

LONDON BOROUGH OF BRENT

STATEMENT OF ACCOUNTS

2015/16

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Introduction By The Chief Finance Officer

Brent's annual accounts show the financial performance of the Council for the year 2015/16. They present the financial position of the Council on 31 March 2016 and its income and expenditure for the year ending on that date.

It is intended that these accounts will provide a useful and important source of financial information for the community, Council Members and other interested parties. The Narrative Report on the next few pages gives a brief summary of the Council's financial position in 2015/16.

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

A handwritten signature in black ink that reads "Conrad Hall". The signature is written in a cursive style with a large initial 'C'.

Conrad Hall
Chief Finance Officer
29 September 2016

Narrative Statement

Brent 2020

Brent 2020 is an emerging vision for Brent that connects our Borough Plan to the actions we need to take over the next five years, with our partners, to deliver our priorities and provide support to the residents of Brent in 2020.

Over the past four years Brent have implemented major organisational and service changes, we are a leaner and more efficient organisation and have reduced our budget by £100m in light of the government's tough austerity programme. However, we now need to make even more changes to reduce our overall budget by a further £45m by 2019.

The changes to our funding mean our relationship with the citizens and businesses of Brent will change as we become more locally accountable for tax raising.

The government intends to localise business rates by 2020, so supporting business growth will be an essential area of focus for both job supply and business rate collection.

There are the five key priority areas for the Brent 2020 programme.

- Employment and skills - in order to respond to the increase in the working age population and lift people out of poverty and welfare dependency.
- Regeneration - physical, social and environmental - to improve the economic, social and environmental conditions in the borough.
- Business and housing related growth - to maximise the tax base to support the delivery of core services.
- Demand Management - to manage down the pressure on needs-led budgets such as children's social care, adult social care and homelessness.
- Raising income through our assets - to support the delivery of core services.

The areas selected are aligned to the demographic and economic needs profile of the borough and the findings from the community engagement activities which underpin the priorities in our Borough Plan 2015 – 2019. They have also been chosen because they are the areas where we anticipate that system wide solutions will put the council in the best position to support the people of Brent in 2020.

The accounts presents the financial position for the financial year of 2015/16, as we lead in implementing the vision for Brent 2020.

Financial Year 2015/16

The Council set its net budget for 2015/16 at £235.7m. This included revenue support grant from central government of £69.9m a reduction of 27% on the £95.4m received in 2014/15.

2015/16 Revenue Budget Compared with Outturn

The council has undergone a significant restructure in 2015/16. The below table reflects the current structure of the council, although the council did not operate in this way for the first three quarters of the year. This new structure came into operation in January 2016.

	Net Budget £m	Outturn £m	Variance £m
Children & Young People	41.3	42.9	1.6
Community Wellbeing (excluding HRA)	126.3	127.7	1.4
HRA	0.0	(1.7)	(1.7)
Performance Policy & Partnerships	9.4	9.8	0.4
Regeneration & Environment	29.3	27.3	(2.0)
Resources Department	29.4	30.9	1.6
Net Service Total	235.7	236.9	1.2
Central Items	(235.7)	(238.7)	(3.0)
Total Outturn		(1.8)	(1.8)
<i>Comprised: – General Fund</i>			<i>0.1</i>
<i>– HRA</i>			<i>1.7</i>

The Children & Young People overspend relates to pressures in social care. Staffing pressures amounted to £0.8m as a result of a policy to reduce social work caseloads. Social care placements were overspent by £0.2m and protection of families with no recourse to public funds overspent by £0.4m.

When excluding HRA, the Community Wellbeing department overspent against their 2015/16 budget by £1.4m. Within Adult Social Care, pressures relating to Homecare expenditure and unachieved commissioning savings contributed to a £0.7m overspend. Throughout 2015/16 the department had reported pressure in relation to the Temporary Accommodation budget which overspent by approximately £0.7m.

The Housing Revenue Account (HRA) returned a surplus of £1.7m in the year increasing HRA Balances to £6.2m. However in view of the requirement of the Housing & Planning Act to pay the Government for vacant higher value properties, there is a risk that the surplus will not be reinvested into Council Housing stock. The council is considering contingency plans in this area.

The overall underspend of £2m within Regeneration and Environment is largely due to in-year staff vacancies and additional income generated. Areas such as Parking, Land Charges, Planning fees and Regulatory service exceeded their income target due to increase activity volumes.

Overspends in Legal and delayed savings (since delivered) caused overspends in Resources in 2015/16.

The underspend on Central items is principally due to delays in the capital programme causing an underspend on capital financing, as less money has been borrowed, and less money spent on interest payments as a result.

Linked to the change in council structure was a senior management restructure. The council's senior management structure was adapted to create greater synergies within departmental functions and to further align responsibilities in order to improve productivity and efficiency.

The restructure has reduced the number of high earning staff, as is shown in note 31. The number of staff with remuneration over £50,000 has reduced from 173 to 168 in 2015/16, and those with remuneration over £100,000 has fallen from 20 to 15.

When the 2015/16 budget was prepared and subsequently agreed by full council, it was expected that costs of restructuring would be relatively high in that year, due to the scale of savings that had to be made. The senior management restructure and other departmental restructures increased the cost of exit packages as shown in note 32. The number of exit packages increased in 2015/16 to 166 from 60 in 2014/15 for a total cost of £3.3m. The council has managed to help control the overall cost of exit packages by reducing the average cost from £26k in 2014/15 to £20k in 2015/16.

An avoidable error in September 2015 resulted in a duplicate payment run of £2.15m being made to suppliers. A recovery plan was immediately actioned and as at end of April 2016, only nine suppliers have not returned monies for a total value of £ 12k. Of this value are supplier accounts for around £5k where we have initiated legal action. The remaining suppliers will continue to be pursued for the outstanding value.

Capital Expenditure

The Council's in year expenditure in 2015/16 was £91.6m (2014/15 £75.4m). Of this £93.4m, £89.3m is from the capital programme as shown below; the remaining £2.2m of capital expenditure is expenditure by the schools from their delegated resources.

	2015/16 Capital Budget	2015/16 Actuals	Variance
	£m	£m	£m
Children & Young People	0.2	0.1	0.1
Community Wellbeing (Excluding HRA)	14.9	15.1	(0.2)
HRA	33.9	31.0	2.9
Regeneration & Environment	50.0	42.1	7.9
Resources Department	3.3	1.0	2.3
	102.3	89.3	13.0

Balance Sheet

	2014/15	2015/16	Movement
	£m	£m	£m
What the council owns or is owed (assets):			
Property, Plant, equipment, vehicles and infrastructure	1,471	1,459	(12)
Other Assets	9	8	(1)
Amount owed to us by other people/organisations	127	136	9
Cash and cash equivalents	32	32	0
The amount we hold in investments	140	141	1
Total we own and are owed	1,779	1,776	(3)
What the council owes (liabilities)			
We owe other people/organisations	(132)	(139)	(7)
We have outstanding loans	(428)	(424)	4
We have to meet future years' pension costs	(725)	(636)	89
We received grants from government towards our assets	(24)	(22)	2
We have other liabilities (e.g. Cash overdrawn and provisions)	(11)	(16)	(5)
Total amount we owe	(1,320)	(1,237)	83
Total the council is worth	459	539	80

The overall net worth of the council increased by £80m. This is due to a large increase in the unusable reserves of £72m, with usable reserves increasing by £8m. The unusable reserves have increased in value by £72m to £212m at 31 March 2016 (£140m at 31 March 2015). This is primarily a result of a single factor:

- (a) **£89m decrease in the value of the Councils share of the Pension Fund liabilities.** There was a substantial decrease in the net liability the Council holds for the pension fund to £636m. (£725m at 31 March 2015). Although the assets held by the pension fund remained broadly the same at £567m (£573m at 31 March 2015), the gross liability decreased to £1,203m (£1,298m at 31 March 2015). This decrease in the gross liability is mainly as a result of an increase of 0.3% in the assumption the Actuary has used for the discount rate to value the fund. The discount rate is determined by reference to market yields on high quality corporate bonds at the reporting date.

Debtors

By comparing the debtors (as shown in note 2) without central government bodies, Brent has reduced its debtors figure by £6.4m (12%) from the previous year. The overall debtor's increase of 20% to 80.8 at 31st March 2016 is largely due to a 130% increase in central government bodies, from which there is no realistic risk on non-payment

Pension Fund/CIV

The pension fund accounts are disclosed from page 87 onwards. The pension fund comprises the Council plus other bodies.

The pension fund accounts make reference to the London CIV. Launched in December 2015 it is the London Collective Investment Vehicle, a management company set up by local government established as a collective investment vehicle for their Local Government Pension Scheme funds. Pension Officers are continuing to engage in the development and roll-out of the London CIV. One transfer of assets has been carried out (into the Baillie Gifford DGF Fund), and further transfers will take place when suitable vehicles are available in the London CIV range.

Against a backdrop of continued uncertainty in the global economy and volatility in the financial markets, the value of the Fund's net assets increased to £675.9m (2014/15 £657.0m).

Total contributions received from employers and employees totalled £46.3m for the year, an increase on the previous year's £45.3m.

Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, totalled £37.9m, an increase on the previous year's £36.2m.

Core Financial Statements
Balance Sheet

31-Mar 2015 £'000		Notes	31-Mar 2016 £'000	
1,471,397	Property, Plant & Equipment	1	1,458,874	Non-current Assets
498	Heritage Assets		498	
822	Investment Property		822	
2,513	Intangible Assets	<u>1</u>	1,542	
100	Long Term Investments	26	100	
59,646	Long Term Debtors	26	54,958	
1,534,976	Long Term Assets		1,516,794	
139,673	Short Term Investments	26	141,077	Current Assets
4,519	Assets Held for Sale		4,519	
65	Inventories		55	
67,592	Short Term Debtors	2	80,806	
31,881	Cash and Cash Equivalents	3	32,156	
243,731	Current Assets		258,613	
(8,564)	Short Term Borrowing	26	(8,573)	Liabilities
(97,744)	Short Term Creditors	7	(107,009)	
(3,915)	Provisions	9	(5,828)	
(110,223)	Current Liabilities		(121,410)	
(34,182)	Long Term Creditors	26	(31,507)	
(7,323)	Provisions	9	(10,700)	
(419,316)	Long Term Borrowing	26	(414,975)	
(749,151)	Other Long Term Liabilities	8	(658,108)	
(1,209,972)	Long Term Liabilities		(1,115,290)	
458,512	Net Assets		538,707	
12,235	General Fund		12,323	Reserves
52,919	Capital Receipts		41,004	
132,271	Earmarked Reserves - Revenue	10	143,306	
17,150	Earmarked Reserves - Capital	10	33,531	
104,318	Other Usable Reserves		96,482	
139,619	Unusable Reserves		212,061	
458,512	Total Reserves		538,707	

Movement in Reserves Statement

	General Fund Balance £'000	School Balances £'000	Earmarked General Fund Reserves £'000	HRA £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance as at 31 March 2014	12,136	17,636	104,404	949	1,824	46,173	12,714	87,068	282,904	142,250	425,154
Movement in reserves during 2014/15											
Surplus or (deficit) on the provision of services	32,684	0	0	87,457	0	0	0	0	120,141	0	120,141
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	0	(86,784)	(86,784)
Total comprehensive income & expenditure	32,684	0	0	87,457	0	0	0	0	120,141	(86,784)	33,357
Adjustments between accounting basis & funding basis under regulations	(7,028)	0	0	(78,721)	0	6,746	3,977	(9,127)	(84,153)	84,153	0
Net increase/decrease before transfers to earmarked reserves	25,656	0	0	8,736	0	6,746	3,977	(9,127)	35,988	(2,631)	33,357
Transfers to/from earmarked reserves	(25,557)	3,968	21,589	(5,202)	0	0	5,202	0	0	0	0
Increase/decrease in 2014/15	99	3,968	21,589	3,534	0	6,746	9,179	(9,127)	35,988	(2,631)	33,357
Balance as at 31 March 2015 carried forward	12,235	21,604	125,993	4,483	1,824	52,919	21,893	77,941	318,892	139,619	458,511
Movement in reserves during 2015/16											
Surplus or (deficit) on the provision of services	(22,476)	0	0	(18,408)	0	0	0	0	(40,884)	0	(40,884)
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	0	121,080	121,080
Total comprehensive income & expenditure	(22,476)	0	0	(18,408)	0	0	0	0	(40,884)	121,080	80,196
Adjustments between accounting basis & funding basis under regulations	57,495	0	0	20,118	0	(11,915)	(17,956)	896	48,638	(48,638)	0
Net increase/decrease before transfers to earmarked reserves	35,019	0	0	1,710	0	(11,915)	(17,956)	896	7,754	72,442	80,196
Transfers to/from earmarked reserves	(34,931)	4,516	23,001		(100)	0	7,514	0	0		0
Increase/decrease in 2015/16	88	4,516	23,001	1,710	(100)	(11,915)	(10,442)	896	7,754	72,441	80,196
Balance as at 31 March 2016	12,323	26,120	148,994	6,193	1,724	41,004	11,451	78,837	326,646	212,061	538,707

Comprehensive Income and Expenditure Statement

2014/15				2015/16			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Note
27,728	(13,134)	14,594	Central services to the public	27,263	(17,588)	9,675	
17,411	(4,639)	12,772	Cultural and related services	13,776	(4,637)	9,139	
34,625	(5,771)	28,854	Environmental and regulatory services	36,927	(7,036)	29,891	
7,339	(4,132)	3,207	Planning	7,826	(4,955)	2,871	
40,720	(6,421)	34,299	Children's social care	47,745	(7,424)	40,321	
279,783	(264,704)	15,079	Education and children's services	297,209	(277,244)	19,965	
54,281	(35,569)	18,712	Highways and transport services	56,211	(28,741)	27,470	
39,064	(130,997)	(91,933)	Local authority housing (HRA)	59,133	(54,642)	4,491	
448,018	(428,097)	19,921	Other housing services	457,448	(434,598)	22,850	
102,566	(28,571)	73,995	Adult social care	101,826	(27,697)	74,129	
9,457	(159)	9,298	Corporate and democratic core	10,271	(187)	10,084	
(2,245)	(55)	(2,300)	Non distributed costs	284	(46)	238	
16,748	(18,848)	(2,100)	Public Health	20,494	(20,824)	(330)	
1,075,495	(941,097)	134,398	Cost of Services	1,136,413	(885,619)	250,794	
		7,314	Other operating expenditure			39,428	11
		46,400	Financing and investment income and expenditure			41,975	12
		(308,243)	Taxation and non-specific grant income			(291,313)	13
		(120,131)	(Surplus) or Deficit on Provision of Services			40,884	
		(26,424)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(15,465)	
		113,210	Actuarial (gains)/losses on pension assets and liabilities			(105,615)	37
		85,597	Other Comprehensive Income and Expenditure			(121,080)	
		(33,345)	Total Comprehensive Income and Expenditure			(80,196)	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2014/15		2015/16	
£'000		£'000	Note
120,131	Net surplus or (deficit) on the provision of services	(40,883)	
(100,062)	Adjustments for non-cash movements	41,813	
46,397	Adjustments for investing and financing activities	50,336	
66,466	Net cash inflows/(outflows) from Operating Activities	51,266	
(89,840)	Net cash inflows/(outflow) from Investing activities	(44,460)	5
(6,399)	Net cash inflows/(outflow) from Financing activities	(6,531)	6
(29,773)	Net increase/(decrease) in cash and cash equivalents	275	
61,654	Cash and cash equivalents at the beginning of the reporting period	31,881	
31,881	Cash and cash equivalents at the end of the reporting period	32,156	3

Physical and Intangible Assets

Note 1 – Significant movements on balances of property, plant and equipment

Movements in 2015/16	Council Dwellings	Land & Buildings	VPF&E	Infrastructure	Surplus	Asset under construction	Total	PFI Assets	Intangible Assets
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation									
At 1 April 2015	653,873	620,529	50,395	225,468	5,115	44,106	1,599,486	94,625	5,251
Additions	31,061	13,757	926	9,325		20,359	75,428	0	0
Depreciation written out	(10,495)	(9,917)	0	0	(11)	0	(20,423)	(1,746)	0
Revaluation increases (decreases) in the Revaluation Reserve	0	15,465	0	0	0	0	15,465	(2,125)	0
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(22,481)	(289)	0	0	(4)	(514)	(23,288)	(45)	0
Derecognition - Disposals	(6,477)	(320)	(10,916)	0	0	(39,591)	(57,304)	(320)	0
Derecognition - Others	0	0	0	0	0	0	0	0	0
Reclassifications (to/from Investment Property)	0	0	0	0	0	0	0	0	0
Reclassifications (to/from Assets Held for Sale)	0	0	0	0	0	0	0	0	0
Other movements in Cost or Valuations	(2)	4,001	0	0	0	(4,001)	(2)	0	0
At 31 March 2016	645,479	643,226	40,405	234,793	5,100	20,359	1,589,362	90,389	5,251
Depreciation and Impairments									
At 1 April 2015	(10,495)	(34,556)	(30,689)	(52,266)	(81)	(1)	(128,088)	(15,856)	(2,739)
Charge for 2015/16	(10,160)	(12,220)	(6,164)	(5,561)	(13)	0	(34,118)	(3,023)	(970)
Depreciation written out	10,495	9,917	0	0	11	0	20,423	1,746	0
Depreciation charge written out to the Revaluation Reserve	373	0	0	0	0	0	373	0	0
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Impairment written out	0	0	0	0	0	0	0	0	0
Impairment losses (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	6	10,916	0	0	0	10,922	6	0
Derecognition - Others	0	0	0	0	0	0	0	0	0
Reclassifications (to/from Assets Held for Sale)	0	0	0	0	0	0	0	0	0
Other Movements in Depreciation & Impairments	0	0	0	0	0	0	0	0	0
Revaluations									
At 31 March 2016	(9,787)	(36,853)	(25,937)	(57,827)	(83)	(1)	(130,488)	(17,127)	(3,709)
Balance Sheet Amount at 31 March 2016	635,692	606,373	14,468	176,966	5,017	20,358	1,458,874	73,262	1,542
Balance Sheet Amount at 1 April 2015	643,378	585,971	19,706	173,202	5,034	44,105	1,471,398	78,769	2,512

Note 1 – Significant movements on balances of property, plant and equipment

Movements in 2014/15	Council Dwellings	Other Land and Buildings	Infra-structure Assets	Plant Vehicle & Equipment	Surplus Assets	Assets under Construction	Total	Of which PFI funded Assets	Intangible Assets
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation									
At 1 April 2014	609,009	596,091	213,975	51,050	4,113	30,771	1,505,009	92,310	8,331
Additions	8,327	26,724	11,493	8,233	0	13,335	68,112	108	12
Depreciation/ Impairment written out	(28,768)	(10,004)	0	0	(42)	0	(38,814)	(362)	0
Revaluation (Revaluation Reserve)	0	24,996	0	0	1,427	0	26,423	3,164	0
Revaluation Surplus/(Deficit) on the Provision of Services	74,459	(3,697)	0	0	(124)	0	70,638	0	0
Derecognition - disposals	(9,154)	(14,557)	0	(8,888)	0	0	(32,599)	(595)	(3,093)
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Reclassifications	0	713	0	0	0	0	713	0	0
Other movements in cost or valuation	0	263	0	0	(260)	0	3	0	1
At 31 March 2015	653,873	620,529	225,468	50,395	5,114	44,106	1,599,485	94,625	5,251
Accumulated Depreciation/Amortisation and Impairment									
At 1 April 2014	(29,379)	(33,044)	(46,704)	(31,781)	(109)	0	(141,017)	(13,202)	(4,851)
Depreciation/ amortisation	(10,259)	(12,232)	(5,561)	(7,581)	(14)	0	(35,647)	(3,028)	(981)
Depreciation written out	375	9,867	0	0	43	0	10,285	362	0
Impairment written out	28,768	137	0	0	0	0	28,905	0	0
Derecognition - disposals	0	716	0	8,670	0	0	9,386	11	3,094
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
At 31 March 2015	(10,495)	(34,556)	(52,265)	(30,692)	(80)	0	(128,088)	(15,857)	(2,738)
Net Book Value (Cost or Valuation less Accumulated Depreciation/Amortisation and Impairment)									
At 31 March 15	643,378	585,973	173,203	19,703	5,034	44,106	1,471,397	78,768	2,513
At 31 March 14	579,630	563,047	167,271	19,269	4,004	30,771	1,363,992	79,108	3,480

Current Assets
Note 2 – Debtors

31-Mar-15 £'000		31-Mar-16 £'000
15,406	Central government bodies	35,469
3,922	Other local authorities	3,527
8,584	NHS bodies	2,105
3,164	Public corporations and trading funds	4,844
36,516	Other entities and individuals	34,861
67,592	Total	80,806

Note 3 – Cash and Cash Equivalents

31-Mar-15 £'000		31-Mar-16 £'000
22,774	Cash held by the council	66,980
(6,771)	Bank current accounts	(84,686)
327	School bank accounts	27,051
9,107	Short-term deposits	22,811
31,881	Total	32,156

Cash Flow Notes

Note 4 – Cash Flow Statement - Operating Activities

2014/15 £'000		2015/16 £'000
3,141	Interest received-cash inflow	4,684
(23,430)	Interest paid-cash (outflow)	(23,673)

Note 5 – Cash Flow Statement - Investing Activities

2014/15 £'000		2015/16 £'000
(71,789)	Purchase of property, plant and equipment, investment property and intangible assets	(93,392)
(64,448)	Net increase/(decrease) in short-term and long-term investments	(1,404)
17,347	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8,954
29,050	Capital grants received	41,382
(89,840)	Net cash flows from investing activities	(44,460)

Note 6 – Cash Flow Statement - Financing Activities

2014/15 £'000		2015/16 £'000
(4,359)	Net increase/(decrease) in short-term and long-term borrowing	(4,332)
(2,040)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(2,199)
(6,399)	Net cash flows from financing activities	(6,531)

Liabilities

Note 7 – Creditors

31-Mar-15		31-Mar-16	
£'000		£'000	
8,077	Central Government bodies	6,092	
17,368	Other Local Authorities	18,968	
2,562	NHS bodies	3,317	
0	Public corporations and trading funds	296	
69,737	Other entities and individuals	78,336	
97,744	Total	107,009	

Note 8 – Long-Term Liabilities

31-Mar-15		31-Mar-16	
£'000		£'000	
725,020	Pension Fund Liability	635,984	
24,131	Deferred Income	22,124	
749,151	Total	658,108	

Note 9 – Provisions

	Outstanding Legal Cases £'000	Compensation Claims £'000	Other Provisions £'000	Total £'000
Short Term Provisions				
Balance at 1 April 2015	0	2,855	1,060	3,915
Moved from long term				
Net additions to provisions made in 2015/16		68	1,845	1,913
Balance at 31 March 2016	0	2,923	2,905	5,828
Long Term Provisions				
Balance at 1 April 2015	215	1,060	6,048	7,323
Moved to short term				
Net additions to provisions made in 2015/16		3,379		3,379
Balance at 31 March 2016	215	4,439	6,048	10,701

Outstanding legal claims

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

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

Compensation Claims

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.

Other Provisions

Corporate Leases - Provision for photocopier leases

NNDR Revaluations - Provision for backdated NNDR appeals

Affordable Housing PFI - Provision for shortfall of income over the term of the contract

In addition to the Uninsured Losses provision detailed above, an earmarked reserve for insurance is maintained:

31-Mar-15		31-Mar-16
£'000		£'000
2,855	Uninsured Losses provision short term	2,923
1,060	Uninsured Losses provision long term	4,439
2,500	Earmarked insurance reserve	1,526
6,415	Total	8,887

Earmarked Reserves

Note 10 – Transfers to/from Earmarked Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and below. Movement in the unusable reserves are detailed in the technical reconciliation section.

	Balance at 31-Mar-15 £'000	Transfers in 2015/16 £'000	Transfers out 2015/16 £'000	Movement 2015/16 £'000	Balance at 31-Mar-16 £'000
General Fund Capital Related					
Capital Financing	5,300	16,229	0	16,229	21,529
Revenue Contribution to Capital	5,330	0	0	0	5,330
Pension Liabilities	4,466	0	0	0	4,466
Capital Funding	2,054	153	(1)	152	2,206
Total	17,150	16,382	(1)	16,381	33,531
General Fund Revenue Reserves					
Technical and other obligations					
S106 and Community Infrastructure Levy	28,655	14,525	(3,059)	11,466	40,121
Affordable Housing PFI	2,151	0	-2,151	-2,151	0
Transformation	6,266	0	-1,316	-1,316	4,950
Service Pressures	5,450	0	-3,450	-3,450	2,000
Future Funding Risks	5,100	0	0	0	5,100
Council Tax, Business Rates & Local Welfare	4,695	799	-607	192	4,887
Redundancy & Restructuring	3,725	0	0	0	3,725
Welfare Reform	3,510	0	0	0	3,510
Other Central	1,979	416	-161	255	2,234
JFS School PFI	2,860	114	0	114	2,974
Employment Initiatives	2,695	0	-988	-988	1,707
Insurance	2,500	0	-974	-974	1,526
Willesden Sports Centre PFI	2,186	0	0	0	2,186
Property & Civic Centre	2,070	0	-2,070	-2,070	0
Public Health	1,867	0	-162	-162	1,705
South Kilburn	1,800	700	0	700	2,500
HMO Licensing	1,365	102	0	102	1,467
Investment Reserve	0	12,000	0	12,000	12,000
Total	78,874	28,656	-14,938	13,718	92,592
Service Reserves	18,034	3,359	-8,259	-4,900	13,134
Joint Arrangements					
Brent NHS Trust Joint Venture	9,410	0	0	0	9,410
Better Care Development Fund	2,200	0	-2,200	-2,200	0
Delayed Transfer of Care	325	0	0	0	325
Total	11,935	0	-2,200	-2,200	9,735
Total General Fund Revenue Reserves	108,843	32,015	-25,397	6,618	115,461

Note 10 – Table Continued

	Balance at 31-Mar-15 £'000	Transfers in 2015/16 £'000	Transfers out 2015/16 £'000	Movement 2015/16 £'000	Balance at 31-Mar-16 £'000
Housing Revenue Account	1,825	0	(100)	(100)	1,725
School Balances	21,604	1,243	3,273	4,516	26,120
Total Revenue Reserves	132,272	33,258	(22,224)	11,034	143,306
Total Earmarked Reserves	149,422	49,640	(22,225)	27,415	176,837

Comprehensive Income and Expenditure Notes

Note 11 – Other Operating Expenditure

31-Mar-15		31-Mar-16	
£'000		£'000	
2,604	Levies	2,538	
975	Payments to the Government Housing Capital Receipts Pool	1,344	
3,735	(Gains)/losses on the disposal of non-current assets	35,547	
7,314	Total	39,429	

Note 12 – Financing and Investment Income and Expenditure

31-Mar-15		31-Mar-16	
£'000		£'000	
24,212	Interest payable and similar charges	23,317	
25,428	Pensions interest cost and expected return on pensions assets	23,097	
(3,281)	Interest receivable and similar income	(4,488)	
41	(Surplus)/Deficit on Trading Accounts	49	
46,400	Total	41,975	

Note 13 – Taxation and non-Specific Grant Incomes

31-Mar-15		31-Mar-16	
£'000		£'000	
(89,332)	Council tax income	(92,986)	
(47,439)	NNDR Top Up	(48,345)	
(34,937)	Business Rates	(33,363)	
(95,368)	Revenue Support Grant	(69,854)	
(12,116)	Other government grants & taxation	(15,772)	
(29,050)	Capital grants and contributions	(30,992)	
(308,242)	Total	(291,312)	

Note 14 – Material items of Income and Expenses

All material items are disclosed in the statements for 2014/15 and 2015/16.

Additional Disclosures

Note 15 – Acquired and Discontinued Operations

The council has no transactions to disclose.

Note 16 – Pooled Budgets

The Council entered into partnership agreements under Section 31 of the Health Act 1999 with NHS Brent CCG for the Integrated Community Equipment Service Partnership Board. The London Borough of Brent is the host partner for Occupational Therapy equipment. Funding for Occupational Therapy equipment is split 41% London Borough of Brent and 59% NHS Brent CCG. There is also a Section 31 arrangement with the Central and North West London NHS Foundation Trust (CNWLNFT) which is the host partner for Mental Health. The funding split in this case is 30% London Borough of Brent and 70% CNWLNFT. The Better Care Fund has been established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve national conditions and local objectives. It is a requirement for the Better Care Fund that the CCG and the Council establish a pooled fund for this purpose. This is enacted under section 75 of the National Health Service Act 2006 and where the Council is the host partner.

The Partnership's income and expenditure for 2015/16 was:

	Mental Health £'000	Occupational Therapy £'000	The Better Care Fund £'000
Funding: London Borough of Brent	(333)	(450)	(2,600)
NHS Brent CCG	0	(654)	(19,832)
CNWLNFT	(959)	0	0
Total Funding	(1,292)	(1,104)	(22,432)
Expenditure	1,263	1,760	22,432
Net Overspend/(Underspend)	(29)	656	0
2014/15 Net Overspend/(Underspend)	(1)	280	0

Note 17 – Members' Allowances

Total payments including National Insurance costs in 2015/16 were £1m (£1m in 2014/15). Details of the Members' Allowances scheme are available on Brent's website (www.brent.gov.uk)

Note 18 – External Audit Costs

31-Mar-15 £'000		31-Mar-16 £'000
266	Fees payable to KPMG with regard to external audit services carried out for the year	200
35	Fees payable to KPMG with regard to additional audit services carried out for the year	71
30	Fees payable to KPMG for the certification of grant claims and returns for the year	27
331	Total	298

Note 19 – Contingent Liabilities

The Council has a number of contingent liabilities. The best estimate of the liability for all the issues could be in the region of £4.3m, but due to the nature of the contingent liabilities this is subject to significant change. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

Note 20 – Exceptional Items

There were no exceptional items in the 2015/16 accounts.

Note 21 – Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2014/15 £'000	Revenue Grants	2015/16 £'000
	Housing Benefit:	
294,858	Mandatory Rent Allowances: subsidy	317,999
24,121	Mandatory Rent Rebates outside HRA	20,910
29,741	Rent Rebates Granted to HRA Tenants: subsidy	29,022
3,355	Housing Benefit and Council Tax Benefit Administration	2,889
352,075		370,819
	Schools:	
200,296	Dedicated Schools Grant (DSG)	201,461
11,339	Pupil Premium Grants	10,129
5,567	Sixth forms funding from Learning and Skills Council (LSC)	4,722
1,867	Universal Infant School Meal	3,686
4,199	Central Education Services	3,345
223,268		223,342
	Other:	
3,468	Adult and Community Learning from Learning and Skills Council	3,121
4,261	Discretionary Housing payments	2,607
1,021	Local Welfare Programme Funding	51
3,418	Private Finance Initiative Housing Non HRA	3,418
18,848	Public Health	17,511
0	Public Health Children 0-5	2,763
1,242	Private Finance Initiative Willesden Sports Centre - PFI Reserve	1,242
11,930	REFCUS revenue grants	0
1,023	Troubled Families	1,308
95,368	Revenue Support Grant	69,854
2,215	Section 31	3,094
1,056	Council Tax Freeze Grant	1,078
6,198	New Homes Bonus	7,139
129	Care Bill Implementation	1,166
987	Asylum Leaving Care (Post 18) Grant	1,137
8,019	Other Miscellaneous Grants	7,460
159,182		122,949
734,525	Total	717,111

2014/15 £'000	Capital Grants	2015/16 £'000
	Grants:	
4,095	Basic Needs	5,943
0	School Condition Grant	2,560
6,051	Framework Academies	0
4,969	Transport for London	5,646
2,291	LA Capital Maintenance	0
10	Disabled Facilities	0
394	Other Grants	2,316
	Contributions:	
7,571	Section 106	7,524
3,669	Community Infrastructure Levy	7,003
29,050	Total	30,992

Note 22 – Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG).

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. In 2015-16, as in previous years, an element of the DSG was recouped by the DfE to fund academy schools in the borough.

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 (i.e. central expenditure and ISB) are accounted separately and the Council is able to (where it chooses) supplement the schools budget from its own resource.

The DSG received in 2015/16 was deployed as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2015-16 before Academy Recoupment	77,930	220,490	298,420
Academy figure recouped for 2015-16	(3,330)	(93,630)	(96,960)
Total DSG after recoupment for 2015-16	74,600	126,860	201,460
Brought Forward from 2014-15	0	0	349
Carry Forward to 2016-17 agreed in advance	0	0	(349)
Agreed initial budgeted distribution in 2015-16	50,208	151,252	201,460
In year adjustments	(4,175)	4,175	0
Final budgeted distribution for 2015-16	46,033	155,427	201,460
Less Actual Central Expenditure	(45,363)	0	(45,363)
Less Actual ISB deployed to schools	0	(155,427)	(155,427)
Carry Forward to 2016-17 agreed in advance	670	0	1,019

Note 23 – Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Councillors and Chief Officers complete related party transactions forms each year.

A number of voluntary organisations which received grants from the London Borough of Brent in 2015/16 have Brent Members as Directors, Trustees or employees.

The following disclosures have been made where material transactions were made as obtained from Members' 2015/16 Declarations of Related Party Transactions (where the organisation received a significant amount of funding):

	2015/16 £'000
Community Voluntary Services (CVS) Brent	309
Brent Housing Partnership (management fee)	7,649
Brent Centre For Young People	14

London Borough of Brent Pension Fund - administrative support is provided to the Fund. The Pension Fund's accounts are shown separately in this document. The Council charged the Pension Fund £0.661m for administering the fund in 2015/16 (£0.741m was charged in 2014/15).

Pooled Budgets - Details of partnerships with NHS Brent CCG and the North West London Mental Health Trust are shown in Note 16 – Pooled Budgets to the Core Financial Statements.

Subsidiary Company - Brent has one subsidiary, Brent Housing Partnership (BHP) Limited. The Council paid a management fee to BHP of £7.649m in 2015/16 (£7.624m in 2014/15).

Barham Park Trust is a charity that that is controlled by the council as a result of the council appointing all the trustees and is included in Brent's Group accounts as a subsidiary. Brent held £445k on behalf of the Barham Park Trust.

LGA digital

The council entered into an agreement to partner with the Local Government Association for the provision of ICT services, including the implementation of new infrastructure for their offices, the hosting of their ICT services at the Brent Data Centres, and the ongoing provision of ICT support services on the 27th January 2016.

The council established a company that is 50% owned by the council and 50% by the Local Government Association to facilitate this arrangement.

The Group Accounts can be found later in this document and combine the accounts of Brent, BHP, Barham Park Trust and LGA Digital Services.

Locata

Brent, in partnership with other London boroughs and Housing Associations, is operating a joint lettings scheme for housing tenants. A company called Locata (Housing Services) Limited has been set up for this purpose.

Brent is liable to contribute to the debts and liabilities of Locata up to £10, if it was wound up. Locata's accounts have not been consolidated into Brent's group accounts because the sums involved are not material to the Council's accounts and because Brent has limited influence on the company (less than 20% voting rights).

A copy of Locata's accounts can be obtained from Companies House: www.companieshouse.gov.uk.

Note 24 – Capital Expenditure and Capital Financing

2014/15				2015/16		
GF	HRA	Total		GF	HRA	Total
£'000	£'000	£'000		£'000	£'000	£'000
			Capital Investment			
52,096	8,327	60,423	Property, Plant and Equipment	44,367	31,061	75,428
0	0	0	Investment Properties	0	0	0
12	0	12	Intangible Assets	0	0	0
14,917	0	14,917	Revenue Expenditure Funded from Capital under Statute	16,149	0	16,149
67,025	8,327	75,352	Total Expenditure	60,516	32,922	91,577
			Sources of Finance			
		(9,180)	Capital Receipts			(20,869)
		(47,005)	Government Grants and other Contributions			(25,735)
		(7,652)	Direct revenue contributions			(11,284)
		(6,282)	Major Repairs Reserve			(28,116)
		0	Earmarked Reserves			0
		(5,233)	Borrowing			(5,573)
		(75,352)	Total Resources			(91,577)
		0	Net Balance			0
			Calculation of Capital Financing Requirement			
		1,472,717	Fixed Assets			1,458,874
		2,513	Intangible Assets			1,542
		4,519	Assets Held for Sale			4,519
		(193,761)	Revaluation Reserve			(209,149)
		(682,786)	Capital Adjustment Account			(649,355)
		(24,131)	Deferred Income			(22,124)
		579,071	Capital Financing Requirement			584,308

Financial Instruments

Note 25 – Financial Instruments Categories

The following categories of financial instrument are carried in the Balance Sheet. In addition, cash and cash equivalents are disclosed in Note 3 – Cash and Cash Equivalents.

	Long Term			Current		
	31-Mar 2016 £'000	31-Mar 2015 £'000	31-Mar 2014 £'000	31-Mar 2016 £'000	31 March 2015 £'000	31 March 2014 £'000
Investments						
Loans and receivables	0	0	5,000	141,077	139,673	70,226
Unquoted equity investment at cost	100	100	100		0	0
Total investments	100	100	5,100	141,077	139,673	70,226
Debtors						
Loans and receivables	54,958	59,646	54,008		0	0
Financial assets carried at contract amounts					36,516	28,575
Total Debtors	54,958	59,646	54,008	0	36,516	28,575
Borrowings						
Financial liabilities at amortised cost	(414,975)	(419,316)	(423,662)	(8,573)	(8,564)	(8,577)
Total Borrowings	(414,975)	(419,316)	(423,662)	(8,573)	(8,564)	(8,577)
Other Long Term Creditors						
PFI and finance lease liabilities	(31,507)	(34,182)	(33,444)	0	0	0
Total Other Long Term Creditors	(31,507)	(34,182)	(33,444)	0	0	0
Creditors						
Financial liabilities carried at contract amounts	0	0	0	0	(69,737)	(72,592)
Total Creditors	0	0	0	0	(69,737)	(72,592)

Note 26 – Fair Values of Assets and Liabilities

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term borrowings or short term investments. This includes accrued interest for long term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The Council's long term borrowing at 31 March 2015 and 31 March 2016 consisted of loans from the Public Works Loan Board (PWL) and market loans. The PWL has provided the Council with Fair Value amounts in relation to its debt portfolio, assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date. The carrying amount of short-term borrowing is considered to be at fair value.

In the case of the Council's investments, these consisted almost entirely of term deposits with Banks and Building Societies. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption. None of the investments were impaired (i.e. at risk of default), apart from the impairments incurred as a result of the Icelandic situation

Financial Liabilities

31-Mar-15			31-Mar-16	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
8,564	8,564	Short Term Borrowing	8,573	8,573
323,816	536,138	Long Term Borrowing (PWLB)	319,475	463,495
95,500	125,849	Long Term Borrowing (LOBO)	95,500	163,712
34,182	34,182	Long Term Creditors	34,182	34,182

The Fair Value of financial liabilities is higher than the carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Financial Assets

148,782	148,782	Loans and Receivables	141,077	141,077
59,646	59,646	Long Term Debtors	54,182	54,182

The amortised value of investments is felt to be a good estimate of the Fair Value.

Impairment of Deposits with Icelandic Banks

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7th October 2008. As at 31 March 2016, the Council had recovered £9.8m of the original £10m deposit and a further repayment may arise subject to the result of court action. The impairment made by the Council is essentially the balance of the deposit outstanding.

Note 27 – Leases

Authority as Lessee

Finance Leases

Brent Council leases some of its IT equipment and Vehicles under finance leases. The assets acquired are included in Plant, Property and Equipment in the balance sheet as part of Plant, Furniture, Vehicles and Equipment in the notes at the following net amounts

31-Mar-15		31-Mar-16
£'000		£'000
5,307	Plant, Furniture, Vehicles and Equipment	2,987

The council is committed to making minimum payments comprising of repaying the outstanding liability for the capital purchase, and interest upon the outstanding liabilities. The minimum lease payments are made of the following amounts:

31-Mar-15 £'000		31-Mar-16 £'000	
1,151	Finance lease liabilities	1,192	
	Current	1,791	
4,155	Non-current	128	
215	Finance costs payable in future years		
5,521	Minimum lease payments	3,111	

These minimum lease payments are payable over the following periods

Note 10	Total Minimum Lease Payments		Present Value of Minimum Lease Payments Repayable	
	2014-15	2015-16	2014-15	2015-16
	£'000	£'000	£'000	£'000
Not Later than one year	1,237	1,255	1,151	1,192
Later than one year and not later than five years	4,283	1,833	4,155	1,791
	5,520	3,088	5,306	2,983

Operating Leases

Brent Council leases Land & Buildings, Office Equipment, vehicles, and telecommunications Equipment in order to provide its services.

The Future Minimum payments under these leases in future years are:

2014-15 £'000		2015-16 £'000	
644	Not later than one year	653	
1,985	Later than one year and not later than five years	1,697	
6,861	Later than five years	6,282	
9,490	Total	8,632	

The expenditure charged to Comprehensive Income and Expenditure Statement for these leases is detailed below:

2014-15 £'000		2015-16 £'000	
1,355	Minimum Lease payments	1,554	
(103)	(Sublease payments receivable)	(103)	
1,252	Total	1,451	

Authority as Lessor

Finance Leases

Brent Council leases Northwick golf course to a commercial operator on a finance lease with a remaining term of 92 years.

The authority has a gross investment in the property which is the present value of future lease payments receivable under the contract. The gross investment is made up of the following amounts:

2014-15 £'000		2015-16 £'000	
1,249	Finance lease debtor Non Current	1,249	
1,249	Gross Investment in Lease	1,249	

The gross investment in the lease and the minimum lease payments will be received from the commercial operator over the following periods:

	Gross Investment in the Lease		Present Value of Minimum Lease Payments	
	2014-15	2015-16	2014-15	2015-16
	£'000	£'000	£'000	£'000
Later than five years	1,249	1,249	1,249	1,249
	1,249	1,249	1,249	1,249

In addition to the payments made by the commercial operator shown above, the council receives contingent rent based on the turnover of the golf course. In 2015-16, £22k contingent rent was receivable.

Operating Leases

The council leases out a number of its properties both for commercial use and service provision.

Future minimum lease payments expected under these contracts are:

2014-15 £'000		2015-16 £'000	
1,009	Not later than one year	1,697	
3,176	Later than one year and not later than five years	3,489	
35,745	Later than five years	23,318	
39,930	Total	28,504	

The council receives additional contingent rent for one of its properties based on the turnover of the lessee's business. In 2015-16, £50k contingent rent was receivable.

Note 28 – Private Finance Initiative (PFI) and Service Concessions

The Council has entered into three 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 street lights throughout the Borough, legal title to these street lights transfers to Brent at the end of the contract. The contract pays for the maintenance and operation of the streetlights throughout the contract period

- In 2006/07 a 25 year project to provide, operate and maintain a new sports centre and related facilities in Willesden; legal title to this sports centre transfers to Brent at the end of the contract
- In 2008/09 the Council entered into phase 1 of a 20 year project to provide and maintain social housing, and replacement residential facilities for people with learning disabilities. Phase 2 of this contract was signed in 2010-11 Legal title to the residential facilities for people with learning disabilities transfers to Brent. Brent controls the residual value of 158 units of the housing stock at the end of the contract by a combination of restrictions on the sale and use of the social housing built and guaranteed nomination rights to 158 of the properties built. The complexities of this contract are further detailed below.

The Council has reviewed its contracts and identified the following agreements that meet the definition of a Service Concession:

- In 2005/06 a 32 year agreement was made to provide and maintain social housing within Stonebridge. Whether or not a block of flats or house paid for by this contract appears on Brent's balance sheet was determined by a tenant's vote at the start of the contract. The PFI operator manages and maintains these properties on behalf of Brent.
- A provision of £5.6m is maintained to reflect changes in the PFI schemes agreed in prior years. Please refer to note 9.

The assets that have been recognised on the balance sheet funded by PFIs and service concessions are shown in Note 1 on Plant, Property, and Equipment.

These assets are funded by the following liabilities which are repaid over the course of the contract to recompense the PFI operator for the capital expenditure they have carried out.

2014-15		2015-16	
£'000		£'000	
35,950	Balance outstanding at start of year	33,932	
(2,040)	Payments during the year	(2,166)	
22	Additional liabilities	0	
33,932	Balance outstanding at end of year	31,766	

The following future payments are expected to be made on the PFIs and Service Concessions:

	Payment for Services £'000	Reimburse- ment of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2016/17	3,287	2,386	3,287	8,960
Payable with two to five years	11,741	10,092	11,780	33,613
Payable within 6 to 10 years	9,418	13,912	12,070	35,400
Payable within 11 to 15 years	9,346	15,936	9,260	34,542
Payable within 16 to 20 years	2,927	9,132	6,530	18,589
Payable within 21 to 25 years	432	2,011	1,198	3,641
Total	37,151	53,469	44,125	134,745

Where a PFI asset is paid for by third party payments, it is a requirement to recognise of deferred income: this recognises the expected future third party payments. Deferred income recognised on the balance sheet is:

2014-15 £'000		2015-16 £'000	
(31,738)	Deferred Income opening balance	(24,131)	
0	Additions	0	
7,607	Amortisation	2,007	
(24,131)	Deferred Income closing balance	(22,124)	

Further details of the Housing and Adult Social Care PFI: assessed under IFRS this contract has three distinct elements:

1. Residential facilities for people with learning disabilities Legal title to 20 units residential facilities for people with learning disabilities transfers to Brent. This element of the PFI is accounted for using the service concession rules for IFRIC 12
2. Residential social housing with guaranteed nomination rights Brent controls the residual value of this Social Housing stock at the end of the contract by a combination of restrictions on the sale and use of the social housing built and nomination rights to some of the properties built. Brent will be granted at least 158 nomination rights. This element of the PFI is accounted for using the service concession rules for IFRIC 12.
3. Residential social housing without guaranteed nomination rights This residual stock after Brent is granted at least 158 nomination rights. This will be at most 206 units. These units can be sold by the PFI Operator to other Registered Social Landlords under the conditions of the contract. This element is therefore considered to be temporary housing stock, and is accounted for using the embedded lease rules for IFRIC 4.

The Assets and Liabilities for element 2 of the PFI have been calculated using the ratio of 158:364, which is the ratio of guaranteed nomination rights to total social housing properties.

The payments for element 3 are the residual payments once elements 2 and 3 are accounted for.

There are a number of uncertainties about this contract where the Council's assets and liabilities may be affected by uncertain future events:

- The number of nomination rights is governed by House Price inflation: the higher house price inflation is the greater the number of nomination rights.
- The PFI Operator is allowed to sell a number of properties to equal in value to the principal amount of senior debt for the PFI. The principal amount of senior debt will be affected by future social housing rents. It is also possible that refinancing of the contract could lower the principal amount of senior debt.
- At this stage, it is not possible to state to which 158 properties the Council will get permanent nomination rights. This will be determined over the course of the contract by the granted of long term tenancies

to residents of the properties. This may result in the Council's assets and liabilities being higher or lower than currently projected.

These features of the contract are an important part of the Council's risk control for this contract. The contract is fixed in price; it is the apportionment of this fixed payment between the permanent and temporary elements which is uncertain. In substance, the risks principally affect the future benefits the Council will receive at the end of the contract in the form of nomination rights.

Note 29 - Nature and extent of risks arising from Financial Instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the DCLG's *Guidance on Local Government Investments*. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- *Credit Risk*: The possibility that one party to a financial instrument will fail to meet its contractual obligations, causing a loss for the other party.
- *Liquidity Risk*: The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk*: The possibility financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Investments

- The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.
- Up to £15m can be invested with a single pre-selected UK banking group (or individually rated banks within that group) for up to 100 days.
- Up to £10m can be invested with pre-selected overseas banks, or AAA rated money market funds for up to 190 days. Up to £10m can be invested in institutions that are supported by major international organisations such as the USA Federal Reserve or the European Central Bank for longer periods.
- Up to £20m can be invested with individual other local authorities or UK government bodies for terms that can exceed one year
- The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

- The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	Long Term		Short Term	
	31-Mar-16 £'000	31-Mar-15 £'000	31-Mar-16 £'000	31-Mar-15 £'000
AAA	0	0	22,800	9,100
AA-	0	0	15,000	15,000
A	0	0	20,000	35,000
Unrated local authorities	0	0	91,000	89,400
Debt Management Office	0	0	15,000	0
Residual Icelandic banks	0	0	200	602
Total Investments	0	0	164,000	149,102

(Excludes interest and impairment)

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. To further reduce risk, the Council only makes new investments with financial institutions through marketable instruments which could be sold at short notice to minimise prospective losses.

The following analysis summarises the Authority's potential maximum exposure to credit risk. 66% is the element which has not been provided for, based on historical experience of default.

	Amount at 31 March 2016 £'000 (a)	Historical experience of default % (b)	Estimated maximum exposure to default £'000
Deposits with banks and financial institutions	2		2
Trade debtors	80,212	66.23%	53,124
	80,214		53,126

The short term investments are loans and receivables and shown at amortised cost.

The Council expects some losses from non-performance by its Icelandic counterparty in relation to deposits, and has allowed for this in the impairment calculation. The Council does not expect any losses from non-performance by other counterparties.

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

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

Liquidity risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than specified of the Council's borrowing matures in any period

The maturity analysis of the principal sums borrowed is as follows:

	£'000
Less than one year	4,341
Between one and two years	4,341
Between two and five years	18,515
Between five and ten years	9,662
Between ten and twenty years	25,158
Between 20 and 30 years	1,200
Between 30 and 40 years	154,396
More than 40 years	106,203
Uncertain date *	95,500
	419,316

*The Council has £95.5m of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely repay these loans. The maturity date is therefore uncertain.

Investments of £169m are due to be repaid within one year.

Market Risks: Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. However, more than 97% of the Council's long term borrowing is at fixed rates so the risk would arise when the need to refinance arises or on occasions when short term borrowing is required, which are small in relation to the Council's scale of operation. A rise in interest rates would lead to a fall in the fair value of borrowings but this would have no impact on the Income and Expenditure Account.

Investments classed as "loans and receivables" and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. Changes in interest receivable on investments will be posted to the Surplus or Deficit on the Provision of Services.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2016, all the principal borrowed was exposed to fixed rates.

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

	£'000
Increase in interest receivable on variable rate investments	(1,640)
Impact on Comprehensive Income and Expenditure	(1,640)
Decrease in fair value of fixed rate borrowings/liabilities*	92,357

*No Impact on Comprehensive Income and Expenditure

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

Employee Benefits

Note 30 - Senior Employees' Remuneration

Senior employees are Brent's Chief Executive and direct reports (other than administration staff) and statutory chief officers.

Postholder	2014/15					2015/16				
	Salary (including fees and allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Employers pension contributions	Total remuneration including pension contributions	Salary (including fees and allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Employers pension contributions	Total remuneration including pension contributions
	£	£	£	£	£	£	£	£	£	£
Interim Chief Executive – C. Gilbert (Until Sep-15)	193,698	0	193,698	0	193,698	91,863	0	91,863	0	91,863
Chief Executive – C. Downs (Started Sep-15)	0	0	0	0	0	108,919	0	108,919	0	108,919
Assistant Chief Executive (from Oct-13 to Dec-14)	104,322	84,793	189,115	21,282	210,397	0	0	0	0	0
Strategic Director Regeneration & Environment (from Feb-15)	20,719	0	20,719	0	20,719	146,981	0	146,981	0	146,981
Chief Finance Officer (Section 151 officer)	120,038	0	120,038	24,488	144,526	122,008	0	122,008	35,870	157,878
Strategic Director Children and Young People	132,049	0	132,049	26,938	158,987	147,259	0	147,259	42,640	189,899
Human Resources Director (Until Jun-15)	121,462	0	121,462	24,778	146,240	41,499	157,610	199,109	8,968	208,077
Strategic Director of Environment & Neighbourhood Services (Until May-15)	139,715	0	139,715	28,502	168,217	21,881	102,219	124,100	4,470	128,570

Note 30 - Senior Employees' Remuneration (Continued)

Postholder	2014/15					2015/16				
	Salary (including fees and allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Employers pension contributions	Total remuneration including pension contributions	Salary (including fees and allowances)	Compensation for loss of office	Total remuneration excluding pension contributions	Employers pension contributions	Total remuneration including pension contributions
	£	£	£	£	£	£	£	£	£	£
Director of Legal and Procurement (Until Dec-14)	109,274	55,451	164,725	22,292	187,017	0	0	0	0	0
Chief Legal Officer (Started Feb-15)	13,083	0	13,083	3,829	16,912	81,896	0	81,896	24,368	106,264
Strategic Director of Community & Well-being	131,567	0	131,567	26,840	158,407	139,144	0	139,144	40,153	179,297
Strategic Director of Regeneration and Growth (Until Jan-16)	144,715	0	144,715	29,522	174,237	117,170	0	117,170	33,794	150,964
Director of Public Health	109,746	0	109,746	22,388	132,134	111,566	0	111,566	32,800	144,366
Strategic Director of Resources (Started Feb-16)	0	0	0	0	0	21,521	0	21,521	0	21,521
Operational Director of Policy, Partnerships and Performance	0	0	0	0	0	122,508	0	122,508	35,870	158,378
Total	1,340,388	140,244	1,480,632	230,858	1,711,490	1,274,215	259,829	1,534,044	258,933	1,792,977

Note 31 – Officers' Remuneration

The number of employees whose remuneration in 2015/16 and 2014/15, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:-

2014/15			Remuneration band £'s	2015/16		
Schools Staff	Officers	Total		Schools Staff	Officers	Total
138	75	213	50,000 - 54,999	129	64	193
63	28	91	55,000 - 59,999	64	23	87
28	11	39	60,000 - 64,999	32	21	53
30	16	46	65,000 - 69,999	22	11	33
19	13	32	70,000 - 74,999	27	12	39
14	5	19	75,000 - 79,999	12	8	20
10	1	11	80,000 - 84,999	5	5	10
10	3	13	85,000 - 89,999	11	5	16
2	0	2	90,000 - 94,999	4	2	6
6	1	7	95,000 - 99,999	1	2	3
1	2	3	100,000 - 104,999	2	1	3
2	5	7	105,000 - 109,999	2	2	4
1	4	5	110,000 - 114,999	1	4	5
1	0	1	115,000 - 119,999	1	0	1
0	2	2	120,000 - 124,999	0	2	2
0	0	0	125,000 - 129,999	0	0	0
0	2	2	130,000 - 134,999	0	0	0
0	1	1	135,000 - 139,999	0	1	1
0	1	1	140,000 - 144,999	0	0	0
0	0	0	145,000 - 149,999	0	2	2
0	0	0	155,000 - 160,000	0	1	1
0	1	1	160,000 - 164,999	0	0	0
0	0	0	175,000 - 179,000	0	1	1
0	1	1	185,000 - 189,999	0	0	0
0	1	1	190,000 - 194,999	0	1	1
325	173	498	Total	313	168	481

The table above includes senior employees. Further details concerning senior employees are shown in a separate note.

Bands over £145,000 are not shown above where there are no staff who earn within particular bands of £5,000.

The number of schools staff earning above £50,000 has reduced by 12. Academy conversions has resulted in a reduction of 26, which is offset by a net increase of 14 due to school expansions and re-organisations.

In 2014/15 and 2015/16 11 were in the £50K+ bands due to redundancy or termination agreements. Overall, officers earning over £50K has decreased by 3.5% primarily due to organisational restructures during 2014/15 & 2015/16.

Note 32 – Exit Packages

Exit Package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	(b) + (c)		£'000	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	18	31	14	70	32	101	388	803
£20,001 - £40,000	5	16	11	31	16	47	460	1200
£40001 - £60,000	1	3	7	5	8	8	392	371
£60,001 - £80,000	1	0	3	4	4	4	326	276
£80001 - £100,000	0	2	0	1	0	3	0	268
£100,000 - £150,000	0	1	0	2	0	3	0	332
TOTAL cost included in bandings	25	53	35	113	60	166	1,566	3,250
ADD: amounts provided for in CIES not included in bandings							334	795
TOTAL cost included in CIES							1,900	4,045
Average cost of exit packages							32	24

The number of exit packages increased in 2015/16 to 166 from 60 in 2014/15 for a total cost of £4.0m. The council has managed to help control the overall cost of exit packages by reducing the average cost from £32k in 2014/15 to £24k in 2015/16.

Pension notes

Note 33 – Pension Schemes Accounted for as Defined Contribution Schemes

In 2015/16, the Council paid £9.3m to Teachers' Pensions (£8.8m 2014/15) in respect of teachers' retirement benefits, representing 16.48% (14.1% 2014/15) of pensionable pay. The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 36.

The Council also paid £36k in 2015/16 (£43k in 2014/15) to the NHS pension scheme representing 14.3% (14% in 2014/15) of pensionable pay related to Public Health responsibilities.

Note 34 – Defined Benefit Pension Schemes

Participation in Pension Schemes

The Council participates in two post employment schemes:

(1) The Local Government Pension Scheme – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

(2) Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. Actuarial gains and losses on pension assets and liabilities are recorded as Other Comprehensive Income and Expenditure. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

31 March 2015 £'000		31 March 2016 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
23,374	Current service cost	28,096
397	Past service costs (including curtailments)	486
(2,159)	Settlements and curtailments	0
<i>Financing and investment Income and Expenditure:</i>		
47,454	Interest cost	41,526
(22,026)	Expected return on scheme assets	(18,429)
47,040	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	51,679
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
0	Changes in demographic assumptions	0
161,486	Changes in financial assumptions	(114,575)
(10,639)	Other experience	(20,417)
(37,637)	Return on assets excluding amounts in net interest	29,377
160,250	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(53,936)
Movement in Reserves Statement		
29,127	Employers' contributions payable to the scheme	30,140
5,041	Contributions in respect of unfunded benefits	4,960
34,168	Actual amount charged against the General Fund Balance for pensions in the year:	35,100
	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(51,679)
(47,040)		(51,679)
(12,872)		(16,579)

Note 35 – Reconciliation of Assets and Liabilities in Relation to Post Employment Benefits

31 March 2015 £'000	31 March 2015 £'000	31 March 2015 £'000		31 March 2016 £'000	31 March 2016 £'000	31 March 2016 £'000
Assets	Obligations	Net (liability) / asset		Assets	Obligations	Net (liability) / asset
			Opening Balances at 1 April			
511,430		511,430	Fair value of employer assets	573,455		573,455
	(1,040,067)	(1,040,067)	Present value of funded liabilities		(1,228,689)	(1,228,689)
	(70,302)	(70,302)	Present value of unfunded liabilities		(69,786)	(69,786)
		(598,939)	Opening Position at 1 April			(725,020)
	(23,374)	(23,374)	Current service cost		(28,096)	(28,096)
	(397)	(397)	Past service costs		(486)	(486)
	2,159	2,159	Settlements	0	0	0
22,026		22,026	Interest income on plan assets	18,429		18,429
	(47,454)	(47,454)	Interest cost		(41,526)	(41,526)
6,421	(6,421)	0	Contributions by scheme participants	6,405	(6,405)	0
29,127		29,127	Employer contributions	30,140		30,140
5,041		5,041	Contributions in respect of unfunded benefits	4,960		4,960
(33,186)	33,186	0	Benefits paid	(31,604)	31,604	0
(5,041)	5,041	0	Unfunded benefits paid	(4,960)	4,960	0
			Actuarial gains and losses/Remeasurements recognised in other			
37,637	(150,847)	(113,210)	Comprehensive Income (OCI)	(29,377)	134,992	105,615
			Closing Balances at 31 March			
573,455		573,455	Fair value of employer assets	567,448		567,448
	(1,228,689)	(1,228,689)	Present value of funded liabilities		(1,140,861)	(1,140,861)
	(69,786)	(69,786)	Present value of unfunded liabilities		(62,571)	(62,571)
573,455	(1,298,475)	(725,020)	Closing Balance at 31 March	567,448	(1,203,432)	(635,984)

Note 36 – Fair value of employers assets (bid value)

31-Mar-15				31-Mar-16					
Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	Asset Category	Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %	
0	84,647	84,647	15%	Private Equity					
				All	0	74,111	74,111	13%	13%
				Real Estate					0%
30,319	0	30,319	5%	UK Property	29,873	0	29,873	5%	5%
3,474	0	3,474	1%	Overseas Property	3,052	0	3,052	1%	1%
				Investment Funds & Unit Trusts					0%
278,871	0	278,871	49%	Equities	263,779	0	263,779	46%	46%
77,474	0	77,474	14%	Bonds	73,461	0	73,461	13%	13%
0	0	0	0%	Hedge Funds	58,589	0	58,589	10%	10%
0	0	0	0%	Commodities	0	0	0	0%	0%
61,687	0	61,687	11%	Infrastructure	0	34,961	34,961	6%	6%
0	25,696	25,696	4%	Other	0	0	0	0%	0%
				Cash and cash equivalents					0%
0	11,284	11,284	2%	All	0	29,619	29,619	5%	5%
451,825	121,627	573,452	100%	Totals	428,754	138,691	567,445	100%	

Sensitivity Analysis

Change in assumptions at 31 March 2016:

Approximate % increase to Employer Liability

Approximate monetary amount

	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	10%	120,102
1 year increase in member life expectancy	3%	36,103
0.5% increase in the Salary Increase Rate	2%	28,732
0.5% increase in the Pension Increase Rate	7%	90,060

Note 37 – Projected defined benefit cost for the period to 31-Mar-17

Period Ended 31-Mar-16	Assets	Obligations	Net (liability)/asset	
	£'000	£'000	£'000	% of pay
Projected Current service cost	0	(24,057)	(24,057)	-25.70%
Total Service Cost	0	(24,057)	(24,057)	-25.70%
Interest Income on plan assets	19,913	0	19,913	21.30%
Interest cost on defined benefit obligation	0	(42,001)	(42,001)	-44.80%
Total Net Interest Cost	19,913	(42,001)	(22,088)	-23.50%
Total Included in Surplus or Deficit	19,913	(66,058)	(46,145)	-49.20%

Note 38 – Basis for Estimating Assets and Liabilities

The latest full actuarial valuation of the London Borough of Brent's liabilities took place as at 31 March 2013. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund and assessing discretionary benefit liabilities are set out below:

2014-15		2015-16
	Actuarial Assumptions:	
	Longevity at 65 for current pensioners:	
22	Men	22
24.3	Women	24.3
	Longevity at 65 for future pensioners:	
24.4	Men	24.4
26.8	Women	26.8
4.1%	Rate of increase in salaries	4.0%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2008 service)	75.0%

**Housing Revenue Account
Income and Expenditure Statement for the Year Ended 31 March 2016**

2014/15 Excluding Revaluations £'000	2014/15 Including Revaluations £'000		2015/16 Excluding Revaluations £'000	2015/16 Including Revaluations £'000
		Income		
(48,085)	(48,085)	Dwelling Rents	(48,718)	(48,718)
(269)	(269)	Non Dwelling Rents	(187)	(187)
(2,906)	(2,906)	Tenants Charges for Services and Facilities (Note 1)	(2,911)	(2,911)
(337)	(337)	Contribution Towards Expenditure	(335)	(335)
(2,663)	(2,663)	Leaseholders' Charge for Serviced and Facilities	(2,187)	(2,187)
(2,337)	(2,337)	Other Income	(492)	(492)
0	(74,459)	Upward revaluation of assets	0	0
(56,597)	(131,056)	Total Income	(54,830)	(54,830)
		Expenditure		
9,216	9,216	Repairs and Maintenance	10,303	10,303
11,561	11,561	Supervision and Management	10,495	10,495
4,892	4,892	Special Services	4,876	4,876
1,644	1,644	Rent and Rates and Others Charges	963	963
10,342	10,342	Depreciation of Fixed Assets	10,160	10,160
1,458	1,458	Bad or Doubtful Debts	31	31
9	9	Debt Management Expenses	11	11
0	0	Revaluation losses	0	22,481
39,122	39,122	Total Expenditure	36,839	59,320
(17,475)	(91,933)	Net Cost of Services included in the Council's Income and Expenditure Account	(17,991)	4,490
		HRA share of the operating income and expenditure included in the Council's income and expenditure		
975	975	Payment to capital receipts pool	1,344	1,344
(2,644)	(2,644)	(Gain) or Loss on Sale of HRA fixed Assets	(3,107)	(3,107)
6,133	6,133	Interest payable and similar charges	6,126	6,126
64	64	Amortised Payment and Discount	38	38
(52)	(52)	HRA Investment Income/Mortgage Interest	(67)	(67)
(12,999)	(87,457)	Surplus/or Deficit for the Year on HRA Services	(13,657)	8,824

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

Movement on the HRA Statement

2014/15 £'000	Movement on the HRA Statement	2015/16 £'000
(949)	Housing Revenue Account brought forward	(4,483)
(87,457)	Surplus/or Deficit on the provision of services	8,824
(88,406)	Total comprehensive income and expenditure	4,341
83,923	Adjustment between accounting basis and funding basis under regulations	(10,534)
(4,483)	Net increase/decrease before transfers to earmarked reserves	(6,193)
(4,483)	Balance as at 31 March carried forward	(6,193)

HRA adjustments between accounting basis and funding basis under regulations

2014/15 £'000		2015/16 £'000
2,644	Gain/loss on sale of HRA non-current assets	3,107
1,368	Capital expenditure funded by HRA	2,128
1,516	Amortised payment and discount	708
74,459	Exceptional items-downward revaluation of assets	(22,481)
(975)	Payments to the capital receipts pool	(1,344)
(222)	Pooled capital receipts-contribution to administration costs	(165)
14	Pension interest cost and expected return on pension costs	0
15,461	Transfers to/from Major Repairs Reserve	17,674
(10,342)	Transfers to/from Capital Adjustment Account	(10,160)
83,923	Total adjustments between accounting basis and funding basis under regulations	(10,533)

Notes to the Housing Revenue Account

Note 1 – Housing Stock

The Council's stock of dwellings reduced during the year from 8,429 to 8,314, a net reduction of 115 Dwellings. These reductions resulted from Right to Buy sales and transfer of dwellings from the HRA to the General Fund to be used for Temporary Accommodation.

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

31-Mar-15		31-Mar-16	
261	Leasehold	261	
8,168	Freehold	8,053	
8,429	Total	8,314	

Note 2 – Rent Arrears

The level of rent arrears at 31st March 2016 was £3.575m. Movement on the arrears and related provisions are shown below.

31-Mar-15		31-Mar-16	
£'000		£'000	
2,983	Arrears from tenants	3,575	
5,029	Arrears from Right to Buy Leaseholders	4,252	
(6,644)	Provision	(6,675)	
1,368	Total Arrears	1,152	

Note 3 – Non-current Assets

	Council Dwellings £'000	Non- Operational £'000	Total £'000
Gross Book Value at 1 April 2015	653,873	7,021	660,894
Revaluation in 2015/16	(22,481)	0	(22,481)
Expenditure during the Year	31,061	0	31,061
Depreciation written out	(10,495)	0	(10,495)
Other movements	(2)	0	(2)
Disposals	(6,477)	0	(6,477)
Gross Book Value at 31 March 2016	645,479	7,021	652,500
Write out of Accumulated Depreciation (Depreciation)/adjustment for current year	373 (10,160)	0 (83)	373 (10,243)
Net Book Value at 31 March 2016	635,692	6,663	642,630

Note 4 – Vacant Possession Value of HRA Dwellings

The vacant possession value of dwellings within the HRA at 31st March 2016 was £2.581 billion. The difference between vacant possession value of the HRA dwellings and balance sheet value within the HRA shows the economic cost to the government of providing Council housing at less than open market value.

Note 5 – HRA Capital Receipts

2014/15		2015/16	
£'000		£'000	
12,750	Houses	9,212	
12,750	Total	9,212	

Note 6 – Net Interest Charged to the HRA

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

2014/15		2015/16	
£000's		£000's	
6,134	Interest on HRA mid year Capital Financing Requirement	6,126	
6,134		6,126	

Note 7 – Brent Housing Partnership

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

Note 8 – Revaluation of HRA Dwellings in 2015/16

HRA dwellings are valued at Existing Use Value. The Council calculates any arising revaluation loss or gain on the properties held within the HRA through the application of a regional annual housing indexation factor. In addition there was an instruction from Central Government to reduce the social housing factor. The HRA Non Operational Assets have been revalued by the Council's Internal Valuers. The revaluation values have been incorporated into the value of HRA Non Operational Assets shown in Note 3.

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. Administrative costs are borne by the General Fund.

From 1 April 2013, local authorities have kept a proportion of the income raised from Non Domestic Rates (in London the local authority keeps 30%, 50% is paid over to central government, and 20% to the Greater London Authority (GLA). This transfers some of the benefits and risks directly to local authorities, as they now benefit from a share of the increased income if their business base grows, but there is also a risk if the total income falls, either due to businesses closing, or if successful appeals are made against rateable valuations, and bills drop as a result. As of 31 March 2016 there were still over a thousand valuation appeals outstanding in Brent, and although many of these will be unsuccessful, there will be a reduction in income as a result of successful appeals. An allowance has been made for this in finalising the figures for 2015/16, but the authority has no influence over decisions made by the Valuation Office.

In addition to its 30% share of income raised from Non Domestic Rates, the Council also receives a "Top-up" payment from central government, to bring it back to the income figure it would have received for 2015/16 had the previous system remained unchanged. This income is credited to the General Fund rather than the Collection Fund.

For Council Tax, 95.87% of the debit relating to the 2015/16 financial year had been collected by March 31st 2016. This is fractionally up from the 95.60% achieved in 2014/15. For Non Domestic Rates the in-year collection rate increased from 98.11% to 98.32%

Collection Fund Account for the Year ended 31 March 2016

2014/15 £'000		Notes	2015/16 £'000
	Income		
(116,931)	Income from Council Tax payers	1	(120,782)
(110,186)	Income from Non Domestic Rates	2	(113,548)
(3,026)	NNDR Crossrail Levy (to GLA)		(3,017)
(230,143)	Total Income		(237,347)
	Expenditure		
	Council Tax:-		
	Payment to GLA		
23,682	- precept	3	24,426
712	- share of surplus		1,101
	Payment to Brent		
83,874	- precept	3	87,679
2,488	- share of surplus		3,899
2,465	Provisions for uncollectable amounts		1,830
(13)	less (write back)/add write off		12
	Non-Domestic Rates:-		
110,711	- Payment to National Pool / Preceptors	3	114,490
417	- Cost of Collection Allowance		420
3,026	NNDR Crossrail Levy (to GLA)		3,017
227,362	Total Expenditure		236,874
	<u>Council Tax</u>		
(3,723)	Surplus in year		(1,787)
(6,200)	Surplus brought forward		(9,923)
(9,923)	Surplus carry forward		(11,710)
	<u>Non Domestic Rates</u>		
942	Deficit in year		1,362

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 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 (for Brent this is the GLA) 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 82,799 for 2015/16. This basic amount of Council Tax for a Band D property £1,353.94 for 2015/16 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	1,214	
Band B	0.78	5,429	
Band C	0.89	20,210	
Band D	1.00	24,333	
Band E	1.22	21,478	
Band F	1.44	7,785	
Band G	1.67	4,927	
Band H	2.00	<u>426</u>	
		<u>85,802</u>	x 96.5% Collection Rate = 82,799

The final income of £120.734m for 2015/16 includes adjustments to debits during the year.

Note 2 – National Non-Domestic Rates (NNDR)

Non Domestic Rates are organised on a national basis. The Government specified a rate of 49.3p in the £ for 2015/16 (48.0p for small businesses having a rateable value of below £12,000) 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 April 2010. From 2013/14, the Council retains 30% of the income due, 20% goes to the Greater London Authority and 50% to Central Government. The Government redistributes the sums paid to it back to local authorities on the basis of a Formula Grant calculation. The amounts collected from the ratepayers and paid between the three preceptors can be analysed as follows:

2014/15 £'000		2015/16 £'000
127,240	Gross Debit	134,666
(7,283)	Charitable Relief	(8,218)
(2,813)	Provision for Uncollectable Amount	(856)
(334)	Provision for Rate Appeal Reductions (movement)	(4,693)
(2,098)	Other Adjustments	(1,720)
(3,047)	Empty/Void Relief	(3,104)
(1,479)	Retail Relief	(2,527)
110,186	Net NNDR Income	113,548
(417)	Cost of Collection Allowance Payable to the General Fund	(420)
109,769	Amount Payable to NNDR Pool/Preceptors	113,128

In addition to the above, properties with a rateable value of over £55,000 pay an additional business rates supplement of 2.0p in the £ to the Greater London Authority, to pay towards the costs of the Crossrail project. This supplement began on 1 April 2010, and for 2015/16 £3.017m was due to the GLA.

Note 3 – Precepts

2014/15 £'000	Council Tax	2015/16 £000
83,874	London Borough of Brent	87,679
23,682	Greater London Authority	24,426
107,556		112,105

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

2014/15 £'000	NNDR	2015/16 £000
55,356	Central Government	57,245
33,213	London Borough of Brent	34,023
22,142	Greater London Authority	22,898
110,711		114,166

Note 4 – Estimated Surplus and Deficit

By 15 January each year, the Council estimates what the surplus or deficit on the collection fund will be as at 31 March. These estimates are set out below. The estimate is different to the final outturn figure.

31-Mar-15 £000		31-Mar-16 £'000
(3,899)	London Borough of Brent	(2,503)
(1,101)	Greater London Authority	(697)
(5,000)	Deficit / (Surplus)	(3,200)

Note 5 – Collection Fund Debtors and Creditors

Brent Council businesses and residents, the Greater London Authority (GLA) and central government share the outstanding liabilities and assets of the Collection Fund. The balances are as follows:

Debtors

2014/15		2015/16	
£'000		£'000	
2,569	Other entities and individuals	3,425	
4,245	Central Government	1,869	
2,189	Other local authorities	1,484	
9,003		6,778	

Creditors

2014/15		2015/16	
£'000		£'000	
(5,833)	Other entities and individuals	(7,074)	
(5,167)	Central Government	(6,892)	
(3,006)	Other local authorities	(3,625)	
(14,006)		(17,591)	

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 Ian Rooney, Head of Financial Services, 6th Floor, Brent Civic Centre, Engineers Way, Wembley HA9 0FJ, e-mail address ian.rooney@bhphousing.co.uk.

At the time of approving the group accounts, BHP's audit opinion on their 2015/16 financial statements had not been issued. It is expected that the audit opinion will be signed shortly after 30th September 2016 by their external auditors (PricewaterhouseCoopers) with no changes to the financial statements. The reason for the delay is a consequence of the ongoing performance review being undertaken by the Council. This has no material effect on the overall group accounts

The group accounts also consolidate the accounts of the Barham Park Trust and LGA Digital Services. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. LGA Digital Service Limited is a company that is 50% owned by the council and 50% owned by the Local Government Association

The accounts of BHP, Barham Park Trust and LGA Digital Services have been consolidated as subsidiaries using the acquisition basis of combination.

The following group financial statements have been prepared:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Account
- 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. This includes accounting policies. The accounting policies for the group accounts are the same as for Brent's single entity accounts and are shown earlier in this document.

Group Movement in Reserves Statement

	General Fund Balance	School Balance	Earmarked General Fund Reserves	HRA	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2014	34,601	0	104,404	949	1,824	46,172	12,713	87,068	287,731	138,139	425,870
Movement in reserves during 2014/15											
Surplus or (deficit) on the provision of services	32,684	0	0	88,831	0	0	0	0	121,515	0	121,515
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	0	(89,701)	(89,701)
Total comprehensive income & expenditure	32,684	0	0	88,831	0	0	0	0	121,515	(89,701)	31,814
<u>Adjustments between accounting basis & funding basis under regulations</u>	(7,018)	0	0	(78,721)	0	6,746	3,977	(9,127)	(84,143)	84,143	0
Net increase/decrease before transfers to earmarked reserves	25,666	0	0	10,110	0	6,746	3,977	(9,127)	37,372	(5,558)	31,814
<u>Transfers to/from earmarked reserves</u>	(21,589)	0	21,589	(5,202)	0	0	5,202	0	0	0	0
Increase/(decrease) in 2014/15	4,077	0	21,589	4,908	0	6,746	9,179	(9,127)	37,372	(5,558)	31,814
Balance as at 31 March 2015	38,678	0	125,993	5,857	1,824	52,918	21,892	77,941	325,103	132,581	457,684
Movement in reserves during 2015/16											
Surplus or (deficit) on the provision of services	(22,476)	0	0	(16,652)	0	0	0	0	(39,128)	0	(39,128)
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	0	126,034	126,034
Total comprehensive income & expenditure	(22,476)	0	0	(16,652)	0	0	0	0	(39,128)	126,034	86,906
<u>Adjustments between accounting basis & funding basis under regulations</u>	57,495	0	0	20,118	0	(11,915)	(17,956)	896	48,638	(48,638)	0
Net increase/decrease before transfers to earmarked reserves	35,019	0	0	3,466	0	(11,915)	(17,956)	896	9,510	77,396	86,906
<u>Transfers to/from earmarked reserves</u>	(34,931)	4,516	23,001	0	(100)	0	7,514	0	0	0	0
Increase/(decrease) in 2015/16	88	4,516	23,001	3,466	(100)	(11,915)	(10,442)	896	9,510	77,396	86,906
Balance as at 31 March 2016	38,766	4,516	148,994	9,323	1,724	41,003	11,450	78,837	334,613	209,977	544,590

Group Balance Sheet

31 March 2015 £'000		31 March 2016 £'000
1,519,101	Property, Plant & Equipment	1,507,004
498	Heritage Assets	498
10,490	Investment Property	11,232
2,513	Intangible Assets	1,542
100	Long Term Investments	100
19,842	Long Term Debtors	15,792
1,552,544	Long Term Assets	1,536,169
139,673	Short Term Investments	141,077
4,519	Assets Held for Sale	4,519
226	Inventories	130
69,217	Short Term Debtors	78,685
36,512	Cash and Cash Equivalents	35,470
250,147	Current Assets	259,881
(8,564)	Short Term Borrowing	(8,573)
(103,689)	Short Term Creditors	(105,608)
(2,265)	Provisions	(5,975)
	Deferred income	
(114,518)	Current Liabilities	(120,155)
(34,182)	Long Term Creditors	(31,496)
(8,952)	Provisions	(10,701)
(419,316)	Long Term Borrowing	(414,975)
(767,964)	Other Long Term Liabilities	(674,132)
(1,230,414)	Long Term Liabilities	(1,131,304)
457,759	Net Assets	544,590
325,573	Usable Reserves	334,613
132,186	Unusable Reserves	209,977
457,759	Total Reserves	544,590

Group Cash Flow Statement

2014/15 £'000		2015/16 £'000
121,505	Net surplus or (deficit) on the provision of services	(159,119)
(95,881)	Adjustments for non-cash movements	160,831
46,397	Adjustments for investing and financing activities	50,336
72,021	Net cash inflows/(outflow) from Operating Activities	52,049
(92,056)	Net cash inflows/(outflow) from Investing activities	(44,183)
(6,399)	Net cash inflows/(outflow) from Financing activities	(8,909)
(26,434)	Net increase or (decrease) in cash and cash equivalents	(1,043)
62,946	Cash and cash equivalents at the beginning of the reporting period	36,512
36,512	Cash and cash equivalents at the end of the reporting period	35,470

Notes to the Group Accounts

This shows the main differences between items in Brent's single entity accounts and the group accounts. Where there are intra-group entries these are adjusted in calculating the overall group position.

2015/16

	Brent	BHP	Barham Park	LGA	Adjustments	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Financing and investment income	41,975	2,183	0	0		44,158
Local Authority housing (HRA)	4,491	(4,134)	0	0	0	356
Property plant and equipment	1,458,874	47,185	945	0		1,507,004
Investment properties	822	10,410	0	0		11,232
Long term debtors	54,958	0	0	0	(39,166)	15,792
Inventories	55	76				130
Short term debtors	80,806	12,183	445	0	(14,750)	78,685
Cash and cash equivalents in hand	32,156	2,148		1,165		35,470
Short term creditors	(107,009)	(12,183)		(1,165)	14,750	(105,608)
Long term creditors	(31,507)	(39,154)		0	39,166	(31,496)
Usable reserves	326,646	7,522	445			334,613
Unusable reserves	212,061	(3,029)	945			209,977
Cash flow from investing activities	(44,460)	277				(44,183)

2014/15

	Brent	BHP	Barham Park	LGA	Adjustments	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Financing and investment income	46,400	2,215	(9)	0	9	48,615
Local Authority housing (HRA)	(91,933)	(3,589)	0	0	0	(95,522)
Property plant and equipment	1,471,895	46,759	945	0	0	1,519,599
Investment properties	822	9,668	0	0	0	10,490
Long term debtors	59,646	0	0	0	(39,804)	19,842
Inventories	66	160	0	0	0	226
Short term debtors	67,592	6,299	445	0	(5,119)	69,217
Cash and cash equivalents in hand	31,881	4,631	0	0	0	36,512
Short term creditors	(97,744)	(11,064)	0	0	5,119	(103,689)
Long term creditors	(34,182)	(39,804)	0	0	39,804	(34,182)
Usable reserves	318,893	6,235	445	0	0	325,573
Unusable reserves	139,619	(8,377)	944	0	0	132,186
Cash flow from investing activities	(89,840)	(2,215)	0	0	9	(92,055)

**Senior Employees' Remuneration
Brent Housing Partnership**

2014/15

Position	Salary (inc Fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Employer's Pension contributions	Total Remuneration including pension contributions
Managing Director (Until Dec-15)	138,485	0	138,485	24,594	163,080
Finance Director (Until Nov-15)	97,665	0	97,665	17,462	115,127
Acting Managing Director (Dec-15 to Mar-16)	0	0	0	0	0
Operations Director (Apr-15 to Feb-16)	105,847	0	105,847	18,889	124,736
Development and Growth Director	105,847	0	105,847	18,889	124,736
Director of Transformation (From Jan-16)	0	0	0	0	0
Interim Director of Property Services	0	0	0	0	0
Total	447,844	0	447,844	79,834	527,678

2015/16

Salary (inc Fees and allowances)	Compensation for loss of office	Total Remuneration excluding pension contributions	Employer's Pension contributions	Total Remuneration including pension contributions
94,112	52,285	146,397	21,928	168,325
72,087	0	72,087	16,353.84	88,440
35,253	0	35,253	8,656.46	43,909
84,779	71,000	155,779	19,753	175,532
94,444	0	94,444	22,136	116,579
30,715	0	30,715	0	30,715
1,200	0	1,200	0	1,200
412,590	123,285	535,875	88,827	624,702

Independent auditor's report to the members of the London Borough of Brent

We have audited the financial statements of London Borough of Brent for the year ended 31 March 2016 on pages 6 to 119. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts 2015/16, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on London Borough of Brent's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements. We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether London Borough of Brent had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Brent put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, London Borough of Brent had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, London Borough of Brent put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

Due to work on the WGA Return not being completed by the 30 September 2016

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Local elector objections

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local electors. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Philip Johnstone

For and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants
15 Canada Square
London
E14 5GL*

30 September 2016

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council, that officer is the Chief Finance Officer;
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ◆ to approve the Statement of Accounts.

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Council Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the Council at the Accounting date and its income and expenditure for the year ended 31 March 2016.

In preparing this statement of accounts, the Chief Finance Officer 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.
- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Finance Officer

I certify that the accounts set out on pages 6 to 86 give a true and fair view of the financial position of the London Borough of Brent as at 31 March 2016 and its income and expenditure for the year then ended, and that the accounts set out on pages 87 to 119 give a true and fair view of the net assets of the London Borough of Brent Pension Fund as at 31 March 2016 and its income and expenditure for the year then ended.

Conrad Hall 29 September 2016

Conrad Hall
Chief Finance Officer
29 September 2016

David N. Ewart 29th Sep. 2016

David Ewart
Chair of The Audit Committee
29 September 2016

Statement of Accounting Policies

1. Code of Practice

The general policies adopted in preparing these accounts are in accordance with the 2015-16 Code of Practice on Local Council Accounting in the United Kingdom issued by the Chartered Institute of Public Finance Accountants (CIPFA) - Statement of Recommended Practice (SORP), henceforth referred to as the "Code of Practice". This Code of Practice is based upon International Financial Reporting Standards (IFRS), with some adoptions from International Public Sector Accounting Standards (IPSAS).

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government).

1.1 Materiality

The Council has presented information in the accounts to provide a full picture of its performance and financial health, any of which, if omitted, might influence decisions made on the basis of these accounts. Information about transactions and balances of low financial value and which are non-influential for decision-makers (immaterial) have been omitted where possible to improve the readability of the statements.

2. Comprehensive Income and Expenditure Statement

2.1 Accruals of Expenditure and Income

The Statement of Accounts is prepared on an accruals basis with the effects of transactions and other events being recognised when they occur, and recorded in the accounting records and reported in the financial statements of the periods to which they relate.

The exception to this is the Cash Flow Statement which is prepared in accordance with International Accounting Standard (IAS) 7.

2.2 Revenue Recognition

Revenue is recognised in line with the Code of Practice and IAS 18.

2.3 VAT

Income and expenditure accounts are VAT exclusive, unless VAT is irrecoverable, in which case it is included.

2.4 Revenue Grants

Grants are immediately recognised where the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.

2.5 Charges to Revenue

External interest payable and the provision for depreciation are charged to the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement. This results in a charge to the General Fund for depreciation 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. Depreciation charges are reversed out of the General Fund in the Movement in Reserves Statement.

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 Movement in Reserves Statement and the notes to this statement.

2.6 Council Tax and National Non Domestic Rates (NNDR)

Council Tax included in the Comprehensive Income and Expenditure Statement (CIES) account is Brent's accrued income for the year including its share of the surplus or deficit arising. The collection of Council Tax on behalf of the Greater London Authority (GLA) is in substance an agency arrangement so these amounts are shown in the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement. There will be a debtor / creditor position between Brent and the GLA to be recognised in Brent's balance sheet if the net cash paid to the GLA is not exactly its share of cash collected from Council Taxpayers. In this case, Brent's accrued income will be shown in the taxation and non-specific grant section of the Comprehensive Income and Expenditure Statement. The 'Revenue Activities' section of the cash flow statement only includes Brent's share of Council Tax cash collected during the year.

The income collected from NNDR is shared between the Council, Central Government and the Greater London Authority (GLA) rather than being paid over to government and redistributed (so is now acting as principal and agent.) Apart from its own share of NNDR transactions, Brent accounts only for the effects of timing differences between the collection of NNDR attributable to major precepting authorities and central government and paying it across.

In terms of its own share and any top-up or levy from Central Government, income from the collection of NNDR will be shown in the taxation and non-specific grant section of the Comprehensive Income and Expenditure Statement. Similarly Brent's attributable share of NNDR debtor and creditor balances with taxpayers are recognised in the balance sheet. In addition and Brent's share of the net cash collected from NNDR taxpayers is included in Brent's cash flow statement.

2.7 Overheads/Cost of Support Services

The full costs of support services (also known as overheads) have been charged to services in the Comprehensive Income and Expenditure Statement in accordance with CIPFA's 'Service Reporting Code of Practice'. Charges have been made on a variety of bases. Appropriate statistics have been used, for example, Human Resources charges were based on staff numbers.

2.8 Foreign Currency Transactions

Transactions in foreign currencies are accounted for in Sterling at the rate ruling on the date of the transactions. The Pension Fund accounting policies deal with the only foreign currency dominated assets disclosed on the balance sheet.

2.9 Accounting for the costs of the carbon reduction commitment scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase which ends on 31 March 2019. The authority is required to purchase allowances, either currently or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2.10 Jointly Controlled Operations

The council has jointly controlled operations in the form of pooled budgets in conjunction with Brent CCG and Central North West London Mental Health Trust. The councils joint operations with Brent CCG relate to the Better Care Fund and the Brent Integrated Community Equipment Service. The councils joint operation with the Central North West London Mental Health Trust relate the management of the joint Mental Health Service in Brent The authority recognises the income that it gains and expenditure that it incurs on the

Comprehensive Income and Expenditure Statement. The Balance sheet recognises any assets and liabilities resulting to the council from the pooled budget.

3. Balance sheet – Long Term Assets

3.1 Plant, Property and Equipment

All expenditure on the acquisition, creation or enhancement of fixed assets above the Council's de minimis of £5,000 is capitalised on an accruals basis in the accounts. Repairs and maintenance expenditure is charged direct to service revenue accounts.

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) by the Council's In-house Valuer. Fixed assets are classified into the groupings required by the Code of Practice, with the exception of plant and furniture and equipment where two categories are combined due to the limited amount of plant held by the Council.

Individual categories of assets are valued on the following basis:

- Council dwellings are valued using a beacon principle (i.e. using sample dwellings) based on their Open Market Value (OMV) but adjusted to reflect their value as social housing
- Other Land and Buildings are included in the balance sheet at their OMV. The exceptions to this are school buildings and Social Services establishments that are included at their Depreciated Replacement Cost (DRC).
- Surplus assets 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 depreciated historic cost.
- Assets under construction are held at their invoiced construction cost at year end.

Revaluations of fixed assets are planned on a five year cycle with a proportion of the asset base being revalued each year. Material changes to asset valuations resulting from works or similar investment outside of the agreed revaluation of assets cycle will be adjusted in the period as they occur.

At 1 April 2009 those land and building assets held at 1 April 2004 values were revalued completing that 5 year cycle. There has been subsequent revaluation of elements of the asset base at 1 April each year in line with the five year cycle. Council dwellings have been revalued at 1 April 2016 in line with the separate 5 year cycle.

3.1.1 Depreciation and Amortisation

Depreciation is the measurement of the cost or revalued amount of the economic benefits of the tangible fixed assets that have been consumed during the financial year.

Consumption includes the wearing out, using up or other reduction in the useful economic life of a tangible fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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 – 60 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 estimate of the consumption of economic benefits. The Major Repairs Allowance calculated by central government is used as the basis for this. Where buildings assets are revalued, the accumulated depreciation at the beginning of the year is written down to the revaluation reserve.

3.1.2 Component Accounting

Local authorities are required to value the components of major assets, where the components are of material value and have a significantly different economic life to the asset itself.

Componentisation will be undertaken where the value of the individual component is over £2 million and/or the value of that component is in excess of 20% of the total gross carrying value of the building.

Housing Revenue Account assets are not componentised, in accordance with valuation guidance published by central government.

Consideration of the requirement for componentisation will be undertaken when buildings are valued/re-valued, or enhancement expenditure of £250,000 is spent on them, which will trigger a revaluation.

3.2 Investment Properties

Investment properties are properties held solely for capital appreciation or rental income.

The Code of Practice requires that investment properties are not depreciated, but instead held at fair value, in this case OMV, and their book value is adjusted annually where there has been a material change in value.

The Council adjusts the book value of these assets when appropriate indices indicate that the property has changed in value by 15% or more since the last indexation or revaluation.

Investment properties have a full revaluation on the same five year cycle as Plant, Property and Equipment.

3.3 Heritage Assets

Heritage Assets are defined as:

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture, or an intangible asset with cultural, environmental or historical significance.

Heritage assets are carried at valuation rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. The Council's valuation is as per an insurance valuation. Revaluations will be carried out as and when the insurance valuation is updated.

3.4 Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. Expenditure on purchasing intangible fixed assets such as computer software has been capitalised at cost.

Amortisation is the equivalent of depreciation for intangible assets.

Amortisation is calculated using the straight line method based on estimated economic life of between 5 to 7 years.

3.5 Impairment

Impairment reviews on groups of assets are undertaken on an annual basis by the valuer. Impairment is recognised where the asset's carrying value is greater than its net recoverable value in use or through sale, and the loss is specific to the asset, or a small group of assets. Losses not specific to the asset or a small group of assets, such as a general fall in market prices will be treated as revaluation losses.

Impairment losses are recognised against historic cost, and revalued net book value (for revalued assets). Losses for revalued assets will be recognised against the revaluation reserve to the limit of the credit balance for that asset in the revaluation reserve, and thereafter in surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement.

The impairment review includes an annual assessment of whether there is indication that the recoverable value of any impaired assets has increased, reversing part or all of the impairment. If there is indication that the recoverable value has increased, the valuer will reassess the economic life of the asset for the purposes of determining depreciation. The impairment will be reversed to the extent that up to the carrying value of the asset had there been no impairment. This reversal will in the first instance be used to reverse any charge made to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement, and then to the revaluation reserve.

4. Balance sheet – Current Assets

4.1 Inventories and Long Term Contracts

Inventories are valued at the lower of cost and net realisable value. The Council has no inventories obtained through non-exchange transactions.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year

4.2 Cash and Cash Equivalents

IAS 7 defines cash and cash equivalents as cash, bank balances, and very short term investments used for cash management purposes. The Council uses bank overdrafts as part of its cash management strategy, therefore these are disclosed as part of cash and cash equivalents in line with IAS 7. Short term investments invested for three months or less with a known maturity value and date are included in cash and cash equivalents; the Council uses money market funds as an integral part of its cash management, so these investments are also disclosed as part of cash and cash equivalents.

4.3 Work in Progress (Construction contracts)

Under the Code of Practice, construction contracts undertaken by the Council for the Council's customers are accounted for as set out in IAS 11. This is separate from Assets under Construction where the Council is constructing assets for its own use. The Code of Practice requires use of the percentage completion method for calculating accounting entries for such contracts. Under the percentage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit which can be attributed to the proportion of work completed. The percentage of completion is assessed based on costs incurred for work performed to date. Until the point where outcome of the construction contract can be reliably estimated, revenue will only be recognised in line with construction costs to date. Once construction costs can be reliably measured, revenue will be recognised using the percentage completion method described above. Any expected losses will be immediately recognised as an expense.

5. Balance sheet - Liabilities

5.1 Provisions, Contingent Liabilities, and Contingent Assets

The Council makes a provision in compliance with IAS 37 where there is a present obligation as a result of a past event where it is probable that the Council will incur expenditure to settle the obligation and where a reasonable estimate can be made of the amount involved. In addition to the provisions listed in note 9 to the Core Financial Statements, there is a provision for unrecovered debts, this has been netted off against the debtors figure on the balance sheet (see note 2 to the Core Financial Statements).

The Code of Practice requires provisions to be split into current provisions (within a year) and long term provisions. The current provision for insurance is estimated by taking the moving average of insurance expense over the previous three years. All other current provisions are estimated by the officers of the Council in the relevant service area.

The provision for Council Tax debts is based on an assessment of the likely future collection of Council Tax arrears compared to the total level of arrears. Collection of arrears continues for several years after the original liability arises, and the provision is re-assessed each year based on collection trends and movements

in amounts due. Debts are not actually written off until there is no realistic chance of collection, at which point the write-off reduces both the debtors and provision totals.

A contingent liability is disclosed in the notes to the accounts where there is either a possible obligation as a result of a past event where it is possible that the Council will incur expenditure to settle the obligation; or a present obligation as a result of a past event where it is either not probable that the Council will incur expenditure to settle the obligation, or where a reasonable estimate of the future obligation cannot be made.

A contingent asset is disclosed in the notes to the accounts where a possible asset arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

5.2 Employee benefits

The Council recognises a provision for the entitlement of its employees to benefits within the reported financial year. This provision is estimated based on the entitlement of the Council's employees to leave as at the 1 April for the previous financial year.

Regulations prohibit Council tax payers from being charged for this provision, so any movement in this provision is transferred to the Accumulated Absences Account.

The Council accounts for employee benefits in accordance with the Code which is based on IAS 19. The underlying principle of IAS 19 is that an organisation should account for employment and post-employment benefits when employees earn them and the authority is committed to providing them, even if the actual provision might be many years into the future.

5.3 Reserves

Reserves are divided into usable and unusable reserves. Within the usable reserves there are amounts set aside for earmarked purposes out of the balances on the Council's funds.

6 Balance Sheet - Financial Instruments

6.1 Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments – the Council does not hold any of these assets
- Fair value through income and expenditure

6.1.1 Loans and Receivables

Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus interest outstanding, and interest credited to the financing and investment income and expenditure section of the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on the derecognition of the asset are credited/debited to the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement.

6.1.2 Fair value through income and expenditure

Investments where there is an active market (e.g. certificates of deposit or gilts). These are treated in the same manner as Loans and Receivables.

6.2 Premature Redemption of Debt

The practice for the Comprehensive Income and Expenditure Statement 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. 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 a Council in the position of Brent is usually to maintain gross borrowing at the Council's overall Capital Financing Requirement, unless the yield curve indicates very low short term rates. 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. However, at present the yield curve indicates that interest rates are likely to remain low, so that borrowing for shorter periods or at variable rates may be prudent.
- Given the current pattern of rates, there is a significant penalty incurred in redeeming much of the Council's debt prematurely. However, the cost of maintaining a higher borrowing portfolio than is immediately required is particularly high at present, and the current risks to balances on deposit indicate that these should be kept to a minimum prudent level (to cover cash flow). In practice, this suggests a policy of seeking opportunities to redeem individual loans where this is economical.

6.3 Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the surplus or deficit on the provision of services section in the Comprehensive Income and Expenditure

Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount respectively would be deducted from or added to the amortised cost of the new or modified loan and the write down to the surplus or deficit on the provision of services section in the Comprehensive Income and Expenditure Statement spread over the life of the loan by an adjustment to the effective interest rate.

Where premia and discounts have been charged to the surplus or deficit on the provision of services section in the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy of spreading the gain / loss over the term of the replacement loan, at present up to a maximum of thirty years. The reconciliation of amounts charged to the surplus or deficit on the provision of services section in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

7 Capital Financing

7.1 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.

Revenue expenditure funded from capital under statute (REFCUS) represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets owned by the Council. Such revenue expenditure incurred during the year has been written off as expenditure to the relevant service revenue account in the year.

7.2 Capital 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 recognised as income as soon as the Council has reasonable assurance it will comply with the conditions attached to the grant, and the grants or contributions will be received.

The Greater London Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Authority) with appropriate planning consent. The income from the levy is accounted with Brent Council as agent under IAS 18 as the council collects these funds on behalf of the Greater London Authority.

7.3 Leasing

The Council has acquired a number of assets, mainly vehicles, plant and computer equipment, by means of leases. The Council assesses whether or not leases have to be disclosed on balance sheet in line with IAS 17, using guidance from the Royal Institute of Chartered Surveyors as directed by the CIPFA. On balance sheet leases are described as finance leases, leases not reported on the balance sheet are known as operating leases.

Finance leases are initially recognised on the balance sheet with assets and liabilities equal to the net present value of the minimum lease payments. Where a contract does not detail an interest rate for a specific asset, or provide sufficient information for its calculation, the interest rate implicit in the lease will in the first instance be estimated based on interest rates for other assets within the lease. If there is no interest rate detailed in the lease then a suitable interest rate is applied.

Assets financed by finance leases are treated as having an economic life equal to the minimum length of the contract and are depreciated over this period.

Finance lease repayments and interest payments are calculated using the actuarial method (allocating interest to the period it relates to) and assumes that a single payment is made at the end of the contract year. Where a contract starts part way through a single financial year payments will be apportioned to that financial year based on the number of days of the contract year within the reported financial year.

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.

Two interpretations of the International Financial Reporting Standards apply to contracts and series of transactions where the substance of the contract or transactions may be a lease under International Financial Reporting Standards. The Council first assesses whether or not contracts contain a service concession under IFRS Interpretations Committee (IFRIC) 12, and then whether or not there is an embedded lease under IFRIC 4. The disclosure of service concessions is complex and dealt with in further detail below. Embedded leases are disclosed as set out in IFRIC 4, accounting policies for major embedded finance leases are set out below.

7.3.1 Service Concessions and the Private Finance Initiative (PFI)

Contracts and other arrangements that have been determined as “service concessions” are accounted for under IFRIC 12, the Code of Practice and the additional provisions of IPSAS 32 Service Concession Arrangements: Grantor.

Where new assets are identified these assets are recognised at fair value being the relevant elements of the capital cost in the PFI operators’ financial model.

Where the PFI operator’s right to third party income is recognised in reductions to the unitary payment, a proportion of the finance lease creditor is re-allocated to a deferred income balance based on the proportion of fixed payments (if any) from the Council and expected third party payments. The deferred income balance is amortised to the Comprehensive Income and Expenditure Statement on a straight line basis over the life of the PFI scheme.

The Council’s ongoing liabilities for these service concessions are recognised on the balance sheet. This has been done by recognising a finance lease creditor and written down accordingly.

The assets acquired with these service concessions will be depreciated over the useful estimated economic life of the assets; with the exception of the assets generated by a Social Housing PFI. Legal title to the majority of assets from the Social Housing PFI will remain with the PFI operator, so these assets will be depreciated over the life of the contract, not their useful economic life.

Lifecycle costs will be capitalised in line with the directions of the Code of Practice on capitalising expenditure for these service concessions. All lifecycle costs for the Street lighting PFI are treated as revenue maintenance expenditure due to the nature of maintaining street lighting.

7.4 Minimum Revenue Provision

The Minimum Revenue Provision (MRP) included within the 2015/16 Accounts has been calculated on the basis of the 2013/14 outturn position, amended for the inclusion of PFI projects as per the requirements of the introduction of the International Financial Reporting Standards. In accordance with the current regulations for the calculation of MRP the following policy for non-HRA assets has been applied:

For supported borrowing, the Council will use the asset life method (Option 3) and an ‘annuity’ approach for calculating repayments. Based on the useful economic lives of the council’s assets a single annuity has been calculated, which results in the outstanding principal being repaid over the course of one hundred years.

For prudential borrowing, the Council will adopt Option 3, ‘the asset life method’, and an ‘annuity’ approach for calculating repayments. This option allows provision for repayment of principal to be

made over the estimated life of the asset. The use of the 'annuity' method is akin to a mortgage where the combined sum of principal and interest are equalised over the life of the asset.

The proposed asset lives which will be applied to different classes of assets are as follows:

- *Vehicles and equipment – 5 to 15 years;*
- *Capital repairs to roads and buildings – 15 to 25 years;*
- *Purchase of buildings – 30 to 40 years;*
- *New construction – 40 to 60 years;*
- *Purchase of land – 50-100 years (unless there is a structure on the land with an asset life of more than 100 years, in which case the land would have the same asset life as the structure).*

These policies do not apply to HRA assets.

The statutory guidance in the Guidance on Minimum Revenue Provision (second edition) from the Department of Communities and Local Government directs local authorities to make an MRP charge equal to the writing down of the finance lease liability upon transition to IFRS, and a charge equal to the writing down of the finance lease liability in subsequent years for operating leases reclassified as finance leases. It states that this is equivalent to one of the other options provided by the guidance for MRP in other circumstances. In order to ensure consistent treatment of all finance leases, an MRP charge equal to the writing down of the finance lease liability will be made for all finance leases.

In line with the statutory guidance on Minimum Revenue Provision (MRP), MRP has been charged for PFIs at a rate equal to the writing down of the finance lease liability. In addition, to ensure that all capital costs are captured by MRP, MRP includes a charge equal to any capital lifecycle additions within the scheme, and a charge equal to the release of any deferred income. Where finance lease liabilities increase in year, this is recognised by a credit to MRP equal to the increase in liability. The net effect of this policy is to maintain revenue balances at the same level under IFRS as under UK GAAP which is considered the prudent course of action within Guidance on Minimum Revenue Provision.

Minimum Revenue Provision is charged against the General Fund in the Movement in Reserves statement.

7.5 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 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 HRA capital receipts is determined by the Local Government Act 2003 as amended from 1 April 2012 in order to make new provision for the pooling of housing receipts by

- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012 (SI 2012/711); and
- The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012 (SI 2013/1424)

As a result of these amendments, local authorities are able to retain the receipts generated by Right to Buy sales for replacement housing provided they can sign up to an agreement with Government that they will limit the use of the net Right to Buy receipts to 30% of the cost of the replacement homes within a 3 year period from the point of receipt. The London Borough of Brent has elected to enter into agreement with the Government to retain the net receipts from Right to Buy sales.

The regulations provide that receipts from Right to Buy sales will in future be applied as follows:

- the council may deduct certain costs, namely: an amount to cover the housing debt supportable from the income on the additional Right to Buy sales; transaction and administration costs; and an amount which reflects the income the council might reasonably have expected from Right to Buy sales prior to the new scheme;
- The council must also pay the Government an amount which reflects the income which the Treasury expected from Right to Buy sales prior to the new scheme;
- Once these costs are deducted, the remaining net receipts are available to fund (and must be applied to) replacement affordable rented homes.

7.6 Borrowing Costs

The Council may borrow to meet capital costs that are attributable to the acquisition, construction or production of a qualifying asset that has a life of more than one year. It is the Council's policy to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Borrowing costs will be deemed as interest and other costs that the Council incurs in connection with the borrowing of funds, and a qualifying asset will be that which takes in excess of three years to get ready for intended use and has forecast expenditure in excess of £100 million. Cessation of capitalisation will occur when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

8 Group Accounts

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions of the Council, its subsidiary Brent Housing Partnership (BHP) Limited, the Barham Park Trust and LGA Digital Services Limited. BHP is an Arms Length Management Organisation (ALMO). Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. LGA Digital Service Limited is 50% owned by the council and 50% owned by the Local Government Association. The financial statements in the Group Accounts are prepared in accordance with the policies set out above.

Additional Supporting Information and reconciliation disclosures

Key Judgements and Material Estimates.

In preparing the Statement of Accounts, the authority has had to make judgements, estimates and assumptions that affect the application of its policies and reported levels of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience, including the recovery of amounts due to the council, current trends and other relevant factors that are considered to be reasonable. These estimates and assumptions have been used to inform the basis for judgements about the carrying values of assets and liabilities, where these are not readily available from other sources. Future events may result in these estimates and assumptions being revised and could significantly change carrying balances in subsequent years Financial Statements.

Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information or new developments, and accordingly are not correction of errors. Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements made and key sources of estimation uncertainty which have a significant effect on the financial statements:

• Retirement Benefit Obligations – The authority recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and

estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the authority's retirement benefit obligation. The key assumptions made are set out in Note 36 - Defined Benefit Pension Schemes.

. Provisions – The authority is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability in accordance with accounting policies. In calculating the level of provisions the authority also exercises some judgement; they are measured at the authority's best estimate of the costs required to settle the obligation at the Balance Sheet date. The level of the authority's provisions and details of its contingent liabilities are set out in Note 9 – Provisions and Note 19 – Contingent Liabilities respectively.

. Property, Plant and Equipment – Assets are depreciated over useful lives that are dependent on assumptions such as the level of repairs and maintenance that will be incurred in relation to individual type of asset, the expected length of service potential of the asset and the likelihood of the authority's usage of the asset. The authority carries out an annual impairment review of its asset base which takes in to account such factors as the current economic climate.

Future Levels of Government Funding and Levels of Reserves – the future levels of funding for local authorities has a high degree of uncertainty. The authority has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the authority's track record in financial management.

. Classification of Leases – The authority has entered into a number of lease arrangements in respect of property and other assets. The authority has exercised judgement in the classification of leases (i.e. operating or finance lease) using such factors as the length of the lease and rent levels and in reviewing contractual arrangements having the substance of a lease (e.g. contract values and length of contract). Details of the authority's leases and lease type arrangements are set out in note 28.

. Treatment of PFI arrangements – The authority has entered into a number of PFI arrangements in respect of infrastructure. The authority has exercised judgement in the identification of service concessions and embedded leases within PFIs using such as arrangements that allow the council to control residual value of PFI assets without legal title. Initial assets and liabilities for the PFIs are calculated using financial model based upon the contractual terms and conditions and the operator's financial model; subsequent changes in the authority's PFI liabilities are estimated using the same model. Subsequent changes in the authority's PFI funded assets are measured in the same way as other non-current assets. Details of the PFI and service concession type arrangements are set out in note 29.

. Deposits with Icelandic banks – The authority originally deposited £15m with the Glitnir and Heritable banks. In 2014/15 the Glitnir deposit was repaid so based on the latest information from the administrators an impairment of £0.6m has been recognised to cover reasonably expected losses relating to Heritable Bank. Further information on deposits with Icelandic Banks is included in Note 29 - Nature and extent of risks arising from Financial Instruments

. The estimate of depreciation chargeable on dwellings within the Housing Revenue Account is based on the Government's Major Repairs Allowance. An external review of this has been undertaken to ensure this does not lead to a material misstatement in the accounts

. Bad Debt Provision – The anticipated recovery of outstanding amounts due to the authority is calculated based on the experience of recovery of debt over the previous twelve months, categorised according to the age profile of that debt

Assumption made about the future and other major sources of estimation uncertainty

The Council includes accounting estimates within the accounts; the significant accounting estimates relate to non-current assets, impairment of financial assets. The Council's accounting policies include details on the calculation of these accounting estimates.

The Council also carries out a review of all debtor balances, and uses past experience of debt collection rates across all categories to establish allowances for non-collection.

The appropriate level of non-earmarked reserves to be held by the Council is based on an assessment of financial risks facing the Council. These risks include future funding levels, delivery of planned savings and future demands on services.

Accounting Standards that have been issued but have not yet been adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the code. The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustments to the accounts. Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. This disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost. Thus the new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

Events after the reporting period

The EU referendum took place on the 23rd June 2016 to establish if the United Kingdom would remain or leave the EU. The vote saw the decision to leave the EU. As this took place after the 31st March 2016, there was no impact on the figures contained within Brent's Accounts. However, this decision has the potential to significantly impact on future basis of assumptions, estimates and the value of investments.

Descriptions of Earmarked Reserves

Section 106 and CIL - Amounts received under Section 106 of the Town and Country Planning Act 1990 which are earmarked for particular purposes arising from the related developments and the Community Infrastructure Levy 2010.

Property - Monies earmarked to be spent on repairs, maintenance and dilapidations to council freehold and leasehold buildings.

Civic Centre - Monies earmarked to be spent on costs associated with the move to the Civic Centre including any shortfall income generation. This will support more efficient use of office accommodation and new ways of working.

Redundancy & Restructuring - Monies set aside to meet the future costs of restructuring.

Transformation - Reserve is to provide monies for financial, HR and IT transformation as well as for Spend to Save initiatives.

Welfare Reform – Monies identified centrally to help with the impact of the welfare reforms

Capital Financing -These are monies identified to smooth the impact of capital financing costs following the completion of the Civic Centre.

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.

Revenue Contribution to Capital – Monies to reduce the costs of the Authority's minimum revenue contribution in future years.

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.

Service Pressures - A centrally held fund created to meet service pressures

Insurance – Monies to meet the unknown insurance liabilities including the historic costs arising from MMI

Future Funding Risks – Monies set aside to reflect the potential deterioration in 2016/17 central government funding compared to the assumptions in the medium term financial strategy.

Pension Liability – Monies to mitigate the impact of low interest rates on the measurement of pension fund liabilities at the forthcoming actuarial valuation

South Kilburn – Monies provided to support meanwhile use projects on vacant sites, independent advice and support for residents and administrative costs associated with delivering the project.

Other Central – Various reserves held centrally less than £1m.

Other Corporate – Various reserves held by the corporate units of less than £1m.

Council Tax, Business Rates & Local Welfare - Various reserves relating to the costs of the Council's local taxation and benefits operation

Employment Initiatives - Monies set aside for employment schemes and initiatives.

Affordable Housing PFI - Monies set aside for affordable housing PFI.

Other Regeneration & Growth – Various reserves held by the service area of less than £1m.

Other Environment & Neighbourhoods – Various reserves held by the service area of less than £1m.

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.

Brent NHS Trust Joint Venture- This reserve is used to fund joint initiatives between the Council and Brent NHS that are beneficial to the social care and health needs of the client base and is spent according to decisions by the joint board.

2Yr Old additional Funding - To fund 2 Year Old Places in Private & Voluntary Sector.

Other Adults & Children & Young People – Various reserves held by the service area of less than £1m.

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

Investment Reserve – A new investment reserve was created in 2015/16 to fund property acquisitions and spend to save projects.

Reconciliation between Brent's management structure and the Comprehensive Income and Expenditure Statement

2014/15	Adult Social Services	Children & Young People	Environment & Neighbourhood Services	Regeneration & Growth	Corporate Departments	Housing Revenue Account	Central Budgets	Employee Benefits	Pension Costs	Capital	Total
Central services to the public	0	352	257	0	11,234	0	2,751	0	0	0	14,594
Cultural and related services	0	0	7,382	0	3,233	0	0	0	0	2,157	12,772
Environmental and regulatory services	0	0	25,836	78	2,286	0	0	0	0	654	28,854
Planning	0	0	0	514	1,215	0	0	0	0	1,478	3,207
Children's social care	0	32,389	0	0	1,918	0	(16)	0	0	8	34,299
Education and children's services	0	(3,270)	0	-9	11,947	0	(1,986)	(1,203)	(1,274)	10,874	15,079
Highways and transport services	15,914	0	(3,411)	30	2,664	0	767	0	0	2,748	18,712
Local authority housing (HRA)	0	0	0	0	0	(27,816)	0	0	0	(64,117)	(91,933)
Other housing services	0	0	0	17,892	6,117	0	(2,952)	0	0	(1,136)	19,921
Adult social care	66,857	0	0	0	5,944	0	0	0	0	1,194	73,995
Corporate and democratic core	0	0	422	7,986	(15,596)	0	10,886	0	0	5,600	9,298
Non distributed costs	0	0	0	0	0	0	(532)	(6)	(1,762)	0	(2,300)
Public Health	14	0	0	0	16,734	0	(18,848)	0	0	0	(2,100)
Cost of Services	82,785	29,471	30,486	26,491	47,696	(27,816)	(9,930)	(1,209)	(3,036)	(40,540)	134,398

Reconciliation between Brent's management structure and the Comprehensive Income and Expenditure Statement (continued)

2014/15	Adult Social Services	Children & Young People	Environment & Neighbourhood Services	Regeneration & Growth	Corporate Departments	Housing Revenue Account	Central Budgets	Employee Benefits	Pension Costs	Capital	Total
Cost of Services	82,785	29,471	30,486	26,491	47,696	(27,816)	(9,930)	(1,209)	(3,036)	(40,540)	134,398
Other operating expenditure	0	0	0	0	0	0	2,603	0	0	4,711	7,314
Financing and investment income and expenditure	0	736	-3	0	11	6,132	10,813	0	25,428	3,283	46,400
Taxation and non-specific grant income	0	0	0	0	0	0	(286,763)	0	0	(21,480)	(308,243)
(Surplus) or Deficit on Provision of Services	82,785	30,207	30,483	26,491	47,707	(21,684)	(283,277)	(1,209)	22,392	(54,026)	(120,131)
Additional lines from Movement in Reserves Statement											
Adjustments between accounting basis & funding basis under regulations	543	9,744	612	3043	2,457	24,660	10,251	1,209	(22,392)	54,026	84,153
Transfers to/from earmarked reserves	6,337	3,499	1,038	(4,391)	449	0	25,414	0	0	0	32,346
Total	89,665	43,450	32,133	25,143	50,613	2,976	(247,612)	0	0	0	(3,632)

Reconciliation between Brent's management structure and the Comprehensive Income and Expenditure Statement

2015/16	CENTRAL ITEMS	CHILDREN & YOUNG PEOPLE	PERFORMANCE POLICY & PARTNERSHIPS	REGENERATION & ENVIRONMENT	COMMUNITY WELLBEING	RESOURCES DEPARTMENT	HRA	Capital	Employee Benefits	Pensions	Grand Total
Cost of Services											
Adult Social Care	0	0	0	0	70,222	4,598	0	(498)	(32)	(161)	74,129
Central Services to the Public	(2,057)	226	2,582	(530)	0	11,468	0	(2,028)	0	12	9,675
Childrens and Education Services Childrens Social Care	3	37,465	0	0	0	3,192	0	(176)	0	(162)	40,321
Childrens and Education Services Education Services	(4,159)	(4,163)	0	31	0	23,779	0	5,225	(225)	(523)	19,965
Corporate and Democratic Core	737	0	3,223	0	0	1,623	0	4,496	(29)	34	10,084
Cultural and Related Services	0	0	(11)	770	5,641	(405)	0	3,223	(36)	(43)	9,139
Environmental and Regulatory Services	0	0	0	26,770	145	1,901	0	1,123	0	(47)	29,891
General Fund Housing	1,658	0	0	507	18,176	2,239	0	264	(23)	30	22,850
Highways and Transport Services	5,680	0	0	230	16,094	2,550	0	2,944	0	(27)	27,470
HRA Group	0	0	0	0	0	0	(28,144)	32,641	0	(6)	4,490
Non Distributed Costs	4,873	0	0	0	0	0	0	0	0	(4,636)	238
Planning	0	0	0	737	0	1,453	0	725	0	(44)	2,871
Public Health	(20,794)	0	0	0	20,465	0	0	0	0	(1)	(330)
Apportionment	6,198	0	3,700	527	0	(9,481)	0	0	0	(944)	(0)
Below cost of Services											
FINANCING AND INVESTMENT INCOME AND EXPENDITURE	8,523	1,205	0	(7)	0	3,067	6,090	0	0	23,097	41,975
OTHER OPERATING EXPENDITURE	2,538	0	0	0	0	0	0	36,890	0	0	39,428
TAXATION AND NON-SPECIFIC GRANT INCOME	(274,848)	0	0	0	0	0	0	(16,466)	0	0	(291,314)
BELOW THE LINE - MIRS											
Transfers to/from earmarked reserves	31,350	5,425	278	(1,328)	(3,211)	(5,098)	7,514	0	0	0	34,931
Adjustments between accounting basis & funding basis under regulations	1,470	2,703	0	215	178	(10,489)	12,996	(68,363)	345	(16,579)	(77,525)
Grand Total	(238,827)	42,861	9,773	27,923	127,709	30,394	(1,544)	(0)	0	0	(1,710)

	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation and impairment of non-current assets and amortisation of intangible assets	(35,648)	0	0	0	33,117	0	0	0	2,531	0	0	0
Revaluation losses on Property Plant and Equipment	70,852	0	0	0	(70,906)	0	0	0	54	0	0	0
Movements in the market value of Investment Properties	150	0	0	0	(150)	0	0	0	0	0	0	0
Amortisation of intangible assets	(980)	0	0	0	980	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(14,916)	0	0	0	14,916	0	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(20,568)	0	0	0	18,682	0	0	0	1,886	0	0	0
Statutory provision for the financing of capital investment	21,647	0	0	0	(21,647)	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	13,219	0	0	0	(13,219)	0	0	0	0	0	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	32,368	0	0	(32,368)	0	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	41,495	(41,495)	0	0	0	0	0	0	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	17,347	(17,347)	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	9,180	0	0	(9,180)	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(222)	222	0	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,198)	1,198	0	0	0	0	0	0	0	0	0	0
Reversal of Major Repairs Allowance credited to the HRA	10,259	0	(10,259)	0	0	0	0	0	0	0	0	0

2014/15

Useable Reserves

Unusable Reserves

	Useable Reserves				Unusable Reserves							Total £'000
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	6,282	0	(6,282)	0	0	0	0	0	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,126	0	0	0	0	0	(2,126)	0	0	0	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(47,040)	0	0	0	0	47,040	0	0	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	34,168	0	0	0	0	(34,168)	0	0	0	0	0	0
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,209	0	0	0	0	0	0	(1,209)	0	0	0	0
Revaluation reserve written off to the capital adjustment account		0	0	0	0	0	0	0	0	0	0	0
Surplus or (deficit) on the provision of services	2,971	0	0	0	0	0	0	0	0	(2,971)		0
Actuarial gains or losses on pensions assets and liabilities	(120,131)	0	0	0	0	0	0	0	0	0	0	(120,131)
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of service	0	0	0	0	0	113,210	0	0	0	0	0	113,210
Transfers to earmarked reserves	0	0	0	0	0	0	0	0	(26,424)	0	0	(26,424)
Total Adjustments	30,759	0	(5,202)	0	0	0	0	0	0	0	0	25,557
Opening Balance	(3,628)	(6,747)	(9,179)	9,127	(95,184)	126,082	(2,126)	(1,209)	(21,953)	(2,971)	0	(7,788)
Closing Balance	(13,085)	(46,173)	(12,714)	(87,067)	(587,642)	598,938	19,175	5,071	(171,808)	(4,744)	(1,250)	(301,299)

2015/16

	Useable Reserves				Unusable Reserves							Total £'000
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Depreciation and impairment of non-current assets and amortisation of intangible assets	(35,089)	0	0	0	32,358	0	0	0	2,730	0	0	0
Revaluation losses on Property Plant and Equipment	(23,294)	0	0	0	23,294	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(16,660)	0	0	0	16,660	0	0	0	0	0	0	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(46,011)	0	0	0	48,663	0	0	0	(2,652)	0	0	0
Statutory provision for the financing of capital investment	0	0	0	0	0	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	11,284	0	0	0	(11,284)	0	0	0	0	0	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	26,631	0	0	(26,631)	0	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	25,735	(25,735)	0	0	0	0	0	0	0
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,131	(10,131)	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	20,869	0	0	(20,869)	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(165)	165	0	0	0	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,011)	1,011	0	0	0	0	0	0	0	0	0	0
Reversal of Major Repairs Allowance credited to the HRA	10,160	0	(10,160)	0	0	0	0	0	0	0	0	0

2015/16

	Useable Reserves				Unusable Reserves							Total £'000
	General Fund + HRA Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Capital Adjustment Account	Pensions Reserve	Financial Instruments Adjustment Account	Accumulated Absences Account	Revaluation Reserve	Collection Fund Adjustment Account	Deferred Capital Receipts Reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	28,116	0	(28,116)	0	0	0	0	0	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,318	0	0	0	0	0	(1,318)	0	0	0	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51,679)	0	0	0	0	51,679	0	0	0	0	0	0
Employer's pensions contributions and direct payments to pensioners payable in the year	35,100	0	0	0	0	(35,100)	0	0	0	0	0	0
Amount by which officer remuneration charges to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	345	0	0	0	0	0	0	(345)	0	0	0	0
Amount by which council tax and NNDR income credited to the CIES is different from statutory charge	1,323	0	0	0	0	0	0	0	0	(1,323)	0	0
Revaluation reserve written off to the capital adjustment account	0	0	0	0	0	0	0	0	0	0	0	0
Surplus or (deficit) on the provision of services	40,883	0	0	0	0	0	0	0	0	0	0	40,883
Actuarial gains or losses on pensions assets and liabilities	0	0	0	0	0	(105,615)	0	0	0	0	0	(105,615)
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of service	0	0	0	0	0	0	0	0	(15,465)	0	0	(15,465)
Transfers to earmarked reserves	34,931	0	(7,514)	0	0	0	0	0	0	0	0	27,417
Total Adjustments	(1,803)	11,914	10,442	(896)	34,971	(89,036)	(1,318)	(345)	(15,387)	(1,323)	0	(52,781)
Opening Balance	(16,713)	(52,920)	(21,893)	(77,940)	(682,826)	725,020	17,049	3,862	(193,761)	(7,715)	(1,250)	(309,087)
Closing Balance	(18,516)	(41,006)	(11,451)	(78,836)	(647,855)	635,984	15,731	3,517	(209,148)	(9,038)	(1,250)	(361,868)

Pension Fund Accounts for 2015/16

Brent Pension Fund Account		2014/15	2015/16
	Notes	£'000	£'000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(45,371)	(46,387)
Transfers in from other pension funds	8	(1,782)	(2,455)
		(47,153)	(48,842)
Benefits	9	36,392	37,918
Payments to and on account of leavers	10	1,427	4,221
Administration and Management expenses	11	7,615	7,664
		45,434	49,803
Net (additions)/withdrawals from dealings with members		(1,719)	961
Returns on investments			
Investment income	12	(2,097)	(2,728)
Taxes on income	13	554	686
(Profits) and losses on disposal of investments and changes in the market value of investments	15a	(72,673)	(17,806)
Net return on investments		(74,216)	(19,848)
Net (increase)/decrease in the net assets available for benefits during the year		(75,935)	(18,887)
Net Assets Statement			
		31 March 2015	31 March 2016
	Notes	£'000	£'000
Investment assets	15	639,487	638,051
		639,487	638,051
Current assets	20	18,504	38,117
Non-current assets	21	100	0
Current liabilities	22	(1,041)	(231)
Net assets of the fund available to fund benefits at the period end		657,050	675,937

Notes to the Brent Pension Fund accounts

1. Description of Fund

The Brent Pension Fund (the 'Fund') is part of the Local Government Pension Scheme and is administered by Brent Council. The Council is the reporting entity for this Pension Fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Brent Pension Fund Annual Report 2015/16 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2013 (as amended)
- the LGPS (Administration) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme administered by Brent Council to provide pensions and other benefits for pensionable employees of Brent Council and a range of other scheduled and admitted bodies within the borough area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Brent Pension Fund Sub-Committee, which is a committee of Brent Council.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Brent Pension Fund include:

- Scheduled bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 37 employer organisations with active members within the Brent Pension Fund at 31 March 2016, listed below:

Scheduled bodies

London Borough of Brent
Alperton High School
ARK Academy
ARK Franklin Academy
ARK Elvin Academy
Brent Housing Partnership
Capital City Academy
Claremont High School
College of North West London
Convent of Jesus & Mary Language College
Crest Academy
Gladstone Park School
Islamia Primary School
Kingsbury High School
Michaela Community School
North West London Jewish day School
Preston Manor High School
Queens Park Community School
St Andrews and St Francis School
St Gregory's RC High School
Sudbury Primary School
Wembley High Technology College
Woodfield School

Admitted bodies

Brent MENCAP
Capita Business Services Limited
Civica
Europa Facility Services Limited
National Autistic Society
Local Employment Access Project (LEAP)
Sudbury Neighbourhood Centre
Wetton Cleaning Services
Thames Reach
Conway Aecom Limited
Sanctuary Housing
Veolia
Xerox (UK) Limited
Barnados

Brent Pension Fund	31 March 2015	31 March 2016
Number of employers with active members	34	37
Number of employees in scheme		
Brent Council	4,179	4,236
Other employers	1,724	1,904
Total	5,903	6,140
Number of pensioners		
Brent Council	5,311	5,414
Other employers	761	827
Total	6,072	6,241
Deferred pensioners		
Brent Council	6,501	6,603
Other employers	1,127	1,202
Total	7,628	7,805

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. During 2015/16, the most commonly applied employer contribution rate within the Brent Pension Fund was 29.4% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Brent Pension Fund's website:

<https://www.mylgspension.co.uk/>

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). This change took effect from 1 April 2011.

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 19 of these accounts.

3. Summary of significant accounting policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see section n below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not

received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

- iv) **Movement in the net market value of investments**
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions' administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

The cost of obtaining investment advice from external consultants is included in investment management charges.

Net Assets Statement

h) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- i) **Market-quoted investments**
The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.
- ii) **Fixed interest securities**
Fixed interest securities are recorded at net market value based on their current yields.

iii) **Unquoted investments**

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.
- Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.

- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity/infrastructure funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity/infrastructure fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) **Limited partnerships**

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) **Pooled investment vehicles**

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund does not use derivative financial instruments to manage its exposure to specific risks arising from its investment activities in its own name. Neither does it hold derivatives for speculative purposes.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised

by the Fund.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 19).

n) Additional voluntary contributions

Brent Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 23).

4. Critical judgements in applying accounting policies

Unquoted private equity/infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities and infrastructure investments at 31 March 2016 was £129m (£126m at 31 March 2015).

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Actuarial present value of promised retirement benefits</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £89m. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £12m, and a one-year increase in assumed life expectancy would increase the liability by approximately £30m.</p>

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity/infrastructure	Private equity/infrastructure investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity/infrastructure investments in the financial statements are £129m. There is a risk that this investment may be under- or overstated in the accounts.

6. Events after the Balance Sheet date

The EU referendum took place on the 23rd June 2016 to establish if the United Kingdom would remain or leave the EU. The vote saw the decision to leave the EU. As this took place after the 31st March 2016, there was no impact on the figures contained within the Pension Fund Accounts. However, this decision has the potential to significantly impact on future basis of assumptions, estimates and the value of investments.

7. Contributions receivable

By category

	2014/15 £'000	2015/16 £'000
Employers	37,028	37,961
Members	8,343	8,426
Total	45,371	46,387

By authority

	2014/15 £'000	2015/16 £'000
Scheduled bodies	43,648	44,625
Admitted bodies	1,723	1,762
Total	45,371	46,387

8. Transfers in from other pension funds

	2014/15 £'000	2015/16 £'000
Individual transfers	1,782	2,455
Total	1,782	2,455

9. Benefits payable

By category

2014/15	2015/16
---------	---------

	£'000	£'000
Pensions	30,674	32,037
Commutation and lump sum retirement benefits	5,409	5,293
Lump sum death benefits	309	588
Total	36,392	37,918

By authority

	2014/15 £'000	2015/16 £'000
Scheduled bodies	35,055	36,365
Admitted bodies	1,337	1,553
Total	36,392	37,918

10. Payments to and on account of leavers

	2014/15 £'000	2015/16 £'000
Payments to and on account of leavers	1,427	4,221
Total	1,427	4,221

11. Administration expenses

	2014/15 £'000	2015/16 £'000
Administration costs	662	643
Investment management expenses	6,861	6,903
Oversight and Governance costs	92	118
Total	7,615	7,664

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £21k (23k 2014/15)

12. Investment income

	2014/15 £'000	2015/16 £'000
Fixed interest securities	0	0
Equity dividends	0	0
Pooled property investments	1,645	2,069
Interest on cash deposits	48	62
Private equity/infrastructure	404	597
Total	2,097	2,728

13. Taxes on income

	2014/15 £'000	2015/16 £'000
Withholding tax - equities	554	686
Total	554	686

14. Investment management expenses

	2014/15 £'000	2015/16 £'000
Administration costs	662	643
Investment management expenses	6,861	6,903
Oversight and governance costs	92	118
Total	7,615	7,664

15. Investments

	Market value 31 March 2015 £'000	Market value 31 March 2016 £'000
Investment assets		
Pooled investments	476,369	469,432
Pooled property investments	37,006	39,269
Private equity/infrastructure	126,112	129,350
Total investments	639,487	638,051

a) Investments

	Market value 1 April 2015 £'000	Purchase s during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Market value 31 March 2016 £'000
Pooled investments	476,369	34,150	34,779	(6,308)	469,432
Pooled property investments	37,006	0	0	2,263	39,269
Private equity/infrastructure	126,112	10,628	27,817	21,851	129,350
Net investment assets	639,487	44,778	62,596	17,806	638,051

Investments

	Market value 1 April 2014 £'000	Purchase s during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Market value 31 March 2015 £'000
Pooled investments	414,424	20,012	672	42,967	476,369
Pooled property investments	34,944	0	216	2,278	37,006
Private equity/infrastructure	112,715	17,215	31,246	27,428	126,112
Net investment assets	562,083	37,227	32,134	72,673	639,487

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the Fund, such as commissions, stamp duty and other fees.

b) Analysis of investments

	31 March 2015 £'000	31 March 2016 £'000
Fixed interest securities		
UK		
Public sector quoted	0	0
Corporate quoted	0	0
Overseas		
Public sector quoted	0	0
	0	0
Equities		
UK		
Quoted	0	0
	0	0
Pooled funds – additional analysis		
UK		
Fixed income unit trust	86,005	86,592
Unit trusts	116,646	113,700
Diversified growth funds	69,376	68,793
Overseas		
Unit trusts	204,342	200,347
	476,369	469,432
Pooled property investments	37,006	39,269
Private equity/infrastructure	126,112	129,350
	163,118	168,619
	639,487	638,051

Investments analysed by fund manager

Market value

31 March 2015			31 March 2016		
£'000	%		£'000	%	
254,280	39.8	Legal & General	287,596	45.1	
0	0	London CIV	150	0	
113,334	17.7	Henderson	112,893	17.7	
94,321	14.7	Capital Dynamics	96,199	15.1	
798	0.1	Yorkshire Fund Managers	645	0.1	
69,376	10.9	Baillie Gifford	68,793	10.8	
37,006	5.9	Aviva	39,269	6.2	
40,708	6.4	Dimensional	0	0	
29,664	4.6	Alinda	32,506	5.1	
639,487	100.0		638,051	100.0	

All the above companies are registered in the United Kingdom. Baillie Gifford is now managed through the London CIV under the pooling initiative.

Concentration of investments

During the year, no individual investment exceeded 5% of the total value of the Fund's net assets.

c) Stock lending

The Brent Pension Fund does not operate a Stock Lending programme.

16. Financial instruments

a) Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2015			31 March 2016		
Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
£000	£000	£000	£000	£000	£000
Financial assets					

476,369			Pooled investments	469,432		
37,006			Pooled property investments	39,269		
126,112			Private equity/infrastructure	129,350		
	17,080		Cash		36,184	
	1,489		Debtors		1,933	
639,487	18,569	0		638,051	38,117	0
			Financial Liabilities			
		(1,041)	Creditors			(231)
639,487	18,569	(1,041)	Totals	638,051	38,117	(231)

b) Net gains and losses on financial instruments

31 March 2015			31 March 2016	
	£'000			£'000
		Financial assets		
72,673		Fair value through profit and loss		17,806
72,673	Total			17,806

c) Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2015			31 March 2016	
Carrying value	Fair value		Carrying value	Fair value
£'000	£'000		£'000	£'000
		Financial assets		
639,487	639,487	Fair value through profit and loss	638,051	638,051
18,604	18,604	Loans and receivables	38,117	38,117

658,091	658,091	Total financial assets	676,168	676,168
		Financial liabilities		
(1,041)	(1,041)	Financial liabilities at amortised cost	(231)	(231)
(1,041)	(1,041)	Total financial liabilities	(231)	(231)

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

d) Valuation of financial instruments carried at fair value

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Brent Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2016	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	
Financial assets				
Financial assets at fair value through profit and loss		508,701	129,350	638,051
Loans and receivables	38,117			38,117
Total financial assets	38,117	508,701	129,350	676,168
Financial liabilities				
Financial liabilities at amortised cost	(231)			(231)
Total financial liabilities	(231)	0	0	(231)
Net financial assets	37,886	508,701	129,350	675,937

Values at 31 March 2015	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	
Financial assets				
Financial assets at fair value through profit and loss		513,375	126,112	639,487
Loans and receivables	18,604			18,604
Total financial assets	18,604	513,375	126,112	658,091
Financial liabilities				
Financial liabilities at amortised cost	(483)			(483)
Total financial liabilities	(483)	0	0	(483)
Net financial assets	18,121	513,375	126,112	657,608

17. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e., promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Pension Fund manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Pension Fund's operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Pension Fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Pension Fund to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with WM company PLC, the Pension Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

Asset type	Potential market movements (+/-)
Fixed interest	2.3%
UK equities	9.5%
Overseas equities	9.7%
Property	2.3%
Alternative investments	5.1%
Cash	0.0%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisers' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset type	Value at	Percentage change		Value on increase	Value on decrease
	31-Mar-16				
	£'000	%		£'000	£'000
Cash and cash equivalents	36,184	0		36,184	36,184
Investment portfolio assets:					
Fixed interest	86,592	2.2	1,948	88,540	84,644
UK equities	113,550	9.5	10,799	124,349	102,751
Overseas equities	200,347	9.8	19,594	219,941	180,753
Property	39,269	2.3	915	40,184	38,354
Alternative investments	198,143	5.1	10,185	208,328	187,958
Total	674,085			717,525	630,645

Asset type	Value at	Percentage change		Value on increase	Value on decrease
	31-Mar-15				
	£'000	%		£'000	£'000
Cash and cash equivalents	17,080	0		17,080	17,080
Investment portfolio assets:					
Fixed interest	86,005	1.9	1,694	87,699	84,311
UK equities	116,646	9.5	11,081	127,727	105,565
Overseas equities	204,342	9.1	18,575	222,917	185,767
Property	37,006	2.6	958	37,964	36,048
Alternative investments	195,488	4.4	8,758	204,246	186,730
Total	656,567			697,634	615,500

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2015 £'000	31 March 2016 £'000
Cash balances	17,080	36,184
Fixed interest securities	86,005	86,592
Total	103,085	122,776

Asset type	Carrying amount as at 31 March 2016 £'000	Change in year in the net assets available to pay benefits	
		+100 BPS £'000	-100 BPS £'000
Cash balances	36,184	380	-380
Fixed interest securities	86,592	865	-865
Total change in assets available	122,776	1,245	-1,245

Asset type	Carrying amount as at 31 March 2015 £'000	Change in year in the net assets available to pay benefits	
		+100 BPS £'000	-100 BPS £'000
Cash balances	17,080	170	-170
Fixed interest securities	86,005	860	-860
Total change in assets available	103,085	1,030	-1,030

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The Fund's currency rate risk is routinely monitored by the Pension Fund in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

The following table summarises the Fund's currency exposure as at 31 March 2016 and as at the previous period end:

Currency exposure – asset type	Asset value at 31 March 2015 £'000	Asset value at 31 March 2016 £'000
Overseas unit trusts	204,342	200,347
Overseas pooled property investments	3,424	3,748
Overseas private equity/infrastructure	126,112	129,350
Total overseas assets	333,878	333,445

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with WM Company PLC, the Pension Fund considers the likely volatility associated with foreign exchange rate movements to be 8%.

This analysis assumes that all other variables, in particular interest rates, remain constant.

An 8% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset value as at 31 March 2016	Change to net assets available to pay benefits	
		8% £'000	-8% £'000
Overseas unit trusts	200,347	216,375	184,319
Overseas pooled property investments	3,748	4,048	3,448
Overseas private equity/infrastructure	129,350	139,698	119,002
Total change in assets available	333,445	360,121	306,769

	Asset value as at 31 March 2015	Change to net assets available to pay benefits	
		+8% £'000	-8% £'000
Overseas unit trusts	204,342	220,689	187,995
Overseas pooled property investments	3,424	3,698	3,150
Overseas private equity/infrastructure	126,112	136,201	116,023
Total change in assets available	333,878	360,588	307,168

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence, the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Pension Fund's cash balance is held in an interest bearing instant access deposit account with NatWest plc, which is rated independently and meets Brent Council's credit criteria. Given the relatively low level of cash held by the Pension Fund at any one time, it is not considered necessary to place deposits with other banks and financial institutions to provide diversification.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements at 31 March 2016 was £36.1m (31 March 2015: £17.0m). This was held with the following institutions:

	Rating	Balances as at 31 March 2015 £'000	Balances as at 31 March 2016 £'000
Bank deposit accounts			
NatWest	A-	17,080	36,184
Total		17,080	36,184

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its pensioner payroll costs and investment commitments.

The Pension Fund has immediate access to its cash holdings.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. At 31 March 2016 the value of illiquid assets was £168.6m, which represented 26% (31 March 2015: £163.1m, which represented 26%) of the total fund assets.

Periodic cash flow forecasts are prepared to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2015 are due within one year.

Refinancing risk

The key risk is that the Pension Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. However, the Pension Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

18. Funding arrangements

In line with the LGPS (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the Scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 22 years from 1 April 2013 and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable.

At the 2013 actuarial valuation, the Fund was assessed as 56% funded (61% at the March 2010 valuation). This corresponded to a deficit of £442m (2010 valuation: £294m) at that time.

Contribution increases were phased in over the three-year period ending 31 March 2017 for both Scheme employers and admitted bodies. The most commonly applied employer contribution rate within the Brent Pension Fund is:

Year	Employers' contribution rate
2014/15	28.4%
2015/16	29.4%
2016/17	30.0%

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

The main actuarial assumptions used for the March 2013 actuarial valuation were as follows:

Discount rate	4.6% p.a.
Price inflation	3.3% p.a.
Pay increases	4.1% p.a.
Pension increases	2.5% p.a.

Mortality assumptions

Future life expectancy based on the Actuary's fund-specific mortality review was:

Mortality assumption at age 65	Male	Female
Current pensioners	22.0 years	24.3 years

Commutation assumption

It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The Actuary has also used valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31 March 2016 was £1,307m (31 March 2015: £1,396m). The Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2013 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Financial assumptions

Inflation/pensions increase rate	2.2%
Salary increase rate	4.0%
Discount rate	3.5%

Longevity assumption

The average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.0 years	24.3 years
Future pensioners*	24.4 years	26.8 years

* Future pensioners are assumed to be currently aged 45

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

20. Current assets

	31 March 2015 £'000	31 March 2016 £'000
Debtors:		
- Contributions due – employees	249	331
- Contributions due – employers	1,140	1,342
- Sundry debtors	35	260
Cash balances	17,080	36,184
Total	18,504	38,117

Analysis of debtors

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	0	0
Other local authorities	1,388	1,932
Other entities and individuals	1	1
Total	1,389	1,933

21. Non current assets

	31 March 2015 £'000	31 March 2016 £'000
Non- current assets	100	0
Total	100	0

Non- current assets comprises of contributions due from employers, repayable later than a year of the Balance Sheet date.

22. Current liabilities

	31 March 2015 £'000	31 March 2016 £'000
Sundry creditors	1,041	231
Total	1,041	231

Analysis of creditors

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	12	67
Other entities and individuals	1,029	164
Total	1,041	231

23. Additional voluntary contributions

	Market value 31 March 2015 £'000	Market value 31 March 2016 £'000
Clerical Medical	1,303	1,221
Equitable Life	173	167
Prudential	15	12
Total	1,491	1,400

AVC contributions of £34k were paid to Clerical Medical during the year (2014/15: £26k). The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

For information, Prudential has since replaced Clerical Medical as the Fund's AVC provider with effect from 1 April 2014.

24. Related party transactions

Brent Council

The Brent Pension Fund is administered by Brent Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.652m (2014/15: £0.732m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the Pension Fund and contributed £31.1m to the Fund in 2015/16(2014/15: £31.4m). All monies owing to and due from the Fund were paid in year.

Governance

There are no members of the Pension Fund Sub-Committee who are either in receipt of pension benefits from or active members of the Brent Pension Fund.

Each member of the Pension Fund Sub-Committee is required to declare their interests at each meeting.

Key management personnel

Paragraph of the *Code of Practice on Local Authority Accounting in the United Kingdom 2013/14* (the Code) exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Brent Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Brent Council.

25. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2016.

26. Contractual commitments

Outstanding capital commitments (investments) at 31 March 2016 totalled £44.9m (31 March 2015: £30.5m).

	31 March 2015 £'000	31 March 2016 £'000
Capital Dynamics	28,001	23,260
Alinda	2,517	21,641
Total	30,518	44,901

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

27. Contingent assets

Seven non-associated admitted body employers in the Brent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

	31 March 2015 £'000	31 March 2016 £'000
Bilfinger (previously Europa)	136	136
Capita Business Services Limited	123	123
Conway Aecom	111	111
Xerox (UK) Limited	29	29
Sanctuary	8	8
ThamesReach	5	5
Total	412	412

28. Impairment losses

The Fund had no impairment losses at 31 March 2016.

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 receipts received for HRA dwellings 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.

COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

CREDITORS

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

DEBTORS

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

GLOSSARY (Continued)

FINANCE LEASE

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

FIXED ASSETS

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

GOING CONCERN

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

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 Council.

INFRASTRUCTURE ASSETS

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

LONG TERM INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be classified as current assets.

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.

GLOSSARY (Continued)

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.

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.

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.

REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

REVENUE SUPPORT GRANT

A general grant paid to local councils from national taxation.

ABBREVIATIONS

ALMO	Arms Length Management Organisation
AVC	Additional Voluntary Contribution
BHP	Brent Housing Partnership
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy / Code of Practice on Local Authority Accounting in the United Kingdom
DCLG	Department for Communities and Local Government
CIES	Comprehensive Income and Expenditure Statement
DfE	Department for Education
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Principles./ Practice
GF	General Fund
GLA	Greater London Authority
HRA	Housing Revenue Account
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NNDR	National Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PWLB	Public Works Loans Board