

**LONDON BOROUGH OF BRENT
STATEMENT OF ACCOUNTS
2016/17**

Contents

Narrative Statement.....	2
Core Financial Statements.....	9
Balance Sheet	9
Movement in Reserves Statement.....	11
Comprehensive Income and Expenditure Statement	13
Cash Flow Statement.....	16
Physical and Intangible Assets.....	17
Current Assets	19
Cash Flow Notes	19
Liabilities.....	20
Earmarked Reserves.....	21
Comprehensive Income and Expenditure Notes.....	23
Additional Disclosures	24
Financial Instruments.....	30
Employee Benefits.....	39
Pension Notes.....	43
Housing Revenue Account	48
Movement on the HRA Statement.....	49
Notes to the Housing Revenue Account	50
Collection Fund.....	52
Collection Fund Account for the Year ended 31 March 2016.....	53
Notes to the Collection Fund.....	54
Group Accounts.....	57
Group Statements	58
Notes to the Group Accounts.....	63
Independent auditor's report to the members of the London Borough of Brent	64
Statement of Responsibilities for the Statement of Accounts.....	67
Statement of Accounting Policies	67
Additional Supporting Information and reconciliation disclosures	78
Pension Fund Accounts as at 31 March 2017	88
Notes to the Brent Pension Fund accounts.....	89
Glossary	117

Narrative Statement

Brent 2020

The overall strategic approach for the council is Brent 2020. Brent 2020 is the vision for Brent that connects our Borough Plan to the actions we need to take over the next three years, with our partners, to deliver our priorities and provide support to the residents of Brent in 2020.

There are 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.

Over the past year we have undertaken three wide ranging outcome based reviews (OBRs) and have established four key strategic boards to drive forward our strategic approach to the key building blocks of civic enterprise, commissioning and procurement, business and digital.

The Civic Enterprise Board has developed a shared services strategy and is implementing a strategic approach to income generation including fees and charges and debt recovery. Some financial benefits of this approach that have so far been approved include increased revenue from competitively priced Fees & Charges escalating to £2.0m per annum in 2018/19 and additional income generated by providing a more expansive Building Control Inspection service (£0.112m per annum by 2019/20). A new debt recovery project that involves collaboration between Brent's in-house Legal Team and debt recovery function has helped to recover over £1.3m of debt.

The Commissioning and Procurement Board is leading on a strategic supplier and category-led approach to procurement, rather than focussing on individual contracts, as it looks to maximise the savings and benefits across the Council. The Council is moving away from cuts to service-redesign, income generation and procurement as a source of savings to better protect frontline services. It has already found £1.8m of savings made through better procurement with more planned to come, as departments work together to lever greater value out of existing contracts and find more effective and efficient ways to deliver services.

To support housing and regeneration priorities the NAIL Programme was introduced to develop alternatives to residential care for customers with high care and support needs. This style of accommodation and support gives a more personal service and enables adults to have more control over their home and care, which is in line with central government policy. However, it is also intended to deliver significant efficiency savings from the Adult Social Care (ASC) care home budget, which accounts for the largest area of ASC spend.

Our approach to our five priorities through our boards and OBRs has been to work in partnership with key groups including business, the voluntary sector and local communities. The intention of the Brent 2020 programme is fundamentally to reshape the nature of the Council's role and relationship with service users, better managing future demand while supporting individuals to become more resilient.

This course of action is having a clear effect. Homelessness is a growing problem in England that is resulting in increasing numbers of people living in poor quality temporary accommodation at considerable cost. To combat this Brent has implemented the Temporary Accommodation Reform plan looking to ensure that homeless families have access to affordable accommodation. The 2016/17 outturn indicates that the initial implementation has been successful in managing the short term costs of this demand. The number of families in temporary accommodation in Brent has reduced by 11%, whereas the average increase in London over the same period was 20%. The TA reform plan and the OBRs will embed this trend.

In other areas such as Adult Social Care there has been less success in overcoming the challenges in the short term. Demand for the service increased significantly in 2016/17, the implication of which can be linked to the eventual outturn for the departments of a £3.6m overspend. This is not unlike the rest of London where the average overspend is approximately £3.7m. In order not to cut frontline services the Council, as part of

its financial planning, allowed sensible contingencies. It is envisaged that the 2020 vision, via the Outcome Based Reviews, will support the Council in addressing options to manage these pressures in the long term.

We intend to achieve our ambitious vision, even in the context of some of the most pressing financial challenges experienced in public services for decades. Our track record of investment in organisational transformation and our achievements to date, combined with our vision for Brent in 2020 and the work underway to deliver this, has strengthened our capacity to manage change effectively, making the council well placed as we enter the next phase of our journey through to 2020.

Financial Year 2016/17

The Council set its departmental budget for 2016/17 at £239.5m and its Housing Revenue Account (HRA) budget at £4m. This included revenue support grant from central government of £56m, a reduction of 20% on the £69.9m received in 2015/16. Income from Council Tax payers increased by 12%, from £87.7m to £98.3m, mostly attributable to an increase in the Borough's tax base as well as the first increase in council tax levels after having been held at the same level for six consecutive years.

2016/17 Revenue Budget Compared with Outturn

The table below reflects the current structure of the Council and compares revenue budget to outturn.

Department	Full year Budget (£m)	Actual Outturn (£m)	Variance (£m)
Community Wellbeing	122.9	126.1	3.2
Performance Policy & Partnerships	10.5	10.5	0.0
Resources Department	31.8	33.9	2.1
Regeneration & Environment	33.5	29.5	(4.0)
Children And Young People	40.8	43.1	2.3
Net Service Total (General Fund)	239.5	243.1	3.6
Central Items	(239.5)	(243.1)	(3.6)
Total Outturn (General Fund)	0.0	0.0	0.0
Housing Revenue Account	4.0	1.4	(2.6)

The **Community Wellbeing** budget overspent by £3.2m as per the last forecast. As anticipated, this largely related to the late delivery of NAIL accommodation by the private market (£2m). This was in addition to pressures as a result of higher levels of need and a sharp increase in the number of clients receiving community based packages (£1m). Planned savings targets were missed in 2016/17 regarding the de-registration of Tudor Gardens (£0.3m) and the recovery pathway in Mental Health (£0.3m). The general needs housing budget underspent by £0.4m. This was due the implementation of the temporary accommodation reform plan, from which further savings are anticipated in future years.

The **Public Health** budget underspent by £0.4m, which was transferred to the Public Health ring-fenced reserve. The service was able to deliver a number savings early, including a reduction in the substance misuse contract in anticipation of the grant reduction in 2017/18.

Policy, Performance & Partnerships finished the year on budget.

Resources overspent by £2.1m. The main element was the overspend in legal services, as reported throughout the year and partially offset by Digital Services underspend of £0.3m. The strong performance of Digital Services is a success for the council's civic enterprise strategy. Otherwise, minor underspends and overspends offset each other across other services.

Regeneration and Environment department identified significant savings during the year. As a result of these and other similar actions a substantial in year underspend was generated, leading to a significant underspend of £3.7m which was forecasted throughout the year. Year-end adjustments increased this underspend to

£4.0m, through a combination of increased income from garden waste collection, litter patrols and a number of contractual contingencies which were in the event not fully utilised.

The **Children and Young People** department overspent by £2.3m. As forecast there were large overspends of £1.7m on placements for looked after children and care leavers after accounting for compensating in-year savings. Looked after children numbers rose from 2015/16 levels to average 349 in 2016/17, with older more complex cases being taken into care. This, in addition to the high proportion of unaccompanied asylum seekers (24%), has had a knock on effect on the number of care leavers supported by the borough. The budget also came under pressure in-year from accommodating intentionally homeless families.

The **Dedicated Schools Grant** outturn underspent more significantly than expected due to fewer allocations being made to schools for pupil growth and expansions. The high needs block also underspent with fewer children being placed out of borough. These will be managed within the overall DSG and carried forward to next year.

DSG Block	Full year Budget (£m)	Actual Outturn (£m)	Variance (£m)
DSG Income	(194.8)	(195.1)	(0.3)
Schools Block –including growth funding allocations	130.3	127.3	(3.0)
Early Years and High Needs Block	62.4	60.4	(1.6)
Central Services	2.5	2.3	(0.2)
Total	0.0	(5.1)	(5.1)

School balances have reduced by £5m, with £3m of this reflecting the conversion of 2 schools to Academy Status. Overall balances for maintained schools reduced, but there is not a uniform pattern. Half of the 60 maintained schools used balances to support projects and in-year expenditure, and half added to their balances. Average balances remain at a prudent level of 12%, with 8 schools holding balances below 5% and 1 nursery school finishing the financial year in a deficit.

The outturn position of the **Housing Revenue Account** is showing an underspend of £2.6m for 2016/17, which is predominately due to an underspend in the three areas. £0.9m resulted from savings anticipated from retendering of warden and concierge services. £1.0m was due to an increase in the anticipated leasehold major works income for Fire Safety works which was not budgeted for. A further £1.6m related to capital financing charges and the reduction in the forecast of long term borrowings.

Central Items has delivered an underspend of £3.6m against its budget. This is primarily attributable to the Capital Financing budget, reflecting an underspend within the Council's capital programme.

Changes in the organisational structures in the Council and schools have resulted in a reduction in high earning staff as is shown in note 29. Excluding the impact of redundancy and termination agreements, there has been a significant reduction in the more senior staff, those earning over £60,000, from 70 to 53, excluding terminations.

The cost of exit packages in 2016/17 decreased compared to 2015/16, as shown in note 30. The number of exit packages decreased from 166 in 2015/16 at a cost of £3.3m to 123 in 2016/17 at a cost of £2.6m, representing a decrease of £0.7m. The council has managed to help control the overall cost of exit packages by reducing further the average cost from £24k in 2015/16 to £21k in 2016/17.

Other key events in the year involved Brent Housing Partnership (BHP) and a new company, I4B Ltd.

On 24th April 2017, Cabinet took a decision to end the management agreement with BHP, and bring housing management services back under direct control of the Council. The future of BHP Limited as a subsidiary company of the council will be decided upon in early 2017/18.

I4B Ltd is a company wholly owned by Brent Council that was incorporated on the 16th of December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31 March 2017, I4B did not own any assets and there were no transactions between the company and Brent Council.

Capital Outturn

The Council's in-year expenditure in 2016/17 was £102.3m (2015/16 £93.4m). Of this £102.3m, £100.8m is from the capital programme as shown below; the remaining £1.5m of capital expenditure is expenditure by the schools from their delegated resources.

Boards	Full year Budget (£m)	Actual Outturn (£m)	Variance (£m)
Corporate Landlord	2.6	2.5	(0.1)
Estates Regeneration	3.7	1.2	(2.5)
Housing Investment Board	129.5	67.1	(62.4)
Schools Programme	47.4	14.4	(33.0)
South Kilburn Programme	17.3	5.8	(11.5)
Transport & Highways	22.7	9.8	(12.9)
Grand Total	223.2	100.8	(122.4)

The end of year position represented an underspend of £122.4m. All Boards were significantly below budget bar Corporate Landlord. This was driven by a 12 month delay in the Street-lighting contract; contractual issues with the main contractor in the schools programme; and unrealistic profiling in Housing and South Kilburn. Expenditure from the capital programme in 2016/17 was broadly consistent with 2015/16 (£89.3m).

The Council has reviewed the profiling for future years, challenging project managers. Whilst the budget for 2017/18 is largely consistent with 2016/17, the increase in direct purchases (£70m more than 2016/17) makes this more likely to be achieved.

Balance Sheet

	2015/16 (£m)	2016/17 (£m)	Movement (£m)
What the council owns or is owed (assets):			
Property, Plant, equipment, vehicles and infrastructure	1,459	1,509	50
Other Assets	8	9	1
Amount owed to us by other people/organisations	136	153	17
Cash and cash equivalents	32	19	(13)
The amount we hold in investments	141	152	11
Total we own and are owed	1,776	1,842	66
What the council owes (liabilities)			
We owe other people/organisations	(139)	(140)	(1)
We have outstanding loans	(424)	(419)	5
We have to meet future years' pension costs	(636)	(819)	(183)
We received grants from government towards our assets	(22)	(20)	2
We have other liabilities (e.g. Cash overdrawn and provisions)	(16)	(22)	(6)
Total amount we owe	(1,237)	(1,420)	(183)
Total the council is worth	539	422	(117)

Excluding the liability to pay future pension fund costs, the overall net worth of the Council increased by £66m. This was principally due to increase in the value of assets, primarily relating to the revaluation of Stonebridge Estate.

The overall net worth of the Council decreased by £117m. This is primarily the result of a two factors within unusable reserves: -

£50m overall increase in the property values. This represents the increase in value of properties that Brent uses to deliver its services. The reflects ongoing property price increases in the borough.

£183m increase in the value of the Council's share of the Pension Fund liabilities. There was a substantial increase in the net liability the Council holds for the pension fund to £819m. This varies considerably year to year, and it is very sensitive to small changes to the assumptions made in calculating it: it was £599m at 31 March 2014, £725m at 31 March 2015, and £636m at 31 March 2016. The council has a plan to address this liability that is consistent with clearing its deficit within 19 years. At the previous valuation, three years ago, the deficit recovery plan was 22 years and therefore, the Council's underlying strategy is still on track.

The deficit is historical and not due to recent investment performance, which has been significantly above the actuary's assumptions of investment returns. The investment return on Pension Fund Assets was 17.3%, however this benefit from strong continued growth in assets was offset by £183m of actuarial losses by a change in their financial assumptions. However, it is important to recognise that each year the Pension Fund accrues future pension liabilities that it must fund yearly. The Pension Fund has recently undertaken its Triennial Review the purpose of which is to establish that the Brent Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates. Further details on the Triennial Review are included under Pension Fund/CIV section of the Narrative Statement.

The deficit on the pension fund of £819m is best understood as a snap shot at 31 March 2017 of the measurement of inter-generational equity. In effect, over recent years the cost of services provided has

been understated by £819m compared to their true long-term cost. The deficit is the amount by which previous taxpayers have benefited, and which will need to be made up by future taxpayers.

The Council also adopted a new investment strategy in April 2016 to enable the development of a wider capital programme directly linked to the Brent 2020 aspirations. It replaced the council's historical approach to rolling forward capital budget allocations without linking them to strategic objectives.

The initial focus was on financing the Temporary Accommodation Reform Plan, with an agreed in principle spend of £100m, and establishing an investment company. This latter company – I4B - was approved by Cabinet in November 2016 and held its inaugural board meeting on 20 December 2016. This should generate a long-term financial return and help meet some of the vast demand for affordable rented properties.

Debtors - Amount owed to us by other people/organisations

The value of the Council's short-term debtors increased to £94m (£81m as at 31 March 2016). However, the true like for like comparison is more favourable.

The 31 March 2017 figure includes one-off payments in advance such as £2.7m early payments to long-term suppliers in order to secure price discounts.

Council tax income increased by 12%, mostly reflecting the increased tax base from substantial housing developments. Over the year council tax debt increased by £3m.

Due to a significant increase in demand for Adult Social Care in 2016/17 discussed earlier, the expenditure incurred by the Council has increased proportionally, resulting in a £1.8m rise in debt related to this type of service. Furthermore the debt is expected to increase as there is a proportion which will only be paid upon the death of the client when their house is sold.

There was also an increase in debt owed by other local authorities, from which the risk of non-recovery is minimal.

Treasury

The Council's external **borrowing** has reduced by £4m and its PFI liabilities by £2m, as the Council pays down the principal on Equal Instalment of Principal PWLB loans and its PFIs. The remainder of its loans are due on maturity that range between 2020 and 2070. A requirement to comply with Basie III has resulted in Barclays Bank changing £15m of the Council's Lender's option, Borrower's option loans (LOBOs) to fixed rate loans, thereby benefitting the Council.

The value of **investments** have increased slightly, but returns remain very low due to interest rates (0.3%). As the Capital programme delivers on its key deliverables in relation to the Temporary Accommodation Reform Plan and New Accommodation for Independent Living, which involve direct purchases, these balances will reduce towards the bare minimum working capital levels (circa £25m). The Council expects to borrow upward of £150m in the future, but this is still a year away.

Summary of borrowing and investments	31/3/2016 (£m)	31/3/2017 (£m)
PWLB (including accrued interest)	328	324
Fixed Rate Loans	0	15
LOBO Loans	95	80
Total External Borrowing	423	419
PFI	32	30
Total Gross External Debt	455	449
Deposits	91	152
Marketable Instruments	50	0
Money Market Funds	23	15
Total Investments	164	167
Net Debt	291	282

Pension Fund and London Collective Investment Vehicle

The pension fund accounts are disclosed from page 88 onwards. The pension fund comprises the Council plus other bodies.

Due to strong investment performance and the weakness of sterling versus other currencies strengthening the value of the overseas assets with the Pension Fund, the net asset value has increased to £802.6m (2015/16 £675.9m).

Contributions received from employers and employees totalled £48.5m for the year, an increase on the previous year's £46.3m.

Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, came to £40.1m, an increase on the previous year's £37.9m. The Council is fortunate to be in a positive cash-flow position because its contributions exceed its outgoings to members. Once a pension fund starts paying out more in benefits each year than it collects in contributions, it has to eat into investments each year to allow continuity in the scheme. Brent is not in this position as a whole at present, however some of the other members of the Local Government Pension Scheme are.

The Council has recently undertaken its Triennial Valuation, which is a detailed appraisal that uses economic and demographic assumptions in order to estimate future liabilities, rather than the more limited annual review. It has agreed contribution rates of 32.5%, 33.8% and 35% for 2017/18 through 2019/20 that are consistent with clearing its deficit within 19 years. At the previous valuation, three years ago, the deficit recovery plan was 22 years and therefore, the Council's underlying strategy is still on track.

The Triennial Valuation revealed that the Fund's assets, at 31 March 2016, were sufficient to meet 55% of the liabilities (i.e., the present value of promised retirement benefits) accrued up to that date (56% at the March 2013 valuation). This corresponded to a deficit of £535m (2013 valuation: £442m) at that time.

The Council's pension fund has increased its investments via the London Collective Investment Vehicle (CIV) through a second Diversified Growth Fund investment in Ruffer (Baillie Gifford was transferred in last year). The London CIV also negotiated savings on the Pension Fund's passive equity investment with Legal & General. This means that over 50% of the Pension Fund is either with the CIV or managed via the CIV, benefitting the Pension Fund by using economies of scale to obtain lower management fees and increasing the options available for investment. Annually, this has saved the Pension Fund approximately £0.4m.

Core Financial Statements

Balance Sheet

31-Mar 2016 £'000		Notes	31-Mar 2017 £'000	
1,458,874	Property, Plant & Equipment	1	1,509,313	
498	Heritage Assets		498	
822	Investment Property		1,409	
1,542	Intangible Assets	1	1,777	
100	Long Term Investments	23	100	
54,958	Long Term Debtors	23	58,725	
1,516,794	Long Term Assets		1,571,822	
141,077	Short Term Investments	23	151,612	
4,519	Assets Held for Sale		5,607	
55	Inventories		1	
80,806	Short Term Debtors	2	90,070	
32,156	Cash and Cash Equivalents	3	19,018	
258,613	Current Assets		266,308	
(8,573)	Short Term Borrowing	23	(8,572)	
(107,009)	Short Term Creditors	7	(106,756)	
(5,828)	Provisions	9	(6,546)	
(121,410)	Current Liabilities		(121,874)	
(31,507)	Long Term Creditors	23	(28,724)	
(10,700)	Provisions	9	(15,463)	
(414,975)	Long Term Borrowing	23	(410,634)	
(658,108)	Other Long Term Liabilities	8	(838,657)	
(1,115,290)	Long Term Liabilities		(1,293,478)	
538,707	Net Assets		422,778	
(12,323)	General Fund		(12,253)	
(25,178)	Schools Balance		(20,119)	
(6,196)	Housing Revenue Account		(4,750)	
(116,402)	Earmarked Reserves - General Fund Revenue	10	(128,912)	
(33,531)	Earmarked Reserves - General Fund Capital	10	(42,131)	
(1,725)	Earmarked Reserves - Housing Revenue Account	10	(1,725)	
(41,006)	Capital Receipts		(34,523)	
(90,287)	Other Usable Reserves		(88,979)	
(212,059)	Unusable Reserves		(89,386)	
(538,707)	Total Reserves		(422,778)	

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

For further detail, please refer to Note 10 – Transfers to/from Earmarked Reserves and item 6. Movement in Reserves Detail in the Additional Supporting Information and reconciliation disclosures.

	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 2015	(12,235)	(21,604)	(125,990)	(4,483)	(1,825)	(52,920)	(21,893)	(77,940)	(318,890)	(139,621)	(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	(20,121)	0	11,914	17,956	(896)	(48,642)	48,642	0
Net (increase)/decrease before transfers to earmarked reserves	(35,019)	0	0	(1,713)	0	11,914	17,956	(896)	(7,758)	(72,438)	(80,196)
Transfers (to)/from earmarked reserves (Increase)/decrease in 2015/16	34,931 (88)	(3,574) (3,574)	(23,943) (23,943)	0 (1,713)	100 100	0 11,914	(7,514) 10,442	0 (896)	0 (7,758)	0 (72,438)	0 (80,196)
Balance as at 31 March 2016 carried forward	(12,323)	(25,178)	(149,933)	(6,196)	(1,725)	(41,006)	(11,451)	(78,836)	(326,648)	(212,059)	(538,707)

Movement in reserves during 2016/17

(Surplus) or deficit on the provision of services

Other comprehensive income & expenditure

Total comprehensive income & expenditure

Adjustments between accounting basis & funding basis under regulations

Net (increase)/decrease before transfers to earmarked reserves

Transfers (to)/from earmarked reserves

(Increase)/decrease in 2016/17**Balance as at 31 March 2017**

	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
(Surplus) or deficit on the provision of services	13,154	0	0	7,397	0	0	0	0	20,551	0	20,551
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	0	95,378	95,378
Total comprehensive income & expenditure	13,154	0	0	7,397	0	0	0	0	20,551	95,378	115,929
Adjustments between accounting basis & funding basis under regulations	(29,135)	0	0	(17,040)	0	6,483	22,541	(10,144)	(27,295)	27,295	0
Net (increase)/decrease before transfers to earmarked reserves	(15,981)	0	0	(9,643)	0	6,483	22,541	(10,144)	(6,744)	122,673	115,929
Transfers (to)/from earmarked reserves	16,051	5,059	(21,110)	11,089	0	0	(11,089)	0	0	0	0
(Increase)/decrease in 2016/17	70	5,059	(21,110)	1,446	0	6,483	11,452	(10,144)	(6,744)	122,673	115,929
Balance as at 31 March 2017	(12,253)	(20,119)	(171,043)	(4,750)	(1,725)	(34,521)	1	(88,980)	(333,392)	(89,386)	(422,778)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16				2016/17			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
251,993	(239,562)	12,431	(DSG) Children And Young People	244,151	(239,856)	4,295	
69,698	(23,896)	45,802	(GF) Children And Young People	69,796	(21,911)	47,885	
195,115	(60,872)	134,243	(GF) Community Wellbeing	220,875	(61,489)	159,386	
58,827	(54,336)	4,491	(HRA) Community Wellbeing	61,393	(54,764)	6,629	
396,828	(414,115)	(17,287)	Central Items	362,096	(393,225)	(31,129)	
6,696	(749)	5,947	Performance Policy & Partnerships	15,299	(1,016)	14,283	
69,666	(35,552)	34,114	Regeneration & Environment	70,167	(36,996)	33,171	
46,201	(15,147)	31,054	Resources Department	48,584	(15,281)	33,303	
1,095,024	(844,229)	250,795	Cost of Services	1,092,361	(824,538)	267,823	
		39,428	Other operating expenditure			2,728	11
		41,975	Financing and investment income and expenditure			40,433	12
		(291,314)	Taxation and non-specific grant income			(290,433)	13
		40,884	(Surplus) or Deficit on Provision of Services			20,551	
		(15,465)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(77,542)	
		(105,615)	Actuarial (gains)/losses on pension assets and liabilities			172,903	32
		(121,080)	Other Comprehensive Income and Expenditure			95,361	
		(80,196)	Total Comprehensive Income and Expenditure			115,912	

Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			2016/17		
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances	Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000	£'000	£'000	£'000
12,431	(24,786)	(12,355)	4,295	(7,446)	(3,151)
45,802	(391)	45,411	47,885	(4,761)	43,124
134,243	(4,592)	129,651	159,386	(30,279)	129,107
4,491	(32,641)	(28,150)	6,629	(34,769)	(28,140)
(17,287)	4,199	(13,088)	(31,129)	376	(30,753)
5,947	3,476	9,423	14,283	(3,961)	10,322
34,114	(8,526)	25,588	33,171	(4,763)	28,408
31,054	(100)	30,954	33,303	1,499	34,802
250,795	(63,361)	187,434	267,823	(84,104)	183,719
(209,911)	20,679	(189,232)	(247,272)	65,067	(182,205)
40,884	(42,682)	(1,798)	20,551	(19,037)	1,514
		(16,718)			(18,516)
		(1,798)			1,514
		(18,516)			17,002
		Children And Young People (DSG)			
		Children And Young People (GF)			
		Community Wellbeing (GF)			
		Community Wellbeing (HRA)			
		Central Items			
		Performance Policy & Partnerships			
		Regeneration & Environment			
		Resources Department			
		Net Cost of Services			
		Other Income and Expenditure			
		(Surplus) or Deficit			
		Opening General Fund and HRA Balance			
		Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year			
		Closing General Fund and HRA Balance at 31 March 2017			

Housing Revenue Account and General Fund split:

2015/16			
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances	
£'000	£'000	£'000	
18,408	(20,118)	(1,710)	Housing Revenue Account
22,476	(22,564)	(88)	General Fund
40,884	(42,682)	(1,798)	(Surplus) or Deficit

2016/17		
Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000
7,397	(5,950)	1,447
13,154	(13,087)	67
20,551	(19,037)	1,514

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.

2015/16		2016/17	
£'000		£'000	Note
(40,884)	Net surplus or (deficit) on the provision of services	20,551	
41,813	Adjustments for non-cash movements	(31,066)	
50,336	Adjustments for investing and financing activities	57,932	
51,265	Net cash inflows/(outflows) from Operating Activities	47,417	
(44,460)	Net cash inflows/(outflow) from Investing activities	(54,752)	5
(6,531)	Net cash inflows/(outflow) from Financing activities	(5,803)	6
274	Net increase/(decrease) in cash and cash equivalents	(13,138)	
31,882	Cash and cash equivalents at the beginning of the reporting period	32,156	
32,156	Cash and cash equivalents at the end of the reporting period	19,018	3

Physical and Intangible Assets

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

Movements in 2016/17	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 2016	645,479	643,226	40,405	234,793	5,100	20,359	1,589,362	90,389	5,251
Additions	54,013	10,963	585	10,434	147	9,649	85,791	49	
Depreciation written out	0	(13,945)	0	0	(2)	0	(13,947)	(11,410)	0
Revaluation increases (decreases) in the Revaluation Reserve	0	76,494	0	0	349	0	76,843	62,956	699
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	(24,946)	(30,141)	0	0	0	0	(55,087)	(29,336)	0
Derecognition - Disposals	(4,158)	(18,205)	(6,316)	0	0	0	(28,679)	(563)	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	(633)	0	(633)	0	0
Other movements in Cost or Valuations	0	5,245	0	1,043	0	(6,792)	(504)	0	504
At 31 March 2017	670,388	673,637	34,674	246,270	4,961	23,216	1,653,146	112,085	6,454
At 1 April 2016	(9,787)	(36,853)	(25,937)	(57,827)	(83)	(1)	(130,488)	(17,133)	(3,709)
Charge for 2016/17	(9,863)	(13,256)	(4,691)	(6,150)	(2)	0	(33,962)	(4,188)	(968)
Depreciation written out	298	13,945	0	0	2	0	14,245	11,410	
Depreciation charge written out to the Revaluation Reserve	0	0	0	0	0	0	0	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	(528)	0	0	0	0	(528)		0
Derecognition - Disposals	0	914	5,905	0	0	0	6,819	10	0
Derecognition - Others	0	0	0	0	0	0	0	0	0
Reclassifications (to/from Assets Held for Sale)	0	0	0	0	81	0	81	0	0
Other Movements in Depreciation & Impairments	0	759	0	(759)	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
At 31 March 2017	(19,352)	(35,019)	(24,723)	(64,736)	(2)	(1)	(143,833)	(9,901)	(4,677)
Balance Sheet Amount at 31 March 2017	651,036	638,618	9,951	181,534	4,959	23,215	1,509,313	102,184	1,777
Balance Sheet Amount at 1 April 2016	635,692	606,373	14,468	176,966	5,017	20,358	1,458,874	73,256	1,542

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	0	0	0	0	0	0	0	0	0
At 31 March 2016	(9,787)	(36,853)	(25,937)	(57,827)	(83)	(1)	(130,488)	(17,133)	(3,709)
Balance Sheet Amount at 31 March 2016	635,692	606,373	14,468	176,966	5,017	20,358	1,458,874	73,256	1,542
Balance Sheet Amount at 1 April 2015	643,378	585,973	19,706	173,202	5,034	44,105	1,471,398	78,769	2,512

Current Assets**Note 2 – Debtors**

31-Mar-16 £'000		31-Mar-17 £'000
35,469	Central government bodies	23,408
3,527	Other local authorities	10,387
2,105	NHS bodies	5,977
4,844	Public corporations and trading funds	4,506
34,861	Other entities and individuals	45,792
80,806	Total	90,070

Note 3 – Cash and Cash Equivalents

31-Mar-16 £'000		31-Mar-17 £'000
66,980	Cash held by the council	51,003
(84,686)	Bank current accounts	(68,611)
27,051	School bank accounts	21,022
22,811	Short-term deposits	15,604
32,156	Total	19,018

Cash Flow Notes**Note 4 – Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:-

2015/16 £'000		2016/17 £'000
4,684	Interest received-cash inflow	4,203
(23,673)	Interest paid-cash (outflow)	(22,882)

Note 5 – Cash Flow Statement - Investing Activities

2015/16 £'000		2016/17 £'000
(93,392)	Purchase of property, plant and equipment, investment property and intangible assets	(102,149)
(1,404)	Net increase/(decrease) in short-term and long-term investments	(10,535)
8,954	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	25,997
41,382	Capital grants received	31,935
(44,460)	Net cash flows from investing activities	(54,752)

Note 6 – Cash Flow Statement - Financing Activities

2015/16 £'000		2016/17 £'000
(4,332)	Net increase/(decrease) in short-term and long-term borrowing	(4,342)
(2,199)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(1,461)
(6,531)	Net cash flows from financing activities	(5,803)

Liabilities

Note 7 – Creditors

31-Mar-16		31-Mar-17	
£'000		£'000	
(6,092)	Central Government bodies	(18,541)	
(18,968)	Other Local Authorities	(21,394)	
(3,317)	NHS bodies	(2,979)	
(296)	Public corporations and trading funds	(366)	
(78,336)	Other entities and individuals	(63,476)	
(107,009)	Total	(106,756)	

Note 8 – Long-Term Liabilities

31-Mar-16		31-Mar-17	
£'000		£'000	
(635,984)	Pension Fund Liability	(818,540)	
(22,124)	Deferred Income	(20,117)	
(658,108)	Total	(838,657)	

Note 9 – Provisions

	Outstanding Legal Cases £'000	Compensation Claims £'000	Other Provisions £'000	Total £'000
Short Term Provisions				
Balance at 1 April 2016	0	(2,923)	(2,905)	(5,828)
Net additions to provisions made in 2016/17	0	189	(907)	(718)
Balance at 31 March 2017	0	(2,734)	(3,812)	(6,546)
Long Term Provisions				
Balance at 1 April 2016	(215)	(4,439)	(6,046)	(10,700)
Net additions to provisions made in 2016/17	(4,763)	0	0	(4,763)
Balance at 31 March 2017	(4,978)	(4,439)	(6,046)	(15,463)

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

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-16	Transfers in 2016/17	Transfers out 2016/17	Movement 2016/17	Balance at 31-Mar-17
	£'000	£'000	£'000	£'000	£'000
General Fund Capital Related					
Capital Financing	(21,529)	(7,337)	4,229	(3,108)	(24,637)
Revenue Contribution to Capital	(5,330)	0	5,330	5,330	0
Pension Liabilities	(4,466)	(675)	0	(675)	(5,141)
Capital Funding	(2,206)	(10,147)	0	(10,147)	(12,353)
Total	(33,531)	(18,159)	9,559	(8,600)	(42,131)
General Fund Revenue Reserves					
Technical and other obligations					
Transformation	(4,950)	(447)	2,519	2,072	(2,878)
Service Pressures	(2,000)	0	0	0	(2,000)
Future Funding Risks	(5,100)	0	0	0	(5,100)
Council Tax, Business Rates & Local Welfare	(4,887)	(588)	400	(188)	(5,075)
Redundancy & Restructuring	(3,725)	0	0	0	(3,725)
Welfare Reform	(3,510)	0	0	0	(3,510)
Other Central	(2,234)	(3,707)	0	(3,707)	(5,941)
JFS School PFI	(2,974)	(111)	0	(111)	(3,085)
Employment Initiatives	(1,707)	0	0	0	(1,707)
Insurance	(1,526)	(1,179)	62	(1,117)	(2,643)
Willesden Sports Centre PFI	(2,186)	0	0	0	(2,186)
Public Health	(1,705)	(417)	441	24	(1,681)
South Kilburn	(2,500)	(700)	0	(700)	(3,200)
HMO Licensing	(1,467)	0	416	416	(1,051)
Investment Reserve	(12,000)	0	500	500	(11,500)
Total	(52,471)	(7,149)	4,338	(2,811)	(55,282)
Joint Arrangements					
Brent NHS Trust Joint Venture	(9,410)	0	4,000	4,000	(5,410)
Delayed Transfer of Care	(325)	0	0	0	(325)
Total	(9,735)	0	4,000	4,000	(5,735)
Service Reserves	(13,056)	(2,258)	1,132	(1,126)	(14,182)
S106 and Community Infrastructure Levy	(40,121)	(11,183)	3,665	(7,518)	(47,639)
Central DSG	(1,019)	(5,055)	0	(5,055)	(6,074)
Total General Fund Revenue Reserves (C/Fwd)	(116,402)	(25,645)	13,135	(12,510)	(128,912)

Note 10 – Table Continued

	Balance at 31- Mar-16 £'000	Transfers in 2016/17 £'000	Transfers out 2016/17 £'000	Movement 2016/17 £'000	Balance at 31- Mar-17 £'000
Total General Fund Revenue Reserves (B/Fwd)	(116,402)	(25,645)	13,135	(12,510)	(128,912)
Total General Fund Capital Reserves	(33,531)	(18,159)	9,559	(8,600)	(42,131)
General Fund Reserves - Revenue & capital	(149,933)	(43,804)	22,694	(21,110)	(171,043)
Housing Revenue Account	(1,725)	0	0	0	(1,725)
Total Earmarked Reserves	(151,658)	(43,804)	22,694	(21,110)	(172,768)

Comprehensive Income and Expenditure Notes

Note 11 – Other Operating Expenditure

31-Mar-16		31-Mar-17
£'000		£'000
2,538	Levies	2,480
1,344	Payments to the Government Housing Capital Receipts Pool	1,322
35,547	(Gains)/losses on the disposal of non-current assets	(1,075)
39,429	Total	2,727

Note 12 – Financing and Investment Income and Expenditure

31-Mar-16		31-Mar-17
£'000		£'000
23,317	Interest payable and similar charges	22,556
23,097	Pensions interest cost and expected return on pensions assets	21,992
(4,488)	Interest receivable and similar income	(4,160)
49	(Surplus)/Deficit on Trading Accounts	45
41,975	Total	40,433

Note 13 – Taxation and non-Specific Grant Incomes

31-Mar-16		31-Mar-17
£'000		£'000
(92,986)	Council tax income	(101,882)
(48,345)	NNDR Top Up	(48,748)
(33,363)	Business Rates	(35,527)
(69,854)	Revenue Support Grant	(56,000)
(15,772)	Other government grants & taxation	(16,340)
(30,992)	Capital grants and contributions	(31,935)
(291,312)	Total	(290,432)

Additional Disclosures

Note 14 – Acquired and Discontinued Operations

The council has no transactions to disclose.

Note 15 – Pooled Budgets

The Council has entered into two partnership agreements under Section 31 of the Health Act 1999, one with NHS Brent CCG for provision of occupational therapy equipment and the other with the Central and North West London NHS Foundation Trust for provision of mental health services. Additionally there is a pooled fund agreement under section 75 of the National Health Service Act 2006 between the Council and the CCG to administer the Government's Better Care Fund to support the integration of health and social care.

Partnership income and expenditure for 2016/17 is shown in the table below:

	Mental Health £'000	Occupational Therapy £'000	The Better Care Fund £'000
Funding: London Borough of Brent	(350)	(450)	(3,599)
NHS Brent CCG	0	(654)	(20,101)
CNWLNFT	(891)	0	0
Total Funding	(1,241)	(1,104)	(23,700)
Expenditure	1,181	1,178	23,700
2016/17 Net Overspend/(Underspend)	(60)	74	0
2015/16 Net Overspend/(Underspend)	(29)	656	0

Note 16 – Members' Allowances

Total payments including National Insurance costs in 2016/17 were £1,096,948 (£1,050,820 in 2015/16). Details of the Members' Allowances scheme are available on Brent's website (www.brent.gov.uk)

Note 17 – External Audit Costs

31-Mar-16 £'000		31-Mar-17 £'000
200	Fees payable to KPMG with regard to external audit services carried out for the year	200
71	Fees payable to KPMG with regard to additional audit services carried out for the year	6
0	Fees payable to KPMG with regard to additional audit services carried out on objections to prior year statement of accounts	5
27	Fees payable to KPMG for the certification of grant claims and returns for the year	22
0	Fees payable to KPMG for the certification of grant claims and returns for prior year	1
298	Total	234

Note 18 – 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 £4.8m, 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 19 – Grant Income

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

2015/16 £'000	Revenue Grants	2016/17 £'000
	Housing Benefit:	
(317,998)	Mandatory Rent Allowances: subsidy	(296,890)
(20,910)	Mandatory Rent Rebates outside HRA	(18,777)
(29,022)	Rent Rebates Granted to HRA Tenants: subsidy	(27,768)
(2,889)	Housing Benefit and Council Tax Benefit Administration	(2,812)
(370,819)		(346,247)
	Schools:	
(201,461)	Dedicated Schools Grant (DSG)	(195,107)
(10,128)	Pupil Premium Grants	(8,454)
(4,722)	Sixth forms funding from Learning and Skills Council (LSC)	(3,970)
(3,686)	Universal Infant School Meal	(3,484)
(3,345)	Central Education Services	(2,897)
(223,342)		(213,912)
	Other:	
(3,121)	Adult and Community Learning from Learning and Skills Council	(3,057)
(2,607)	Discretionary Housing payments	(2,866)
(51)	Local Welfare Programme Funding	0
(4,660)	Private Finance Initiative	(6,531)
(17,511)	Public Health	(22,516)
(2,763)	Public Health Children 0-5	0
(10,390)	REFCUS revenue grants	(9,707)
(1,308)	Troubled Families	(1,219)
(69,854)	Revenue Support Grant	(56,000)
(3,094)	Section 31	(1,924)
(1,078)	Council Tax Freeze Grant	0
(7,139)	New Homes Bonus	(11,151)
(1,166)	Care Bill Implementation	0
(1,137)	Asylum Leaving Care (Post 18) Grant	(2,219)
(7,414)	Other Miscellaneous Grants	(5,839)
(133,293)		(123,029)
(727,454)	Total	(683,188)

2015/16 £'000	Capital Grants	2016/17 £'000
	Grants:	
(5,943)	Basic Needs	(13,449)
(2,560)	School Condition Grant	(2,362)
(5,646)	Transport for London	(4,420)
0	Disabled Facilities	0
(2,316)	Other Grants	(1,489)
0	Education Funding	(1,597)
	Contributions:	
(14,527)	Section 106 and Community Infrastructure Levy	(8,619)
(30,992)	Total	(31,936)

Note 20 – Deployment of Dedicated Schools Grant

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

The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the Schools and Early Years Finance (England) Regulations 2011.

In 2016-17, 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 range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

DSG received in 2016/17 was deployed as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2016-17 before Academy Recoupment			302,189
Academy figure recouped for 2016-17			(107,356)
Total DSG after recoupment for 2016-17			194,833
Brought Forward from 2015-16			1,019
Carry Forward to 2017-18 agreed in advance			(1,019)
Agreed initial budgeted distribution in 2016-17	46,990	147,843	194,833
In year adjustments	272		272
Final budgeted distribution for 2016-17	47,262	147,843	195,105
Less Actual Central Expenditure	(42,207)	0	(42,207)
Less Actual ISB deployed to schools	0	(147,843)	(147,843)
Carry Forward to 2017-18 agreed in advance	5,055	0	6,074

Note 21 – 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 transaction forms each year.

A number of voluntary organisations which received grants from the London Borough of Brent in 2016/17 have Brent Members as Directors, Trustees or employees.

The following disclosures show where material transactions were made as obtained from Members' 2016/17 Declarations of Related Party Transactions (where the organisation received a significant amount of funding):

	2016/17 £'000
Community Voluntary Service (CVS)	243
Help Somalia	17

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 £0.682m for administering the fund in 2016/17 (£0.661m was charged in 2015/16).

Pooled Budgets - Details of partnerships with NHS Brent CCG and the Central and North West London NHS Foundation Trust are shown in Note 15 to the Core Financial Statements.

Subsidiary Companies - Brent has a number of subsidiaries including Brent Housing Partnership (BHP) Limited, LGA Digital and I4B.

BHP

The Council paid a management fee to BHP of £7.458m in 2016/17 (£7.649m in 2015/16).

I4B

I4B Ltd is a company wholly owned by Brent Council that was incorporated on the 16 December 2016. The primary purpose of the company is to deliver the housing options defined in the Temporary Accommodation reform plan. As of 31 March 2017, I4B did not own any assets and there were no transactions between the company and Brent Council.

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 27 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.

Barham Park

Barham Park Trust is a charity 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. As at 31 March 2017 Brent held £463k on behalf of the Barham Park Trust.

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 22 – Capital Expenditure and Capital Financing

2015/16 £'000	2015/16 £'000	2015/16 £'000		2016/17 £'000	2016/17 £'000	2016/17 £'000
GF	HRA	Total	Capital Investment	GF	HRA	Total
44,367	31,061	75,428	Property, Plant and Equipment	34,392	57,098	91,490
0	0	0	Investment Properties	0	0	0
0	0	0	Intangible Assets	0	0	0
16,149	0	16,149	Revenue Expenditure Funded from Capital under Statute	10,795	0	10,795
60,516	31,061	91,577	Total Expenditure	45,187	57,098	102,285
			Sources of Finance			
		(20,869)	Capital Receipts			(32,151)
		(25,735)	Government Grants and other Contributions			(23,183)
		(11,284)	Direct revenue contributions			(3,528)
		(28,116)	Major Repairs Reserve			(32,404)
		0	Earmarked Reserves			(11,019)
		(5,573)	Borrowing			0
		(91,577)	Total Resources			(102,285)
		0	Net Balance			0
			Calculation of Capital Financing Requirement			
		1,458,874	Fixed Assets			1,509,313
		1,542	Intangible Assets			1,777
		4,519	Assets Held for Sale			5,607
		(209,148)	Revaluation Reserve			(279,774)
		(647,855)	Capital Adjustment Account			(635,961)
		(22,124)	Deferred Income			(20,117)
		585,808	Capital Financing Requirement			580,845

Financial Instruments

Note 23 – 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 2017 £'000	31-Mar 2016 £'000	31-Mar 2015 £'000	31-Mar 2017 £'000	31 March 2016 £'000	31 March 2015 £'000
Investments						
Loans and receivables	0	0	0	151,612	141,077	139,673
Unquoted equity investment at cost	100	100	100	0	0	0
Total investments	100	100	100	151,612	141,077	139,673
Debtors						
Loans and receivables	58,725	54,958	59,646	0	0	0
Financial assets carried at contract amounts	0	0	0	45,792	34,861	36,516
Total Debtors	58,725	54,958	59,646	45,792	34,861	36,516
Borrowings						
Financial liabilities at amortised cost	(410,634)	(414,975)	(419,316)	(8,572)	(8,573)	(8,564)
Total Borrowings	(410,634)	(414,975)	(419,316)	(8,572)	(8,573)	(8,564)
Other Long Term Creditors						
PFI and finance lease liabilities	(28,724)	(31,507)	(34,182)	0	0	0
Total Other Long Term Creditors	(28,724)	(31,507)	(34,182)	0	0	0
Creditors						
Financial liabilities carried at contract amounts	0	0	0	(64,905)	(78,336)	(69,737)
Total Creditors	0	0	0	(64,905)	(78,336)	(69,737)

Note 24 – 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 2016 and 31 March 2017 consisted of loans from the Public Works Loan Board (PWLB) and market loans. The PWLB 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-16			31-Mar-17		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£'000	£'000		£'000	£'000	
(8,573)	(8,573)	Short Term Borrowing (PWLB)	(8,572)	(8,572)	
(319,475)	(463,495)	Long Term Borrowing (PWLB)	(315,134)	(513,958)	
(95,500)	(163,712)	Long Term Borrowing (LOBO)	(80,500)	(162,013)	
0	0	Long Term Borrowing (Market Loans)	(15,000)	(23,444)	
(34,182)	(34,182)	Long Term Creditors	(28,724)	(28,724)	

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. There has been an increase in the fair value of the Council's loans due to an increase in the discount rate, which is based on a projection of the long-term interest rates. This is consistent with the increase in the Pension Liabilities.

Financial Assets

31-Mar-16			31-Mar-17		
Carrying Amount	Fair Value		Carrying Amount	Fair Value	
£'000	£'000		£'000	£'000	
141,077	141,077	Loans and Receivables	151,612	151,612	
54,182	54,182	Long Term Debtors	58,725	58,725	

The amortised value of investments is 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 7 October 2008. As at 31 March 2017, 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 25 – 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-16 £'000		31-Mar-17 £'000
2,987	Plant, Furniture, Vehicles and Equipment	1,741

The council is committed to making minimum payments comprising repayment of 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-16 £'000		31-Mar-17 £'000
	Finance lease liabilities	
1,192	Current	580
1,791	Non-current	1214
128	Finance costs payable in future years	66
3,111	Minimum lease payments	1860

These minimum lease payments are payable over the following periods

	Total Minimum Lease Payments		Present Value of Minimum Lease Payments Repayable Minimum Lease Payments Repayable	
	2015-16 £'000	2016-17 £'000	2015-16 £'000	2016-17 £'000
	Not Later than one year	1,255	618	1,192
Later than one year and not later than five years	1,833	1,242	1,791	1,214
	3,088	1,860	2,983	1,794

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:

2015-16 £'000		2016-17 £'000
653	Not later than one year	773
1,697	Later than one year and not later than five years	1,573
6,282	Later than five years	5,809
8,632	Total	8,155

The following future sublease payments are receivable:

£'000		£'000
0	Future Minimum Sublease Payments Receivable	907

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

2015-16 £'000		2016-17 £'000	
1,554	Minimum Lease payments	697	
(103)	(Sublease payments receivable)	(168)	
1,451	Total	529	

Authority as Lessor

Finance Leases

Brent Council leases Northwick golf course to a commercial operator on a finance lease with a remaining term of 91 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:

2015-16 £'000		2016-17 £'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	
	2015-16	2016-17	2015-16	2016-17
	£'000	£'000	£'000	£'000
Later than one year and not later than five years	1	1	1	1
Later than five years	1,249	1,248	1,249	1,248
	1,250	1,249	1,250	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 2016/17, £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:

2015-16 £'000		2016-17 £'000	
1,697	Not later than one year	1,892	
3,489	Later than one year and not later than five years	6,266	
23,318	Later than five years	33,710	
28,504	Total	41,868	

The council receives additional contingent rent for one of its properties based on the turnover of the lessee's business.

Note 26 – 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 £5.7m 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 incurred.

2015-16 £'000		2016-17 £'000	
33,932	Balance outstanding at start of year	31,767	
(2,166)	Payments during the year	(1,407)	
31,766	Balance outstanding at end of year	30,360	

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

	Payment for Services £'000	Reimbursement of Capital Expenditure £'000	Interest £'000	Total £'000
Payable in 2017/18	3,403	2,617	3,194	9,214
Payable with two to five years	10,077	9,740	11,189	31,006
Payable within 6 to 10 years	9,673	15,029	11,553	36,255
Payable within 11 to 15 years	8,656	14,803	8,677	32,136
Payable within 16 to 20 years	2,056	8,894	6,223	17,173
Total	33,865	51,083	40,836	125,784

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:

2015-16 £'000		2016-17 £'000	
(24,131)	Deferred Income opening balance	(22,124)	
2,007	Amortisation	2,007	
(22,124)	Deferred Income closing balance	(20,117)	

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 of 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 is 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 27 - Nature and extent of risks arising from Financial Instruments

The Council considers its main risks to be: -

- *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 2017 that this was likely to crystallise. The Council's direct exposure to banks and building societies on 31 March 2017 was limited to £0.2m with Heritable Bank and a marginal net amount with the Royal Bank of Scotland.
- The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	Short Term	
	31-Mar-17	31-Mar-16
	£'000	£'000
AAA	15,600	22,800
AA-	0	15,000
A	0	20,000
Unrated local authorities	151,500	91,000
Debt Management Office	0	15,000
Residual Icelandic banks	200	200
Total Investments	167,300	164,000

(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. 43% is the element which has not been provided for, based on historical experience of default.

	Amount at 31 March 2017 £'000 (a)	Historical experience of default % (b)	Estimated maximum exposure to default £'000
Deposits with banks and financial institutions	2		2
Trade debtors	93,337	57.27%	53,455
	93,339		53,457

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, although officers monitor the situation carefully, given recent comments in the financial press. The Council 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	19,736
Between five and ten years	5,000
Between ten and twenty years	25,058
Between 20 and 30 years	400
Between 30 and 40 years	235,021
More than 40 years	40,578
Uncertain date *	80,500
	414,975

*The Council has £80.5m 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 £167m are due to be repaid to the Council 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 90% 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 2017, 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	(1,673)
Impact on Comprehensive Income and Expenditure	(1,673)
Decrease in fair value of fixed rate borrowings/liabilities*	125,684

*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. However, it would lead to a negative interest rate on our investments.

Employee Benefits

Note 28 - Senior Employees' Remuneration

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

Post Holder	2015/16					2016/17				
	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
	£	£	£	£	£	£	£	£	£	£
* Chief Executive – C Downs (Started Sept 15)	108,919	0	108,919	0	108,919	202,729	0	202,729	0	202,729
Interim Chief Executive – C Gilbert (Left Sept 15)	91,863	0	91,863	0	91,863	0	0	0	0	0
Strategic Director Regeneration & Environment (Started Jun 16)	0	0	0	0	0	98,627	0	98,627	29,588	128,215
Interim Strategic Director Regeneration & Environment (Until Jun 16)	146,981	0	146,981	0	146,981	36,621	0	36,621	0	36,621
Strategic Director of Regeneration and Growth (Until Jan 16)	117,170	0	117,170	33,794	150,964	0	0	0	0	0
Chief Finance Officer (section 151 officer)	122,008	0	122,008	35,870	157,878	123,729	0	123,729	33,888	157,617
Strategic Director Children and Young People	147,259	0	147,259	42,640	189,899	146,485	0	146,485	43,945	190,430
Human Resources Director (Until Jun 15)	41,499	157,610	199,109	8,968	208,077	0	0	0	0	0
Strategic Director Environment & Neighbourhood Services (Until May 15)	21,881	102,219	124,100	4,470	128,570	0	0	0	0	0

2015/16

2016/17

Post Holder	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
	£	£	£	£	£	£	£	£	£	£
Chief Legal Officer (Until Nov 16)	81,896	0	81,896	24,368	106,264	54,091	0	54,091	15,521	69,612
Interim Chief Legal Officer (Started Oct 16)	0	0	0	0	0	41,116	0	41,116	12,335	53,450
Strategic Director of Community & Well-being	139,144	0	139,144	40,153	179,297	146,985	0	146,985	43,945	190,930
Director of Public Health	111,566	0	111,566	32,800	144,366	113,004	0	113,004	33,805	146,809
Strategic Director of Resources (Started Jun 16)	0	0	0	0	0	120,190	0	120,190	36,011	156,200
Interim Strategic Director of Resources (Jan 16 - Jul 16)	21,521	0	21,521	0	21,521	39,143	0	39,143	0	39,143
Director of Policy, Partnerships and Performance	122,508	0	122,508	35,870	158,378	125,701	0	125,701	36,969	162,670
Total	1,274,215	259,829	1,534,044	258,933	1,792,977	1,248,421	0	1,248,421	286,007	1,534,428

*The chief executive's remuneration of £202,729 includes £9,658 in fees for acting as returning officer. She was entitled to over twice that amount (£24,184), but distributed the balance to other staff who helped with the election and would not otherwise have been rewarded.

Note 29 – Officers' Remuneration

The number of employees whose remuneration in 2016/17 and 2015/16, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:-

2015/16			Remuneration band £	2016/17		
Schools Staff	Officers	Total		Schools Staff	Officers	Total
129	64	193	50,000 - 54,999	104	71	175
64	23	87	55,000 - 59,999	79	33	112
32	21	53	60,000 - 64,999	30	15	45
22	11	33	65,000 - 69,999	27	8	35
27	12	39	70,000 - 74,999	21	7	28
12	8	20	75,000 - 79,999	12	9	21
5	5	10	80,000 - 84,999	12	6	18
11	5	16	85,000 - 89,999	9	4	13
4	2	6	90,000 - 94,999	6	3	9
1	2	3	95,000 - 99,999	1	1	2
2	1	3	100,000 - 104,999	2	1	3
2	2	4	105,000 - 109,999	1	1	2
1	4	5	110,000 - 114,999	0	3	3
1	0	1	115,000 - 119,999	2	0	2
0	2	2	120,000 - 124,999	1	2	3
0	0	0	125,000 - 129,999	0	2	2
0	0	0	130,000 - 134,999	0	0	0
0	1	1	135,000 - 139,999	0	1	1
0	0	0	140,000 - 144,999	1	0	1
0	2	2	145,000 - 149,999	0	2	2
0	1	1	155,000 - 159,999	0	0	0
0	1	1	175,000 - 179,000	0	0	0
0	1	1	190,000 - 194,999	0	0	0
0	0	0	200,000 - 204,999	0	1	1
313	168	481	Total	308	170	478

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

The number of schools staff earning above £50,000 has reduced by 5. Academy conversions have resulted in a reduction of nine, offset by a net increase of four staff due to school expansions and re-organisations.

In 2016/17 13 officers (2015/16 11 officers) were in the £50K+ bands due to redundancy or termination agreements. Excluding this impact, the number of staff earning over £50,000 has remained constant. However, there has been a further significant reduction in the more senior staff, those earning over £60k, from 70 to 53, excluding terminations.

Note 30 – 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 (b) + (c)		Total cost of exit packages in each band £'000	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	31	35	70	37	101	72	803	635
£20,001 - £40,000	16	23	31	9	47	32	1,200	864
£40,001 - £60,000	3	6	5	7	8	13	371	629
£60,001 - £80,000	0	1	4	3	4	4	276	259
£80,001 - £100,000	2	1	1	1	3	2	268	171
£100,000 - £150,000	1	0	2	0	3	0	332	0
Total cost included in bandings	53	66	113	57	166	123	3,250	2,558
ADD: amounts provided for in CIES not included in bandings							795	81
TOTAL cost included in CIES							4,045	2,639
Average cost of exit packages							24	21

The number of exit packages decreased from 166 in 2015/16, at a cost of £3.3m, to 123 in 2016/17 at a cost of £2.6m, an overall decrease in cost of £0.7m.

The council has managed to help control the overall cost of exit packages by reducing further the average cost from £24k in 2015/16 to £21k in 2016/17.

Pension Notes

Note 31 - Pension Schemes Accounted for as Defined Contribution Schemes

In 2016/17, the Council paid £9.1m to Teachers' Pensions (£9.3m 2015/16) in respect of teachers' retirement benefits, representing 16.48% (16.48% 2015/16) 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.

The Council also paid £36k in 2016/17 (£36k in 2015/16) to the NHS pension scheme representing 14.3% (14.3% in 2015/16) of pensionable pay related to Public Health responsibilities.

Note 32 – Defined Benefit Pension Schemes

Participation in Pension Schemes

The Council participates in 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.

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 2016 £'000		31 March 2017 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
28,096	Current service cost	22,857
486	Past service costs (including curtailments)	(1,458)
0	Settlements and curtailments	
<i>Financing and investment Income and Expenditure:</i>		
41,526	Interest cost	41,641
(18,429)	Expected return on scheme assets	(19,649)
51,679	<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	43,391
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
0	Changes in demographic assumptions	(16,919)
(114,575)	Changes in financial assumptions	231,239
(20,417)	Other experience	57,639
29,377	Return on assets excluding amounts in net interest	(99,056)
(53,936)	<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	216,294
Movement in Reserves Statement		
30,140	Employers' contributions payable to the scheme	29,445
4,960	Contributions in respect of unfunded benefits	4,293
35,100	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	33,738
	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(43,391)
(51,679)		(9,653)
(16,579)		(9,653)

Note 33 – Reconciliation of Assets and Liabilities in Relation to Post-Employment Benefits

2015/16				2016/17		
Scheme Assets	Pensions Obligations	Net Pensions Liability		Scheme Assets	Pensions Obligations	Net Pensions Liability
£'000	£'000	£'000		£'000	£'000	£'000
573,455	(1,298,475)	(725,020)	Opening Balance at 1 April	567,448	(1,203,432)	(635,984)
			Service Costs			
0	(28,096)	(28,096)	Current Service Cost	0	(22,857)	(22,857)
0	(486)	(486)	Past Service cost and gains/losses on curtailments	0	1,458	1,458
18,429	(41,526)	(23,097)	Interest Income and Expense	19,649	(41,641)	(21,992)
			Remeasurements			
(29,377)	20,417	(8,960)	Return on Plan Assets	99,056	(57,639)	41,417
0	0	0	Actuarial Gains and Losses arising from changes in demographic assumptions	0	16,919	16,919
0	114,575	114,575	Actuarial Gains and Losses from changes in Financial Assumptions	0	(231,239)	(231,239)
			Contributions			
35,100		35,100	The Council	33,738	0	33,738
6,405	(6,405)	0	Employees	6,133	(6,133)	0
			Payments			
(36,564)	36,564	0	Retirement Grants and Pensions	(51,289)	51,289	0
567,448	(1,203,432)	(635,984)	Closing Balance at 31 March	674,735	(1,493,275)	(818,540)

Note 34 – Sensitivity Analysis

Change in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£'000s
0.5% decrease in Real Discount Rate	9%	130,222
1 year increase in member life expectancy	4%	59,731
0.5% increase in the Salary Increase Rate	1%	13,193
0.5% increase in the Pension Increase Rate	8%	115,557

Note 35 – Explanation of Change in Net Pension Liability

The Net Pension Liability has increased by £183m. This was driven by an increase in actuarial losses of £231m resulting from a change in financial assumptions, i.e. the actuary's view of the future economic growth has worsened, thus affecting the expectation of returns.

The discount factor has also reduced from 3.5% to 2.5% leading to an increase in the net interest on the net defined liability, an adverse movement of £22m. However, some of the negative position was offset by stronger than anticipated returns, leading to a growth in scheme assets of £113m.

It is clear that a further decrease in the discount rate could significantly increase the liabilities. There are also risks attached to the maturity of the members, as it can be seen that 45% of the liability relates to pensioners and this percentage is growing.

The Employer's contributions for the period to 31 March 2018 are estimated to be approximately £28,905,000. The deficit recovery period is 19 years. Contributions will grow from 32.5% of pensionable pay in 2017/18 to 33.8% in 2018/19 to 35.0% in 2019/20.

	Liability split (£'000s) as at 31 March 2017	Liability split (%) as at 31 March 2017	Weighted Average Duration (Years)
Active Members	382,922	27%	24.0
Deferred Members	408,330	28%	21.2
Pensioner Members	645,174	45%	11.4
Total Members	1,436,426	100%	16.6

Note 36 – 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:

2015-16	Actuarial Assumptions:	2016-17
	Longevity at 65 for current pensioners:	
22	Men	22.3
24.3	Women	24.5
	Longevity at 65 for future pensioners:	
24.4	Men	24.1
26.8	Women	26.4
4.0%	Rate of increase in salaries	2.70%
2.2%	Rate of increase in pensions	2.40%
3.5%	Rate for discounting scheme liabilities	2.50%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.00%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2008 service)	75.00%

Note 37 – Fair value of employers assets (bid value)

Brent's share of the Pension Fund Assets as estimated within the statutory IAS19 report is shown below: -

31-Mar-16				Asset Category	31-Mar-17			
Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %		Quoted prices in active markets £'000	Quoted prices not in active markets £'000	Total £'000	Percentage of Total Assets %
0	74,111	74,111	13.0%	Private Equity				
				All		73,200	73,200	10.8%
				Real Estate				
29,873	0	29,873	5.0%	UK Property	1,935	0	1,935	0.3%
3,052	0	3,052	1.0%	Overseas Property	3,152	0	3,152	0.5%
				Investment Funds & Unit Trusts				
263,779	0	263,779	47.0%	Equities	334,302	0	334,302	49.5%
73,461	0	73,461	13.0%	Bonds	78,208	0	78,208	11.6%
58,589	0	58,589	10.0%	Hedge Funds				
0	34,961	34,961	6.0%	Infrastructure		44,523	44,523	6.6%
0	0	0	0%	Other	105,377	0	105,377	15.6%
				Cash and cash equivalents				
0	29,619	29,619	5.0%	All	34,038	0	34,038	5.0%
428,754	138,691	567,445	100%	Totals	557,012	117,723	674,735	100.0%

Housing Revenue Account
Income and Expenditure Statement for the Year Ended 31 March 2017

2015/16 Excluding Revaluations £'000	2015/16 Including Revaluations £'000		2016/17 Excluding Revaluations £'000	2016/17 Including Revaluations £'000
		Income		
(48,718)	(48,718)	Dwelling Rents	(47,412)	(47,412)
(187)	(187)	Non Dwelling Rents	(175)	(175)
(2,911)	(2,911)	Tenants Charges for Services and Facilities (Note 1)	(2,770)	(2,770)
(335)	(335)	Contribution Towards Expenditure	0	0
(2,187)	(2,187)	Leaseholders' Charge for Serviced and Facilities	(2,309)	(2,309)
(492)	(492)	Other Income	(2,098)	(2,098)
(54,830)	(54,830)	Total Income	(54,764)	(54,764)
		Expenditure		
10,303	10,303	Repairs and Maintenance	9,773	9,773
10,495	10,495	Supervision and Management	11,427	11,427
4,876	4,876	Special Services	3,791	3,791
963	963	Rent and Rates and Others Charges	949	949
10,160	10,160	Depreciation of Fixed Assets	9,863	9,863
31	31	Bad or Doubtful Debts	670	670
11	11	Debt Management Expenses	9	9
0	22,481	Revaluation losses	0	24,911
36,839	59,320	Total Expenditure	36,482	61,393
		Cost of Services included in the Council's Income and Expenditure Account		
(17,991)	4,490		(18,282)	6,629
		HRA share of the operating income and expenditure included in the Council's income and expenditure		
1,344	1,344	Payment to capital receipts pool	1,322	1,322
(3,107)	(3,107)	(Gain) or Loss on Sale of HRA fixed Assets	(6,579)	(6,579)
6,126	6,126	Interest payable and similar charges	6,019	6,019
38	38	Amortised Payment and Discount	49	49
(67)	(67)	HRA Investment Income/Mortgage Interest	(44)	(44)
(13,657)	8,824	Surplus/or Deficit for the Year on HRA Services	(17,514)	7,396

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

2015/16 £'000		2016/17 £'000
(4,483)	Housing Revenue Account brought forward	(6,193)
8,824	Surplus/or Deficit on the provision of services	7,397
8,824	Total comprehensive income and expenditure	7,397
(10,534)	Adjustment between accounting basis and funding basis under regulations	(5,950)
(1,710)	Net (increase)/decrease before transfers to earmarked reserves	1,447
(6,193)	Balance as at 31 March carried forward	(4,746)

HRA adjustments between accounting basis and funding basis under regulations

2015/16 £'000		2016/17 £'000
3,107	Gain/loss on sale of HRA non -current assets	6,579
2,128	Capital expenditure funded by HRA	2,045
708	Amortised payment and discount	728
(22,481)	Exceptional items-downward revaluation of assets	(24,911)
(1,344)	Payments to the capital receipts pool	(1,322)
(165)	Pooled capital receipts-contribution to administration costs	(165)
0	Pension interest cost and expected return on pension costs	6
17,674	Transfers to/from Major Repairs Reserve	20,952
(10,160)	Transfers to/from Capital Adjustment Account	(9,863)
(10,533)	Total adjustments between accounting basis and funding basis under regulations	(5,951)

Notes to the Housing Revenue Account

Note 1 – Housing Stock

The Council's stock of dwellings reduced during the year from 8,314 to 8,256, a net reduction of 58 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-16		31-Mar-17	
261	Leasehold	270	
8,053	Freehold	7,986	
8,314	Total	8,256	

Note 2 – Rent Arrears

The level of rent arrears at 31 March 2017 was £3.713m. Movement on the arrears and related provisions are shown below.

31-Mar-16		31-Mar-17	
£'000		£'000	
3,575	Arrears from tenants	3,713	
4,252	Arrears from Right to Buy Leaseholders	5,008	
(6,675)	Provision	(7,345)	
1,152	Total Arrears	1,377	

Note 3 – Non-current Assets

	Council Dwellings £'000	Non- Operational £'000	Total £'000
Gross Book Value at 1 April 2016	635,692	7,021	642,713
Revaluation in 2016/17	(24,911)	2,653	(22,258)
Expenditure during the Year	54,013	0	54,013
Disposals	(4,158)	0	(4,158)
Gross Book Value at 31 March 2017	660,636	9,674	670,310
Write out of Accumulated Depreciation	298	0	298
(Depreciation)/adjustment for current year	(9,863)	(87)	(9,950)
Net Book Value at 31 March 2017	651,071	9,587	660,658

Note 4 – Vacant Possession Value of HRA Dwellings

The vacant possession value of dwellings within the HRA at 31 March 2017 was £2.483billion. 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

2015/16		2016/17	
£'000		£'000	
9,212	Houses	10,260	
9,212	Total	10,260	

Note 6 – Net Interest Charged to the HRA

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

2015/16		2016/17	
£000's		£000's	
6,126	Interest on HRA mid-year Capital Financing Requirement	6,019	
6,126		6,019	

Note 7 – Brent Housing Partnership

In October 2002, the Council formed Brent Housing Partnership Limited, an arm's 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. Following the review of the housing management functions, Cabinet took a decision to end the management agreement with Brent Housing Partnership, and bring housing management services back under direct control of the Council half-way through 2017/18.

Note 8 – Revaluation of HRA Dwellings in 2016/17

HRA dwellings are valued at Existing Use Value – Social Housing. 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. 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 should the total income fall, either due to businesses closing, or due to successful appeals being made against rateable valuations, and bills dropping as a result. As at 31 March 2017 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 2016/17, 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 2016/17 had the previous system remained unchanged. This income is credited to the General Fund rather than the Collection Fund.

For Council Tax, 95.74% of the debit relating to the 2016/17 financial year had been collected by March 31 2017. This is fractionally down from the 95.87% achieved in 2015/16. For Non Domestic Rates the in-year collection rate increased from 98.32% to 98.74%.

Collection Fund Account for the Year ended 31 March 2016

2015/16 £'000		Notes	2016/17 £'000
	Income		
(120,782)	Income from Council Tax payers	1	(126,049)
(113,548)	Income from Non Domestic Rates	2	(123,761)
(3,017)	NNDR Crossrail Levy (to GLA)		(3,310)
(237,347)	Total Income		(253,120)
	Expenditure		
	Council Tax:-		
	Payment to GLA		
24,426	- precept	3	24,634
1,101	- share of surplus		697
	Payment to Brent		
87,679	- precept	3	98,290
3,899	- share of surplus		2,503
1,830	Provisions for uncollectable amounts		(1,139)
12	less (write back)/add write off		3
	Non-Domestic Rates:-		
114,490	- Payment to National Pool / Preceptors	3	122,212
420	- Cost of Collection Allowance		416
3,017	NNDR Crossrail Levy (to GLA)		3,310
236,874	Total Expenditure		250,926
	Council Tax		
(1,787)	Surplus in year		(1,061)
(9,923)	Surplus brought forward		(11,710)
(11,710)	Surplus carry forward		(12,771)
	Non Domestic Rates		
292	Surplus in year		(1,133)
5,374	Deficit brought forward		5,666
5,666	Deficit carry forward		4,533

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 89,255 for 2016/17. This basic amount of Council Tax for a Band D property £1,377.24 for 2016/17 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	1,339	
Band B	0.78	5,921	
Band C	0.89	21,935	
Band D	1.00	26,319	
Band E	1.22	22,408	
Band F	1.44	8,077	
Band G	1.67	5,098	
Band H	2.00	446	
		91,543	x 97.5% Collection Rate = 89,255

The final income of £126.046m for 2016/17 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 49.7p in the £ for 2016/17 (48.4p 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:

2015/16		2016/17	
£'000		£'000	
134,666	Gross Debit	141,230	
(8,218)	Charitable Relief	(7,980)	
(856)	Provision for Uncollectable Amount	(969)	
(4,693)	Provision for Rate Appeal Reductions (movement)	(3,024)	
(1,720)	Other Adjustments	(2,230)	
(3,104)	Empty/Void Relief	(2,576)	
(2,527)	Retail Relief	(274)	
113,548	Net NNDR Income	124,177	
(420)	Cost of Collection Allowance Payable to the General Fund	(416)	
113,128	Amount Payable to NNDR Pool/Preceptors	123,761	

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

2015/16 £'000	Council Tax	2016/17 £000
87,679	London Borough of Brent	98,290
24,426	Greater London Authority	24,634
112,105		122,924

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

2015/16 £'000	NNDR	2016/17 £000
57,245	Central Government	58,645
34,023	London Borough of Brent	35,187
22,898	Greater London Authority	23,458
114,166		117,289

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-16 £000		31-Mar-17 £'000
(2,503)	London Borough of Brent	(2,253)
(697)	Greater London Authority	(543)
(3,200)	Deficit / (Surplus)	(2,796)

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

2015/16 £'000		2016/17 £'000
3,425	Other entities and individuals	7,396
1,869	Central Government	2,685
1,484	Other local authorities	2,524
6,778		12,605

Creditors

2015/16		2016/17	
£'000		£'000	
(7,074)	Other entities and individuals	(9,811)	
(6,892)	Central Government	(10,408)	
(3,625)	Other local authorities	(5,057)	
(17,591)		(25,276)	

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 arm's 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 and 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.

On 24th April 2017, Cabinet decided that the provision of housing services should no longer be exercised by BHP and that it should be brought back in-house to the Council. As a consequence, the management agreement will terminate with effect from 2 October 2017. The future of BHP Limited as a subsidiary company of the council will be decided upon during 2017/18.

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 Statements

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 2015	(12,692)	(21,604)	(125,993)	(10,250)	(1,824)	(52,919)	(21,892)	(77,941)	(325,115)	(131,637)	(456,752)
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	(3,497)	(24,020)	0	100	0	(7,514)	0	0	0	0
Increase/(decrease) in 2015/16	(88)	(3,497)	(24,020)	(3,466)	100	11,915	10,442	(896)	(9,510)	(77,396)	(86,906)
Balance as at 31 March 2016	(12,780)	(25,101)	(150,012)	(13,716)	(1,725)	(41,004)	(11,451)	(78,837)	(334,626)	(209,033)	(543,659)
Movement in reserves during 2016/17											
Surplus or (deficit) on the provision of services	13,155	0	0	6,717	0	0	0	0	19,872	0	19,872
Other comprehensive income & expenditure	0	0	0	0	0	0	0	0	0	95,046	95,046
Total comprehensive income & expenditure	13,155	0	0	6,717	0	0	0	0	19,872	95,046	114,918
<u>Adjustments between accounting basis & funding basis under regulations</u>	(29,134)	0	0	(17,040)	0	6,483	22,541	(10,145)	(27,295)	27,295	0
Net increase/decrease before transfers to earmarked reserves	(15,979)	0	0	(10,323)	0	6,483	22,541	(10,145)	(7,423)	122,341	114,918
<u>Transfers to/from earmarked reserves</u>	16,049	4,982	(21,032)	11,090	0	0	(11,090)	0	(1)	0	(1)
Increase/(decrease) in 2016/17	70	4,982	(21,032)	767	0	6,483	11,451	(10,145)	(7,424)	122,341	114,917
Balance as at 31 March 2017	(12,710)	(20,119)	(171,044)	(12,949)	(1,725)	(34,521)	0	(88,982)	(342,050)	(86,692)	(428,742)

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE
ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017**

2015/16				2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
251,993	(239,562)	12,431		(DSG) CHILDREN AND YOUNG PEOPLE	244,151	(239,856)
69,698	(23,896)	45,802	(GF) CHILDREN AND YOUNG PEOPLE	69,796	(21,911)	47,885
195,115	(60,872)	134,243	(GF) COMMUNITY WELLBEING	220,875	(61,489)	159,386
109,634	(109,278)	356	(HRA) COMMUNITY WELLBEING	123,523	(119,877)	3,646
396,827	(414,115)	(17,288)	CENTRAL ITEMS	362,096	(393,225)	(31,129)
6,695	(749)	5,946	PERFORMANCE POLICY & PARTNERSHIPS	15,299	(1,016)	14,283
69,669	(35,552)	34,117	REGENERATION & ENVIRONMENT	70,167	(36,996)	33,171
47,366	(16,312)	31,054	RESOURCES DEPARTMENT	49,291	(15,985)	33,306
1,146,997	(900,336)	246,661	Cost of Services	1,155,198	(890,355)	264,843
		39,428	Other operating expenditure			2,728
		44,158	Financing and investment income and expenditure			42,582
		(291,119)	Taxation and non-specific grant income			(290,282)
		39,128	(Surplus) or Deficit on Provision of Services			19,871
		(16,773)	Surplus or deficit on revaluation of Property, Plant and Equipment assets			(79,776)
		(109,261)	Actuarial gains/losses on pension assets and liabilities			174,822
		(126,034)	Other Comprehensive Income and Expenditure			95,046
		(86,906)	Total Comprehensive Income and Expenditure			114,917

Group Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax [and rent] payers how the funding available to the authority (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the council's directorates [services or departments]. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16			2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	£'000	£'000	£'000
(12,355)	(24,786)	12,431	(3,151)	(7,446)	4,295
42,513	(3,290)	45,803	43,124	(4,761)	47,885
129,650	(4,592)	134,242	129,107	(30,279)	159,386
(32,285)	(32,641)	356	(31,122)	(34,768)	3,646
(40,310)	(23,022)	(17,288)	(39,724)	(8,596)	(31,128)
9,422	3,476	5,946	10,322	(3,961)	14,283
28,375	(8,527)	36,902	28,408	(4,763)	33,171
30,954	(100)	31,054	34,805	1,499	33,306
155,964	(93,482)	249,446	171,769	(93,075)	264,844
(152,410)			(172,598)		
3,554	(93,482)	249,446	(829)	(93,075)	264,844
16,718			26,496		
3,554			(828)		
20,272			25,668		

Group Balance Sheet

31 March 2016 £'000		31 March 2017 £'000
1,506,059	Property, Plant & Equipment	1,558,267
498	Heritage Assets	498
11,232	Investment Property	12,299
1,542	Intangible Assets	1,777
100	Long Term Investments	100
15,792	Long Term Debtors	20,266
1,535,223	Long Term Assets	1,593,207
141,077	Short Term Investments	151,612
4,519	Assets Held for Sale	5,613
130	Inventories	8
78,550	Short Term Debtors	80,958
35,470	Cash and Cash Equivalents	28,604
259,746	Current Assets	266,795
(8,573)	Short Term Borrowing	(8,572)
(105,608)	Short Term Creditors	(104,127)
(5,828)	Provisions	(6,546)
	Deferred income	0
(120,009)	Current Liabilities	(119,245)
(31,496)	Long Term Creditors	(28,724)
(10,700)	Provisions	(15,463)
(414,975)	Long Term Borrowing	(410,634)
(674,131)	Other Long Term Liabilities	(857,193)
(1,131,302)	Long Term Liabilities	(1,312,014)
543,658	Net Assets	428,743
334,625	Usable Reserves	(342,051)
209,033	Unusable Reserves	(86,692)
543,658	Total Reserves	(428,743)

Group Cash Flow Statement

2015/16 £'000		2016/17 £'000
(159,119)	Net surplus or (deficit) on the provision of services	19,871
160,831	Adjustments for non-cash movements	(22,763)
50,336	Adjustments for investing and financing activities	57,932
52,049	Net cash inflows/(outflow) from Operating Activities	55,040
(44,183)	Net cash inflows/(outflow) from Investing activities	(54,756)
(8,909)	Net cash inflows/(outflow) from Financing activities	(7,149)
(1,043)	Net increase or (decrease) in cash and cash equivalents	(6,865)
36,512	Cash and cash equivalents at the beginning of the reporting period	35,470
35,470	Cash and cash equivalents at the end of the reporting period	28,605

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.

2016/17

	Brent	BHP	Barham Park	LGA	Adjustments	Group
	£'000	£'000	£'000	£'000	£'000	£'000
Financing and investment income	(40,433)	(2,149)	(9)	9	0	(42,582)
Local Authority housing (HRA)	6,629	(2,983)	0	0	0	3,646
Property plant and equipment	1,509,313	48,844	40	0	0	1,558,267
Investment properties	1,409	10,890	0	0	0	12,299
Long term debtors	58,725	0	0	0	(38,459)	20,266
Inventories	1	7	0	0	0	8
Short term debtors	90,070	4,893	423	0	(14,428)	80,958
Cash and cash equivalents in hand	19,018	9,116	0	470	0	28,604
Short term creditors	(106,756)	(11,321)	0	(470)	14,420	(104,127)
Long term creditors	(28,724)	(38,459)	0	0	38,459	(28,724)
Usable reserves	(333,391)	(8,198)	(463)	0	0	(342,051)
Unusable reserves	(89,386)	2,714	0	0	0	(86,672)
Cash flow from investing activities	(54,752)	(3)	0	0	0	(54,755)

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	0	(44,158)
Local Authority housing (HRA)	4,491	(4,134)	0	0	0	356
Property plant and equipment	1,458,874	47,185	0	0	0	1,506,059
Investment properties	822	10,410	0	0	0	11,232
Long term debtors	54,958	0	0	0	(39,166)	15,792
Inventories	55	76	0	0	0	130
Short term debtors	80,806	12,036	457	0	(14,750)	78,550
Cash and cash equivalents in hand	32,156	2,148	0	1,165	0	35,470
Short term creditors	(107,009)	(12,183)	0	(1,165)	14,750	(105,608)
Long term creditors	(31,507)	(39,154)	0	0	39,166	(31,496)
Usable reserves	(326,646)	(7,522)	(457)	0	0	(334,625)
Unusable reserves	(212,061)	3,028	0	0	0	(209,033)
Cash flow from investing activities	(44,460)	277	0	0	0	(44,183)

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

We have audited the financial statements of the London Borough of Brent for the year ended 31 March 2017 on pages 9 to 63 and pages 68 to 116. 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 2016/17.

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 Statement of Accounts, 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 the 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 2017 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 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017 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 2016/17.

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' (CIPFA/SOLACE 2016 Edition)
- 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 the London Borough of Brent's arrangements for securing economy, efficiency and effectiveness in its 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 2016, as to whether the 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 the 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 2017.

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, the 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 2016, we are satisfied that, in all significant respects, the 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 2017.

Delay in certification of completion of the audit

Due to matters brought to our attention by a local authority elector

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 authority electors relating to 2015/16. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Andrew Sayers

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

29 September 2017

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 2017.

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.

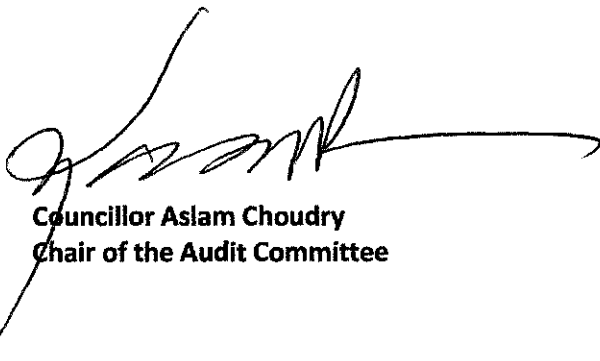
Certificate of the Chief Finance Officer

I certify that the accounts set out on pages 9 to 87 give a true and fair view of the financial position of the London Borough of Brent as at 31 March 2017 and its income and expenditure for the year then ended, and that the accounts set out on pages 88 to 116 give a true and fair view of the net assets of the London Borough of Brent Pension Fund as at 31 March 2017 and its income and expenditure for the year then ended.

Conrad Hall

Conrad Hall
Chief Finance Officer

25 September 2017



Councillor Aslam Choudry
Chair of the Audit Committee

25 September 2017

Statement of Accounting Policies

1. Code of Practice

The general policies adopted in preparing these accounts are in accordance with the 2016-17 Code of Practice on Local Authority 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.

1.2 Rounding

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

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 'Operating 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 Brent's share of the net cash collected from NNDR taxpayers is included in the operating activities section of 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 third 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 and North West London NHS Foundation Trust. The Council's joint operations with Brent CCG relate to the Better Care Fund and the Brent Integrated Community Equipment Service. The Council's joint

operation with the Central North West London Mental Health Trust relate to 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 £2m 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 and 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. Losses for non-revalued assets will be recognised 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 Council.

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 2016/17 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:

- o Vehicles and equipment – 5 to 15 years;*
- o Capital repairs to roads and buildings – 15 to 25 years;*
- o Purchase of buildings – 30 to 40 years;*
- o New construction – 40 to 60 years;*
- o Purchase of land – 50 to 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 £100m. 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 Arm's 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

1. 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 30 - 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 18 – 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 the notes.
- . 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 notes 8 and 24.
- . 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

2. 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.

3. 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 2016/17 (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.

There are no such standards in the 2017/18 Code which are likely to have a material effect on the accounts.

4. Events after the reporting period

In the financial year to March 31 2017, the Council acquired a number of residential properties on behalf of its wholly owned subsidiary I4B. Though specifically purchased on behalf of the subsidiary, as of 31 March these properties were accounted for on the Council's balance sheet as Assets held for Sale and will be transferred to I4B during 2017/18.

5. 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.
- **Capital Financing** - These are monies identified to smooth the impact of capital financing costs following the completion of the Civic Centre.
- **Revenue Contribution to Capital** - Monies to reduce the costs of the Authority's minimum revenue contribution in future years.
- **Pension Liability** - Monies to mitigate the impact of low interest rates on the measurement of pension fund liabilities at future actuarial valuation
- **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.
- **Transformation** - Reserve is to provide monies for financial, HR and IT transformation as well as for Spend to Save initiatives.
- **Service Pressures** - A centrally held fund created to meet service pressures
- **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.
- **Council Tax, Business Rates & Local Welfare** - Various reserves relating to the costs of the Council's local taxation and benefits operation
- **Redundancy & Restructuring** - Monies set aside to meet the future costs of restructuring.
- **Welfare Reform** - Monies identified centrally to help with the impact of the welfare reforms

- **Other Central** – Various reserves held centrally less than £1m.
- **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.
- **Employment Initiatives** - Monies set aside for employment schemes and initiatives.
- **Insurance** – Monies to meet the unknown insurance liabilities including the historic costs arising from MMI
- **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.
- **Public Health** – Monies set aside to meet public health obligations.
- **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.
- **HMO Licensing** – Monies set aside to cover the costs of applying for licences to rent out properties As "Houses in Multiple Occupation".
- **Investment Reserve** – A new investment reserve was created in 2015/16 to fund property acquisitions and spend to save projects.
- **Housing Revenue Account** - Monies earmarked to spend on various Housing Revenue Account projects.
- **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.

6. Movement in Reserves Detail

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	(35,088)	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

	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	40,884	0	0	0	0	0	0	0	0	0	0	40,884
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	(1,801)	11,914	10,442	(896)	34,971	(89,036)	(1,318)	(345)	(15,387)	(1,323)	0	(52,779)
Opening Balance	(16,718)	(52,920)	(21,893)	(77,940)	(682,826)	725,020	17,049	3,862	(193,761)	(7,715)	(1,250)	(309,092)
Closing Balance	(18,519)	(41,006)	(11,451)	(78,836)	(647,855)	635,984	15,731	3,517	(209,148)	(9,038)	(1,250)	(361,871)

Useable Reserves

Unusable Reserves

2016/17

	Useable Reserves					Unusable Reserves							Total £'000
	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Revaluation Reserve £'000	Collection Fund Adjustment Account £'000	Deferred Capital Receipts Reserve £'000	
	Depreciation and impairment of non-current assets and amortisation of intangible assets	(25,067)	(9,863)	0	0	0	30,938	0	0	0	3,992	0	
Revaluation losses on Property Plant and Equipment	(30,141)	(24,946)	0	0	0	55,087	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(10,795)	0	0	0	0	10,795	0	0	0	0	0	0	0
Movements in the market value of Investment Properties	0	35	0	0	0	(35)	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	(21,860)	(3,859)	0	0	0	22,812	0	0	0	2,907	0	0	0
Statutory provision for the financing of capital investment	5,577	0	0	0	0	(5,577)	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	12,817	2,045	0	0	0	(14,862)	0	0	0	0	0	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	32,853	0	0	0	(32,853)	0	0	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	22,709	(22,709)	0	0	0	0	0	0	0

2016/17

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Revaluation Reserve £'000	Collection Fund Adjustment Account £'000	Deferred Capital Receipts Reserve £'000	Total £'000
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16,882	10,273	(27,155)	0	0	0	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	32,151	0	0	(32,151)	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(165)	0	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	0	(1,322)	1,322	0	0	0	0	0	0	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0	0	0	0	0	0	0	0
Reversal of Major Repairs Allowance credited to the HRA	0	9,863	0	(9,863)	0	0	0	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	32,404	0	(32,404)	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	610	728	0	0	0	0	0	(1,338)	0	0	0	0	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(43,373)	(18)	0	0	0	0	43,391	0	0	0	0	0	0

2016/17

	General Fund Balance £'000	HRA Balance £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Adjustment Account £'000	Pensions Reserve £'000	Financial Instruments Adjustment Account £'000	Accumulated Absences Account £'000	Revaluation Reserve £'000	Collection Fund Adjustment Account £'000	Deferred Capital Receipts Reserve £'000	Total £'000
Employer's pensions contributions and direct payments to pensioners payable in the year	33,711	27	0	0	0	0	(33,738)	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	(1,613)	(3)	0	0	0	0	0	0	1,616	0	0	0	0
Amount by which council tax and NNDR income credited to the CIES is different from statutory charge	1,429	0	0	0	0	0	0	0	0	0	(1,429)	0	0
Revaluation reserve written off to the capital adjustment account	0	0	0	0	0	0	0	0	0	0	0	0	0
Surplus or (deficit) on the provision of services	13,154	7,397	0	0	0	0	0	0	0	0	0	0	20,551
Actuarial gains or losses on pensions assets and liabilities	0	0	0	0	0	0	172,903	0	0	0	0	0	172,903
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	0	(77,525)	0	0	(77,525)
Transfers to earmarked reserves	16,051	11,089	0	(11,089)	0	0	0	0	0	0	0	0	16,051
Total Adjustments	70	1,446	6,483	11,452	(10,144)	11,894	182,556	(1,338)	1,616	(70,626)	(1,429)	0	131,980
Opening Balance	(12,323)	(6,199)	(41,006)	(11,451)	(78,836)	(647,855)	635,984	15,731	3,517	(209,148)	(9,038)	(1,250)	(361,871)
Closing Balance	(12,253)	(4,750)	(34,523)	1	(88,980)	(635,961)	818,540	14,393	5,133	(279,774)	(10,467)	(1,250)	(229,891)

7. Nature of Income and Expenditure – Comprehensive Income and Expenditure Analysis

2015/16 £'000		2016/17 £'000
	Gross Expenditure	
58,443	Depreciation and impairment Losses	89,936
258,506	Employee Expenses	255,072
53,237	Premises Related Expenditure	38,489
161,343	Supplies and Services	133,691
35,229	Support Services	29,422
132,270	Third Party Payments	169,648
376,778	Transfer Payments	355,432
19,218	Transport Related Expenditure	20,670
<u>1,095,024</u>	Gross Expenditure Total	<u>1,092,360</u>
	Gross Income	
(182,650)	Customer and Client Receipts	(198,085)
(634,965)	Government Grants	(604,289)
(26,614)	Other Grants, Reimbursements & Contributions	(22,162)
<u>(844,229)</u>	Gross Income Total	<u>(824,536)</u>
<u>250,795</u>	Cost of Services	<u>267,824</u>
39,428	Other Operating Expenditure	2,728
41,975	Financing and Investment Income and Expenditure	40,433
(291,314)	Taxation and Non-Specific Grant Income	(290,433)
<u>40,884</u>	(Surplus) / Deficit on Provision of Services	<u>20,552</u>

Pension Fund Accounts as at 31 March 2017

Brent Pension Fund Account		2015/16	2016/17
	Notes	£'000	£'000
Dealings with members, employers and others directly involved in the fund			
Contributions	7	(46,387)	(48,596)
Transfers in from other pension funds	8	(2,455)	(2,359)
		(48,842)	(50,955)
Benefits	9	37,918	40,154
Payments to and on account of leavers	10	4,221	4,451
Administration and Management expenses	11	7,664	3,823
		49,803	48,429
Net (additions)/withdrawals from dealings with members		961	(2,526)
Returns on investments			
Investment income	12	(2,728)	(4,926)
Taxes on income	13	686	761
(Profits) and losses on disposal of investments and changes in the market value of investments	15a	(17,806)	(120,997)
Net return on investments		(19,848)	(125,162)
Net (increase)/decrease in the net assets available for benefits during the year		(18,887)	(127,688)
Net Assets Statement			
		31 March 2016	31 March 2017
	Notes	£'000	£'000
Investment assets	15	674,235	802,636
		674,235	802,636
Current assets	20	1,933	2,534
Non-current assets	21	0	0
Current liabilities	22	(231)	(1,545)
Net assets of the fund available to fund benefits at the period end		675,937	803,625

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 2016/17 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 40 employer organisations with active members within the Brent Pension Fund at 31 March 2017, listed below:

Scheduled bodies defined in the LGPS regulations whose employers must be offered membership of their local LGPS fund. These include Council's, colleges, universities, academies, police and fire authorities.

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
Furness Primary School
Gladstone Park School
Islamia Primary School
Kingsbury High School
Manor School
Michaela Community School
North West London Jewish day School
Oakington Manor 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: Other employers are able to participate in the fund visa admission agreement these employers are generally those of 'community interest' will include charities and contractors.

Admitted bodies

Apleona HSG Limited (previously Bilfinger originally Europa Facility (Services Limited)
Barnardos
Capita Business Services Limited
Civica
Conway Aecom
Local Employment Access Project (LEAP)
National Autistic Society
Sanctuary Housing
Sudbury Neighbourhood Centre
Thames Reach
Veolia
Taylor Shaw
Wetton Cleaning Services
Xerox (UK) Limited

Brent Pension Fund	31 March 2016	31 March 2017
Number of employers with active members	37	40
Number of employees in scheme		
Brent Council	4,236	4,454
Other employers	1,904	2,130
Total	6,140	6,584
Number of pensioners		
Brent Council	5,414	5,524
Other employers	827	867
Total	6,241	6,391
Deferred pensioners		
Brent Council	6,603	6,646
Other employers	1,202	1,260
Total	7,805	7,906

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 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. During 2016/17, the most commonly applied employer contribution rate within the Brent Pension Fund was 30.0% 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.

From April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate 1/49th. Accrued pension is updated annually in line with the Consumer Price index.

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.mylgpcpension.co.uk/>

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* 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 2017 was £130m (£129m at 31 March 2016).

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 19. 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 2017 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
Actuarial present value of promised retirement benefits	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.	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.

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 College of North West London will be leaving the Brent Pension Fund in August 2017. As this took place after the 31 March 2017, 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

	2015/16 £'000	2016/17 £'000
Employees' contributions	8,317	8,308
Employers' contributions:		
Normal contributions	35,047	37,234
Deficit recovery contributions	1,662	1,662
Augmentation contributions	1,252	1,392
Total employers' contributions	37,961	40,288
Total	46,278	48,596

By authority

	2015/16 £'000	2016/17 £'000
Administering Authority	35,540	36,257
Scheduled bodies	8,924	9,896
Admitted bodies	1,814	2,444
Total	46,278	48,596

8. Transfers in/ from other pension funds

	2015/16 £'000	2016/17 £'000
Individual transfers	2,455	2,359
Total	2,455	2,359

9. Benefits payable

By category

	2015/16 £'000	2016/17 £'000
Pensions	32,037	32,954
Commutation and lump sum retirement benefits	5,293	6,975
Lump sum death benefits	589	226
Total	37,919	40,154

By authority

	2015/16 £'000	2016/17 £'000
Scheduled bodies	36,365	38,674
Admitted bodies	1,554	1,480
Total	37,919	40,154

10. Payments to and on account of leavers

	2015/16 £'000	2016/17 £'000
Payments to and on account of leavers	4,221	4,451
Total	4,221	4,451

11. Management Expenses

	2015/16 £'000	2016/17 £'000
Administration costs	643	678
Investment management expenses	6,903	2,982
Oversight and Governance costs	118	163
Total	7,664	3,823

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees remain at £21k (21k 2016/17)

a) Investment management expenses

	2015/16 £'000	2016/17 £'000
Management Fees	6,658	2,801
Transaction Costs	180	134
Custody Fees	64	47
Total	6,902	2,982

The fund has invested more in passive equities, the London CIV renegotiated the fees for the Equity mandates saving of £0.4m and held £70m in cash.

12. Investment income

	2015/16 £'000	2016/17 £'000
Dividend income private equities/infrastructure	300	1,183
Pooled property investments	2,069	3,382
Income from private equities/infrastructure	297	251
Interest on cash deposits	62	(110)
Total	2,728	4,706

13. Taxes on income

	2015/16 £'000	2016/17 £'000
Withholding tax - equities	686	761
Total	686	761

14. Investments

a) Investments 16/17

	Market value 1 April 2016	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2017
	£'000	£'000	£'000	£'000	£'000
Pooled investments	469,432	50,000	703	101,542	620,271
Pooled property investments	39,269	0	33,539	(2,138)	3,592
Private equity/infrastructure	129,350	9,539	31,201	21,813	130,314
Net investment assets	638,051	59,539	65,443	121,217	754,177
Other Investment balances:					
Cash Deposit	36,184				47,495
Investment Income due	0				964
	674,235				802,636

Investments 15/16

	Market value 1 April 2015	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2016
	£'000	£'000	£'000	£'000	£'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
Other Investment balances:					
Cash Deposit	17,080				36,184
Investment Income due	0				0
	656,567				674,235

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 2016 £'000	31 March 2017 £'000
Fixed interest securities	0	0
Equities	0	0
Pooled funds – additional analysis		
UK		
Fixed income unit trust	86,592	91,282
Unit trusts	113,700	136,100
Diversified growth funds	68,793	125,280
Overseas		
Unit trusts	200,347	267,609
	469,432	620,271
Pooled property investments	39,269	3,592
Private equity/infrastructure	129,350	130,314
	168,619	133,906
	638,051	754,177

b) Investments analysed by fund manager

Market value

31 March 2016			31 March 2017	
£'000	%		£'000	%
287,596	45.1	Legal & General	374,398	49.6
150	0	London CIV	150	0.0
112,893	17.7	Henderson	120,443	16.0
96,199	15.1	Capital Dynamics	91,674	12.2
645	0.1	Yorkshire Fund Managers	583	0.1
68,793	10.8	LCIV - Baillie Gifford	75,902	10.1
0	0.0	LCIV - Ruffer	49,378	6.5
39,269	6.2	Aviva	3,592	0.5
32,506	5.1	Alinda	38,057	5.0
638,051	100.0		754,177	100.0

All the above companies are registered in the United Kingdom.

c) **Stock lending**

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

15. Analysis of Derivatives

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 2016			31 March 2017		
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					
469,432			Pooled investments	620,271	
39,269			Pooled property investments	3,592	
129,350			Private equity/infrastructure	130,314	
	36,184		Cash		47,495
	1,933		Debtors		964
638,051	38,117	0	754,177	48,459	0
Financial Liabilities					
		(231)	Creditors		(1,545)
638,051	38,117	(231)	Totals	754,177	(1,545)

16. Net gains and losses on financial instruments

31 March 2016		31 March 2017	
	£'000		£'000
		Financial assets	
	17,806	Fair value through profit and loss	120,997
	17,806	Total	120,997

b) 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 2016		31 March 2017	
Carrying value	Fair value	Carrying value	Fair value
£'000	£'000	£'000	£'000
Financial assets			
638,051	638,051	754,177	754,177
38,117	38,117	48,459	48,459
676,168	676,168	802,636	802,636
Financial liabilities			
(231)	(231)	(1,545)	(1,545)
(231)	(231)	(1,545)	(1,545)

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

17. 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.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2017	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets at fair value through profit and loss		623,863	130,314	754,177
Loans and receivables	48,459			48,459
Total financial assets	48,459	623,863	130,314	802,636
Financial liabilities				
Financial liabilities at amortised cost	(1,545)			(1,545)
Total financial liabilities	(1,545)	0	0	(1,545)
Net financial assets	46,914	623,863	130,314	801,091

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2016	Level 1	Level 2	Level 3	Total
	£'000	£'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

18. 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.

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 2016 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	31 March 2016 £'000	31 March 2017 £'000
Cash balances	36,184	47,495
Fixed interest securities	86,592	91,282
Total	122,776	138,777

Asset type	Carrying amount as at 31 March 2017 £'000	Change in year in the net assets available to pay benefits	
		+100 BPS £'000	-100 BPS £'000
Cash balances	47,495	474	(474)
Fixed interest securities	91,282	912	(912)
Total change in assets available	138,777	1,386	(1,386)

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	381	(381)
Fixed interest securities	86,592	865	(865)
Total change in assets available	122,776	1,246	(1,246)

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 2017 and as at the previous period end:

Currency exposure – asset type	Asset value at 31 March 2016 £'000	Asset value at 31 March 2017 £'000
Overseas unit trusts	200,347	267,609
Overseas pooled property investments	3,748	3,592
Overseas private equity/infrastructure	129,350	130,314
Total overseas assets	333,445	401,515

1% 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 2017 £'000	Change to net assets available to pay benefits 1% £'000	-1% £'000
Overseas unit trusts	267,609	270,285	264,933
Overseas pooled property investments	3,592	3,628	3,556
Overseas private equity/infrastructure	130,314	131,617	129,011
Total change in assets available	401,515	405,530	397,500

	Asset value as at 31 March 2016	Change to net assets available to pay benefits	
		+1%	-1%
	£'000	£'000	£'000
Overseas unit trusts	200,347	202,350	198,344
Overseas pooled property investments	3,748	3,785	3,711
Overseas private equity/infrastructure	129,350	130,644	128,057
Total change in assets available	333,445	336,779	330,111

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 2017 was £47.4m (31 March 2016: £36.1m). This was held with the following institutions:

	Rating	Balances as at 31 March 2016 £'000	Balances as at 31 March 2017 £'000
Bank deposit accounts			
NatWest	A-	36,184	4,422
Northern Trust		-	5,373
Money Market deposits		-	37,700
Total		36,184	47,495

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 2017 the value of illiquid assets was £133.9, which represented 18% (31 March 2016: £168.6m, 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 2017 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.

19. 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 2016.

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 19 years from 1 April 2016 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 2016 actuarial valuation, the Fund was assessed as 55% funded (56% at the March 2013 valuation). This corresponded to a deficit of £562m (2013 valuation: £442m) 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
2017/18	32.5%
2018/19	33.8%
2019/20	35.0%

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 2016 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 2016 actuarial valuation were as follows:

Discount rate	3.8% p.a.
Pay increases	2.4% p.a.
Pension increases	2.1% 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	22.3 years	24.5 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.

20. 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 2017 was £1,635m (31 March 2016: £1,307m). 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 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Financial assumptions

Inflation/pensions increase rate	2.4%
Salary increase rate	2.7%
Discount rate	2.5%

Longevity assumption

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

	Males	Females
Current pensioners	22.3 years	24.5 years
Future pensioners*	24.1 years	26.4 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.

21.**a) Current assets**

	31 March 2016	31 March 2017
	£'000	£'000
Debtors:		
- Contributions due – employees	330	383
- Contributions due – employers	1,342	1,809
- Sundry debtors	260	342
- Additional voluntary contributions	1	1
Total	1,933	2,534

Analysis of debtors

	31 March 2016	31 March 2017
	£'000	£'000
Central government bodies	0	0
Other local authorities	1,932	2,534
Other entities and individuals	1	1
Total	1,933	2,534

b) Non current assets

	31 March 2016	31 March 2017
	£'000	£'000
Non- current assets	0	0
Total	0	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 2016 £'000	31 March 2017 £'000
Sundry creditors	231	1,545
Total	231	1,545

Analysis of creditors

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	67	76
Other entities and individuals	164	1,469
Total	231	1,545

23. Additional voluntary contributions

	Market value 31 March 2016 £'000	Market value 31 March 2017 £'000
Clerical Medical	1,221	1,221
Equitable Life	167	167
Prudential	15	128
Total	1,403	1,516

Additional Voluntary Contributions (AVC) of £34k were paid to Clerical Medical during the year. The Pension Fund's former provider, Equitable Life, no longer accepts AVC from Scheme members.

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

24. Agency Services

25. 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 £0.673m (2015/16: £0.652m) 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 £31.4m to the Fund in 2016/17(2015/16: £31.1m). 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 3.9.4.3 of the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (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 2015) 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.

26. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2017.

27. Contingent Assets

Outstanding capital commitments (investments) at 31 March 2017 totalled £41.6m (31 March 2016: £44.9m).

	31 March 2016 £'000	31 March 2017 £'000
Capital Dynamics	23,260	20,773
Alinda Fund I	3,062	3,548
Alinda Fund II	18,579	17,285
Total	44,901	41,606

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.

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 2016 £'000	31 March 2017 £'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 2017.

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	Arm's 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