit for the Year on the Income and Expenditure Account	1,189	(5,071)
(Surplus) or Deficit arising on Revaluation of Fixed Assets (see note 23 to Core Financial Statements)	(120,502)	255,819
Actuarial (Gains)/Losses on Pension Fund Assets and Liabilities (see note 15 to Core Financial Statements)	(30,770)	(1,850)
Other (Gains) and Losses	(31)	546
<b>Total recognised (Gains) or Losses for the Year</b>	<b>(150,114)</b>	<b>249,444</b>

## BALANCE SHEET

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

### BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2008

Note	31.03.08		31.03.07	
	£000	£000	£000	£000
23.	Fixed Assets			
	Council Dwellings	788,334	700,408	
	Other Land and Buildings	463,551	410,475	
	Vehicle, Plant, Furniture and Equipment	13,344	11,495	
	Infrastructure	121,028	111,736	
	Intangible Assets	453	-	
	Non-Operational Assets			
	- Commercial Properties	7,030	6,763	
	Net Fixed Assets			1,240,877
25.	Investments (Long Term)			261
26.	Long Term Debtors			979
40.	Deferred premia on the Premature Redemption of Debt/Financial Instruments Adjustment Account			42,260
	Total Long Term Assets			1,284,377
	Current Assets			
	Stock and Work in Progress	132	251	
	Payments in Advance	3,440	7,505	
27.	Debtors	119,173	115,452	
	Less provision for bad debts	(53,981)	(54,705)	
	Short Term Investments	110,123	90,780	
	Cash at Bank	2,841	253	
	Cash in Hand	187	142	159,678
	Current Liabilities			
	Short Term Borrowing	(14,200)	-	
28.	Creditors	(84,136)	(73,721)	
	Deposits	(1,457)	(1,158)	
	Receipts in Advance	(7,859)	(6,227)	
	Net Current Assets/(Liabilities)			(81,106)
	Total Assets Less Current Liabilities			78,572
		1,507,909		1,362,949
29.	Long Term Borrowing			(603,757)
30.	Discounts on the premature redemption of debt			(1,042)
31.	Provisions			(5,264)
32.	Government Grants Deferred			(108,608)
36.	Capital Grants Unapplied			(5,896)
15.	Liability related to defined benefit pension schemes			(363,200)
	<b>Total Assets Less Liabilities</b>			<b>275,182</b>

## BALANCE SHEET (Continued)

Note	31.03.08		31.03.07	
	£000	£000	£000	£000
	The Council finances this from:			
33.		117,506		-
34.		573,632		-
				441,274
				127,936
35.		499		3,322
37.		328		414
				1,436
38.		46,363		45,666
15.		(341,520)		(363,200)
	Balances:			
39.	22,785		18,941	
	2,509		893	
	(1,500)		(1,500)	
		23,794		18,334
		<b>425,296</b>		<b>275,182</b>

## CASH FLOW STATEMENT

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

	2007/08		2006/07	
	£000	£000	£000	£000
<b>Revenue Activities</b>				
- Cash Outflows				
Cash Paid to and on Behalf of Employees	314,195		298,168	
Other Operating Cash Payments	327,394		254,546	
Housing Benefit Paid	225,002		211,481	
NNDR Payments to National Pool	75,796		72,367	
Precepts Paid	28,534	970,921	27,143	863,705
- Cash Inflows				
Rents (after Rebates)	(18,496)		(23,849)	
Council Tax Income	(96,612)		(90,204)	
NNDR Income	(84,052)		(76,214)	
NNDR Income from National Pool	(130,164)		(124,143)	
Revenue Support Grant	(21,635)		(23,839)	
DWP Grants for Rebates	(203,731)		(186,916)	
Other Government Grants (See Note 49)	(342,339)		(328,320)	
Cash received for Goods and Services	(58,522)		(54,422)	
Other	(91,401)	(1,046,952)	(6,210)	(914,117)
<b>Servicing of Finance</b>				
- Cash Outflows				
Interest Paid	31,537		33,755	
- Cash Inflows				
Interest Received	(6,208)	25,329	(4,970)	28,785
Total Revenue Activities Cash Surplus (See Note 50)		(50,702)		(21,627)
<b>Capital Activities</b>				
- Cash Outflows				
Purchase of Fixed Assets	67,278		75,148	
Deferred Charges	10,213		8,072	
Other	100	77,591	-	83,220
- Cash Inflows				
Sale of Fixed Assets	(9,314)		(6,488)	
Capital Grants Received	(21,828)	(31,142)	(17,724)	(24,212)
<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>(4,253)</b>		<b>37,381</b>
<b>Management of Liquid Resources</b>				
Net (Inflow)/Outflow from Short Term Deposits		19,343		(11,000)
<b>Financing</b>				
- Cash Outflows				
Repayments of Amounts Borrowed		699,357		547,780
- Cash Inflows				
New Loans Raised	(110,000)		(201,000)	
New Short Term Loans	(607,080)	(717,080)	(378,780)	(579,780)
<b>(Increase)/Decrease in Cash (See Note 51)</b>		<b>(2,633)</b>		<b>(5,619)</b>



## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **NOTE 1: INCOME AND EXPENDITURE ACCOUNT**

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

### **NOTE 2: LOCAL AREA AGREEMENT (LAA)**

The Council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. The LAA completed the second of its three years in 2007/08.

The purpose of the LAA is:

- To form an agreement between the Brent Local Strategic Partnership (LSP), the Government (represented by Government Office for London), and other external agencies, to ensure achievement of the vision in the Brent Community Strategy 2006-2010
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- To improve the effectiveness and efficiency of public services in Brent by pooling and aligning funding streams.

The LAA partners are:

- Local government - London Borough of Brent
- Community protection authorities - London Fire Brigade, Metropolitan Police
- Health bodies – Brent tPCT, Central and North West London Mental Health Trust, North West London Hospitals NHS Trust
- Learning bodies – Learning and Skills Council, College of North West London
- Voluntary organisations – Brent Association for Voluntary Action (BrAVA)

The London Borough of Brent acts as the accountable body for the LAA. This means that the Council is responsible for managing the distribution of grant paid by the Government Office to the partners involved. The Council does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context the Council acts as an agent to the partnership.

The total amount of LAA Grant received by the Council on behalf of the LSP in 2007/08 was £16.9m. This was entirely to fund services provided by the Council.

As accountable body, the Council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners. The systems the Council has in place for distributing grant are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 3: CENTRAL SERVICES

Central Services for 2007/08 comprise the following elements:

	2007/08 Gross Expenditure £000	2007/08 Income £000	2007/08 Net Expenditure £000	2006/07 Net Expenditure £000
Corporate and Democratic Core	5,446	(22)	5,424	5,275
Non Distributed Costs	5,810	-	5,810	990
Central Services to the Public	41,068	(32,026)	9,042	6,775
Other Operating Income and Expenditure	20,023	(26,257)	(6,234)	(3,997)
	<b>72,347</b>	<b>(58,305)</b>	<b>14,042</b>	<b>9,043</b>

### NOTE 4: LEVIES

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

	2007/08 £000	2006/07 £000
Lee Valley Regional Park	285	279
London Pension Fund Authority	281	256
Environment Agency	172	109
West London Waste Authority	5,717	5,049
	<b>6,455</b>	<b>5,693</b>

### NOTE 5: TRADING ACCOUNTS

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

Activity	<u>2007/08</u>		<u>2006/07</u>	
	Turnover £000	(Surplus)/ Deficit £000	Turnover £000	(Surplus)/ Deficit £000
Finance	347	(9)	327	34
Grounds Maintenance	1,110	103	1,220	105
Transport	6,940	298	6,382	(17)
Lead Tenants	6,653	(840)	7,160	(732)
<b>TOTAL</b>	<b>15,050</b>	<b>(448)</b>	<b>15,089</b>	<b>(610)</b>

**Financial Information Solutions (FIS)** - FIS provides financial services to Environment and Culture and a number of other Council units.

**Grounds Maintenance** - Grounds maintenance is the ex-DLO function of the Parks Service and only includes those contracts subject to external competition.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

**Brent Transport Service (BTS)** - BTS provide home to school transport for schools, transport services for adult and childrens social care, courier service for the Council and a small number of fleet management contracts for other Council units.

**Lead Tenant Accounts** - The Council operates a number of lead tenant accounts for its main office buildings. All the costs of running these buildings are charged to these accounts and the tenants are charged a rental based on market rents plus a service charge.

### NOTE 6: INTEREST RECEIVABLE

Interest receivable was £6.208m in 2007/08 (£4.970m in 2006/07). There were no unrealised gains or losses included as interest receivable in the 2006/07 or 2007/08 revenue accounts.

### NOTE 7: CONTRIBUTION TO CAPITAL ADJUSTMENT ACCOUNT

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

	2007/08 £000	2006/07 £000
Statutory MRP	8,114	7,975
Provision for General Fund Depreciation	(18,017)	(17,011)
<b>Additional Charge/(Credit) to/(from) Statement of Movement on the General Fund Balance</b>	<b>(9,903)</b>	<b>(9,036)</b>

### NOTE 8: CONTRIBUTION FROM THE CAPITAL ADJUSTMENT ACCOUNT

This contribution represents the write-off of expenditure in relation to assets which the Council does not own or from which the Council does not derive any material benefit or expenditure which government direction allows to be capitalised. This expenditure is also known as deferred charges.

	2007/08 £000	2006/07 £000
Renovation Grants	5,013	5,013
Regeneration	3,250	1,857
Leased Buildings	701	586
Voluntary Aided Schools	1,178	154
Social Housing Grant	71	463
<b>Total Contribution</b>	<b>10,213</b>	<b>8,073</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

	2007/08 £000	2006/07 £000
Planning and Economic Development	3,912	1,749
Housing General Fund	5,083	5,584
Central Services	623	586
Education	595	154
	<b>10,213</b>	<b>8,073</b>

### NOTE 9: DEPLOYMENT OF DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable in 2007/08 are as follows:

	<b>Schools Budget Funded by Dedicated Schools Grant</b>		
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Original grant allocation to Schools Budget for the current year in the authority's budget	17,899	155,955	173,854
Adjustment to finalised grant allocation	-	-	-
DSG receivable for the year	17,899	155,955	173,854
Actual expenditure for the year	16,975	155,955	172,930
(Over)/underspend for the year	924	-	924
Planned top-up funding of ISB from Council resources	-	-	-
<b>(Over)/underspend carried forward to 2008/09</b>	<b>924</b>	<b>-</b>	<b>924</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 10: EMPLOYEES' REMUNERATION

The number of employees whose remuneration in 2007/08 and 2006/07, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	2007/08 Number of Employees	2006/07 Number of Employees
£50,000 - £59,999	271	223
£60,000 - £69,999	82	55
£70,000 - £79,999	35	27
£80,000 - £89,999	8	14
£90,000 - £99,999	20	13
£100,000 - £109,999	4	1
£110,000 - £119,999	1	3
£120,000 - £129,999	5	3
£130,000 - £139,999	-	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	-
£160,000 - £169,999	-	-
£170,000 - £179,999	1	1
	<u>427</u>	<u>340</u>

### NOTE 11: EXPENDITURE ON PUBLICITY

Section 5(i) of the Local Government Act 1986 requires a local authority to keep a separate account of its expenditure on publicity. Expenditure on publicity in 2007/08 amounted to £2.180m (£1.297m in 2006/07). A large proportion of this expenditure relates to the Council's recruitment advertising.

### NOTE 12: EXPENDITURE ON LEASING

In 2007/08 the Council paid out £209,000 (2006/07 - £219,000) for operating leases of vehicles, plant and equipment to lessors. The undischarged obligation in respect of operating leases was £174,000 (31.03.07 - £361,000). There was no expenditure on finance leases. Brent is committed to spending £111,000 in 2008/09 on operating leases of vehicles, plant and equipment. The leases to which these commitments relate expire in:

	<b>£'000</b>
The next financial year (2008/09)	62
2-5 years after 31.03.07 (2009/10 - 2012/13)	49
More than 5 years after these accounts (2013/14 onwards)	-
<b>Total</b>	<u><b>111</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 13: PENSION ARRANGEMENTS

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

**TEACHERS** - This is a defined benefit scheme administered by the Department for Children, Schools and Families (DCSF). In 2007/08 Brent paid £12.4m (2006/07 £11.4m). The Council contributed at a rate of 14.1% of pensionable pay for the period (13.5% in April – December 2006 and 14.1% for the period January to March 2007), and in addition is responsible for all pension payments relating to added years awarded by the authority together with the related increases. These amounted to a further £1.8m in 2007/08 (2006/07 £1.8m).

**OTHER EMPLOYEES** - Pensions are provided from the Pension Fund, the accounts of which have been produced separately. The employer's contributions, at rates advised by the Fund's actuaries, are charged to revenue as incurred. The Council's actuaries recommended an employer's contribution of 385% of employees contributions in 2007/08 (360% in 2006/07). In 2007/08 the Council paid employer contributions of £25.0m (2006/07 £22.3m), representing 22.4% of pensionable pay of all employees. The Council is responsible for all pension payments relating to added years benefits it has awarded together with the related increases. In 2007/08 Brent made discretionary payments of £31,000 (2006/07 £43,000). Expenditure in 2007/08 on added years awarded by the authority amounted to £3.1m (£3.1m 2006/07) representing 2.8% of pensionable pay.

Pension payments made during 2007/08 in accordance with SSAP 24 "*Accounting for Pension Costs*" are £19.5m representing 18.4% of pensionable pay.

The 2007 Actuarial Valuation indicates that the assets of the fund cover 72% of fund liabilities following a fall in investment returns offset by falling interest rates, and increasing member longevity. Employer contributions have been set to cover the deficit over 25 years.

Employer rates as a percentage of pensionable pay, where until 31.03.08 employees paid 6% of their annual salaries, are as follows:

2003/04	18.6%
2004/05	18.6%
2005/06	20.1%
2006/07	21.6%
2007/08	23.1%
2008/09	22.9%

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

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

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

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

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

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

The most recent valuation was carried out as at 31<sup>st</sup> March 2007, and has been updated by independent actuaries to the London Borough of Brent Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31<sup>st</sup> March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. Changes to the Local Government Pension Scheme permit employees retiring on or after 6<sup>th</sup> April 2007 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed 50% of employees retiring after 6<sup>th</sup> April 2007 will take advantage of this change to the pension scheme.

London Borough of Brent's contribution rate over the accounting period was 385% of members' contributions. The contribution rate certified for London Borough of Brent at the 31<sup>st</sup> March 2007 valuation is 22.9% of pensionable pay.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

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

	31 March 2008	31 March 2007
Discount rate	6.8%	5.3%
Rate of increase in salaries	5.2%	4.7%
Rate of increase in pensions in payment	3.7%	3.2%
Rate of increase in deferred pensions	3.7%	3.2%
Rate of inflation	3.7%	3.2%
Proportion of employees opting to take a commuted lump sum	50%	50%
Long-term expected rates of return on:		
Equities	7.6%	7.7%
Private equity	7.6%	7.7%
Hedge funds	7.1%	7.2%
Currency	10.0%	10.0%
Government bonds	4.6%	4.7%
Corporate bonds	6.8%	5.3%
Property	6.6%	6.7%
Other assets	7.1%	5.6%
Average long term expected rate of return	7.4%	7.3%

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

	31 March 2008 (£m)	31 March 2007 (£m)
Equities	212.82	271.64
Private equity	15.47	9.39
Hedge funds	36.10	27.20
Currency	27.68	27.29
Government bonds	27.25	26.58
Corporate bonds	8.60	25.88
Property	32.41	34.57
Other	<u>45.12</u>	<u>14.21</u>
<b>Total</b>	<b><u>405.45</u></b>	<b><u>436.76</u></b>

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31<sup>st</sup> March 2007 and 31<sup>st</sup> March 2008.

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

	31 March 2008 (£m)	31 March 2007 (£m)
Share of assets in the Fund	405.45	436.76
Estimated funded liabilities	(660.95)	(708.68)
Estimated unfunded liabilities	(86.02)	(91.28)
<b>London Borough of Brent's surplus/(deficit)</b>	<b><u>(341.52)</u></b>	<b><u>(363.20)</u></b>



## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The surplus or deficiency revealed above should be borne in mind when considering the amount of overall General Fund balances held (see page 34) i.e.

	<b>£m</b>
General Fund year end balances before FRS17 deficit	22.79
FRS17 deficit	<u>(341.52)</u>
<b>Balances after FRS17 deficit</b>	<b><u>(318.73)</u></b>

The movement in net surplus for the year to 31<sup>st</sup> March 2008 is as follows:

	<b>£m</b>	<b>£m</b>
Net surplus/(deficit) at beginning of year		(363.20)
Movement in year:		
Operating Charge:		
Current service cost	(22.29)	
Past service costs	<u>(5.81)</u>	
Total Operating Charge		(28.10)
Contributions:		
Contributions paid		30.03
Finance Income:		
Expected return on Pension Fund assets	31.48	
Interest on pension scheme liabilities	<u>(42.50)</u>	
Total Finance Income		(11.02)
Actuarial gain/(loss)		<u>30.77</u>
<b>Net surplus/(deficit) at end of year</b>		<b><u>(341.52)</u></b>

The actuarial gain of £30.77m in 2007/08, together with actuarial adjustments in previous years, is analysed further in the table below:

	<u>2007/08</u>		<u>2006/07</u>		<u>2005/06</u>		<u>2004/05</u>		<u>2003/04</u>	
	Amount (£m)	% of Assets/Liabilities	Amount (£m)	% of Assets/Liabilities	Amount (£m)	% of Assets/Liabilities	Amount (£m)	% of Assets/Liabilities	Amount (£m)	% of Assets/Liabilities
Actual return less expected return on assets	(73.48)	16.82	2.00	0.46%	42.43	10.7%	5.46	1.7%	36.16	11.5%
Experience gains and losses on pension liabilities	(20.04)	2.83	(1.87)	0.43%	(5.49)	0.8%	65.61	11.2%	(1.22)	0.2%
Changes in assumptions underlying the present value of pension liabilities	124.29	17.54	1.72	0.39%	(51.99)	7.8%	(143.83)	24.5%	1.09	0.2%
<b>Total</b>	<b>30.77</b>		<b>1.85</b>		<b>(15.05)</b>		<b>(72.76)</b>		<b>36.03</b>	

FRS17 indicates that Pension Fund liabilities are 61% funded as at 31<sup>st</sup> March 2008 (31<sup>st</sup> March 2007 62%). This is below the 72% assessed at the 2007 Valuation.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 16: RELATED PARTY TRANSACTIONS

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

#### London Borough of Brent Pension Fund

Administrative support is provided to the Fund. UK equities are managed in-house.

#### Voluntary Organisations

A number of organisations which received grants from the London Borough of Brent in 2007/08 have Brent Members as Directors, Trustees or employees. The following information has been obtained from Members' 2007/08 Declarations of Related Party Transactions:

	£'000
Brent Arts Council	10
Middlesex ITEC	43
Tricycle Theatre	218

One councillor is a director of an organisation which provided services to the council costing £159,000. The contract was entered into in compliance with the Council's standing orders.

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

### NOTE 17: MEMBERS' ALLOWANCES

Total payments including National Insurance costs in 2007/08 were £855,000 (£814,000 in 2006/07). The scheme for Members' allowances and amounts paid to each Member under the scheme are publicly available.

### NOTE 18: BUILDING CONTROL ACCOUNT

The Building Act 1984 and specifically the Building Control Regulations 1998 required Local Authorities to establish a scheme for Building Control charges from 1<sup>st</sup> April 1999. The basic principle is that income received over any three year period shall not be less than the costs directly or indirectly incurred. In 2007/08 a surplus of £18,000 was made as shown in the chargeable column below.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The figures for 2007/08 and 2006/07 are as follows:

	Chargeable 2007/08 £'000	Non- Chargeable 2007/08 £'000	Total Building Control 2007/08 £'000
<b><u>Expenditure</u></b>			
Employee Expenses	695	225	920
Premises	5	2	7
Transport	9	3	12
Supplies and Services	162	56	218
Central and Support Service Charges	220	75	295
<b>Total Expenditure</b>	<b>1,091</b>	<b>361</b>	<b>1,452</b>
<b><u>Income</u></b>			
Building Regulations Charges	(1,109)	-	(1,109)
Miscellaneous	-	(14)	(14)
<b>Total Income</b>	<b>(1,109)</b>	<b>(14)</b>	<b>(1,123)</b>
<b>Surplus/(Deficit) for Year</b>	<b>18</b>	<b>(347)</b>	<b>(329)</b>
<b><u>Comparatives for 2006/07</u></b>			
Expenditure	<b>1,004</b>	<b>383</b>	<b>1,387</b>
Income	<b>(1,045)</b>	<b>(25)</b>	<b>(1,070)</b>
<b>Surplus/(Deficit) for Year</b>	<b>41</b>	<b>(358)</b>	<b>(317)</b>

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

The Council is empowered by this Act to provide goods and services to other public bodies. Income from these services amounted to £1.740m in 2007/08 (£1.604m in 2006/07) and fully covered expenditure. The other public bodies are:

	2007/08 £'000	2006/07 £'000
London Borough of Harrow (Trading Standards)	815	844
Brent Primary Care Trust	835	642
Other	90	118
	<b>1,740</b>	<b>1,604</b>

### NOTE 20: POOLED BUDGETS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The Partnerships' income and expenditure for 2007/08 was:

	Learning Disabilities £'000	Mental Health £'000	Occupational Therapy £'000
Funding: London Borough of Brent	(118)	(443)	(645)
Brent tPCT	(348)	(1,035)	(487)
<b>Total Funding</b>	<b>(466)</b>	<b>(1,478)</b>	<b>(1,132)</b>
<b>Expenditure</b>	<b>466</b>	<b>1,502</b>	<b>1,501</b>
<b>Net Overspend/(Underspend)</b>	<b>-</b>	<b>24</b>	<b>369</b>
<b>2006/07 Net Overspend/(Underspend)</b>	<b>-</b>	<b>56</b>	<b>(175)</b>

### NOTE 21: AUDIT COSTS

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

	2007/08 £'000	2006/07 £'000
- Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with Section 5 of the Audit Commission Act 1998.	431	447
- Fees payable to the Audit Commission in respect of statutory inspection under Section 10 of the Local Government Act 1999.	40	86
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above under Section 28 of the Audit Commission Act 1998.	95	125
- Fees payable in respect of other services provided by the appointed auditor over and above the duties described above.	45	-

In 2007/08 as well as duties relating to external audit and inspection, the Council's former auditors also provided consultancy services on revenue income optimisation and VAT advice in relation to the Wembley Park Development.

### NOTE 22: HOUSING CAPITAL RECEIPTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 23: FIXED ASSETS

	Council Dwellings £000	Land and Buildings £000	VPF&E £000	Infra- structure £000	Intangible Assets £000	Commercial Properties £000	Total £000
Gross Book Value 01/04/07	707,553	437,097	26,954	130,671	-	6,858	1,309,133
Expenditure on Council Assets	11,004	38,001	5,187	12,632	453	-	67,278
Revaluations and Impairments	90,795	(428)	-	-	-	384	90,751
Additions	-	29,675	-	-	-	-	29,675
Less Disposals	(6,606)	(2,973)	-	-	-	-	(9,579)
Gross Book Value at 31/03/08	802,746	501,372	32,141	143,303	453	7,242	1,487,258
Depreciation on Assets Sold	-	76	-	-	-	-	76
Less Depreciation for Year	(7,267)	(11,275)	(3,338)	(3,340)	-	(116)	(25,336)
Less Accumulated Depreciation B/Fwd	(7,145)	(26,622)	(15,459)	(18,935)	-	(96)	(68,257)
<b>Net Book Value at 31/03/08</b>	<b>788,334</b>	<b>463,551</b>	<b>13,344</b>	<b>121,028</b>	<b>453</b>	<b>7,030</b>	<b>1,393,740</b>

The majority of land and building assets were valued as at 1<sup>st</sup> April 2004 by Phil Churton, MRICS, of Brent Council. Foundation Schools and Caretakers Houses were valued as at 1<sup>st</sup> April 2004 by Marcus J C Perry, FRICS, of Brent Council. A proportion of primary schools have been revalued at 1<sup>st</sup> April 2007 by James Young, BSc, MRICS. Voluntary aided schools are not included since they are not council assets. Council dwellings were revalued by FPD Savills at 31<sup>st</sup> March 2006 and their values have been up-rated to 31<sup>st</sup> March 2008 using Land Registry indices to reflect changes in property values. Impairment reviews on groups of assets are undertaken on an annual basis by the valuer. Where impairment is identified as being due to the consumption of benefit the loss is charged to the relevant service revenue account, otherwise it is written off against the Revaluation Reserve.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 24: CAPITAL EXPENDITURE

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

	2007/08 £000	2006/07 £000
Borrowing	21,185	19,333
Government Grants	24,154	24,088
Capital Receipts	7,443	-
Major Repairs Reserve	4,009	15,682
General Fund Revenue Contributions	5,348	3,310
HRA Revenue Contributions	5,995	8,663
Capital Accruals	3,106	2,071
Capital Funding Account	6,250	7,704
	<b>77,490</b>	<b>80,851</b>

### NOTE 25: LONG TERM INVESTMENTS

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

In 2006/07 the Council invested £161,000 to become a member of the London Authorities Mutual Limited (LAML) plus a further £100,000 in 2007/08. Insurance provision for some policies was provided to the Council in 2007/08.

### NOTE 26: LONG TERM DEBTORS

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

	31.03.08 £000	31.03.07 £000
Sale of Council Houses	304	406
Housing Act Advances	1	2
Other	645	571
	<b>950</b>	<b>979</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 27: DEBTORS

An analysis of debtors is shown below:

	31.03.08 £000	31.03.07 £000
Housing Rents	3,446	2,800
Government Departments and Local Authorities	22,365	20,814
Council Tax Payers	37,908	36,482
NNDR Payers	4,160	8,259
NNDR Refund due from Pool	-	1,243
Council Tax/NNDR Summons Costs	4,706	3,834
Parking	4,893	2,884
HRA	13,111	10,248
Housing Benefit Overpayments	8,881	8,766
Adult Social Care	7,859	7,275
Sundry	11,844	12,847
	<b>119,173</b>	<b>115,452</b>

### NOTE 28: CREDITORS

An analysis of creditors is shown below:

	31.03.08 £000	31.03.07 £000
Government Departments and Local Authorities	20,551	9,715
Housing Revenue Account	19,463	16,649
Consolidated Loans Pool	6,428	8,684
Collection Fund	3,605	2,802
Adult Social Care	4,115	4,204
Children and Families	11,634	14,622
Environment and Culture	8,679	7,768
Other	9,661	9,277
	<b>84,136</b>	<b>73,721</b>

### NOTE 29: LONG TERM BORROWING

Loans that mature within one year are shown under short term borrowing. The analysis of long term loans by maturity is shown below:

	31.03.08 £000	31.03.07 £000
Between 1 – 2 years	-	9,500
Between 2 – 5 years	-	-
Between 5 – 10 years	-	-
More than 10 years	607,280	594,257
	<b>607,280</b>	<b>603,757</b>
Under the 2007 Statement of Recommended Practice (SORP), the Fair Value of these loans is assessed as:	<b>731,095</b>	<b>677,967</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The calculation of fair value is based on the discount rates assessed by the Public Works Loans Board (PWLB) when authorities wish to redeem debt prematurely. Similar discount rates have been applied to market debt as to PWLB debt.

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy / sell at an appropriate price, with no other motive in their negotiations than to secure a fair price.

As the average interest rate payable on the debt is 5%, and loans could be borrowed at a lower rate as at 31<sup>st</sup> March, the fair value of the debt is higher than its book cost. The authority would be required to pay a large premium to discharge the debt.

The risks involved in managing debt and investment portfolios are discussed in Note 41.

### NOTE 30: DISCOUNTS ON THE PREMATURE REDEMPTION OF DEBT

In previous years' accounts, discounts on the premature redemption of debt apportioned to the Housing Revenue Account were shown as long term creditors in Brent's accounts.

	31.03.08 £000	31.03.07 £000
Premature redemption of debt	2,170	1,042
<b>Total</b>	<b>2,170</b>	<b>1,042</b>

Discounts are accounted for in the same way as premia, and are written off either over the outstanding period of the loan, or over ten years, whichever is shorter.

### NOTE 31: PROVISIONS

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

	31.03.07 £000	Additions £000	Reductions £000	31.03.08 £000
Uninsured Losses	4,022	2,600	(2,635)	3,987
Employment Tribunals	63	-	-	63
Disrepair Cases	190	-	-	190
Leasing – Dilapidations	107	-	-	107
Housing Repairs	200	-	-	200
Advice Centres	20	-	(20)	-
Gloucester Close	26	-	-	26
Mental Health Act 1983	236	-	(236)	-
Quainton Street S106	250	-	(198)	52
Fencing Repairs	150	-	(150)	-
Planning Appeals Costs	-	77	-	77
	<b>5,264</b>	<b>2,677</b>	<b>(3,239)</b>	<b>4,702</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

**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 2008/09 will be more than sufficient to meet all claims that are likely to be settled in 2008/09.

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

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

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

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

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

**Gloucester Close** - Historic debt raised against leaseholders of Gloucester Close. The majority of the debt was written off in 2004/05. The balance on this account will be reviewed in 2008/09.

**Mental Health Act 1983** - Following a House of Lords judgement in 2002 some charges made by the Council under the 1983 Mental Health Act had to be refunded. This is no longer required.

**Quinton Street S106** - Court Case return of funds in 2007/08.

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

**Planning Appeal Costs** - Costs provided for planning appeal.

### NOTE 32: GOVERNMENT GRANTS DEFERRED ACCOUNT

	£000
Balance at 1 <sup>st</sup> April 2007	108,608
Grants Received in Year	19,203
Grants Released to Revenue	(4,440)
<b>Balance at 31<sup>st</sup> March 2008</b>	<b>123,371</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.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 33. REVALUATION RESERVE

	£000
Balance at 1 <sup>st</sup> April 2007	-
<b>Movements in Year:</b>	
Add: Net Asset Revaluations and Additions	(120,875)
Less: Asset Disposals	3,081
Less: Write off Depreciation for Revaluations	288
<b>Balance at 31<sup>st</sup> March 2008</b>	<b>(117,506)</b>

The Revaluation Reserve accounts for amounts where the current value net book value of an asset is above its historic cost. It represents the accumulated amount of revaluation gains less amounts written off owing to depreciation and impairment.

The Revaluation Reserve is a new reserve with a zero opening balance. Therefore the closing balance only shows revaluation gains accumulated since 1<sup>st</sup> April 2007.

### NOTE 34: CAPITAL ADJUSTMENT ACCOUNT

	£000
Balance at 1 <sup>st</sup> April 2007	(569,217)
<b>Movements in Year:</b>	
Capital Receipts Applied	(7,443)
Capital Grants Applied	(9,391)
General Fund Revenue Contributions to Capital Expenditure	(5,347)
Capital Funding Account	(6,249)
HRA Contributions to Capital Expenditure	(5,995)
Major Repairs Reserve	(4,009)
<b>Less:</b>	
Transfer to Revenue	9,990
Disposals	6,497
Expenditure written off (Note 8)	10,213
HRA Depreciation (see HRA Note 6)	7,319
<b>Balance at 31<sup>st</sup> March 2008</b>	<b>(573,632)</b>

The Capital Adjustment Account records the consumption of historic cost over the life of the asset and deferred charges over the period that the authority benefits from the expenditure. The account also records the resources set aside to finance capital expenditure.

The balance sheet figures for 31<sup>st</sup> March 2007 have been adjusted from those included in the 2006/07 Statement of Accounts to accommodate the implementation of the Revaluation Reserve and the Capital Adjustment account. The operating balance on the Revaluation Reserve is zero but the opening balance on the Capital Adjustment Account comprises of the balances on the former Fixed Assets Restatement Account and the Capital Financing Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 35: CAPITAL RECEIPTS UNAPPLIED

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

	2007/08 £000	2006/07 £000
Balance of Usable Receipts at 1 <sup>st</sup> April 2007 (2006)	3,322	1
Add - Receipts from Sale of Assets etc.	9,315	5,751
Less – Pooled Payments	(4,695)	(2,430)
Less - Receipts Applied to New Capital Expenditure	(7,443)	-
<b>Balance of Usable Receipts at 31<sup>st</sup> March 2008 (2007)</b>	<b>499</b>	<b>3,322</b>

### NOTE 36: CAPITAL GRANTS UNAPPLIED

	2007/08 £000	2006/07 £000
Grants unapplied brought forward	5,896	9,448
Grants received during year	21,828	20,576
Grants applied during year	(4,951)	(3,021)
Grants transferred to Deferred Account	(19,203)	(21,107)
<b>Grants unapplied carried forward</b>	<b>3,570</b>	<b>5,896</b>

Note 24 shows £24.154m applied to fund capital spending in 2007/08. This consists of capital grants applied of £4.951m and grants transferred to deferred account of £19.203m.

### NOTE 37: DEFERRED CREDITS

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

	2007/08 £000	2006/07 £000
Balance brought forward	414	491
Movement during the year	(86)	(77)
<b>Balance carried forward</b>	<b>328</b>	<b>414</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 38: EARMARKED RESERVES

	31.03.07 £'000	Additions £'000	Reductions £'000	31.03.08 £000
Section 106 and Commuted Car Parking	11,145	2,285	(3,660)	9,770
Dollis Hill House	120	0	(48)	72
Care of the Elderly	233	13	(2)	244
Capital Funding	232	11,364	(11,596)	0
NNDR Revaluation Refunds	375	0	(112)	263
Systems Development	1,068	820	(1,075)	813
Middlesex House and Lancelot Road	2,359	422	0	2,781
Housing Revenue Account	5,322	502	(3,075)	2,749
Nurseries	997	0	(231)	766
Standards Fund	2,889	624	0	3,513
Property	2,307	0	0	2,307
Single Regeneration Budget	1,094	268	0	1,362
Service Units	675	38	(652)	61
Local Public Service Agreement (LPSA)	1,361	1,636	(405)	2,592
JFS School PFI	1,570	983	(754)	1,799
Supporting People	2,280	149	0	2,429
Chalkhill Community Building	3,340	342	(1,476)	2,206
Viewstar Replacement	197	0	(25)	172
HB Verification Framework	315	0	(91)	224
Granville Plus	814	266	(957)	123
Brent Performance Fund	114	0	(13)	101
Willesden Sports Centre PFI	1,214	108	0	1,322
Remuneration Strategy	0	1,664	0	1,664
One-off Growth	147	0	(85)	62
Youth Opportunities	168	193	(304)	57
Dedicated Schools Grant Balance	176	924	0	1,100
Wembley Youth and Community	250	0	0	250
LABGI	462	378	0	840
Continuing Care Costs	2,000	0	(2,000)	0
Financial Skills and Systems	139	0	(74)	65
Boiler Refurbishment	147	215	0	362
Training Monies	158	0	(158)	0
Learning & Skills Council (LSC)	0	405	0	405
Long Term Sickness	285	137	0	422
IT Invest to Save	0	120	0	120
Employment & Support Allowance	0	140	0	140
Local Housing Allowance	500	342	(4)	838
Affordable Housing PFI	0	254	0	254
Local Development Framework	0	200	0	200
South Kilburn Delivery	0	438	0	438
Service Improvement Reserve	0	750	0	750
Stonebridge Housing Action Trust	0	130	(22)	108
Brent tPCT Settlement	0	1,400	0	1,400
ESF/Sure Start	0	180	0	180
Payroll Liabilities	97	14	0	111
Miscellaneous	1,116	316	(504)	928
	<b>45,666</b>	<b>28,020</b>	<b>(27,323)</b>	<b>46,363</b>

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

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

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

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

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

**NNDR Revaluation Refunds** - Monies earmarked to pay consultants working on valuation appeals of Council properties.

**Systems Development** - To finance improvements and enhancements in the Borough's Information Technology and Communication (ITC) systems.

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

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

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

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

**Nurseries** - 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.

**Property** - Monies earmarked to be spent on repairs, maintenance and dilapidations to council freehold and leasehold buildings. Also to support more efficient use of office accommodation and new ways of working.

## **NOTES TO THE CORE FINANCIAL STATEMENTS (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 one-off unbudgeted items and deficits in service units.

**Local Public Service Agreement (LPSA)** - The balance of the grant for local public service agreements which was unspent at 31<sup>st</sup> March 2008.

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

**Supporting People** - Monies underspent in previous year. During 2006/07 services were reviewed and managed to reduce contract values. The underspend will be utilised during 2008/09 to balance funding cuts and set up new services in Brent. The grant conditions say this must be carried forward to spend on housing support.

**Chalkhill** - Monies earmarked for the development of a new community building on the Chalkhill estate.

**Viewstar Replacement** - Monies earmarked for the third stage of the new Housing Benefits document imaging system for filing and work allocation – phases 1 and 2 have been completed.

**HB Verification Framework** - Additional investment to meet new requirements for the verification of housing benefit claims and other changes in legislation.

**Granville Plus** - Balance remaining for the redevelopment of community facilities to include a children centre in South Kilburn.

**Brent Performance Fund** - The fund is used to pay for various service improvements across the Council. The underspend is being carried forward to fund initiatives in 2008/09.

**Willesden Sports Centre PFI** - The new Willesden Sports Centre opened during 2006/07 is financed through a 25 year PFI agreement. This involves an arrangement whereby funds received from the Council's own budget and from Government PFI credits are used to cover payments to the contractor. At the start of the project surplus funds are paid into a reserve which will be utilised over the life of the project.

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

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

**One-Off Growth** - This was provided in the 2006/07 budget for spending on library standards, Environment and Culture campaigns, freedom of information, school audits, credit unions, disabled parking and emergency planning. Amounts budgeted for 2007/08 which were unspent at 31<sup>st</sup> March 2008 have been carried forward to 2008/09.

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

**DSG Balance** - Balance carried forward of Dedicated Schools Grant.

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

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

**Continuing Care Cases** - To meet costs associated with a number of Continuing Care Patients previously funded by Brent Primary Care Trust that the Trust were seeking to transfer to the Council in 2007/08.

**Financial Skills and Systems** - Costs involved in the implementation of various recommendations to improve financial skills and systems across the Council.

**Boiler Refurbishment** - Refurbishment of the boiler at the Centre for Staff Development.

**Training Monies** - Government Office for London training initiatives provided in a joint venture with other West London boroughs.

**Learning and Skills Council** - Adult and community learning grant from the LSG to be utilised in 2008/09.

**Long Term Sickness** - Monies expected to be required to pay for long term sickness in schools funded by contributions from schools.

**Invest to Save** - Monies carried forward to fund agreed invest to save projects in IT.

**Employment and Support Allowance** - Grant received for new benefit on employment and support, awaiting guidance notes on the administrative process before being utilised.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

**Affordable Housing PFI** - Monies for costs and risks incurred on the proposed PFI scheme.

**Local Development Framework** - Local development framework inquiry costs.

**South Kilburn Delivery** - Costs to be incurred in the delivery of the project plan for South Kilburn.

**Service Improvement** - Monies set aside for investment and spend to save initiatives linked to a programme of service improvements for the Council.

**Stonebridge Housing Action Trust** - Money received to manage a redevelopment scheme in former Housing Action Trust land and two primary school sites.

**Brent tPCT** - Brent Teaching Primary Care Trust (tPCT) indicated that a number of patients that it funded for care should transfer to the local authority. The Council did not accept the legal basis for many of these changes. However, the majority of cases have now been resolved between the two bodies. Part of this settlement requires the Council to earmark £1.4m in this reserve. It will be utilised to fund joint initiatives between the Council and tPCT which will be agreed by both parties.

**ESF/Sure Start** - Ethnic minority achievement grant to be carried forward and utilised in 2008/09.

**Payroll Liabilities** - Monies provided for various payroll liabilities e.g. uncashed payroll and pension cheques.

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

### NOTE 39: GENERAL FUND BALANCES

The balance held on the General Fund comprises:

	31.03.08 £000	31.03.07 £000
Schools	13,730	9,034
Other	9,055	9,907
	<b>22,785</b>	<b>18,941</b>

Schools balances are committed to be spent on the Education service.



## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 40: PREMATURE REDEMPTION OF DEBT/FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

Premia incurred and General Fund discounts earned in prematurely redeeming debt are shown here. Premia are apportioned between the General Fund and Housing Revenue Account (HRA), and charged to the HRA over the remaining life of the redeemed debt or 10 years, whichever is shorter, and to the General Fund over the life of the debt which was raised to replace it. If an opportunity arises to capitalise the General Fund component, this is normally exercised, as it represents an efficient way of managing the portfolio. Discounts are offset against premia before amortising the balance unless separate amortisation is required, as for the HRA. These are shown separately in Note 30.

The 2007 SORP has changed the accounting treatment of premature redemption of debt. Previously premia were charged over the life of the replacement debt. Under the new SORP, if debt is extinguished (the net present value of cash flows changes by more than 10%, replacement loan taken on the same day as premature redemption) the premia/ discounts are taken to the Income and Expenditure account.

For 2006/07, none of the loans were modified (exchange of loan instruments with the existing lender is simultaneous, and the present value of the cash flows under the new loan vary by less than 10%) but were extinguished. The premature redemptions carried out in 2007/08 were also extinguishments.

Regulations issued by the Department of Communities and Local Government have been designed to ensure that the accounting changes do not impact on the council tax payer, so that the premia or discounts arising on the early redemption of debt in 2007/08 that may have been charged to the General Fund may be spread over an appropriate period. Adjustments are made through a Financial Instruments Adjustment Account.

The amounts included in the balance sheet are as follows:

	<b>£'000</b>
Deferred Premia on the Premature Redemption of Debt	38,595
Discounts on Premature Redemption of Debt	(2,170)
	<u>36,425</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 41: SHORT TERM INVESTMENTS

#### Key Risks

The Council's investment activities expose it to a variety of financial risks, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of interest rate movements or other market changes.

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years establishing:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These items are required to be reported and approved as part of the Council's annual Council Tax setting budget. They are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Approved List for Investments, which governs lending to banks and financial institutions, including building societies, government authorities and supranational institutions. The Council combines long-term, short-term and individual ratings to reduce the risk of default.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on the Council's experience of its default levels.

	Amount at 31 March 2008 £000s (a)	Historical experience of default % (b)	Estimated maximum exposure to default £000s
Deposits with banks and financial institutions	40,828	0%	0
Building societies	48,000	0%	0
Government institutions	-	0%	0
Supranational institutions	-	0%	0
Certificates of deposit	21,295	0%	0
<b>Total short term investments</b>	<b>110,123</b>	<b>0%</b>	<b>0</b>
Trade debtors	93,362	54.9%	51,261
	<u><b>203,485</b></u>		<u><b>51,261</b></u>

The Certificates of deposit are available for sale assets with a capital value of £20,850,000, and accrued value of £445,310. As at 1<sup>st</sup> April 2007, the capital value was £37,614,986, and the accrued value was £854,463. Our treasury adviser, Butler, has advised that the certificates of deposit should not be defined as 'available for sale' assets as the maturity of the assets is less than 12 months.

On a small number of occasions, the upper lending and term limits have been waived to allow the Council to take advantage of attractive lending opportunities with sound counterparties. The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Trade debtors are general debtors to the Council, and do not include government departments, other local authorities or housing rents.

The past due amount can be analysed by age as follows:

	£000s
Less than three months	16,791
Three to six months	1,440
Six months to one year	15,170
More than one year	59,961
	<u><b>93,362</b></u>

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

The Council does not generally allow credit for its trade debtors. During the reporting period the council held no collateral as security.

Historical experience of default has been used to determine the bad debt provision for trade debtors.

### **Liquidity risk**

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loans Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to councils. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

### **Refinancing and Maturity Risk**

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets (up to three years).

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The maturity analysis of borrowing is as follows:

	<b>£000s</b>
Less than one year	14,200
Between one and two years	-
Between two and ten years	-
Between ten and 15 years	5,000
More than fifteen years	521,780
Market loans	80,500
	<u><b>621,480</b></u>

The maturity analysis of investments is as follows:

	<b>£000s</b>
Less than one year	85,123
Between one and two years	10,000
Between two and three years	15,000
More than three years	-
	<u><b>110,123</b></u>

### Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account may rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments affect Income and Expenditure Account and the General Fund Balance. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposures appropriately. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs for the Housing Revenue Account.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	<b>£000s</b>
Increase in interest payable on variable rate borrowings	100
Increase in interest receivable on variable rate investments	(1,191)
Impact on Income and Expenditure Account	<u>(1,091)</u>
Increase in Government grant receivable for financing costs	-
Share of overall impact debited to the HRA	<u>50</u>
Decrease in fair value of fixed rate investment assets	-
Impact on STRGL	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on I+E Account or STRGL)	<u><u>230,000</u></u>

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

**Price risk** - The Council, excluding the pension fund, does not invest in equity shares.

**Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### Fair Value

The council follows the CIPFA Treasury Code, and only invests in very high quality institutions so that the risk of capital loss is minimised. The in-house team makes cash deposits for periods up to three years. The external manager (Aberdeen Asset Management) is allowed to invest in a wider range of instruments (cash, gilts, supranational bonds, certificates of deposit) with institutions that are named on the council's lending list. The manager has invested in cash and certificates of deposit (CDs) with less than one year to maturity. As CDs are more volatile than cash, the council has accounted for them at market value as at 31<sup>st</sup> March 2008.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 42: 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 entry on the balance sheet. During the year all amounts set aside were utilised for the repayment of debt.

	2007/08 £000	2006/07 £000
Balance brought forward	-	-
Minimum Revenue Provision	8,114	7,975
Reserved Capital Receipts	-	-
	8,114	7,975
Amount of Debt Repaid	(8,114)	(7,975)
<b>Balance Carried Forward</b>	-	-

### NOTE 43: CONTINGENT LIABILITIES

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

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

- The Council has a liability in respect of mortgages guaranteed under the Equity Sharing Scheme. The total value of the mortgages originally guaranteed was £900,000.
- The Council has entered into a number of agreements, including guarantees and indemnities, leases and management agreements with Housing Associations and other bodies both for private sector leasing schemes and for accommodation for the homeless. It is not considered necessary to make any direct provision in respect of these agreements.

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

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

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

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

## **NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)**

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

The Council has provided a guarantee of £609,500 as part of its membership of the London Authorities Mutual Limited (LAML) a mutual insurance fund and company limited by a guarantee set up by a number of London Boroughs. The LAML is established to provide the Boroughs with various types of insurance coverage from 1<sup>st</sup> April 2007. At present the guarantee is not currently enforceable as the High Court ruled that Brent did not have the power to grant a guarantee to LAML either under S.111 of the Local Government Act 1972 or S.2 of the Local Government Act 2000.

The Council may be required to make a payment to leaseholders in respect of possible defects in statutory notices; the Council has however been advised that an application for dispensation from the consequences of the defects should be successful. No specific provision has been made.

Brent Teaching Primary Care Trust (tPCT) indicated that a number of patients that it was responsible for to provide and fund care should transfer to the local authority as they do not meet health care criteria. The Council does not accept the legal basis of many of these funding changes and it cannot properly assess responsibility in individual cases without a proper assessment process having been undertaken. A large majority of these cases have now been clarified and financial responsibility established. However there remain uncertainties over some other clients with the Council being unable to quantify any liability and the Council will deal with claims as they arise.

A claim for compensation for land taken under Compulsory Purchase Orders in connection with the Wembley Park Estate Access Corridor have been lodged with the Lands Tribunal. The Council believes it has made adequate overall provision for any claim on the whole scheme.

The Council is liable to pay costs of the employer and the contractor in a claim in respect of management of a contract for building works. The costs as claimed by the parties amounts to a sum in excess of that which the Council has specifically provided.

The Council may receive claims for back-pay relating to the negotiation of a national Single Status agreement (an exercise to ensure that employees are paid the same for carrying out jobs of equal value). This note should not be regarded as an acceptance of liability in any particular future case.



## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 44: COUNCIL'S ASSETS

The Council's fixed assets principally include:

	31.03.08	31.03.07
Council Dwellings		
Council Dwellings	9,079	9,143
Land and Buildings		
Secondary Schools	13	13
Primary Schools	59	59
Nursery Schools	4	4
Special Schools	5	5
Pupil Referral Unit	2	2
Libraries	12	12
Social Services Establishments	86	86
Administrative Buildings	3	3
Car Parks	15	15
Infrastructure		
Kilometres of Roads	471	471
Community Assets		
Acres of Parks and Open Spaces	1,000	1,000
Acres of Allotments	49	49

### NOTE 45: CAPITAL COMMITMENTS

Capital commitments are shown below. These include both schemes under contract and those it would be prudent to provide for:

	31.03.08 £000	31.03.07 £000
Capital Commitments	35,833	23,867
	<b>35,833</b>	<b>23,867</b>

Capital commitments at 31<sup>st</sup> March 2008 are shown below:

	£000
Children & Families:	
Schools	5,487
Non-Schools	2,853
Environment & Culture:	
Roads & Highways	5,648
Leisure, Sport & Parks	612
Libraries & Culture	28
Environmental Initiatives	477
Housing & Community Care:	
Adults	586
Works to dwellings	13,757
Customer Services	297

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### Finance & Corporate Resources:

ICT schemes	446
Administrative Building	1,953
Local Area Agreements	1,962
Central Items	1,727

### NOTE 46: EURO COSTS

No direct expenditure or commitments on the Euro were incurred in 2007/08. Areas where expenditure is likely to be incurred if the Euro is adopted have been identified but not yet quantified because of the uncertainty of the timescale. However Brent's IT strategy states that all replacement PCs and software must be Euro compliant.

### NOTE 47: PRIVATE FINANCE INITIATIVE (PFI)

The council has entered into two PFI projects which have generated assets to be used by the council, these are:

- In 1998/99 a 20 year project to provide and maintain new street lights throughout the Borough;
- In 2006/07 a 25 year project to provide and maintain a new sports centre and related facilities in Willesden.

FRS 5 provides the detailed factors to be taken into account when determining the treatment of these assets, and whether they should be reflected on the balance sheet of the purchaser or the contractor. An assessment of the projects risks and rewards and the substance of the transaction was carried out in accordance with FRS 5. As a result, the assets generated from the projects are not included on the council's balance sheet.

Payments made to the PFI contractors are debited to the Revenue Account and Government Grants received in this respect are credited to the Revenue Account. In 2007/08 the amounts paid under PFI contracts was £4.333m and grant received was £1.965m. The difference was funded from the council's revenue budget.

### NOTE 48: ANALYSIS OF NET ASSETS EMPLOYED

	31.03.08 £000	31.03.07 £000
General Fund	(63,237)	(147,254)
Housing Revenue Account	475,124	415,432
Trading Accounts	14,966	7,004
	<b>426,853</b>	<b>275,182</b>

The FRS 17 deficit relating to the pension fund (£341.52m at 31.03.08) has been mainly charged to the general fund. This is why negative net assets are shown above for the general fund.

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 49: OTHER GOVERNMENT GRANTS CASH FLOW

	Funding Bodies	2007/08 £000	2006/07 £000
Access and Systems Capacity	DH	2,924	3,006
AIDS and HIV	DH	298	311
Asylum Seekers	HO	903	901
Carers	DH	1,402	1,269
Child and Adolescent Mental Health	DH	956	-
Childcare Affordability	LDA	817	-
Children's Services (Fund)	DCSF	-	1,963
Connexions	DCSF	257	-
Dedicated Schools (DSG)	DCSF	174,214	159,124
Delayed Discharge	DH	521	533
E-Government	CLG	350	70
Home Office – On Track Project	HO	-	452
Homeless Strategy	CLG	820	1,985
Housing Benefits for Council Tenants (HRA)	DWP	28,129	27,098
Housing Subsidy	CLG	18,905	23,849
Human Resources Development Strategy	CLG	338	347
LAA Pump Priming	CLG	16,854	13,469
Local Authority Business Growth Incentive (LABGI)	CLG	710	1,463
Local Housing Allowance	DWP	322	-
Local Public Service Agreements	CLG	1,284	1,284
Learning and Skills Council	DCSF/DIUS	26,169	24,441
Magistrates Courts	MOJ	519	523
Mental Health	DH	1,008	988
National Training Strategy	DH	728	748
Neighbourhood Renewal Fund	CLG	-	2,279
Partnerships for Older People	DH	746	536
Performance Standards Fund	DWP	-	113
Private Finance Initiative	CLG	2,850	1,840
Planning Delivery	CLG	411	509
Preserved Rights	DH	1,362	1,451
Regeneration Budget	CLG	6,766	8,933
Standards Fund	DCSF	36,210	33,913
Supporting People	CLG	13,035	13,034
Training and Development	DCSF	275	-
Waste Performance and Efficiency	DEFRA	-	302
Young People's Substance Misuse	HO	389	441
Youth Opportunities	DCSF	192	359
Other Grants	Misc	1,675	786
		<b>342,339</b>	<b>328,320</b>

#### Funding Bodies:

- DH - Department of Health
- DWP - Department of Works and Pensions
- DCSF - Department of Children, Schools and Families.
- HO - Home Office
- DIUS - Department for Innovation, Universities and skills
- CLG - Communities and Local Government
- DEFRA - Department for Environment, Food and Rural Affairs
- LDA - London Development Agency
- MOJ - Ministry of Justice

## NOTES TO THE CORE FINANCIAL STATEMENTS (Continued)

### NOTE 50: RECONCILIATION OF SURPLUS/DEFICIT ON THE INCOME AND EXPENDITURE ACCOUNT TO NET CASH FLOW

	2007/08 £000	2006/07 £000
<b>Net Surplus/(Deficit) on the Income and Expenditure Account</b>	(1,189)	5,071
Additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (see Statement of Movement on the General Fund Balance)	5,033	(766)
HRA surplus for the year	1,616	115
	5,460	4,420
<b>Non Cash Transactions</b>		
Minimum Revenue Provision	8,114	7,975
Other Provisions/Earmarked Reserves	(8,673)	(494)
<b>Accruals Items</b>		
(Increase)/Decrease in Stock and WIP	119	82
(Increase)/Decrease in Debtors	3,488	7,805
Increase/(Decrease) in Creditors	42,194	1,839
<b>Net Revenue Cash Flow Surplus</b>	<b>50,702</b>	<b>21,627</b>

### NOTE 51: INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	Balance 31.03.08 £000	Balance 01.04.07 £000	Movement In Year £000
Cash	3,028	395	2,633
2006/07 Comparative			<u>5,619</u>

### NOTE 52: ANALYSIS OF CHANGES IN NET DEBT

	Balance 31.03.08 £000	Balance 31.03.07 £000	Movement In Year £000
Cash in Hand	187	142	45
Cash at Bank/(Overdrawn)	2,841	253	2,588
	3,028	395	2,633
Short Term Borrowing	(14,200)	-	(14,200)
Long Term Borrowing	(607,280)	(603,757)	(3,523)
	(618,452)	(603,362)	(15,090)
Short Term Investments	110,123	90,780	19,343
<b>Total</b>	<b>(508,329)</b>	<b>(512,582)</b>	<b>4,253</b>

## HOUSING REVENUE ACCOUNT - 2007/08

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

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

### **HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT** **FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008**

<u>Note</u>	2007/08 £000	2006/07 £000
	<b><u>Income</u></b>	
	(43,216)	(41,662)
	(528)	(371)
	(259)	(265)
	154	(272)
7	(19,029)	(23,425)
	<b>(62,878)</b>	<b>(65,995)</b>
	<b><u>Expenditure</u></b>	
	7,445	9,402
	18,157	18,509
	3,614	4,230
	7,320	7,160
	490	615
	87	128
	-	-
	<b>37,113</b>	<b>40,044</b>
	<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	
	(25,765)	(25,951)
	269	201
	<b>(25,496)</b>	<b>(25,750)</b>
	<b>HRA share of the operating income and expenditure included in the Council's Income and Expenditure Account</b>	
	-	(1,456)
10	16,207	18,357
	4,793	3,551
	(511)	(520)
	144	143
	<b>(4,863)</b>	<b>(5,675)</b>
	<b>(Surplus) or Deficit for the Year on HRA Services</b>	

## HOUSING REVENUE ACCOUNT - 2007/08 (Continued)

### STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2007/08 £000	2006/07 £000
Increase or decrease in the Housing Revenue Account balance comprising:		
• (Surplus) or deficit for year on the HRA Income and Expenditure Account	(4,863)	(5,675)
• Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance		
- Gain or (loss) on sale of HRA fixed assets	-	1,456
- Net charges made for retirement benefits in accordance with FRS17	(435)	(457)
- Capital expenditure funded by the Housing Revenue Account	5,995	8,663
- Transfer to/from Major Repairs Reserve	(53)	(15)
- Employer's contributions payable to the Brent Pension Fund and retirement benefits payable direct to pensioners	313	337
- Transfer to other earmarked reserves	(2,573)	(4,424)
<b>Increase in HRA Balance for the Year</b>	<b>(1,616)</b>	<b>(115)</b>
<b>Housing Revenue Account Balance brought forward</b>	<b>(893)</b>	<b>(778)</b>
<b>Housing Revenue Account Balance carried forward</b>	<b>(2,509)</b>	<b>(893)</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### NOTE 1: HOUSING STOCK

The Council's stock of dwellings reduced during the year from 9,626 to 9,482, a net reduction of 144 dwellings. These reductions result from Right to Buy sales, reductions in HRA Leased Properties, conversions of two or more dwellings into larger units, and estate regeneration programmes. They were offset to some extent by new additions during the year.

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

	31.03.08	31.03.07
Leasehold	402	483
Freehold	9,079	9,143
<b>Total</b>	<b>9,481</b>	<b>9,626</b>

### NOTE 2: RENT ARREARS

The level of rent arrears at 31<sup>st</sup> March 2008 was £3.262m. Movements on the arrears and related provisions are shown below.

	Arrears £'000	Provision £'000	Net Arrears £'000
Balances at 31.03.2007	2,800	2,780	20
Amounts written off and other adjustments (Decrease)/Increase in Provision	(260)	(260)	0
(Decrease)/Increase in Arrears	722	-	722
<b>Balances at 31.03.08</b>	<b>3,262</b>	<b>2,720</b>	<b>542</b>

### NOTE 3: FIXED ASSETS

	Council Dwellings £'000	Non- Operational £'000	Total £'000
<b>Gross Book Value at 1 April 2007</b>	<b>707,553</b>	<b>5,489</b>	713,042
Revaluation	90,795	384	91,179
Expenditure during the Year	11,004	-	11,004
Disposals	(6,606)	-	(6,606)
<b>Gross Book Value at 31.03.2008</b>	<b>802,746</b>	<b>5,873</b>	808,619
Accumulated Depreciation B/fwd	(7,145)	(15)	(7,160)
Depreciation/adjustment for the Year	(7,267)	(53)	(7,320)
<b>Net Book Value at 31.03.08</b>	<b>788,334</b>	<b>5,805</b>	<b>794,139</b>

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

The vacant possession value of dwellings within the HRA at 31<sup>st</sup> March 2008 is £1.090 billion. The difference between this value and the balance sheet value of dwellings within the HRA shows the economic cost of providing social housing at less than open market rents.

## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 5: IMPAIRMENT CHARGE

Impairment charges represent a permanent reduction in the value of fixed assets due to circumstances other than changes in property prices. There were no impairment charges during the Financial Year 2007/08.

### NOTE 6: MAJOR REPAIRS RESERVE

The Major Repairs Reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

	2007/08 £'000	2006/07 £'000
Balance at 1 <sup>st</sup> April 2007 (2006)	1,436	9,973
Transfer to Major Repairs Reserve	7,320	7,160
Transfer from Major Repairs Reserve	(53)	(15)
Capital expenditure financed from Major Repairs Reserve	(4,009)	(15,682)
<b>Balances at 31.03.08 (2007)</b>	<b>4,694</b>	<b>1,436</b>

### NOTE 7: HRA SUBSIDY

	2007/08 £'000	2006/07 £'000
Management Allowance	7,359	7,343
Maintenance Allowance	12,566	12,550
ALMO Allowance	4,320	4,320
Admissible Allowance	0	222
Capital Charges	22,280	23,211
MRA	7,267	7,145
Interest on Receipt	(26)	(33)
Other Reckonable Expenditure	3,149	4,071
Rent Allowance Constraint	200	200
Prior Year Audit Adjustment	(201)	31
	<b>56,914</b>	<b>59,060</b>
Income to General Fund	(37,885)	(35,635)
	<b>19,029</b>	<b>23,425</b>

### NOTE 8(A): HRA CAPITAL EXPENDITURE FUNDING IN 2007/08

	2007/08 £'000	2006/07 £'000
Borrowing	1,000	9,956
Revenue Contribution	5,995	8,663
Major Repairs Reserve	4,009	15,682
<b>Total</b>	<b>11,004</b>	<b>34,301</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT (Continued)

### NOTE 8(B): HRA CAPITAL RECEIPTS IN 2007/08

	2007/08 £'000	2006/07 £'000
Land	-	-
Houses	6,606	3,795
Other Properties	-	-
<b>Total</b>	<b>6,606</b>	<b>3,795</b>

### NOTE 10: NET INTEREST RATE CHARGED TO THE HRA

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

	31 <sup>st</sup> March 2008 £'000s	31 <sup>st</sup> March 2007 £'000s
Interest on HRA mid year Capital Financing Requirement (Prior Year Adjustment)	16,363 (156)	18,357 -
<b>Total</b>	<b>16,207</b>	<b>18,357</b>

### NOTE 11: TRANSFER TO PENSION RESERVE

The 2007/08 HRA has been produced in accordance with the requirements of Financial Reporting Standard (FRS) 17 – Retirement Benefits. FRS17 is described further in the notes to the Core Financial Statements.

The adjustment to Net Cost of Services in the HRA in 2007/08 and 2006/07 was:

	2007/08 £'000	2006/07 £'000
Direct Employee Costs	(22)	4
Premature Retirement Compensation	-	(27)
<b>Adjustment</b>	<b>(22)</b>	<b>(23)</b>

### NOTE 12: BRENT HOUSING PARTNERSHIP

In October 2002, the Council formed Brent Housing Partnership Limited, an arms length management organisation (ALMO). Brent Housing Partnership Limited is responsible for the provision of services associated with the Council's Housing stock (repairs, lighting, cleaning). The housing stock remains in the ownership of the Council and rents are collected by Brent Housing Partnership Limited. The Council has entered into a contract with Brent Housing Partnership Limited to provide these services. The income and expenditure arising from these activities are shown in the Council's accounts in accordance with transitional arrangements in the current CIPFA Code of Practice and legislation. Brent Housing Partnership Limited is required by law to prepare a set of accounts which shows its management and administrative cost.

## COLLECTION FUND

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

### COLLECTION FUND ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008

Notes		2007/08 £000	2006/07 £000
	<b>Income</b>		
1	Income from Council Tax	94,744	87,093
	Transfers from General Fund		
	- Council Tax Benefits	26,844	26,047
4	Collection Fund Deficit	1,500	1,500
2	Income from Non Domestic Rates	79,431	71,545
		<b>202,519</b>	<b>186,185</b>
	<b>Expenditure</b>		
3	Precepts and Demands	122,019	116,500
2	Non-Domestic Rates:-		
	- Payment to National Pool	79,016	71,124
	- Cost of Collection Allowance	415	421
	Provision for uncollectable amounts (net of write-offs)	1,069	(1,860)
		<b>202,519</b>	<b>186,185</b>
	<b>Deficit/Surplus for Year</b>	<b>0</b>	<b>0</b>
	<b>Collection Fund Account Reserves</b>		
	Fund Balance Brought Forward	(1,500)	(1,500)
	Increase/(Decrease) in Fund Balance	0	0
	Fund Balance Carried Forward	(1,500)	(1,500)

## COLLECTION FUND (Continued)

### NOTES TO THE COLLECTION FUND

#### 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 93,900 for 2007/08. This basic amount of Council Tax for a Band D property (£1,299.46 for 2007/08) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following proportions and property numbers for Bands A to H:

Proportion of Band D Charge	Number of Band D Equivalent Properties	
Band A	0.67	1,321
Band B	0.78	7,243
Band C	0.89	23,589
Band D	1.00	26,663
Band E	1.22	23,757
Band F	1.44	8,208
Band G	1.67	5,084
Band H	2.00	442

96,307

x 97.5% Collection Rate = 93,900

The final income of £123.088m for 2007/08 (including the provision for non-payment, and adjustments to debits during the year) was receivable from the following sources:

	£'000
Billed to Council Tax Payers	96,244
Council Tax Benefits	26,844
	<b>123,088</b>

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

## COLLECTION FUND (Continued)

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

Non Domestic Rates are organised on a national basis. The Government specified a rate of 44.4p in the £ for 2007/08 (44.1p for small businesses having a rateable value of below £10,000) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. There was a nation-wide re-valuation of all properties which took effect from 1<sup>st</sup> April 2005. The Council is responsible for collecting rates due from the ratepayers in the area with a total non-domestic rateable value of £220,816,238 at 31<sup>st</sup> March 2008, but pays the proceeds into a national NDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities on the basis of a Formula Grant calculation. The amounts collected from the ratepayers on behalf of the Government and paid into the Pool can be analysed as follows:

	2007/08 £000	2006/07 £000
Original Debit	97,283	89,641
Transitional Relief	(203)	(844)
Charitable Relief	(5,170)	(4,870)
Provision for Uncollectible Amounts	(586)	(1,234)
Other Adjustments	(1,776)	(2,632)
Empty/Void Relief	(10,117)	(8,516)
Net NNDR Income	79,431	71,545
Cost of Collection Allowance Payable to General Fund	(415)	(421)
<b>Amount Payable to NNDR Pool</b>	<b>79,016</b>	<b>71,124</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

	2007/08 £000	2006/07 £000
London Borough of Brent	93,485	89,357
Greater London Authority	28,534	27,143
	<b>122,019</b>	<b>116,500</b>

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

### NOTE 4: ESTIMATED SURPLUS AND DEFICIT

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

	2007/08 £000	2006/07 £000
London Borough of Brent	1,151	1,177
Greater London Authority	349	323
<b>Deficit</b>	<b>1,500</b>	<b>1,500</b>

## GROUP ACCOUNTS

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

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

BHP is a limited company. It is limited by a guarantee with no share capital. It is fully owned by the London Borough of Brent. The London Borough of Brent has an obligation to meet BHP's pension fund liabilities. BHP's accounts may be obtained from their financial controller, John Liddiard at Chancel House, Neasden Lane, London, NW10 2UF, e-mail address [john.liddiard@bhphousing.co.uk](mailto:john.liddiard@bhphousing.co.uk).

The following group financial statements have been prepared:

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

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

The group accounts at 31<sup>st</sup> March 2007 have been restated where appropriate to take account of the final audit adjustments to BHP's 2006/2007 accounts.

## GROUP INCOME AND EXPENDITURE ACCOUNT

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

### GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008

	2007/08 Gross Expenditure £000	2007/08 Income £000	2007/08 Net Expenditure £000	2006/07 Net Expenditure £000
Education	277,424	(265,214)	12,210	14,614
Cultural Services	19,737	(2,536)	17,201	15,655
Highways, Roads and Transport	33,106	(15,717)	17,389	18,313
Environmental	30,871	(3,401)	27,470	25,418
Planning and Development	21,863	(16,135)	5,728	5,275
Housing (General Fund)	254,006	(227,979)	26,027	22,565
Adult Social Care	95,894	(26,363)	69,531	] 101,653
Children's Social Services	42,156	(6,827)	35,329	
Courts	673	(504)	169	159
Central Services	72,347	(57,509)	14,838	9,612
Net Cost of General Fund Services	848,077	(622,185)	225,892	213,264
Housing Revenue Account	28,245	(62,878)	(34,633)	(30,110)
<b>Net Cost of Services</b>	<b>876,322</b>	<b>(685,063)</b>	<b>191,259</b>	<b>183,154</b>
Profit/loss on Disposals of Fixed Assets			-	(3,023)
Net Revaluation of Fixed Asset Disposals			374	-
Levies			6,455	5,693
(Surplus)/Deficit on Trading Accounts			(415)	(588)
Interest Payable			31,537	33,755
Interest Receivable			(6,342)	(5,027)
Contribution to Housing Pooled Capital Receipts			4,695	2,430
HRA Share of Corporate and Democratic Core			269	201
Amortised premiums and discounts			4,793	3,551
HRA investment income/mortgage interest			(511)	(520)
Pensions interest cost and expected return on pensions assets			10,890	9,660
Taxation Paid			54	28
<b>Net Expenditure</b>			<b>243,058</b>	<b>229,314</b>
Distribution From:				
General Government Grants			(21,635)	(23,839)
Non-Domestic Rate Pool			(128,920)	(123,495)
Income from Collection Fund			(92,334)	(88,180)
<b>(Surplus)/Deficit for the Year</b>			<b>169</b>	<b>(6,200)</b>

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

	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
(Surplus) or deficit on Brent's Single Entity Income and Expenditure Account for the year	1,189	(5,071)
BHP Surplus	(1,020)	(1,129)
<b>Group (Surplus) or Deficit for the Year</b>	<b>169</b>	<b>(6,200)</b>

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<b>2007/08</b> <b>£000</b>	<b>2006/07</b> <b>£000</b>
Net (Surplus) or Deficit for the Year	169	(6,200)
(Surplus) or Deficit Arising on Revaluation of Fixed Assets	(120,502)	255,819
Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	(31,660)	(2,320)
Other (Gains) and Losses	(31)	546
<b>Total Recognised (Gains) or Losses for the Year</b>	<b>(152,024)</b>	<b>247,845</b>



## GROUP BALANCE SHEET

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

### GROUP BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2008

	31.03.08		31.03.07	
	£000	£000	£000	£000
Fixed Assets		1,393,777		1,240,905
Investments (Long Term)		361		261
Long Term Debtors		950		979
Financial Investments Adjustment Account		38,595		42,260
<b>Total Long Term Assets</b>		<b>1,433,683</b>		<b>1,284,405</b>
Current Assets:				
Stock and Work in Progress	255		316	
Payments in Advance	3,440		7,505	
Debtors	115,841		115,095	
Less provision for bad debts	(53,981)		(54,705)	
Short Term Investments	110,123		91,040	
Cash at Bank	8,044		625	
Cash in Hand	187		142	
		183,909		160,018
Current Liabilities:				
Short Term Borrowing	(14,200)		-	
Creditors	(83,105)		(72,337)	
Deposits	(1,457)		(1,158)	
Receipts in Advance	(7,859)		(6,227)	
		(106,621)		(79,722)
<b>Net Current Assets/(Liabilities)</b>		<b>77,288</b>		<b>80,296</b>
<b>Total Assets Less Current Liabilities</b>		<b>1,510,971</b>		<b>1,364,701</b>
Long Term Borrowing		(607,280)		(603,757)
Premature Redemption of Debt		(2,170)		(1,042)
Provisions		(4,702)		(5,264)
Government Grants Deferred		(123,371)		(108,608)
Capital Grants Unapplied		(3,570)		(5,896)
Liability related to defined benefit pension schemes		(343,820)		(366,100)
<b>Total Assets Less Liabilities</b>		<b>426,058</b>		<b>274,034</b>
This is financed from:				
Miscellaneous Brent Reserves		401,502		256,848
Balances:				
General Fund	22,785		18,941	
Housing Revenue Account	2,509		893	
Collection Fund	(1,500)		(1,500)	
BHP	762		(1,148)	
		24,556		17,186
		<b>426,058</b>		<b>274,034</b>

## GROUP CASH FLOW STATEMENT

This statement groups together both revenue and capital income and expenditure. It provides a link between the Balance Sheet at the beginning of the year, the revenue account for the year and the Balance sheet at the end of the year. It summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

	2007/08		2006/07	
	£000	£000	£000	£000
<b>Net Cash(Inflow)/Outflow from Revenue Activities</b>		(80,512)		(51,186)
<b>Servicing of Finance</b>				
- Cash Outflows				
Interest Paid	31,537		33,755	
- Cash Inflows				
Interest Received	(6,342)	25,195	(5,027)	28,728
Total Revenue Activities Cash Surplus (See Note 2)		(55,317)		(22,458)
Taxation Paid		28		10
<b>Capital Activities</b>				
- Cash Outflows				
Purchase of Fixed Assets	67,294		75,175	
Deferred Charges	10,213		8,072	
Other	100	77,607	-	83,247
- Cash Inflows				
Sale of Fixed Assets	(9,314)		(6,488)	
Capital Grants Received	(21,828)	(31,142)	(17,724)	(24,212)
<b>Net Cash (Inflow)/Outflow Before Financing</b>		<b>(8,824)</b>		<b>36,587</b>
<b>Management of Liquid Resources</b>				
Net (Inflow)/Outflow from Short Term Deposits		19,083		(10,510)
<b>Financing</b>				
- Cash Outflows				
Repayments of Amounts Borrowed		699,357		547,780
- Cash Inflows				
New Loans Raised	(110,000)		(201,000)	
New Short Term Loans	(607,080)	(717,080)	(378,780)	(579,780)
<b>(Increase)/Decrease in Cash (See Note 3)</b>		<b>(7,464)</b>		<b>(5,923)</b>

## NOTES TO THE GROUP ACCOUNTS

### NOTE 1: SUMMARY OF TRANSACTIONS INCLUDED IN GROUP BALANCE SHEET

<u>2007/08</u>	<b>LBB £000</b>	<b>BHP £000</b>	<b>Total £000</b>
Debtors	115,607	234	115,841
Short Term Investments	110,123	-	110,123
Cash at Bank	2,841	5,203	8,044
Creditors	79,423	3,682	83,105

<u>2006/07</u>	<b>LBB £000</b>	<b>BHP £000</b>	<b>Total £000</b>
Debtors	114,696	399	115,095
Short Term Investments	90,780	260	91,040
Cash at Bank	253	372	625
Creditors	67,048	5,289	72,337

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

	<b>2007/08 £000</b>	<b>2006/07 £000</b>
<b>Surplus/(Deficits) for the Year on the Group Net Income and Expenditure Account</b>		
Additional amount required by statute and non-statutory best practices to be debited or credited (see Brent's Statement of Movements on the General Fund Balance)	(169)	6,200
HRA	5,033	(766)
	1,616	115
	<b>6,480</b>	<b>5,549</b>
<b>Non Cash Transactions</b>		
Minimum Revenue Provision	8,114	7,975
Other Provisions/Earmarked Reserves	(8,673)	545
<b>Accruals Items</b>		
(Increase)/Decrease in Stock and WIP	61	17
(Increase)/Decrease in Debtors	3,653	2,919
Increase/(Decrease) in Creditors	45,682	5,453
<b>Net Revenue Cash Flow Surplus</b>	<b>55,317</b>	<b>22,458</b>

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

	<b>Balance 31.03.08 £000</b>	<b>Balance 01.04.07 £000</b>	<b>Movement In Year £000</b>
Cash	8,231	767	7,464
2006/07 Comparative			<u>5,923</u>

## **GLOSSARY**

### **ACCRUALS**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL RECEIPTS**

Money received from the sale of land, buildings and plant. A prescribed portion of the receipt must be “*pooled*” and paid to central government.

### **COMMUNITY ASSETS**

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

### **CONSISTENCY**

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

### **CORPORATE AND DEMOCRATIC CORE**

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

### **CORPORATE MANAGEMENT**

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

### **CREDITORS**

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

## **GLOSSARY (Continued)**

### **DEBTORS**

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

### **DEMOCRATIC REPRESENTATION AND MANAGEMENT**

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

### **FINANCE LEASE**

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

### **FIXED ASSETS**

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

### **FORMULA GRANT**

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

### **GOING CONCERN**

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

### **GOVERNMENT GRANTS - SPECIFIC**

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

### **INFRASTRUCTURE ASSETS**

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

## **GLOSSARY (Continued)**

### **LONG TERM INVESTMENTS**

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

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

### **LEVIES**

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

### **LONG-TERM CONTRACTS**

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

### **MINIMUM REVENUE PROVISION**

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

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

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

### **OPERATING LEASES**

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

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

- 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.
- Non-operational assets, not directly occupied or surplus to requirements pending sale or development.

## **GLOSSARY (Continued)**

### **PRECEPTS**

A charge made by another authority on the council to finance its net expenditure. This council has a charge on the collection fund by the Greater London Authority.

### **PRIOR YEAR ADJUSTMENTS**

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

### **PRUDENCE**

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

### **REVENUE SUPPORT GRANT**

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

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

Guidance issued by the professional bodies on best accounting practice.

## **ABBREVIATIONS**

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