

# Brent

STATEMENT OF ACCOUNTS  
2018/19

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# Narrative Statement

Despite the challenging fiscal environment for local government Brent's accounts demonstrate another year of strong financial performance and continuing financial control.

## Performance against budgets

As set out in the table below, overall expenditure on services was contained within budget.

Directorate	Full year Budget £m	Expenditure £m	Over / (under) spend £m
(DSG) Children and young people	3.3	3.3	0.0
(GF) Children and young people	41.4	43.1	1.7
(GF) Community wellbeing	127.1	127.3	0.2
Performance policy & partnerships	10.2	10.3	0.1
Regeneration & environment	37.6	33.8	(3.8)
Resources department	38.7	38.5	(0.2)
General fund	258.3	256.3	(2.0)
Housing Revenue Account	2.5	2.3	0.2
<b>Total</b>	<b>260.8</b>	<b>258.6</b>	<b>(2.2)</b>

The overspend in children's services is part of a national pattern. Most councils in England and Wales are reporting similar pressures on demand for care services, and reflect a growing body of evidence that it is unlikely that existing standards can be maintained unless substantial further funding is allocated as part of the Spending Review. Despite the overspend against budget, Brent's actual costs for children's services remain relatively low.

The risk of the overspend in children's services was identified early in the year and compensating underspends delivered elsewhere, principally within the Regeneration and Environment department to ensure that service expenditure was kept within the agreed budget for the year.

## HRA

The Housing Revenue Account (HRA) is a ring-fenced account which manages income and expenditure in relation to 7,751 council dwellings. The 2018/19 outturn was a slight underspend of £0.2m. Taking account of planned use of reserves to finance the transition from BHP this resulted in an HRA operating reserve balance as at the end of March 2019 of £1.4m.

Within the overall outturn for the HRA, supervision and management costs were, superficially, almost £1m greater than last year. However, once two non-recurring expenditure lines are

stripped out (the inclusion of £0.4m accrued for HRA funded redundancies and £0.5m in additional transformation costs) then the like-for-like figure is on a par. Budgetary pressures in year have been mitigated by a combination of debt financing being lower than budgeted and repair costs being below budgeted figures. The reduction in debt financing was due to borrowing being lower than anticipated in regards to meeting the Right to Buy (RTB) spend target. The council has successfully started to utilise RTB receipts in the form of grant funding to Registered Providers within the borough to deliver affordable housing. This allows the council to meet its “1 for 1” replacement target without having to directly deliver housing units itself, which would have to be funded by additional borrowing.

The table below sets out the performance against the capital expenditure budget.

<b>Portfolio/Programme</b>	<b>Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Corporate Landlord	6.5	5.7	0.8
Regeneration	9.8	8.0	1.8
Housing Care Investment	82.3	85.9	(3.6)
Schools	24.3	22.7	1.6
South Kilburn	18.9	10.2	8.7
Public Realm	21.5	18.5	3.0
<b>Total</b>	<b>163.3</b>	<b>151.0</b>	<b>12.3</b>

The performance of the capital programme was substantially improved, with 93% of the agreed expenditure delivered. Had it not been for delays to the South Kilburn programme as the council revised its approach to comply with new requirements for ballots of residents, the performance would have been close to 100% of the agreed budget. Other variances are due to unused programme contingencies and delays in confirming Section 106 allocations in the public realm portfolio.

With respect of the delay to South Kilburn, the council’s administration strongly supports the ballot principle, but has always maintained that it should not have been extended to programmes like South Kilburn that were already well into delivery, and which were consulted on extensively prior to commencement. In practice, the delays caused by the new requirement have delayed the delivery of 120 new affordable homes already and is expected to impact on about 700 new affordable homes in South Kilburn.

#### **Other significant financial results and information**

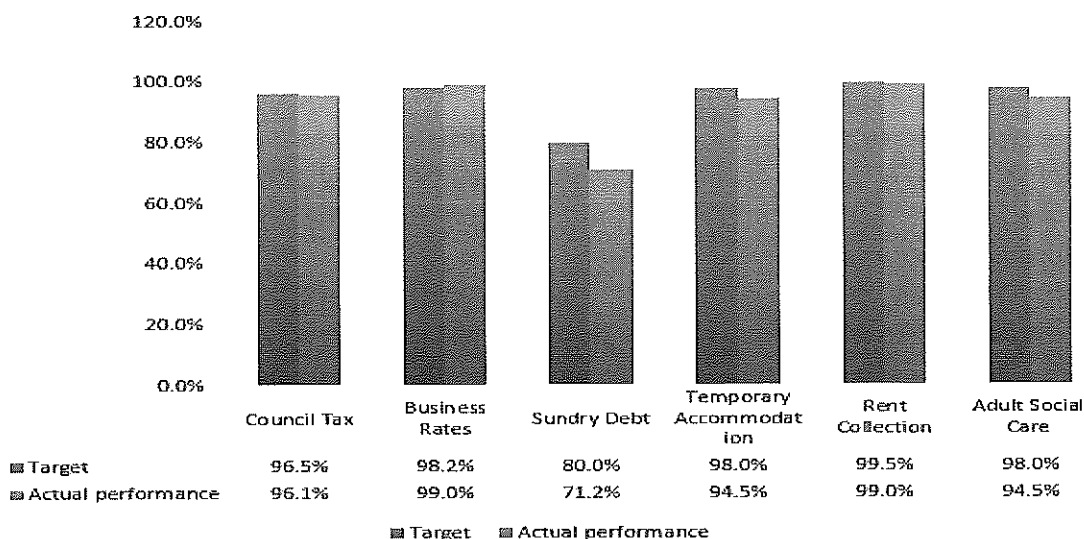
The council also concluded a major voluntary redundancy and restructuring process in order to generate savings for future years and minimise the need for compulsory redundancies. Exit costs therefore rose from £1.8m to £4.9m, but the average cost remained at £21,000. All such exit packages consisted of contractual entitlements only; no enhancements or other bonuses were paid. The number of employees paid over £50,000, as disclosed in note 32, rose from 181 to 243. However, all of this increase is within the £50,000 to £69,999 range, and is principally caused by

the combination of pay awards taking more middle managers' salaries from just under to just over £50,000 and by more roles at this level being filled with permanent rather than agency staff. The pay multiple between the highest and lowest paid employee remained constant at 11:1.

Similarly in schools the number of staff paid over £50,000 has risen, from 302 to 340, but the number paid over £55,000 has fallen, from 219 to 208. There were 2 school conversions to academy status in 2018/19, with these schools retaining their individual reserve balances, which transferred £0.7m from total maintained school reserves to the new academies. A like for like comparison of maintained school reserves for the whole year shows that they increased by £1.0m to £16.8m, which was due to the planned one off allocation of general Dedicated Schools Grant (DSG) reserves over to schools. This has meant that only one of the 59 maintained schools in Brent finished the year with reserves in deficit, but school budgets remain under considerable pressure from funding not keeping pace with rising costs, and from lower pupil numbers in the primary phase, which has resulted in half of schools reporting an in-year deficit for 2018/19. For the wider expenditure financed through the DSG, including the high-needs block, the council has not yet reached the position of DSG reserves being in deficit that a number of other authorities find themselves in. Nonetheless, unless government starts to provide the significant additional funding for this area that the Local Government Association and others have argued for then the council expects to reach a deficit position within the next year, necessitating difficult decisions about levels of service provision and school funding.

The council collected 96.1% of the 2018/19 council tax due during the year, its best performance since 2016/17 which had an in year collection rate of 95.7%. Business rates and housing rents collection remained strong at 99% and 98.6% respectively. However, performance in the collection of sundry debts, at 71%, was significantly below the target rate of 80%. The table below reflects actual performance against targets set for in year collection.

### 2018/19 In-year Debt Collection



Housing Benefit Overpayments debt had an in year target to recover £10.8m of debt and recovered £9.6m equating to 90% of the target with the impact of the implementation of Universal Credit assumed to be a contributing factor impacting on recovery performance.

Across various categories of debts, a total of £19m arrears was also collected in year which has enabled the council to review its overall impairment provisions in line with the budget strategy.

<b>Outstanding debts prior to 2018/19</b>			
<b>Debt Categories</b>	<b>Debts as at 31st Mar 2018 £m</b>	<b>Debts as at 31st Mar 2019 £m</b>	<b>Increase/ (Reduction) £m</b>
Council Tax	44	40	(4)
Housing Benefits overpayments	27	22	(5)
Business Rates	8	6	(2)
Sundry Debt	11	3	(8)

External borrowing was reduced by £28m during the year. This comprised the redemption of the council's £10m inverse floating LOBO loan at favourable terms as some banks sought to exit their positions, and was carried out using short-term surplus cash balances to further reduce costs; £7.3m relates to the premium to redeem the inverse floating LOBO and £10.4m movement of principal from long term borrowing to short term borrowing.

Another existing LOBO loan was converted to an ordinary fixed-rate loan at no cost, reducing the risk of future options being called against the council. The net impact of all these transactions was to reduce the council's weighted average interest rate from 4.86% to 4.78%. On a total borrowing portfolio of £385m this equates to an ongoing annual savings of approximately £0.34m.

Although long-term borrowing was reduced during the year this was opportunistic, taking advantage of market opportunities to make one-off savings and improve the overall borrowing profile. The council continues to plan on the basis that external borrowing will rise significantly over the next few years in order to fund the growing capital programme, and the first tranche of that additional borrowing is likely to be transacted in the first half of 2019/20. The council's financial plans include regular increases to its minimum revenue provision to ensure that this investment remains affordable.

To date the most significant example of the council's approach to borrowing has been the creation of its wholly-owned subsidiary i4B. As at 31 March 2019 the council had in total lent £79m to i4B, enabling it to purchase 214 properties, the majority of which have been in Brent. In doing so, 500 homeless residents have now moved into settled homes, maintaining links with their communities, education and employment. By 2021, the company aims to increase its number of properties to 360. Due to set up costs, including stamp duty on acquisitions, i4B is not intended to make an operating profit in its early years of business, but should break even on a cash basis over 30 years. In 2018/19 the overall loss was £0.1m in the company, including an upward revaluation of the property portfolio of £1.4m, which enabled the council to make savings of around £250,000 on temporary accommodation costs.

The council's other subsidiary company, First Wave Housing (FWH), currently manages a portfolio of 332 properties, on which it returned a surplus of just under £1m in the year. As presently

configured FWH does not undertake development activities, but this may change in the future to take advantage of its status as a registered provider.

## **Pension Fund**

The Pension Fund is a contributory defined benefit 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.

During 2018/19, the value of the Pension Fund's investments has increased to £831m (2017/18 £801m). This is due to the strong performance of the equity markets in comparison to the previous year.

Total contributions received from employers and employees were £52m for the year, similar to the previous year.

Total benefits paid to scheme beneficiaries, in the form of pensions or other benefits, were £46m, an increase on the previous year's £39m. As in 2017/18, the Council is in a positive cash-flow position because its contributions exceed its outgoings to members. This means that the Pension Fund is able to invest some of the contributions from members in order to further increase the assets available to pay future benefits. This is in contrast to some Local Government Pension Scheme funds, who have to use some of their investments each year, reducing the assets on which they can make returns.

The Pension Fund's most recent Triennial Valuation was as at 31 March 2016. This was a detailed appraisal that used economic and demographic assumptions in order to estimate future liabilities. It was agreed in this valuation that the employer contribution rates would increase from 33.8% in 2018/19 to 35% in 2019/20. This is consistent with the Fund's deficit recovery plan to clear its deficit within 16 years of the balance sheet date.

The last 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). Since then, the investments of the pension fund have generated average returns of 8.5% per annum. Whilst this is broadly in line with the fund benchmark, it is significantly above the returns assumed by the fund actuary as part of the last valuation of 3.8% per annum. This suggests that the deficit recovery plan is on track, subject to the assessment of the change in liabilities which will be evaluated by the fund actuary as part of the upcoming valuation.

## **Looking forward**

The council's budget takes account of the planned increases in capital expenditure over the period 2019/20 to 2021/22. In 2018/19 this translates to a corporate underspend on financing charges, which is placed in reserves to cover those costs in future years. The underspend has also enabled the council to increase its general reserve from £12m to £15m, to align more closely with the averages seen across London. Excluding s106 and CIL receipts, which are set aside to finance future capital expenditure, total usable reserves fell from £293m to £262m, principally reflecting the improved delivery of the current capital programme and hence planned use of previous capital receipts. However, within this total figure schools' balances fell from £24m to £19m, reflecting ongoing pressure in the sector and some service specific reserves, such as for transport and parking services, have been extinguished in line with existing plans.

These reductions in reserves reflect planned and one-off expenditure, and the underlying position remains strong.

Like all local authorities the council faces significant financial challenges, needing to meet rising demand for services, especially acute at present in children's services, and the substantial pressures caused by London's housing shortage. Coupled with these are the risks presented by the Spending and Fair Funding reviews, which the council currently assumes will lead to a 35% reduction in the funding from the main government grant over the next four years. Despite these pressures the council, in February 2019 set reasonable and balanced budgets for the years 2019/20 and 2020/21. Whilst further savings will need to be identified for later years the council's record in responding imaginatively to these challenges, coupled with its history of successfully spending within budget and the strength of the council's balance sheet mean that its position remains financially sustainable.



# Core Statements

The Council's accounts are presented in 4 main statements in line with statutory requirements and supported by additional notes.

## Balance Sheet

31-Mar 2018 £m		Notes	31-Mar 2019 £m	
1,606.8	Property; Plant & Equipment	1	1,670.1	Non-current Assets
0.5	Heritage Assets		0.5	
1.8	Intangible Assets		3.6	
13.8	Long Term Investments	25	23.4	
96.2	Long Term Debtors	25	115.6	
<b>1,719.1</b>	<b>Long Term Assets</b>		<b>1,813.2</b>	
105.3	Short Term Investments	25	61.0	Current Assets
108.7	Short Term Debtors	2	107.3	
47.0	Cash and Cash Equivalents	3	53.3	
<b>261.0</b>	<b>Current Assets</b>		<b>221.6</b>	
(29.9)	Short Term Borrowing	25	(14.4)	Liabilities
(120.2)	Short Term Creditors	7	(143.9)	
(2.3)	Provisions	9	(2.6)	
<b>(152.4)</b>	<b>Current Liabilities</b>		<b>(160.9)</b>	
(29.1)	Long Term Creditors	25	(33.2)	
(19.9)	Provisions	9	(19.8)	
(413.6)	Long Term Borrowing	25	(385.8)	
(859.9)	Other Long Term Liabilities	8	(941.8)	
<b>(1,322.5)</b>	<b>Long Term Liabilities</b>		<b>(1,380.6)</b>	
<b>505.2</b>	<b>Net Assets</b>		<b>493.3</b>	
	<b>Reserves</b>			Reserves
(365.0)	Usable Reserves		(368.4)	
(140.2)	Unusable Reserves		(124.9)	
<b>(505.2)</b>	<b>Total Reserves</b>		<b>(493.3)</b>	

The Movement in Reserves Statement

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA Reserves	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance as at 31 March 2018	(12.3)	(23.9)	(202.6)	(3.7)	(1.7)	(38.4)	0.0	(82.5)	(365.0)	(140.2)	(505.2)
Movement in reserves during 2018/19											
(Surplus) or deficit on the provision of services	32.4	0.0	0.0	21.9	0.0	0.0	0.0	0.0	54.3	0.0	53.3
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(42.3)	(42.3)
<b>Total comprehensive income &amp; expenditure</b>	<b>32.4</b>	<b>0.0</b>	<b>0.0</b>	<b>21.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>54.3</b>	<b>(42.3)</b>	<b>12</b>
Adjustments between accounting basis & funding basis under regulations	(61.0)	0.0	0.0	(19.6)	0.0	13.0	0.0	10.1	(57.6)	57.6	0.0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(28.7)</b>	<b>0.0</b>	<b>0.0</b>	<b>2.3</b>	<b>0.0</b>	<b>13.0</b>	<b>0.0</b>	<b>10.1</b>	<b>(3.3)</b>	<b>15.3</b>	<b>12</b>
Transfers (to)/from earmarked reserves	25.9	5.3	(31.2)	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	(0.0)
<b>(Increase)/decrease in 2018/19</b>	<b>(2.8)</b>	<b>5.3</b>	<b>(31.2)</b>	<b>2.3</b>	<b>0.0</b>	<b>13.0</b>	<b>0.0</b>	<b>10.1</b>	<b>(3.3)</b>	<b>15.3</b>	<b>11</b>
Balance as at 31 March 2019	(15.1)	(18.6)	(233.8)	(1.4)	(1.7)	(25.4)	0.0	(72.4)	(368.3)	(124.9)	(493.2)

	General Fund Balance	School Balances	Earmarked General Fund Reserves	HRA Reserves	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance as at 31 March 2017</b>	<b>(12.3)</b>	<b>(26.2)</b>	<b>(164.9)</b>	<b>(4.8)</b>	<b>(1.7)</b>	<b>(34.5)</b>	<b>0.0</b>	<b>(89.0)</b>	<b>(333.4)</b>	<b>(89.4)</b>	<b>(422.8)</b>
<b>Movement in reserves during 2017/18</b>											
(Surplus) or deficit on the provision of services	(70.4)	0.0	0.0	47.7	0.0	0.0	0.0	0.0	(22.7)	0.0	(22.7)
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(59.7)	(59.7)
<b>Total comprehensive income &amp; expenditure</b>	<b>(70.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>47.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(22.7)</b>	<b>(59.7)</b>	<b>(82.4)</b>
Adjustments between accounting basis & funding basis under regulations	35.1	0.0	0.0	(46.6)	0.0	(3.9)	0.0	6.5	(8.9)	8.9	0.0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(35.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>1.1</b>	<b>0.0</b>	<b>(3.9)</b>	<b>0.0</b>	<b>6.5</b>	<b>(31.6)</b>	<b>(50.8)</b>	<b>(82.4)</b>
Transfers (to)/from earmarked reserves	35.3	2.3	(37.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>(Increase)/decrease in 2017/18</b>	<b>(0.0)</b>	<b>2.3</b>	<b>(37.7)</b>	<b>1.1</b>	<b>0.0</b>	<b>(3.9)</b>	<b>0.0</b>	<b>6.5</b>	<b>(31.6)</b>	<b>(50.8)</b>	<b>(82.4)</b>
<b>Balance as at 31 March 2018</b>	<b>(12.3)</b>	<b>(23.9)</b>	<b>(202.6)</b>	<b>(3.7)</b>	<b>(1.7)</b>	<b>(38.4)</b>	<b>0.0</b>	<b>(82.5)</b>	<b>(365.0)</b>	<b>(140.2)</b>	<b>(505.2)</b>

Further detail is included in Note 10 – Transfers to/from Earmarked Reserves, in the HRA statement and notes, and in the Movement in Reserves Detail in the Additional Reconciliation disclosures.

## Comprehensive Income and Expenditure Statement

2017/18			2018/19			Notes
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£m	£m	£m	£m	£m	£m	
217.6	(75.3)	142.3	221.8	(90.1)	131.7	
9.9	(1.0)	8.9	15.7	(1.3)	14.4	
76.7	(40.1)	36.6	83.4	(42.8)	40.6	
64.9	(19.6)	45.3	63.0	(25.0)	38.0	
67.9	(24.1)	43.8	70.5	(23.1)	47.5	
223.4	(221.6)	1.8	235.2	(214.5)	20.7	
90.4	(56.1)	34.3	72.2	(55.1)	17.0	
357	(410.7)	(53.7)	346.2	(371.9)	(25.7)	
<b>1107.8</b>	<b>(848.5)</b>	<b>259.3</b>	<b>1,108.0</b>	<b>(823.8)</b>	<b>284.2</b>	
		(3.6)			63.2	11
		43.6			36.0	12
		(322.0)			(328.7)	13
		<b>(22.7)</b>			<b>54.7</b>	
		(42.2)			(98.9)	
		(17.5)			56.6	32
		<b>(59.7)</b>			<b>(42.3)</b>	
		<b>(82.4)</b>			<b>12.4</b>	

## Cash Flow Statement

2017/18		Notes	2018/19
£m			£m
(22.7)	Net surplus or (deficit) on the provision of services		(54.7)
51.0	Adjustment to surplus or deficit on the provision of services for noncash movements	4	122.1
96.1	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4	71.9
<b>124.4</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>		<b>139.3</b>
(118.8)	Net cash inflows/(outflow) from Investing activities	5	(97.3)
22.4	Net cash inflows/(outflow) from Financing activities	6	(35.7)
<b>28.0</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6.3</b>
19.0	Cash and cash equivalents at the beginning of the reporting period		47.0
<b>47.0</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	3	<b>53.3</b>

# Notes and Disclosures to the Core Statements

## Physical and Intangible Assets

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

Movements in 2018/19	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under Construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

#### Cost or Valuation

<b>At 1 April 2018</b>	<b>664.3</b>	<b>722.2</b>	<b>41.3</b>	<b>258.2</b>	<b>3.9</b>	<b>63.7</b>	<b>1,753.6</b>	<b>112.4</b>
Additions	26.2	25.4	15.3	15.2	0.7	30.6	113.4	3.0
Depreciation written out	-25.4	-7.1	0.0	0.0	0.0	0.0	-32.5	0.3
Revaluation increases (decreases) in the Revaluation Reserve	5.9	93.1	0.0	0.0	-0.1	0.0	98.9	13.4
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	-32.3	-14.5	0.0	0.0	0.0	0.0	-46.8	0.0
Derecognition - Disposals	-1.5	-61.7	-2.5	0.0	0.0	-7.4	-73.1	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements in Cost or Valuations	-27.9	67.0	0.0	0.0	3.7	-42.8	0.0	0.0
<b>At 31 March 2019</b>	<b>609.3</b>	<b>824.4</b>	<b>54.1</b>	<b>273.4</b>	<b>8.2</b>	<b>44.1</b>	<b>1,813.5</b>	<b>128.5</b>

#### Depreciation and Impairments

<b>At 1 April 2018</b>	<b>-26.5</b>	<b>-20.0</b>	<b>-29.2</b>	<b>-71.1</b>	<b>0.0</b>	<b>0.0</b>	<b>-146.8</b>	<b>-11.9</b>
Charge for 2018/19	-7.1	-12.8	-4.5	-6.8	0.0	0.0	-31.2	2.5
Depreciation written out	25.4	7.1	0.0	0.0	0.0	0.0	32.5	0.3
Impairment losses (reversals) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Derecognition - Disposals	0.1	1.0	1.1	0.0	0.0	0.0	2.2	0.0
Reclassifications (to/from Assets Held for Sale)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Movements in Depreciation & Impairments	1.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>At 31 March 2019</b>	<b>-7.1</b>	<b>-25.8</b>	<b>-32.6</b>	<b>-77.9</b>	<b>0.0</b>	<b>0.0</b>	<b>-143.4</b>	<b>-14.1</b>

#### Balance Sheet Net Book Values (NBV)

<b>Balance Sheet NBV at 31 March 2019</b>	<b>602.2</b>	<b>798.6</b>	<b>21.5</b>	<b>195.5</b>	<b>8.2</b>	<b>44.1</b>	<b>1,670.1</b>	<b>114.4</b>
<b>Balance Sheet NBV at 1 April 2018</b>	<b>637.8</b>	<b>702.2</b>	<b>12.1</b>	<b>187.1</b>	<b>3.9</b>	<b>63.7</b>	<b>1606.8</b>	<b>100.5</b>

Movements in 2017/18	Council Dwellings	Land & Buildings	VPF&E	Infra-structure	Surplus Assets	Asset under construction	Total	*PFI Assets
	£m	£m	£m	£m	£m	£m	£m	£m

#### Cost or Valuation

<b>At 1 April 2017</b>	<b>670.4</b>	<b>673.6</b>	<b>34.7</b>	<b>246.3</b>	<b>5</b>	<b>23.2</b>	<b>1,653.20</b>	<b>112.1</b>
<b>Additions</b>	45.7	16.5	6.6	10.1	-	48.5	127.4	-
Depreciation written out	-	-30.6	-	-	-	-	-30.6	-
Revaluation increases (decreases) in the Revaluation Reserve	-	43.6	-	-	-	-	43.6	0.3
Revaluation increases (decreases) in the Surplus / Deficit on the Provision of Services	-34.3	11.5	-	-	-	-	-22.8	-
Derecognition - Disposals	-17.5	-	-	-	-1.1	-	-18.6	-
Reclassifications (to/from Investment Property)	-	1.5	-	-	-	-	1.5	-
Other movements in Cost or Valuations	-	6.1	-	1.8	-	-8	-0.1	-
<b>At 31 March 2018</b>	<b>664.3</b>	<b>722.2</b>	<b>41.3</b>	<b>258.2</b>	<b>3.9</b>	<b>63.7</b>	<b>1,753.60</b>	<b>112.4</b>

#### Depreciation and Impairments

<b>At 1 April 2017</b>	<b>-19.4</b>	<b>-35</b>	<b>-24.7</b>	<b>-64.7</b>	<b>-</b>	<b>-</b>	<b>-143.8</b>	<b>-9.9</b>
Charge for 2017/18	-7.6	-15.6	-4.5	-6.4	-	-	-34.1	-2
Depreciation written out	-	30	-	-	-	-	30	-
Impairment written out	-	0.6	-	-	-	-	0.6	-
Derecognition - Disposals	0.5	-	-	-	-	-	0.5	-
<b>At 31 March 2018</b>	<b>-26.5</b>	<b>-20</b>	<b>-29.2</b>	<b>-71.1</b>	<b>-</b>	<b>-</b>	<b>-146.8</b>	<b>-11.9</b>

#### Balance Sheet Net Book Values (NBV)

<b>Balance Sheet NBV at 31 March 2018</b>	<b>637.8</b>	<b>702.2</b>	<b>12.1</b>	<b>187.1</b>	<b>3.9</b>	<b>63.7</b>	<b>1,606.80</b>	<b>100.5</b>
<b>Balance Sheet NBV at 1 April 2017</b>	<b>651</b>	<b>638.6</b>	<b>10</b>	<b>181.5</b>	<b>5</b>	<b>23.2</b>	<b>1,509.30</b>	<b>102.2</b>

\*Note: PFI Assets included within Land & Buildings, VP&E and infrastructure are also presented in a separate memorandum column to show their total value within the Council's overall PP&E.

Intangible assets are shown in a separate asset classification within the Council's Balance Sheet



## Capital Commitment

At 31 March 2019, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment. The major commitments are:

- Knowles House - £28.5m
- Olympic Way - £13.2m

## Current Assets

Note 2 – Debtors

31-Mar-18		31-Mar-19	
£m		£m	
50.9	Trade receivables Outstanding	55.8	
(14.6)	Less impairments	(15.0)	
36.3	Net Trade receivables	40.8	
1.9	Prepayments	2.8	
47.3	Local Taxation receivables Outstanding	51.0	
(26.4)	Less impairments	(25.0)	
20.9	Net Local Taxation receivables	26.0	
71.8	Other receivables amounts Outstanding	62.4	
(22.2)	Less impairments	(24.7)	
49.6	Net Other receivable amounts	37.7	
<b>108.7</b>	<b>Total</b>	<b>107.3</b>	

## Breakdown of non-impaired Local Taxation Debtors

31-Mar-18		31-Mar-19	
£m		£m	
	Local Taxation receivable amounts Outstanding		
1.1	Due in less than three months	1.0	
1.4	Three to six months	1.2	
3.1	Six months to one year	2.7	
15.3	More than one year	21.2	
20.9		<b>26.0</b>	

Note 3 – Cash and Cash Equivalents

31-Mar-18		31-Mar-19	
£m		£m	
(9.8)	Bank current accounts	(9.0)	
21.6	School bank accounts	20.2	
35.2	Short-term deposits	42.0	
<b>47.0</b>	<b>Total</b>	<b>53.2</b>	

Cash Flow Notes

Note 4 – Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19	
£m		£m	
9.1	Interest received-cash inflow	4.3	
(31.9)	Interest paid-cash (outflow)	(43.2)	

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2017/18		2018/19	
£m		£m	
61.2	Depreciation	31.0	
(9.5)	Impairment and downward valuations	46.8	
1.8	Amortisation	0.9	
46.5	Increase/(decrease) in creditors	(50.3)	
(18.6)	(Increase)/decrease in debtors	1.2	
40.7	Movement in pension liability	27.8	
21.8	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	73.0	
(8.9)	Other non-cash items charged to the net surplus or deficit on the provision of services	(7.7)	
<b>135.0</b>		<b>122.7</b>	

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2017/18 £m		2018/19 £m
46.3	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	105.3
(31.4)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(12.0)
0.0	Any other items for which the cash effects are investing or financing cash flows	(21.5)
<b>14.9</b>		<b>71.9</b>

*Note 5 – Cash Flow Statement - Investing Activities*

2017/18 £m		2018/19 £m
(168.6)	Purchase of property, plant and equipment, investment property and intangible assets	(101.6)
(46.3)	Purchase of short-term and long-term investments	(0)
	Other payments for investing activities	(32.7)
31.4	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12.0
64.7	Other receipts from investing activities	25.0
<b>(118.8)</b>	<b>Net cash flows from investing activities</b>	<b>(97.3)</b>

*Note 6 – Cash Flow Statement - Financing Activities*

2017/18 £m		2018/19 £m
24.3	Cash receipts of short and long term borrowing	(0.0)
(1.9)	Cash inflow/(outflow) relating to Private Finance Initiative schemes	(4.2)
0.0	Repayments of short and long term borrowing	(35.3)
0.0	Other payments for financing activities	4.0
<b>22.4</b>	<b>Total</b>	<b>(35.5)</b>

## Liabilities

### Note 7 – Short Term Creditors

31-Mar-18		31-Mar-19	
£m		£m	
(26.0)	Trade payables	(19.3)	
(94.1)	Other payables	(124.5)	
<b>(120.2)</b>	<b>Total</b>	<b>(143.8)</b>	

### Note 8 – Long-Term Liabilities

31-Mar-18		31-Mar-19	
£m		£m	
(841.8)	Pension Fund Liability	(925.7)	
(18.1)	Deferred Income	(16.1)	
<b>(859.9)</b>	<b>Total</b>	<b>(941.8)</b>	

### Note 9 – Provisions

	Outstanding Legal Cases £m	Compensation Claims £m	Other Provisions £m	Total £m
<b>Short Term Provisions</b>				
<b>Balance at 1 April 2018</b>	<b>0.0</b>	<b>(2.3)</b>	<b>0.0</b>	<b>(2.3)</b>
Net (additions) reductions to provisions made in 2018/19	0.0	0.1	(0.4)	(0.3)
<b>Balance at 31 March 2019</b>	<b>0.0</b>	<b>(2.2)</b>	<b>(0.4)</b>	<b>(2.6)</b>
<b>Long Term Provisions</b>				
<b>Balance at 1 April 2018</b>	<b>(4.8)</b>	<b>(3.7)</b>	<b>(11.4)</b>	<b>(19.9)</b>
Net (additions) reductions to provisions made in 2018/19	2.4	0.0	(2.3)	0.0
<b>Balance at 31 March 2019</b>	<b>(2.4)</b>	<b>(3.7)</b>	<b>(13.7)</b>	<b>(19.8)</b>

Provisions over both short and long term have been made based on estimations for:

- Outstanding legal claims such as disrepair cases for Council tenants and leased properties.
- Compensation claims for uninsured losses that are reviewed annually, and,
- Other provisions for items such as leased equipment, NNDR appeals and Income shortfalls on PFI contracts

## Earmarked Reserves

### Note 10 – Transfers to/from Earmarked Reserves

		Balance at 31-03-2018 £m	Transfer to/from reserves	Balance at 31-03-2019 £m
<b>Capital and other statutorily ring-fenced reserves</b>				
S106/CIL		(72.5)	(33.6)	(106.0)
Ring-fenced	HMO Licensing	(0.3)	(1.4)	(1.7)
	HRA	(1.7)	0.0	(1.7)
	Public Health	(2.5)	0.0	(2.5)
	Schools and other DSG	(23.9)	5.3	(18.6)
	CWB	(0.8)	(0.4)	(1.3)
	Joint NHS	(0.4)	0.4	0.0
	Migration related	(0.1)	(0.4)	(0.5)
	Edward Harvist Trust	0.0	(0.1)	(0.1)
<b>Total</b>		<b>(29.7)</b>	<b>3.4</b>	<b>(26.4)</b>
Capital Finance Related	South Kilburn	(3.9)	(0.7)	(4.6)
	Library at Willesden Green	(0.1)	0.0	(0.1)
	PPP	0.0	0.0	0.0
	General Fund Capital funding	(42.2)	10.8	(31.4)
<b>Total</b>		<b>(46.2)</b>	<b>10.1</b>	<b>(36.1)</b>
<b>Total</b>		<b>(148.4)</b>	<b>(20.1)</b>	<b>(168.5)</b>

### General and other smoothing reserves

Investment reserve		(11.5)	0.1	(11.4)
Sinking fund and other smoothing reserves	PFI	(5.3)	(0.1)	(5.4)
	UC staffing	(3.5)	0.7	(2.8)
	Parking	(1.7)	1.7	0.0
	Redundancy	(3.7)	0.5	(3.2)
	Insurance	(3.9)	(1.0)	(4.9)
	Welfare reform	(3.5)	0.0	(3.5)
	Pensions	(5.8)	(0.7)	(6.5)
	CYP	0.0	0.0	0.0
	Brent Transport Services	(2.0)	2.0	0.0
	Corporate Debt savings	(4.0)	3.5	(0.5)
	Other Central	(5.2)	(10.5)	(15.7)
	Temporary Accommodation HB	(6.0)	(1.4)	(7.4)
	<b>Total</b>		<b>(44.6)</b>	<b>(5.3)</b>
<b>Total</b>		<b>(56.1)</b>	<b>(5.2)</b>	<b>(61.3)</b>

**Other earmarked reserves**

Service reserves	CYP	(6.1)	3.4	(2.7)
	CWB	(0.9)	(3.5)	(4.4)
	R&E	(4.2)	(1.7)	(5.9)
	RES	(0.8)	(0.3)	(1.1)
	PPP	(2.1)	0.2	(1.8)
<b>Total</b>		<b>(14.1)</b>	<b>(1.9)</b>	<b>(15.9)</b>
Transformation/service pressures reserves	Service pressures	(2.0)	0.0	(2.0)
	Future funding risks	(5.1)	0.0	(5.1)
	Transformation	(2.2)	1.1	(1.1)
<b>Total</b>		<b>(9.3)</b>	<b>1.1</b>	<b>(8.2)</b>
<b>Total</b>		<b>(23.4)</b>	<b>(0.8)</b>	<b>(24.2)</b>

<b>Grand Total</b>	<b>(227.9)</b>	<b>(26.1)</b>	<b>(254.0)*</b>
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\*This is the total of the Balance as at 31<sup>st</sup> March 2019 for School Balances, Earmarked General Fund Reserves and Earmarked HRA Reserves on The Movement in Reserves Statement.

**Descriptions of Earmarked Reserves**

- **Capital and other statutory ring-fenced reserves** - These are monies received under specific powers, such as Section 106 of the Town and Country Planning Act 1990, for ring-fenced activities, such as Dedicated Schools Grant (DSG), or funds identified to smooth the impact of capital financing costs and represents revenue contributions set aside to meet commitments included in the Capital Programme.
- **General and other smoothing reserves** - These reserves are to provide funds to contain possible future price variations of investments activities included within the Capital Programme and contributions made to contain future impact of revenue activities such as the cost of Welfare Reform or the unrecoverable Housing benefit increases.
- **Other Earmarked Reserves** - Include centrally held funds created to meet potential service pressures and to contain the cost of transformational projects that the authority will carry out to modernise the delivery of its services as well as spend-to-save initiatives.

Movement in the unusable reserves are detailed in the Additional Reconciliation section on pages 95-98.

## Comprehensive Income and Expenditure Notes

### Note 11 – Other Operating Expenditure

2017/18 £m		2018/19 £m
2.7	Levies	2.8
1.4	Payments to the Government Housing Capital Receipts Pool	1.4
(7.7)	(Gains)/losses on the disposal of non-current assets	66.7
0	Capital receipts relating to prior years	(7.7)
<b>(3.6)</b>	<b>Total</b>	<b>63.2</b>

### Note 12 – Financing and Investment Income and Expenditure

2017/18 £m		2018/19 £m
28.5	Interest payable and similar charges	20.7
20.6	Pensions interest cost and expected return on pensions assets	21.9
(5.5)	Interest receivable and similar income	(6.6)
<b>43.6</b>	<b>Total</b>	<b>36.0</b>

### Note 13 – Taxation and non-Specific Grant Incomes

2017/18 £m		2018/19 £m
(102.2)	Council tax income	(115.5)
(49.5)	NNDR Top Up	0
(38.1)	Business Rates	(130.2)
(42.7)	Revenue Support Grant	0
(25.0)	Other government grants & taxation	(16.4)
(64.5)	Capital grants and contributions	(66.6)
<b>(322.0)</b>	<b>Total</b>	<b>(328.7)</b>

Expenditure and Funding Analysis Notes  
 Note 14 – Expenditure and Funding Analysis

		2017/18		2018/19		
		Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure Statement	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargable to the General Fund and HRA Balances
		£m	£m	£m	£m	£m
	Community Wellbeing (GF)	142.3	0.7	131.7	(9.3)	122.4
	Performance Policy & Partnerships	8.9	0.8	14.4	(4.2)	10.2
	Regeneration & Environment	44.9	(4.2)	40.6	(9.2)	31.4
	Resources Department	37.1	(0.3)	38.0	0.6	38.6
	Children & Young People (GF)	43.8	(3.1)	47.5	(4.2)	43.3
	Children & Young People (DSG)	1.9	(1.0)	20.7	(18.2)	2.5
	Community Wellbeing (HRA)	34.3	(61.9)	17.0	(22.1)	(5.1)
	Central items	(53.9)	(0.3)	(25.7)	(5.9)	(31.6)
	<b>Net Cost of Services</b>	<b>259.3</b>	<b>(69.3)</b>	<b>284.2</b>	<b>(72.5)</b>	<b>211.7</b>
	Other Income and Expenditure	(282.0)	93.2	(229.5)	17.3	(212.2)
	<b>(Surplus) or Deficit</b>	<b>(22.7)</b>	<b>23.8</b>	<b>54.7</b>	<b>(55.2)</b>	<b>(0.5)</b>
	<b>Opening General Fund and HRA Balance</b>					<b>(15.9)</b>
	Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year					(0.5)
	<b>Closing General Fund and HRA Balance at 31 March 2019</b>					<b>(16.4)</b>



Expenditure and Funding Analysis continued

Housing Revenue Account and General Fund split:

		2017/18		2018/19	
	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	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
	Note to MIRS				
	£m	£m	£m	£m	£m
	47.7	(46.6)	1.1	(19.6)	2.3
	(70.4)	70.4	0.0	(35.6)	(2.8)
	(22.7)	23.8	1.1	(55.2)	(0.5)
			Housing Revenue Account		
			General Fund		
			(Surplus) or Deficit		

*Expenditure and Funding Analysis - Adjustments between Funding and Accounting Basis*

**2018/19**

	<b>Adjustments for Capital Purposes</b>	<b>Net Change for Pensions Adjustments</b>	<b>Other Statutory Adjustments</b>	<b>Total Statutory Adjustments</b>	<b>Other (Non- Statutory Adjustments)</b>	<b>Total Adjustments</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Community Wellbeing (GF)	(12.3)	0.3	0.0	(12.0)	2.7	(9.3)
Performance Policy & Partnerships	(4.4)	0.1	0.0	(4.3)	0.1	(4.2)
Regeneration & Environment	(9.8)	0.2	0.0	(9.6)	0.4	(9.2)
Resources Department	(1.2)	0.3	0.0	(0.9)	1.5	0.6
Children & Young People (GF)	(2.8)	0.3	0.0	(2.5)	(1.7)	(4.2)
Children & Young People (DSG)	(16.2)	0.5	(0.3)	(16.0)	(2.2)	(18.2)
Community Wellbeing (HRA)	(22.2)	0.1	0.0	(22.1)	0.0	(22.1)
Central Items	0.0	(15.3)	(1.7)	(17.0)	25.1	8.1
<b>Net Cost of Services</b>	<b>(68.9)</b>	<b>(13.5)</b>	<b>(2.0)</b>	<b>(84.4)</b>	<b>25.9</b>	<b>(58.5)</b>
Other Income and Expenditure	20.0	0	(2.7)	17.3	0	17.3
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(48.9)</b>	<b>(13.5)</b>	<b>(4.7)</b>	<b>(67.1)</b>	<b>25.9</b>	<b>(42.6)</b>

2017/18

	Adjustments for Capital Purposes £m	Net Change for Pensions Adjustments £m	Other Statutory Adjustments £m	Total Statutory Adjustments £m	Other (Non- Statutory Adjustments) £m	Total Adjustments £m
Community Wellbeing (GF)	(9.5)	(0.5)	0.4	(9.6)	2.2	(7.4)
Performance Policy & Partnerships	0.9	(0.1)	0.1	0.9	0.2	1.1
Regeneration & Environment	(7.1)	(0.4)	0.2	(7.3)	1.5	(5.8)
Resources Department	(8.0)	(0.5)	(0.3)	(8.2)	0.5	(7.7)
Children & Young People (GF)	(2.9)	(0.4)	0.2	(3.1)	0.5	(2.6)
Children & Young People (DSG)	0.0	(1.1)	0.9	(0.2)	(2.3)	(2.5)
Community Wellbeing (HRA)	(23.3)	(19.6)	(0.1)	(43.0)	0.0	(43.0)
Central Items	0.0	(18.2)	(7.0)	(25.2)	32.8	7.6
<b>Net Cost of Services</b>	<b>(49.9)</b>	<b>(40.8)</b>	<b>(5.0)</b>	<b>(95.7)</b>	<b>35.4</b>	<b>(60.3)</b>
Other Income and Expenditure	83.0	0	1.3	84.3	0	84.3
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>33.1</b>	<b>(40.8)</b>	<b>(3.7)</b>	<b>(11.4)</b>	<b>35.4</b>	<b>24.0</b>

## Additional Disclosures

### Note 15 – Acquired and Discontinued Operations

The Council has no transactions to disclose.

### Note 16 – 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 (CNWLNFT) 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 2018/19 is shown in the table below:

	Mental Health	Occupational Therapy	The Better Care Fund	Integrated Rehabilitation & Reablement Service
	£m	£m	£m	£m
Funding: LB of Brent	(0.2)	(0.5)	(13.5)	(0.9)
NHS Brent CCG	0.0	(0.6)	(21.1)	0.0
LNWUNT	0.0	0.0	0.0	(1.1)
CNWLNFT	(0.2)	0.0	0.0	0.0
<b>Total Funding</b>	<b>(0.4)</b>	<b>(1.1)</b>	<b>(34.6)</b>	<b>(2.0)</b>
Expenditure	0.4	1.7	34.6	1.9
<b>2018/19 Net Overspend/(Underspend)</b>	<b>0.0</b>	<b>0.6</b>	<b>0</b>	<b>(0.1)</b>
<b>2017/18 Net Overspend/(Underspend)</b>	<b>0</b>	<b>0.5</b>	<b>(0.2)</b>	<b>(0.2)</b>

For 18/19 occupational therapy as per attached the share of overspend attributed to Brent CCG is £0.4m and £0.2m to Brent Council.

For 17/18 Occupational Therapy £0.2m is attributable to Brent Council and £0.3m to Brent CCG.

### Note 17 – Members' Allowances

Total payments including National Insurance costs in 2018/19 were £1.16m (£1.14m in 2017/18). Details of the Members' Allowances scheme are available on Brent's website.

Note 18 – External Audit Costs

The Council's external auditor for 2017/18 was KPMG and for 2018/19 is Grant Thornton.

2017/18 £'000		2018/19 £'000
200	External audit services for in-year	175
17	Additional non audit services for the current year	0
18	Additional audit services for objections to prior year statement of accounts	0
22	Certification of grant claims and returns for in-year	20
<b>257</b>	<b>Total</b>	<b>195</b>

Note 19 – Contingent Liabilities

The Council has a number of contingent liabilities. The best estimate of the liability for all the issues could be in the region of £2.0m (estimated at £4.5m in 2018/19), but due to the nature of the contingent liabilities this is subject to significant change. Figures are not shown against contingent liabilities where there are legal proceedings or the disclosure would adversely affect the outcome.

Note 20 – Grant Income – Applied

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement either as part of the services direct gross income or within the Council's Taxation and non-specific grant income:

2017/18 £m	Revenue Grants	2018/19 £m
	<b>Housing Benefit:</b>	
(293.9)	Mandatory Rent Allowances: subsidy	(295.3)
(16.8)	Mandatory Rent Rebates outside HRA	(17.3)
(26.6)	Rent Rebates Granted to HRA Tenants: subsidy	(25.5)
(2.5)	Housing Benefit Administration	(2.3)
<b>(339.8)</b>		<b>(340.4)</b>
	<b>Schools:</b>	
(197.7)	Dedicated Schools Grant (DSG)	(193.9)
(7.5)	Pupil Premium Grants	(6.7)
(4.3)	Sixth forms funding from Learning and Skills Council (LSC)	(4.2)
(3.6)	Universal Infant School Meal	(3.2)
(0.8)	Central Education Services	(0.0)
<b>(213.9)</b>		<b>(208.0)</b>
	<b>Other:</b>	
(3.1)	Adult and Community Learning from Learning & Skills Council	(3.1)
(2.6)	Discretionary Housing payments	(2.2)

(6.2)	Private Finance Initiative	(6.3)
(22.0)	Public Health	(21.4)
(1.4)	Troubled Families	(1.4)
(42.7)	Revenue Support Grant	(0.0)
(3.8)	Section 31	(6.9)
(10.9)	New Homes Bonus	(8.9)
(1.9)	Asylum Leaving Care (Post 18) Grant	(1.7)
(1.3)	Adults Social Care Support Grant	(0.8)
(7.0)	Adults Social Care Improved Better Care Fund	(9.4)
(8.1)	Flexible Homeless Grant	(7.5)
(0.1)	Business Rates Reconciliation Grant	(1.3)
(7.9)	Other Miscellaneous Grants & Contributions	(9.3)
<b>(119.0)</b>		<b>(80.2)</b>
<b>(672.7)</b>	<b>Total Revenue Grants</b>	<b>(628.6)</b>
	<b>Capital Grants &amp; Contributions</b>	
	<b>Grants:</b>	
(11.9)	Basic Safety Needs	(1.2)
(2.2)	School Condition Grant	(2.1)
(4.3)	Transport for London	(2.7)
(4.4)	Disabled Facilities	(4.9)
(2.5)	Other Grants	(2.0)
0	Education Funding	(0.8)
(6.1)	Greater London Authority - Outer London Fund	(8.0)
	<b>Contributions:</b>	
(33.3)	Section 106 & Construction Infrastructure Levy	(45.0)
<b>(64.7)</b>	<b>Total</b>	<b>(66.7)</b>

*Note 21 – Capital Grants Unapplied*

2017/18		2018/19	
£m	Capital Grants Unapplied	£m	
(56.9)	Basic Needs- Primary schools	(35.9)	
(6.5)	School Condition Grant	(8.5)	
(0.1)	Greater London Authority - Outer London Fund	(6.8)	
(2.9)	Disabled Facilities	(3.9)	
(0.8)	Transfer for London	(3.4)	
(4.3)	Adult Personal Social Services	(4.3)	
(1.6)	Early Education	(1.6)	
(0)	Devolved Formula Capital	(1.0)	
(2.8)	Other Education grant	(3.5)	
(6.6)	Other Grant	(3.4)	
<b>(82.5)</b>	<b>Total</b>	<b>(72.3)</b>	

*Note 22 – 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 2018/19, 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.

**The DSG received in 2018/19 was deployed as follows:**

	Central Expenditure £m	Schools Budget £m	Total £m
Final DSG for 2018-19 before academy recoupment			311.7
Academy recoupment figure for 2018-19			(117.6)
Total DSG after recoupment for 2018-19			194.1
Plus: Brought Forward from 2017-18			7.9
<i>Less: Carry Forward to 2019-20 agreed in advance</i>			<i>(3.8)</i>
Agreed initial budgeted distribution in 2018-19	47.8	150.5	198.3
In year adjustments	(0.3)	0.1	(0.2)
Final budgeted distribution for 2018-19	47.5	150.6	198.1
Less: Actual Central Expenditure	(48.9)		(48.9)
Less: Actual ISB deployed to schools		(150.6)	(150.6)
Carry Forward to 2019-20	(1.4)	0.0	(1.4)
<i>Plus: Carry Forward to 2019-20 agreed in advance</i>			<i>3.8</i>
Final Carry Forward to 2019-20			<b>2.4</b>

*Note 23 – Related Party Transactions*

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

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

A number of voluntary organisations which received grants from the London Borough of Brent in 2018/19 have Brent Members as Directors, Trustees or employees.

There were no material transactions disclosed in the Declarations of Related Party Transactions for 2018/19 obtained from Members.

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 £0.916m for administering the fund in 2018/19 (£0.680m was charged in 2017/18).

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

Subsidiary Companies - Brent has a number of subsidiaries including First Wave Housing (FWH) (formerly Brent Housing Partnership (BHP)), LGA Digital and I4B Holdings Limited (formerly Investing 4 Brent Limited (I4B)).

#### **FWH**

FWH paid a management fee to the Council of £1.3m in 2018/19 (the Council paid £3.8m to FWH in 2017/18, when it managed properties for the Council). The board of directors for FWH housing include the Strategic Director for Children and Young People and Councillor George Crane.

#### **I4B**

I4B Holdings Limited 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<sup>st</sup> March 2019, Brent Council had provided loans totalling £79.3m to I4B (£45.3m in 2017/18), which are secured against the company's 214 properties. The board of directors for I4B includes the Strategic Director for Children and Young People and the director for Performance Policy & Partnerships as well as Councillor George Crane.

#### **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. The board of directors for this organisation include the Director for Performance Policy & Partnerships and a senior manager from the finance department.

#### **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. Brent held £0.488m on behalf of the Barham Park Trust.

The Group Accounts can be found later in this document and combine the accounts of Brent, FWH, I4B, 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](http://www.companieshouse.gov.uk).



## Financial Instruments

### Note 25 – Financial Instruments Categories

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

	Long Term			Current		
	31-Mar 2019 £m	31-Mar 2018 £m	31-Mar 2017 £m	31-Mar 2019 £m	31-Mar 2018 £m	31-Mar 2017 £m
<b>Investments</b>						
Investments in subsidiaries	23.1	13.5	0.0	0.0	0.0	0.0
Loans and receivables	0.0	0.0	0.0	61.0	105.5	151.6
Unquoted equity investment at cost	0.3	0.3	0.1	0.0	0.0	0.0
<b>Total investments</b>	<b>23.4</b>	<b>13.8</b>	<b>0.1</b>	<b>61.0</b>	<b>105.5</b>	<b>151.6</b>
<b>Debtors</b>						
Investments in subsidiaries	56.3	33.5	0.0	0.0	0.0	0.0
Loans and receivables	55.2	62.8	58.7	0.0	0.0	0.0
Financial assets carried at contract amounts	0.0	0.0	0.0	104.5	108.6	94.2
<b>Total Debtors</b>	<b>111.5</b>	<b>96.2</b>	<b>58.7</b>	<b>104.5</b>	<b>108.6</b>	<b>94.2</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	(385.8)	(404.7)	(410.6)	(14.4)	(29.9)	(8.6)
Financial liabilities at fair value	0.0	(8.9)	0.0	0.0	0.0	0.0
<b>Total Borrowings</b>	<b>(385.8)</b>	<b>(413.6)</b>	<b>(410.6)</b>	<b>(14.4)</b>	<b>(29.9)</b>	<b>(8.6)</b>
<b>Other Long Term Creditors</b>						
PFI	(24.7)	(26.5)	(28.7)	(1.8)	(2.0)	0.0
Finance lease and other liabilities	(3.6)	(2.6)	0.0	0.0	0.0	0.0
Other	(4.9)	0.0	0.0	0.0	0.0	0.0
<b>Total Other Long Term Creditors</b>	<b>(33.2)</b>	<b>(29.1)</b>	<b>(28.7)</b>	<b>(1.8)</b>	<b>(2.0)</b>	<b>0.0</b>

**Creditors**

Financial liabilities carried at contract amounts

**Total Creditors**

0.0	0.0	0.0	(143.9)	(75.9)	(64.9)
<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(143.9)</b>	<b>(75.9)</b>	<b>(64.9)</b>

**Cash and cash equivalents**

Cash held by the council  
 Bank current accounts  
 School bank accounts  
 Call deposit and money market funds

**Total Cash and cash equivalents**

0	0	0	24.4	44.7	0
0	0	0	(33.3)	(54.6)	0
0	0	0	20.2	21.7	0
0	0	0	42.0	35.2	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>53.3</b>	<b>47.0</b>	<b>0</b>

**Financial Assets**

Fair Value through Profit or Loss  
 Amortised Cost  
 Fair value through other comprehensive income-designated equity instruments  
 Fair value through other comprehensive income-other

**Total Financial Assets**

Non-financial Assets

**Total**

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Fair Value through Profit or Loss	-	-	-	-	-	-	-	-
Amortised Cost	23.4	13.8	111.5	96.2	61.0	105.5	104.5	108.6
Fair value through other comprehensive income-designated equity instruments	-	-	-	-	-	-	-	-
Fair value through other comprehensive income-other	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>23.4</b>	<b>13.8</b>	<b>111.5</b>	<b>96.2</b>	<b>61.0</b>	<b>105.5</b>	<b>104.5</b>	<b>108.6</b>
Non-financial Assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>23.4</b>	<b>13.8</b>	<b>111.5</b>	<b>96.2</b>	<b>61.0</b>	<b>105.5</b>	<b>104.5</b>	<b>108.6</b>

**Financial Liabilities**

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Fair Value through Profit or Loss Amortised Cost	-	(413.6)	-	(29.1)	-	(29.9)	-	(77.9)
Fair value through other comprehensive income-designated equity instruments	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>(385.8)</b>	<b>(413.6)</b>	<b>(33.2)</b>	<b>(29.1)</b>	<b>(14.4)</b>	<b>(29.9)</b>	<b>(145.7)</b>	<b>(77.9)</b>
Non-financial Liabilities	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(385.8)</b>	<b>(413.6)</b>	<b>(33.2)</b>	<b>(29.1)</b>	<b>(14.4)</b>	<b>(29.9)</b>	<b>(145.7)</b>	<b>(77.9)</b>

*Note 26 - Material Soft Loans made by the Council*

The loan to i4B to acquire properties to support the Council's homelessness agenda is deemed a material soft loan.

	<b>2017/18</b>	<b>2018/19</b>
	<b>£m</b>	<b>£m</b>
<b>Balance at start of year:</b>		
<b>Opening balance</b>	<b>0.0</b>	<b>33.5</b>
Nominal value of new loans granted in the year	47.0	32.4
Fair value adjustment on initial recognition	(14.7)	(10.4)
Loans repaid	0.0	0.0
Impairment losses	0.0	0.0
Increase in discounted Amount	0.0	0.0
Other changes	1.1	0.8
<b>Closing balance at end of year</b>	<b>33.5</b>	<b>56.3</b>
Nominal value at 31 March	47.0	79.3

The interest rate at which the fair value of this soft loan has been arrived at with reference to the methodology laid out in the EU document -Communication from the Commission on the revision of the method for setting the reference and discount rates (2008/C14/02).

*Note 27 – 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, except for one LOBO loan in 17/18 which was partly held at Fair Value as it contains a number of special features within the contractual arrangement that requires a separate valuation from the host contract, this loan was repaid in 18/19, so does not form part of the 18/19 figures.

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 2018 and 31 March 2019 consisted of loans from the Public Works Loan Board (PWL) and market loans. The PWL has provided the Council with Fair Value amounts in relation to its debt portfolio, assessed by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date. The carrying amount of short-term borrowing is considered to be at fair value.

In the case of the Council's investments, these consisted almost entirely of term deposits with Banks and Building Societies. The maturity dates of these investments were within 12 months of the Balance Sheet

date. The contracts of term deposits do not permit premature redemption. None of the investments were impaired (i.e. at risk of default).

### Financial Liabilities

31-Mar-18			31-Mar-19	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
(29.9)	(29.9)	Short Term Borrowing (PWLB)	(14.4)	(14.4)
(310.8)	(494.6)	Long Term Borrowing (PWLB)	(300.3)	(489.4)
(87.8)	(155.3)	Long Term Borrowing (LOBO)	(70.5)	(126.5)
(15.0)	(22.5)	Long Term Borrowing (Market Loans)	(15.0)	(22.3)
(29.1)	(29.1)	Long Term Creditors	(26.6)	(26.6)

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 a decrease in the fair value of the Council's loans due to less investments being held as at 31<sup>st</sup> March 2019.

### Financial Assets

31-Mar-18			31-Mar-19	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£m	£m		£m	£m
105.3	105.5	Loans and Receivables	(61.0)	(61.1)
110.0	110.0	Long Term Debtors	134.8	134.8

Financial assets classed as loans and receivables are measured at amortised cost as this is deemed to be commensurate with the purchase price.

*Fair Value Hierarchy for financial assets and liabilities not measured at fair value*

Loans and service concession liabilities are disclosed at fair value in this Note in accordance with the Code but are carried at amortised cost in the Council's balance sheet.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is derived from quoted prices in active markets for identical assets or liabilities

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability

Level 3 – fair value is determined using unobservable inputs.

31-Mar-19				
Recurring fair value measurements using:	Quoted prices in active markets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£m	£m	£m	£m
<b>Financial Liabilities</b>				
<i>Financial Liabilities held at amortised cost:</i>				
Loans/borrowings	-	(400.2)	-	(400.2)
Financial liabilities carried at contract amounts	-	(143.9)	-	(143.9)
PFI and finance lease liabilities	-	(35.0)	-	(35.0)
<b>Total</b>	-	<b>(579.1)</b>	-	<b>(579.1)</b>
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
Soft loans to third parties		79.3	-	79.3
Loans receivable	-	116.2	-	116.2
Other receivables	-	107.6	-	107.6
Bank deposits	-	33.1	-	33.1
<b>Total</b>	-	<b>336.2</b>	-	<b>336.2</b>

31-Mar-18				
Recurring fair value measurements using:	Quoted prices in active markets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	£m	£m	£m	£m
<b>Financial Liabilities</b>				
<i>Financial Liabilities held at amortised cost:</i>				
Loans/borrowings	-	(443.5)	-	(443.5)
Long term creditors (e.g. concessionary Loans)	-	(75.9)	-	(75.9)
PFI and finance lease liabilities	-	(31.1)	-	(31.1)



<b>Total</b>	-	<b>(550.5)</b>	-	<b>(550.5)</b>
<b>Financial assets</b>				
<i>Financial assets held at amortised cost:</i>				
Soft loans to third parties		46.9	-	<b>46.9</b>
Loans receivable	-	168.3	-	<b>168.3</b>
Other receivables	-	108.9	-	<b>108.9</b>
Bank deposits	-	25.3	-	<b>25.3</b>
<b>Total</b>	-	<b>349.5</b>	-	<b>349.5</b>

Financial liabilities and financial assets classed as loans and receivables and financial liabilities at amortised cost are carried in the balance sheet at amortised cost. The fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- by reference to the Public Works Loans Board (PWLB) prevailing discount rates as at the balance sheet date for loans from the PWLB;
- by reference to market prevailing discount rates at the balance sheet date for other loans
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

#### Note 28 – 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. An additional group of wastes service assets were added to Plant, Furniture, Vehicles and Equipment in 2018/19.

<b>31-Mar-18</b>		<b>31-Mar-18</b>
<b>£m</b>		<b>£m</b>
1.4	Plant, Furniture, Vehicles and Equipment	5.7

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:

<b>31-Mar-18</b>		<b>31-Mar-19</b>
<b>£m</b>		<b>£m</b>
0.2	Finance lease liabilities	1.3
1.2	- Current	5.2
0	- Non-current	0
0	Finance costs payable in future years	0
<b>1.4</b>	<b>Minimum lease payments</b>	<b>6.5</b>

These minimum lease payments are payable over the following periods

	Total Minimum Lease Payments		Present Value of Minimum Lease Payments Repayable	
	2017-18	2018-19	2017-18	2018-19
	£m	£m	£m	£m
Not Later than one year	0.6	1.3	0.2	1.3
Later than one year and not later than five years	1.3	5.2	1.2	4.8
	<b>1.4</b>	<b>6.5</b>	<b>1.4</b>	<b>6.1</b>

#### 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:

2017-18 £m			2018-19 £m	
0.2	Not later than one year		0.5	
0.4	Later than one year and not later than five years		0.6	
0.7	Later than five years		0.3	
<b>1.3</b>	<b>Total</b>		<b>1.4</b>	

The following future sublease payments are receivable:

£m		£m
0.9	Future Minimum Sublease Payments Receivable	0

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

2017-18 £m			2017-18 £m	
0.7	Minimum Lease payments		0.7	
(0.2)	(Sublease payments receivable)		(0.1)	
<b>0.5</b>	<b>Total</b>		<b>0.6</b>	

#### Authority as Lessor

##### Finance Leases

Brent Council leases Northwick golf course to a commercial operator on a finance lease with a remaining term of 85 years. In addition, there are five residential properties leases with an average minimum contractual duration of 999 years.

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

2017-18		2018-19	
£m		£m	
	Finance lease debtor		
3.2	Non-Current		3.2
<b>3.2</b>	<b>Gross Investment in Lease</b>		<b>3.2</b>

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	
	2017-18	2018-19	2017-18	2018-19
	£m	£m	£m	£m
Later than one year and not later than five years	0	0	0	0
Later than five years	3.2	3.2	3.2	3.2
<b>Total</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>

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:

2017-18		2018-19	
£m		£m	
2.4	Not later than one year		2.2
7.4	Later than one year and not later than five years		6.3
45.5	Later than five years		37.9
<b>55.3</b>	<b>Total</b>		<b>46.4</b>

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

#### Note 29 – 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 center and related facilities in Willesden; legal title to this sports center 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.

2017-18		2018-19	
£m		£m	
30.4	Balance outstanding at start of year	28.5	
(1.9)	Payments during the year	(2.0)	
<b>28.5</b>	<b>Balance outstanding at end of year</b>	<b>26.5</b>	

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

	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable next year	4.9	0.9	2.8	8.6
Payable with two to five years	13	4.2	9.7	26.9
Payable within 6 to 10 years	21	7.7	9.1	37.8
Payable within 11 to 15 years	10.5	5.3	7.4	23.2
Payable within 16 to 20 years	4	3	3.7	10.7
<b>Total</b>	<b>53.4</b>	<b>21.1</b>	<b>107.2</b>	<b>107.2</b>

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:

2017-18		2018-19	
£m		£m	
(20.1)	Deferred Income opening balance	(18.1)	
2.0	Amortisation	2.0	
(18.1)	Deferred Income closing balance	(16.1)	

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 30 - 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, housing associations 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 £20m can be invested with a single pre-selected UK banking group (or individually rated banks within that group).
- Up to £20m can be invested with pre-selected overseas banks.
- Up to £20m can be invested with money market funds with a minimum long-term credit rating of A-.
- Up to £20m can be invested with other individual local authorities, housing associations or UK government bodies.
- 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 2019 that this was likely to crystallise. The Council's direct exposure to banks and building societies on 31 March 2019 was limited to 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-18	31-Mar-19
	£m	£m
AAA	35.2	42.0
AA-	0	0.0
A	0	0.0
Unrated local authorities	105	61.0
Debt Management Office	0	0.0
Residual Icelandic banks	0.2	0.2
<b>Total Investments</b>	<b>140.4</b>	<b>103.2</b>

(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 council has made a number of short term loans to other authorities totalling £103.2m that are due to be repaid within a year.

The following analysis summarises the Authority's potential maximum exposure to credit risk. 6.5% is the element which has not been provided for, based on historical experience of default.

	<b>Amount at 31 March 2019 £m</b>	<b>Historical experience of default %</b>	<b>Estimated maximum exposure to default £m</b>
Deposits with banks and financial institutions	2.0	6.5%	1.9
Trade debtors	74.3		69.5
<b>Total</b>	<b>76.3</b>		<b>71.3</b>

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:

	£m
Less than one year	41.4
Between one and two years	14.3
Between two and five years	38.3
Between five and ten years	3.0
Between ten and twenty years	24.1
Between 20 and 30 years	51.5
Between 30 and 40 years	212.6
More than 40 years	11.1
Uncertain date *	0
	<b>396.3</b>

\*The Council has £70.5m 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.

The council has made a number of short term loans to other authorities totalling £103.2m that are due to be repaid within a 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, 100% 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 2019, 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:

Increase in interest receivable on variable rate investments	(1.0)
Impact on Comprehensive Income and Expenditure	(1.0)
Decrease in fair value of fixed rate borrowings / liabilities*	<b>107.1</b>

\*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 31 - Senior Employees' Remuneration

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

2018/19

	Salary (including fees and allowances) £	Employers pension contributions £	Total remuneration including pension contributions £
Chief Executive – Carolyn Downs	208,493*	-	208,493
Strategic Director Children and Young People- Gail Tolley	150,909	51,007	201,916
Strategic Director of Community & Well-being _Phil Porter	151,399	51,007	202,406
Strategic Director of Resources – Althea Loderick	151,399	51,007	202,406
Strategic Director Regeneration & Environment – Amar Dave	144,209	48,577	192,786
Director of Policy, Partnerships and Performance – Peter Gadsdon	129,711	42,909	172,620
Chief Finance Officer (section 151 officer) – Conrad Hall	131,377	-	131,377
Director of Public Health – Melanie Smith	116,085	39,237	155,322
Legal and HR Director – Debra Norman	124,768	41,073	165,841
<b>Total</b>	<b>1,308,350</b>	<b>324,817</b>	<b>1,633,167</b>

\*Within this salary there is £2,000 relating to Returning Officer fees which the Chief Executive has redistributed to other staff who helped with the election.

**2017/18**

	Salary (including fees and allowances) £	Employers pension contributions £	Total remuneration including pension contributions £
Chief Executive – Carolyn Downs	202,352*	0	<b>202,352</b>
Strategic Director Children and Young People- Gail Tolley	147,950	48,084	<b>196,034</b>
Strategic Director of Community & Well-being – Phil Porter	148,286	48,084	<b>196,370</b>
Strategic Director of Resources – Althea Loderick	147,980	48,084	<b>196,064</b>
Strategic Director Regeneration & Environment – Amar Dave	135,646	43,943	<b>179,589</b>
Director of Policy, Partnerships and Performance – Peter Gadsdon	125,348	40,450	<b>165,798</b>
Chief Finance Officer (section 151 officer) – Conrad Hall	125,898	0	<b>125,898</b>
Director of Public Health – Melanie Smith	118,510	36,988	<b>155,498</b>
Legal and HR Director – Debra Norman	98,017	31,438	<b>129,455</b>
<b>Total</b>	<b>1,249,987</b>	<b>297,071</b>	<b>1,547,058</b>

\*Within this salary there is £1,920 relating to Returning Officer fees which the Chief Executive has redistributed to other staff who helped with the election.

No compensation payments for loss of office were made in 2017/18 or 2018/19. No bonuses were paid during 2018/19.

Note 32 – Officers' Remuneration

The number of employees whose remuneration in 2018/19 and 2017/18, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2017/18			Remuneration band £	2018/19		
Schools Staff	Officers	Total		Schools Staff	Officers	Total
83	65	148	50,000 - 54,999	132	90	222
73	33	106	55,000 - 59,999	74	61	135
46	13	59	60,000 - 64,999	40	22	62
29	13	42	65,000 - 69,999	31	13	44
14	9	23	70,000 - 74,999	16	4	20
22	10	32	75,000 - 79,999	15	8	23
12	5	17	80,000 - 84,999	7	8	15
8	8	16	85,000 - 89,999	8	9	17
4	5	9	90,000 - 94,999	7	9	16
1	1	2	95,000 - 99,999	3	1	4
2	4	6	100,000 - 104,999	1	1	2
3	2	5	105,000 - 109,999	1	1	2
2	3	5	110,000 - 114,999	2	2	4
1	1	2	115,000 - 119,999	1	4	5
1	2	3	120,000 - 124,999	0	1	1
1	2	3	125,000 - 129,999	0	2	2
0	0	0	130,000 - 134,999	0	2	2
0	1	1	135,000 - 139,999	1	0	1
0	0	0	140,000 - 144,999	0	1	1
0	3	3	145,000 - 149,999	1	0	1
0	0	0	150,000 - 154,999	0	3	3
0	0	0	155,000 - 199,999	0	0	0
0	0	0	205,000 - 209,999	0	1	1
<b>302</b>	<b>181</b>	<b>483</b>	<b>Total</b>	<b>340</b>	<b>243</b>	<b>583</b>

This note reports the number of school staff and council officers paid over £50,000 in 2018/19. The number of council officers included has increased by 62 compared to 2017/18, this is in part due to inflationary pay rises and in part due to greater permanency in professional and qualified roles. The number of council staff paid over £70,000 is unchanged compared to 2017/18. The increase in the number of school staff paid over £50,000 again reflects annual inflationary pay rises.

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

*Note 33 – Exit Packages*

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	29	31	22	87	51	118	421	1,171
£20,001 - £40,000	15	22	16	67	31	89	912	2,527
£40,001 - £60,000	2	2	4	12	6	14	284	636
£60,001 - £80,000	1	0	0	5	1	5	64	355
£80,001+	0	0	0	2	0	2	0	196
<b>Total cost included in bandings</b>	<b>47</b>	<b>55</b>	<b>42</b>	<b>173</b>	<b>89</b>	<b>228</b>	<b>1,681</b>	<b>4,885</b>
<b>ADD: amounts provided for in CIES not included in bandings</b>							145	0
<b>TOTAL cost included in CIES</b>							<b>1,826</b>	<b>4,885</b>
<b>Average cost of exit packages</b>							<b>21</b>	<b>21</b>

The number of exit packages increased from 89 in 2017/18, at a cost of £1.6m, to 228 in 2018/19 at a cost of £4.9m.

The 2018/19 figures include 107 employees who opted to take Voluntary Redundancy from the Council. The council has maintained the average cost of exit packages at £21k.

## Pension Notes

### Note 34 - Pension Schemes Accounted for as Defined Contribution Schemes

In 2018/19, the Council paid £7.9m to Teachers' Pensions (£9.1m in 2017/18) in respect of teachers' retirement benefits, representing 23.68% (16.48% 2017/18) of pensionable pay. The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme

### Note 35 – 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:

2017/18 £m	Comprehensive Income and Expenditure Statement	2018/19 £m
	<b>Cost of Services:</b>	
38.3	Current service cost	38.0
(2.7)	Past service costs (including curtailments)	7.7
19.6	Effects of business combinations and disposals*	0
	<b>Financing and investment Income and Expenditure:</b>	
37.7	Interest cost	40.3
(17.1)	Expected return on scheme assets	(18.4)
<b>75.8</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>67.6</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
0	Changes in demographic assumptions	0
(26.9)	Changes in financial assumptions	86.6
4.0	Other experience	2.2
5.4	Return on assets excluding amounts in net interest	(32.3)
<b>58.3</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>124.3</b>

### Movement in Reserves Statement

2017/18 £m		2018/19 £m
30.7	Employers' contributions payable to the scheme	36.1
4.4	Contributions in respect of unfunded benefits	4.4
35.1	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	40.5
(75.8)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(67.7)
<b>(40.7)</b>		<b>(27.2)</b>

\*Effects of business combinations and disposals relates to the net pension liability of Brent Housing Partnership, which was brought within the direct control of the Council on 1st October 2017.

### Statements Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

31 March 2018 £m		31 March 2019 £m
1,551	Present value of the defined benefit obligation	1,684
(709)	Fair value of plan assets	(758)
<b>842</b>	<b>Net liability arising from defined benefit obligation</b>	<b>926</b>

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 19 years from April 2016. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £41.9m expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16.6 years, 2018/19 (16.6 years 2017/18).

Note 36 – Reconciliation of Assets and Liabilities in Relation to Post-Employment Benefits

2017/18			2018/19		
Scheme Assets	Pensions Obligations	Net Pensions Liability	Scheme Assets	Pensions Obligations	Net Pensions Liability
£m	£m	£m	£m	£m	£m
<b>674.6</b>	<b>(1,493.1)</b>	<b>(818.5)</b>	<b>709.1</b>	<b>(1,551.0)</b>	<b>(841.8)</b>
<b>Opening Balance at 1 April</b>					
<b>Service Costs</b>					
0	(38.3)	(38.3)	0	(38.1)	(38.1)
0	2.7	2.7	0	(7.7)	(7.7)
17.1	(37.8)	(20.7)	18.4	(40.3)	(21.9)
<b>Re-measurements</b>					
(5.4)	(4.0)	(9.4)	32.3	(2.2)	30.1
0	0	0	0	0	0
0	26.9	26.9	0	(86.8)	(86.8)
<b>Contributions</b>					
35.1	0	35.1	40.5	0	40.5
6.3	(6.3)	0	6.5	(6.5)	0
<b>Payments</b>					
(48.0)	48.0	0	(49.0)	49.0	0
29.3	(48.8)	(19.5)	0	0	0
<b>709.1</b>	<b>(1,550.7)</b>	<b>(841.6)</b>	<b>757.8</b>	<b>(1,683.5)</b>	<b>(925.7)</b>
<b>Closing Balance at 31 March</b>					



*Note 37 – Sensitivity Analysis*

<b>Change in assumptions at 31 March 2019</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount</b>
	<b>%</b>	<b>£m</b>
0.5% decrease in Real Discount Rate	9%	157.7
1 year increase in member life expectancy	4%	67.3
0.5% increase in the Salary Increase Rate	1%	14.9
0.5% increase in the Pension Increase Rate	8%	140.8

*Note 38 – Explanation of Change in Net Pension Liability*

The Net Pension Liability has increased by £84m in 2018/19 (increased by £23m in 2017).

The Employer's contributions for the period to 31 March 2020 are estimated to be approximately £33.7m. The deficit recovery period is 19 years. Contributions will grow from 33.8% of pensionable pay in 2018/19 to 35.0% in 2019/20.

*Note 39 – 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 2016. 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:

<b>2017-18</b>	<b>Actuarial Assumptions:</b>	<b>2018-19</b>
22.3	Longevity at 65 for current pensioners: Men	22.3
24.5	Women	24.5
24.1	Longevity at 65 for future pensioners: Men	24.1
26.4	Women	26.4
2.7%	Rate of increase in salaries	2.8%
2.4%	Rate of increase in pensions	2.5%
2.5%	Rate for discounting scheme liabilities	2.8%
50.0%	Take-up of option to convert annual pension into retirement lump sum (pre-April 2008 service)	50.0%
75.0%	Take-up of option to convert annual pension into retirement lump sum (post-April 2008 service)	75.0%

Note 40 – 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-18			31-Mar-19				
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets	Asset Category	Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of Total Assets
	£m	£m	£m	%		£m	£m	£m	%
	0	58.8	58.8	8.3%	Private Equity	0	52.7	52.7	7.2%
	0	0	0	0.0%	All	0	0	0	0.0%
	2.2	0	2.2	0.3%	Real Estate	0.2	0	0.2	0.0%
	362.5	0	362.5	51.2%	UK Property	348.3	0	348.3	47.7%
	78.1	0	78.1	11.0%	Overseas Property	95.3	0	95.3	13.0%
	0	30.7	30.7	4.3%	Investment Funds & Unit Trusts	0	34.4	34.4	4.7%
	107.1	0	107.1	15.1%	Equities	140.6	0	140.6	19.3%
	69.7	0	69.7	9.8%	Bonds	58.8	0	58.8	8.1%
	<b>619.6</b>	<b>89.5</b>	<b>709.1</b>	<b>100.0%</b>	Infrastructure	<b>643.2</b>	<b>87.1</b>	<b>730.3</b>	<b>100.0%</b>
					Other				
					Cash and cash equivalents				
					All				
					Totals				

# Housing Revenue Account

Income and Expenditure Statement for the Year Ended 31 March 2019

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.

2017/18		2018/19
£m		£m
	<b>Income</b>	
(45.8)	Dwelling rents	(45.5)
(0.5)	Non-dwelling rents	(0.2)
(2.7)	Tenants charges for services and facilities	(2.8)
(0.3)	Contribution towards expenditure	(0.3)
(2.6)	Leaseholders charges for services and facilities	(2.7)
(3.8)	Other income	(3.4)
<b>(55.7)</b>	<b>Total Income</b>	<b>(55.0)</b>
	<b>Expenditure</b>	
10.7	Repairs and maintenance	10.6
11.7	Supervision and management	12.1
4.2	Special services	3.9
2.0	Rents, rates, taxes and others charges	2.2
7.8	Depreciation of non-current assets	7.3
(0.4)	Movement in the allowance for bad or doubtful debts	0.1
19.6	Pension liability IAS19	0.0
34.4	Impairments and revaluation losses to non-current assets	32.4
0.0	Revenue expenditure funded from capital under statute (REFCUS)	3.4
<b>90.0</b>	<b>Total Expenditure</b>	<b>72.0</b>
<b>34.3</b>	<b>Net Cost of Services included in the Council's Income and Expenditure Account</b>	<b>17.0</b>
	<b>HRA share of the operating income and expenditure included in the Council's income and expenditure</b>	
1.4	Payment to capital receipts pool	1.4
5.7	(Gain) or loss on sale of HRA non-current assets	(3.1)
6.3	Interest payable and similar charges	6.5
0.1	Amortised payment and discount	0.1
(0.1)	Interest and investment income	(0.1)
<b>47.7</b>	<b>(Surplus) or Deficit for the Year on HRA Services</b>	<b>21.9</b>

2017/18 Movement on the HRA Statement		2018/19
£m		£m
(4.8)	Housing Revenue Account brought forward	(3.7)
47.7	(Surplus) or deficit on the provision of services	21.9
(46.6)	Adjustment between accounting basis and funding basis under regulations	(19.6)
1.1	Net (increase) or decrease before transfers to earmarked reserves	2.3
(3.7)	Balance as at 31 March carried forward	(1.4)

HRA adjustments between accounting basis and funding basis under regulations

2017/18		2018/19
£m		£m
(5.7)	Gain or loss on sale of HRA non-current assets	3.1
13.9	Capital expenditure funded by HRA	12.8
0.7	Amortised payment and discount	0.7
(34.4)	Downward revaluation of non-current assets	(32.4)
(1.4)	Payments to the capital receipts pool	(1.4)
(0.1)	Pooled capital receipts -contribution to administration costs	0.0
0.0	Pension interest cost and expected return on pension costs	0.1
(19.6)	Exceptional items - pension liability IAS19 adjustment	0.0
7.8	Transfers to major repairs reserve	8.2
(7.8)	Transfers to capital adjustment account	(7.3)
0.0	Revenue expenditure funded from capital under statute (REFCUS)	(3.4)
(46.6)	<b>Total adjustments between accounting basis and funding basis under Regulations</b>	<b>(19.6)</b>

## Notes to the Housing Revenue Account

### Note 1 – Housing Stock

The Council's stock of dwellings reduced during the year from 7,910 to 7,751, a net reduction of 346 dwellings. These reductions resulted from Right-to-Buy sales, regeneration programmes and transfer of dwellings from the HRA to the General Fund to be used for temporary accommodation. In addition to the units listed below, the Council also owns the freehold on 3,745 flats with leaseholders paying service charges and contributing towards the cost of major works to the block.

The number of dwelling units at the end of the year was made up as follows:

Stock Type	31-Mar-18		Movement during the Year		31-Mar-19
	Dwellings Units	RTB Disposals	Other Disposals	Acquisitions	Dwellings Units
Flats	5,871	(15)	(169)	12	5,699
Houses	2,039	(5)	(2)	20	2,052
<b>Total Dwellings Units</b>	<b>7,910</b>	<b>(20)</b>	<b>(171)</b>	<b>32</b>	<b>7,751</b>

### Note 2 – Rent Arrears

The level of rent arrears at 31 March 2019 was £4.7m. Movement on the arrears and related provisions are shown below.

31-Mar-18		31-Mar-19	
£m		£m	
(3.3)	Arrears from tenants	(4.2)	
(7.1)	Arrears from Right to Buy Leaseholders	(7.6)	
7.0	Impairment	7.1	
<b>(3.4)</b>	<b>Total Arrears</b>	<b>(4.7)</b>	

### Note 3 – Non-current Assets

2017/18		Council	2018/19	Total Non-
Total Non-		Dwellings	Non-	Current
Current			Dwellings	Current
Assets				Assets
£m		£m	£m	£m
<b>660.6</b>	<b>Opening Net Book Value at 1 April</b>	<b>637.8</b>	<b>11.4</b>	<b>649.2</b>
(34.4)	Revaluations	(26.3)	3.1	(23.2)
0.0	Impairment	(0.1)	0.0	(0.1)
47.6	Capital Expenditure	26.2	0.8	27.0
(17.5)	Disposals	(1.5)	0.0	(1.5)
(7.8)	Depreciation for the year	(7.1)	(0.3)	(7.4)
0.8	Other Movements	(26.8)	0.0	(26.8)

**649.3 Closing Net Book Value at 31 March****602.2****15.0****617.2**

HRA dwellings are valued at Existing Use Value – Social Housing in the balance sheet. 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 vacant possession value of dwellings within the HRA at 31 March 2019 was £2.409 billion (£2.551 billion at 31 March 2018). 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 4 – HRA Capital Receipts*

<b>2017/18</b>		<b>2018/19</b>	
<b>£m</b>		<b>£m</b>	
<b>(11.4)</b>	Dwellings	<b>(3.9)</b>	
<b>(11.4)</b>	<b>Total Receipts</b>	<b>(3.9)</b>	

*Note 5 – Net Interest Charged to the HRA*

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

<b>2017/18</b>		<b>2018/19</b>	
<b>£m</b>		<b>£m</b>	
<b>6.3</b>	Interest on HRA mid-year Capital Financing Requirement	<b>6.0</b>	
<b>6.3</b>	<b>Total Interest</b>	<b>6.0</b>	

*Note 6 – Major Repairs Reserve (MRR)*

The MRR is a specific capital reserve held to fund the HRA capital programme or make repayments on amounts borrowed on historic HRA capital expenditure.

<b>2017/18</b>		<b>2018/19</b>	
<b>£m</b>		<b>£m</b>	
<b>0.0</b>	Balance at beginning of the year	<b>0.0</b>	
<b>(7.8)</b>	Depreciation charge on HRA Assets	<b>(7.3)</b>	
<b>7.8</b>	Reserve applied to fund the HRA capital programme	<b>7.3</b>	
<b>0.0</b>	<b>Balance at end of year</b>	<b>0.0</b>	

# Collection Fund

Collection Fund Account for the Year ended 31 March 2019

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 for Council Tax are borne by the General Fund.

2017/18			2018/19		
Council Tax £m	Business Rates £m	Total Collection Fund £m	Council Tax £m	Business Rates £m	Total Collection Fund £m
<b>Statutory collections</b>					
(132.1)	(126.3)	(258.4)	(140.6)	(126.3)	(266.9)
-	(3.5)	(3.5)	-	(3.0)	(3.0)
-	(3.5)	(3.5)	-	(1.4)	(1.4)
<b>(132.1)</b>	<b>(133.3)</b>	<b>(265.4)</b>	<b>(140.6)</b>	<b>(130.7)</b>	<b>(271.3)</b>
<b>Precepts, demands &amp; shares</b>					
106.9	37.7	144.6	115.0	83.6	198.6
26.1	46.5	72.6	28.1	47.0	75.1
-	41.4	41.4	-	-	0.0
-	3.4	3.4	-	3.0	3.0
<b>Share of prior year surplus/(deficit)</b>					
2.2	(1.6)	0.6	1.4	0.1	1.5
0.6	(1.0)	(0.4)	0.4	0.1	0.5
-	(1.4)	(1.4)	-	0.1	0.1
<b>Charges to the fund</b>					
3.1	7.5	10.6	(1.9)	(6.8)	(8.7)
0.0	1.6	1.6	0.0	0.0	0.0
-	0.4	0.4	-	0.4	0.4
<b>138.9</b>	<b>134.5</b>	<b>273.4</b>	<b>143.0</b>	<b>127.5</b>	<b>270.5</b>
<b>6.8</b>	<b>1.2</b>	<b>8</b>	<b>2.4</b>	<b>(3.2)</b>	<b>(0.8)</b>
<b>Total Expenditure</b>					
<b>(Surplus)/Deficit in year</b>					
<b>Movements on balances</b>					
(12.8)	4.5	(8.3)	(6.0)	5.7	(0.3)
6.8	1.2	8.0	2.4	(3.2)	(0.8)
<b>(6.0)</b>	<b>5.7</b>	<b>(0.3)</b>	<b>(3.6)</b>	<b>2.5</b>	<b>(1.1)</b>
<b>Allocation of Collection Fund balances</b>					
(4.8)	1.7	(3.1)	(2.9)	(0.4)	(3.3)
(1.2)	2.0	0.8	(0.7)	0.9	0.2
-	2.0	2	-	2.0	2.0
<b>(6.0)</b>	<b>5.7</b>	<b>(0.3)</b>	<b>(3.6)</b>	<b>2.5</b>	<b>(1.1)</b>
<b>Total (Surplus)/Deficit</b>					

## Notes to the Collection Fund

### *Note 1 – Council Tax*

Council Tax income derives from charges raised according to the value of residential properties, classified into 8 valuation bands estimating 1 April 1991 values. 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 £1,496.54 for 2018/19 (£1,425.18 in 2017/18). This basic amount of Council Tax for a Band D property for 2018/19 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 for Bands A to H, including the GLA share:

<b>Proportion of Band D Charge</b>	<b>Charge per property</b>
Band A 6/9	£997.69
Band B 7/9	£1,163.98
Band C 8/9	£1,330.26
Band D 9/9	£1,496.54
Band E 11/9	£1,829.10
Band F 13/9	£2,161.67
Band G 15/9	£2,494.23
Band H 18/9	£2,993.08

After allowing for a collection rate of 97.63% the tax base for budget setting purposes was 95,677. This generated total budgeted income of £143.1m, of which £115.0m is attributable to Brent and £28.1 to the GLA.

### *Note 2 – Non-Domestic Rate*

The total Non-Domestic Rateable Value for 2018/19 was £321.1m (£321.6m in 2017/18). The NDR rate multiplier for 2018/19 was £0.49 (£0.48 in 2017/18).

### *Note 3 – Collection*

For Council Tax, 96.1% of the debit relating to the 2018/19 financial year had been collected by 31 March 2019. This is up from the 95.8% achieved in 2017/18. For Non Domestic Rates the in-year collection rate increased from 98.74% to 99.02%.



# Group Accounts

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

The group accounts consolidate the accounts of the First Wave, Barham Park Trust, I4B and LGA Digital Services. First Wave provide housing management services to the HRA. Barham Park Trust is a charity that is controlled by the council as a result of the council appointing all the trustees. I4B Holdings Limited is a company wholly owned by Brent Council to deliver the housing options defined in the Temporary Accommodation reform plan. 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 First Wave, Barham Park Trust, I4B and LGA Digital Services have been consolidated as subsidiaries using the acquisition basis of combination.

The following group financial statements have been prepared:

- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Account
- 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 in this document.

## **Group Accounting Policies**

The group accounts have been prepared using the same accounting policies as the Brent council Statement of Accounts. Further detail on how this is done is included in the Accounting Policies section below.

## Group Statements

### Group Balance Sheet

31-Mar 2018 £m		31-Mar 2019 £m
1,703.9	Property, Plant & Equipment	1,794.2
0.5	Heritage Assets	0.5
11.1	Investment Property	12.1
1.8	Intangible Assets	3.6
0.3	Long Term Investments	0.0
25.0	Long Term Debtors	21.8
<b>1,742.6</b>	<b>Long Term Assets</b>	<b>1,832.2</b>
105.3	Short Term Investments	61.0
0.0	Assets Held for Sale	0.0
108.9	Short Term Debtors	106.3
50.2	Cash and Cash Equivalents	55.6
<b>264.4</b>	<b>Current Assets</b>	<b>222.9</b>
(29.9)	Short Term Borrowing	(14.4)
(121.8)	Short Term Creditors	(142.8)
(3.6)	Provisions	(2.6)
<b>(155.3)</b>	<b>Current Liabilities</b>	<b>(159.8)</b>
(29.1)	Long Term Creditors	(32.7)
(19.9)	Provisions	(19.8)
(412.9)	Long Term Borrowing	(385.8)
(859.9)	Other Long Term Liabilities	(941.8)
<b>(1,321.8)</b>	<b>Long Term Liabilities</b>	<b>(1,380.1)</b>
<b>529.9</b>	<b>Net Assets</b>	<b>515.2</b>
	<b>Reserves</b>	
377.1	Usable Reserves	377.3
152.8	Unusable Reserves	137.9
<b>529.9</b>	<b>Total Reserves</b>	<b>515.2</b>

Group Consolidated Income & Expenditure Statement

2017/18			2018/19			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
218.4	(75.5)	142.9	Community Wellbeing (GF)	221.7	(92.5)	129.2
9.9	(1.0)	8.9	Performance Policy & Partnerships	15.7	(1.3)	14.4
85.0	(40.1)	44.9	Regeneration & Environment	83.4	(42.8)	40.6
56.5	(19.6)	36.9	Resources	63.7	(25.8)	37.9
67.9	(24.1)	43.8	Department Children & Young People (GF)	70.5	(23.1)	47.4
223.4	(221.5)	1.9	Children & Young People (DSG)	235.2	(214.5)	20.7
89.3	(60.6)	28.7	Community Wellbeing (HRA)	76.3	(58.0)	18.2
357.0	(410.7)	(53.7)	Central Items	346.1	(371.9)	(25.7)
<b>1107.4</b>	<b>(853.1)</b>	<b>254.3</b>	<b>Cost of Services</b>	<b>1,112.6</b>	<b>(829.9)</b>	<b>282.7</b>
		(3.6)	Other operating expenditure			63.2
		46.5	Financing and investment income & expenditure			39.4
		(321.9)	Taxation and non-specific grant income			(328.5)
		<b>(24.7)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>56.8</b>
		(42.7)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(98.3)
		(33.4)	Actuarial (gains)/losses on pension assets and liabilities			56.6
		<b>(76.1)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(41.7)</b>
		<b>(100.8)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(15.1)</b>

Group Cashflow Statement

2017/18		2018/19
£m		£m
(24.7)	Net surplus or (deficit) on the provision of services	(56.8)
(19.8)	Adjustments for non-cash movements	123.3
93.8	Adjustments for investing and financing activities	71.9
<b>49.3</b>	<b>Net cash inflows/(outflows) from Operating Activities</b>	<b>138.4</b>
(50.1)	Net cash inflows/(outflow) from Investing activities	(96.6)
22.4	Net cash inflows/(outflow) from Financing activities	(36.5)
<b>21.6</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5.3</b>
28.6	Cash and cash equivalents at the beginning of the reporting period	50.2
<b>50.2</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>55.5</b>

Group Movement In Reserves

	General Fund Balance	Earmarked Reserves General Fund	HRA Balance	Earmarked Reserves HRA	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance as at 31 March 2018</b>	(16.2)	(226.4)	(11.9)	(1.7)	(38.4)	(82.5)	(377.1)	(152.8)	(529.9)
<b>Movement in reserves during 2018/19</b>									
Surplus or (deficit) on the provision of services	36.1	0.0	20.7	0.0	0.0	0.0	56.8	0.0	56.8
Other comprehensive income & expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(41.7)	(41.7)
<b>Total comprehensive income &amp; expenditure</b>	<b>36.1</b>	<b>0.0</b>	<b>20.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>56.8</b>	<b>(41.7)</b>	<b>15.1</b>
Adjustments between accounting basis & funding basis under regulations	(61.4)	0.0	(18.7)	0.0	13.0	10.1	(57)	57	0.0
Net increase/decrease before transfers to earmarked reserves	(25.3)	0.0	2.0	0.0	13.0	10.1	(0.2)	15.3	15.1
Transfers to/from earmarked reserves	25.8	(25.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Increase/decrease in 2018/19</b>	<b>0.5</b>	<b>(25.8)</b>	<b>2.0</b>	<b>0.0</b>	<b>13.0</b>	<b>10.1</b>	<b>(0.2)</b>	<b>15.3</b>	<b>15.1</b>
<b>Balance as at 31 March 2019</b>	<b>(15.7)</b>	<b>(252.2)</b>	<b>(9.9)</b>	<b>(1.7)</b>	<b>(25.4)</b>	<b>(72.4)</b>	<b>(377.3)</b>	<b>(137.5)</b>	<b>(514.8)</b>

## 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.

### 2018/19

	Brent	Firstwave	Barham Park	I4B	LGA	Adjustment	Group
	£m	£m	£m	£m	£m	£m	£m
Property, Plant & Equipment	1,670.1	49.1	0.9	0.0	0.0	74.0	1,794.2
Investment Property	0.0	12.1	0.0	77.3	0.0	(77.3)	12.1
Long Term Investments	23.4	0.0	0.0	0.0	0.0	(23.4)	0.0
Long Term Debtors	115.6	0.0	0.0	0.0	0.0	(93.8)	21.8
Short Term Debtors	107.3	2.4	0.5	1.3	0.3	(5.4)	106.3
Cash and Cash Equivalents	53.3	2.2	0.0	0.1	0.1	(0.1)	55.5
Short Term Creditors	(146.4)	(2.6)	0.0	(0.9)	0.3	4.3	(142.8)
Long Term Creditors	(33.2)	0.0	0.0	0.0	0.0	0.5	(32.7)
Long Term Borrowing	(385.8)	(36.8)	0.0	(56.3)	0.0	93.1	(385.8)
Other Long Term Liabilities	(941.8)	(0.9)	0.0	0.0	0.0	0.9	(941.8)
Usable Reserves	368.3	13.4	0.5	(1.7)	0.0	(3.3)	377.3
Unusable Reserves	124.9	12.1	0.9	23.1	0.0	(23.1)	137.9
Community Wellbeing (GF)	131.7	(2.5)	(0.0)	0.0	0.0	0.0	129.2
Community Wellbeing (HRA)	17.1	0.0	0.0	(2.2)	0.0	3.3	18.2
Financing and investment income & expenditure	36.0	1.1	0.0	2.3	0.0	0.0	39.4
Taxation and non-specific grant income	(328.6)	0.1	0.0	0.0	0.0	0.0	(328.5)
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	(98.9)	0.6	0.0	0.0	0.0	0.0	(98.3)
Net surplus or (deficit) on the provision of services	(54.7)	1.3	0.0	(0.1)	0.0	(3.3)	(56.8)
Adjustments for non-cash movements	122.1	1.1	0.0	(3.1)	0.0	3.3	123.4
Adjustments for investing and financing activities	71.9	(2.3)	0.0	2.3	0.0	0.0	71.9
Net cash inflows/(outflow) from Investing activities	(97.3)	(0.2)	0.0	0.0	0.0	0.9	(96.6)
Net cash inflows/(outflow) from Financing activities	(35.8)	(0.7)	0.0	0.9	0.0	(0.9)	(36.5)

### **2018/19 main adjustments**

I4B records its properties as investment properties under its accounting policies to comply with UK GAAP, whereas in the group accounts these have to be recorded as Property, Plant and Equipment to comply with the CIPFA Code. This explains the (£77m) and £74m adjustments to Investment Property and Property, Plant and Equipment respectively. The small difference £3m between these two values relates to the difference in current value between these two different treatments (Property, Plant and Equipment is depreciated, and Investment Properties are not), the net effect of this is a £3m reduction in reserves.

Loans made by the council to I4B and First wave have been removed from the group accounts, to remove transactions within the group, the values of these are £56m for I4B, and £37m for Firstwave.

This has the effect of reducing both long term borrowing and long term debtors by £93m. As the loan from the council to I4B is a soft loan, long term investments and unusable reserve are both reduced by £23m to reflect the intra-group transactions for the soft loan.

<b>2017/18</b>	<b>Brent £m</b>	<b>First- wave £m</b>	<b>Barham Park £m</b>	<b>I4B £m</b>	<b>LGA £m</b>	<b>Adjust- ment £m</b>	<b>Group £m</b>
Property plant & equipment	1,606.8	49.3	0.9	47.0	0.0	(0.1)	<b>1,703.9</b>
Investment properties	0.0	11.1	0.0	0.0	0.0	0.0	<b>11.1</b>
Long term investments	13.8	0.0	0.0	0.0	0.0	(13.5)	<b>0.3</b>
Long term debtors	96.2	0.0	0.0	0.0	0.2	(71.4)	<b>25.0</b>
Short term debtors	108.7	1.4	0.5	0.1	0.0	(1.8)	<b>108.9</b>
Cash & cash equivalents	47.0	3.0	0.0	0.1	0.1	0.0	<b>50.2</b>
Short term creditors	(120.2)	(1.7)	0.0	(1.7)	(0.3)	2.1	<b>(121.8)</b>
Provisions	(22.2)	(0.6)	0.0	0.0	0.0	(0.7)	<b>(23.5)</b>
Long term creditors	(29.1)	0.0	0.0	0.0	0.0	0.0	<b>(29.1)</b>
Long term borrowing	(413.6)	(37.7)	0.0	(33.5)	0.0	71.9	<b>(412.9)</b>
Other long term liabilities	(859.9)	0.0	0.0	0.0	0.0	0.0	<b>(859.9)</b>
Usable reserves	(365.0)	(12.2)	(1.4)	(12.0)	0.0	13.5	<b>(377.1)</b>
Unusable reserves	(140.2)	(12.6)	0.0	0.0	0.0	0.0	<b>(152.8)</b>
Financing & investment income	43.6	1.9	0	1.0	0	0	<b>46.5</b>
Taxation	-322	0.1	0	0	0	0	<b>(321.9)</b>
Other Comprehensive Income	-59.7	-16.3	0	-0.1	0	0	<b>(76.1)</b>
Cash flow from investing activities	(140.6)	0.0	0.0	0.0	0.0	0.0	<b>(140.6)</b>
General Fund (Resources)	(12.3)	0.0	(1.4)	(12.0)	0.0	9.5	<b>(16.2)</b>
Housing Revenue Account	(3.7)	(12.2)	0.0	0.0	0.0	4.0	<b>(11.9)</b>

### 2017/18 main adjustments

Loans made by the council to I4B and First wave have been removed from the group accounts, to remove transactions within the group, the values of these are £33m for I4B, and £38m for Firstwave. This has the effect of reducing both long term borrowing and long term debtors by £71m. As the loan from the council to I4B is a soft loan, long term investments and unusable reserves are both reduced by £13m to reflect the intra-group transactions for the soft loan.

## Schools

The council includes local authority schools under its control in both its accounts, and the group accounts as per the CIPFA code.

Breakdown of number of Local Authority schools in each category of maintained school:

Primary phase schools	50
Secondary phase schools	2
Maintained Nursery Schools	4
Pupil Referral Units	2
Special Schools	1
	<hr/>
	59



# Chair of the Audit Committee

The Chair of the Audit and Standards Committee is required to approve the publication of these accounts.

This is approved by:



Councillor M Aslam Choudry

18<sup>th</sup> July 2019



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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the London Borough of Brent (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Balance Sheet, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Account, the Group Balance Sheet, the Group Consolidated Income and Expenditure Statement, the Group Cash Flow Statement, and the Group Movement in Reserves, and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Statement, and the Annual Governance Statement, other than the Authority and group financial statements and, our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

#### **Opinion on other matter required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Statement, and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report 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
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

#### **Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, set out on pages 79 to 80, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing 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 for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2019 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice due to ongoing consideration by the Authority's predecessor auditor of an objection relating to previous years, under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our

conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### **Use of our report**

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Dossett*

Paul Dossett, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

**18 July 2019**

# 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 Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

## The Responsibilities of the Director of Finance

The Director of Finance 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 2019.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's [and the Group's] ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority [and the Group] will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended.



18/7/2019.

Minesh Patel  
Interim Director of Finance



# Statement of Accounting Policies

## 1. Code of Practice

The general policies adopted in preparing these accounts are in accordance with the current Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance Accountants (CIPFA)), 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. This means that:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

### **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**

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The provision for depreciation are charged to the surplus or deficit on provision of services section of the Comprehensive Income and Expenditure Statement to the relevant service.

This results in a charge to the General Fund for depreciation for all General Fund 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.

Depreciation is a bottom line charge to the HRA. An amount equal to depreciation is credited to the Major Repairs Reserve via the Movement on the HRA statement, and the impact of this is offset by crediting the Movement on the HRA statement with the same amount from the Capital Adjustment Account.

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 not 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.

### **2.7 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 de-nominated assets disclosed on the balance sheet.

## **2.8 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 – Non Current Assets**

### **3.1 Plant, Property and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE).

All expenditure on the acquisition, creation or enhancement of PPE above the Council's de minimis of £5,000 is capitalised on an accruals basis in the accounts. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie most repairs and maintenance) is charged as an expense when it is incurred.

Property, Plant and Equipment are initially measured and subsequently 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). This is performed by the Council's In-house Valuer and its appointed valuers Wilkes, Head and Eve LLP. Property, Plant and Equipment are classified into the groupings required by the Code of Practice.

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 Property, Plant and Equipment 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.

#### **3.1.1 Depreciation and Amortisation**

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

Amoritisation is the measurement of the cost or revalued amount of the economic benefits of the intangible non-current 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 non-current 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.

Depreciation is calculated on all building assets using the straight line method as set out below. Land Assets are not depreciated.

Buildings (including HRA)	5 – 60 years as determined by the valuer
Infrastructure	10 – 40 years
Plant, Vehicles, Equipment & Machinery	Up to 10 years
Community Assets	Not depreciated where held at nominal value

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

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 the value of that component is in excess of 20% of the total gross carrying value of the building and will be undertaken when buildings are valued or re-valued, or enhancement expenditure of £0.25m is incurred.

Where componentisation applies the assets will be broken down into the following broad categories;

- **Building main structure** - including foundations, structure, doors, windows and internal finishes - Design life 60 years.
- **Heating systems** - boilers, hot water systems, piping, air ventilation, pumps - Design life 25 years.
- **Electricals** - fixed wiring, lighting - Design life 30 years.
- **Mechanical plant** - lifts - Design life 30 years.
- **Roof structure** - Design life 50 years.
- **Externals** - drains, service mains, car parks, play areas, landscaping - Design life 60 years.

The estimated life of the individual categories may vary and the above is intended as a guide. In some circumstances further break down to additional components maybe justified for unusual or specialist building elements.

The remaining life of each of the elements is given, then the blended remaining useful life is calculated and applied to the overall asset.

### 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.

### 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 when it is probable that future economic benefit or service potential will flow to the authority.

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.

For Plant, Property and Equipment, and Intangible Assets, 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 only obtains inventories through exchange transactions.

### **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 the code. 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 on the basis of professional advice provided on the insurance fund.

The Council makes provision for the outcome of Non-domestic ratepayers appeals cases, the outcome of which is decided by the Valuation Office Agency. Appeals can be backdated by five years and so a calculation is done to estimate potential losses in each year taking in to account the relevant multiplier in that particular year and the success rate of previous appeals.

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

IFRS 9 requires three different models to be applied to the classification and measurement of financial assets, based on the business model used:

1.	Assets held to collect contractual cash flows	Held at amortised cost
2.	Assets held to collect contractual cash flows and sell	Held at Fair value through other comprehensive income
3.	Other, not 1 or 2	Held at Fair value through profit and loss

The council currently only has significant financial assets that meet criteria 1, so these are held at amortised cost. This means that interest receivable is recorded through profit and loss using the effective interest rate, and any impairment is also recorded through profit and loss.

Impairment of financial assets is applied based on a three stage model:

1. Performing
2. Under-performing
3. Non-performing

The stage used for financial assets depends upon the credit quality of the assets, which is assessed each year. For this Statement of Accounts, all financial assets have been assessed as performing. Performing financial assets are impaired on the basis of 12 month expected losses and gross interest is applied. For trade receivables with no significant financing component, the council uses the simplified model permitted by IFRS, which is to impair on the basis of lifetime expected losses.

### 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.

### **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.

### **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. Where the terms of the lease transfer substantially all the risks and rewards incidental to ownership leases are recorded on balance sheet as finance leases, other 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 this year’s Statement of Accounts has been calculated on the basis of the previous year’s outturn position, amended for the inclusion of PFI projects as per the requirements of the International Financial Reporting Standards. In accordance with the current regulations for the calculation of MRP the following policy for non-HRA assets has been applied:

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

*For prudential borrowing, the Council will adopt Option 3, 'the asset life method', and an 'annuity' approach for calculating repayments. This option allows provision for repayment of principal to be made over the estimated life of the asset. The use of the 'annuity' method is akin to a mortgage where the combined sum of principal and interest are equalised over the life of the asset.*

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

- *Vehicles and equipment – 5 to 15 years;*
- *Capital repairs to roads and buildings – 15 to 25 years;*
- *Purchase of buildings – 30 to 40 years;*
- *New construction – 40 to 60 years;*
- *Purchase of land – 50 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).*

*The Council reserves the right to charge a nil MRP where it chooses to offset a previous year's overpayment.*

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 Plant property and equipment**

Income from the disposal of Property, Plant and Equipment 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; and
- 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 subsidiaries I4B Holdings Limited (I4B), First Wave Housing Limited (FWH) (formerly Brent Housing Partnership [BHP]), the Barham Park Trust and LGA Digital Services Limited. FWH was an Arm's Length Management Organisation (ALMO), but in 2017/18 the Council took back the management of its housing stock. FWH remains as a company which owns some housing independently of the Council. The Council remains the holder of the sole share in FWH. 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 (LGA), but is controlled by the Council, which provides the company with 100% of the services it sells. The financial statements in the Group Accounts are prepared in accordance with the policies set out above.

I4B Holdings Limited records the properties it purchases as investment properties in its Statement of Accounts which are reported under FRS 102 as I4B holds these properties principally to generate a commercial return. When these properties are consolidated into the council's accounts, they are consolidated as Plant, Property and Equipment as this reflects the fact that the Group accounts are under IFRS, which has a slightly different definition of Investment Properties, and these properties are used to provide services on behalf of the group.

## **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.

Critical accounting judgements made in the accounts:

- 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 32 - Defined Benefit Pension Schemes.
- 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.
- 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 note 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.
- Impairment for doubtful debt – 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.

Key sources of estimation uncertainty which have a significant effect on the financial statements:

- 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 Liabilities note 7 and Note 19 – Contingent Liabilities respectively.
- 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.

## **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 (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 2018/19 Code which are likely to have a material effect on the accounts.

## **4. Significant changes in accounting policy introduced in 2018/19**

There have been two significant changes to the code introduced in 2018/19:

1. IFRS 9 Financial Instruments, this covers three main areas:
  - i. The classification and subsequent measurement of financial instruments now uses three categories based on the type of business model used for the financial instruments, with an option of how to classify equity not held for trading.
  - ii. A new model for determining expected credit losses, which has three stages with different calculations. The stage used depends on the credit quality of the financial assets .
  - iii. Hedge accounting
2. IFRS 15 this introduces a five step model for identifying performance obligations in a contract, and how to use performance obligations to determine when to recognise revenue.

# Additional Reconciliations

## Nature of Income and Expenditure

2017/18 £m		2018/19 £m
<b>Gross Expenditure</b>		
56.2	Depreciation & Impairment Losses	78.7
298.5	Employee Expenses	294.6
63.8	Premises Related Expenditure	60.2
121.9	Supplies and Services	119.5
43.8	Support Services	22.8
157.6	Third Party Payments	154.6
341.8	Transfer Payments	351.5
24.1	Transport Related Expenditure	26.1
<b>1,107.7</b>	<b>Total Gross Expenditure</b>	<b>1,108.0</b>
<b>Gross Income</b>		
(225.2)	Customer and Client Receipts	(192.8)
(599.0)	Government Grants	(606.5)
(24.2)	Other Grants, Reimbursements & Contributions	(24.5)
<b>(848.4)</b>	<b>Total Gross Income</b>	<b>(823.8)</b>
<b>259.3</b>	<b>Net Cost of Services</b>	<b>284.2</b>
<b>Other Income &amp; Expenditure</b>		
43.6	Financing and Investment Income & Expenditure	36.0
(3.6)	Other Operating Expenditure	63.2
(322.0)	Taxation & non-specific grant income	(328.7)
<b>(282.0)</b>	<b>Total Other Income &amp; Expenditure</b>	<b>(229.5)</b>
<b>(22.7)</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>54.7</b>

*Movements in Reserves Detail*

This table shows the detailed movements across the Councils total equity fund during the year split between Usable and Unusable Reserves, as summarised in the Movement in Reserves Statement on page 11.

	Usable reserves								Unusable reserves							Total
	General Fund	HRA	earmarked Reserves Balance	Capital Receipts Reserve	Capital Grants Unapplied	Major Repairs Reserve	Revaluation Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adj A/C	Pensions Reserve	Short Term Accumulating Compensated Absences Reserve	Collection Fund Adjustment Account			
Charges for depreciation and impairment of non-current assets	(24.5)	(7.4)	0.0	0.0	0.0	0.0	2.2	29.7	0.0	0.0	0.0	0.0	0.0	0.0		
Revaluation losses on Property Plant and Equipment	(14.5)	(32.3)	0.0	0.0	0.0	0.0	0.0	46.8	0.0	0.0	0.0	0.0	0.0	0.0		
Movements in the market value of Investment Properties	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Revenue expenditure funded from capital under statute	(7.5)	(3.4)	0.0	0.0	0.0	0.0	0.0	10.9	0.0	0.0	0.0	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	(69.5)	(1.5)	0.0	0.0	0.0	0.0	21.8	49.2	0.0	0.0	0.0	0.0	0.0	0.0		
Statutory provision for the financing of capital investment	9.9	0.0	0.0	0.0	0.0	0.0	0.0	(9.9)	0.0	0.0	0.0	0.0	0.0	0.0		
Capital expenditure charged against the General Fund and HRA balances	49.0	0.0	0.0	0.0	0.0	0.0	0.0	(49.0)	0.0	0.0	0.0	0.0	0.0	0.0		
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	21.5	0.0	0.0	0.0	(21.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		



	Usable reserves				Unusable reserves							Total		
	General Fund	HRA	FARMARKED RESERVES BALANCE	CAPITAL RECEIPTS RESERVE	CAPITAL GRANTS UNAPPLIED	MAJOR REPAIRS RESERVE	REVALUATION RESERVE	CAPITAL ADJUSTMENT ACCOUNT	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE		SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	COLLECTION FUND ADJUSTMENT ACCOUNT
Application of grants to capital financing transferred to the Capital Adjustment Account	0.0	0.0	0.0	0.0	31.6	0.0	0.0	(31.6)	0.0	0.0	0.0	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	7.4	4.5	0.0	(11.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	23.6	0.0	0.0	0.0	(23.6)	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.0	(0.1)	0.0	0.1	0.0	0.0	0.0	0.0	0.0	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	0.0	(1.3)	0.0	1.3	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversal of Major Repairs Allowance credited to the HRA	0.0	21.0	0.0	0.0	0.0	(21.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	0.0	21.0	0.0	(21.0)	0.0	0.0	0.0	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	(4.9)	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.2	0.0	0.0	0.0	(0.0)

	Usable reserves							Unusable reserves							Total
	General Fund	HRA	EARMARKED RESERVES BALANCE	CAPITAL RECEIPTS RESERVE	CAPITAL GRANTS UNAPPLIED	MAJOR REPAIRS RESERVE	REVALUATION RESERVE	CAPITAL ADJUSTMENT ACCOUNT	DEFERRED CAPITAL RECEIPTS	FINANCIAL INSTRUMENTS ADJ A/C	PENSIONS RESERVE	SHORT TERM ACCUMULATING COMPENSATED ABSENCES RESERVE	COLLECTION FUND ADJUSTMENT ACCOUNT		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(66.4)	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	67.7	0.0	0.0	0.0	0.0	
Employer's pensions contributions and direct payments to pensioners payable in the year	39.1	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(40.4)	0.0	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	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	
Amount by which council tax and NDR income credited to the CIES is different from council tax and NDR income calculated in accordance with statutory requirements	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	
Surplus or deficit on revaluation of Property, Plant and Equipment assets	0.0	0.0	0.0	0.0	0.0	0.0	(98.9)	0.0	0.0	0.0	0.0	0.0	0.0	(98.9)	
Actuarial gains/losses on pension assets and liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	56.6	0.0	0.0	0.0	56.6	
Earmarked reserve transfers (Surplus) or deficit on the provision of services	25.9	0.0	(25.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
	32.4	21.9												54.3	
Opening balance 18/19	(12.3)	(3.6)	(228.2)	(38.5)	(82.5)	0.0	(315.8)	(675.9)	(3.2)	13.1	841.8	3.2	(3.5)	(505.4)	
Closing balance 18/19	(15.1)	(1.5)	(254.1)	(25.4)	(72.4)	0.0	(390.7)	(674.4)	(3.2)	17.3	925.7	3.5	(3.2)	(493.4)	

# Brent Pension Fund Accounts

Pension Fund Accounts as at 31 March 2019

2017/18 £m		Notes	2018/19 £m
	<b>Dealings with members, employers and others directly involved in the fund</b>		
(49.9)	Contributions	7	(52.1)
(3.6)	Transfers in from other pension funds	8	(2.8)
<b>(53.5)</b>			<b>(54.9)</b>
38.9	Benefits	9	45.9
36.1	Payments to and on account of leavers	10	1.8
<b>75.0</b>			<b>47.7</b>
<b>21.5</b>	<b>Net (additions)/withdrawals from dealings with members</b>		<b>(7.2)</b>
4.3	Management expenses	11	6.8
<b>25.8</b>	<b>Net (additions)/withdrawals including management expenses</b>		<b>(0.4)</b>
	<b>Returns on investments</b>		
(1.2)	Investment income	12	(1.4)
0.3	Taxes on income	13	0.0
(22.4)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(61.7)
<b>(23.3)</b>	<b>Net return on investments</b>		<b>(63.1)</b>
<b>2.5</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>(63.5)</b>
<b>(803.6)</b>	<b>Opening net assets of the scheme</b>		<b>(801.1)</b>
<b>(801.1)</b>	<b>Closing net assets of the scheme</b>		<b>(864.6)</b>

### Net Assets Statement

31 March 2018 £m		Notes	31 March 2019 £m
831.3	Investment assets	14	856.4
<b>831.3</b>			<b>856.4</b>
1.4	Current assets	20	9.1
0.0	Non-current assets	20	0.0
(31.6)	Current liabilities	21	(0.9)
<b>801.1</b>	<b>Net assets of the fund available to fund benefits at the period end</b>		<b>864.6</b>

College of North West London exited the Fund on 1st August 2017. At 31st March 2018, the College's share of the Fund's net assets at that date had not been transferred (see Note 21). The transfer amount was initially estimated at £30.9m as at 31<sup>st</sup> March 2018. A revised figure was provided in January 2019 of £30.8m and the payment was made in February 2019.

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2019, but excludes long-term liabilities to pay pensions and benefits in future years. The actuarial present value of promised retirement benefits is disclosed in Note 19.

## 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 following description of the Fund is a summary only.

#### a) General

The Fund is a contributory defined benefit 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.

#### 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 36 employer organisations with active members within the Brent Pension Fund at 31 March 2019, listed below:

#### Scheduled bodies

London Borough of Brent  
Alperton High School  
ARK Academy  
ARK Franklin Academy  
ARK Elvin Academy  
Braintcroft School  
Capital City Academy  
Claremont High School  
Convent of Jesus & Mary Language College  
Crest Academy  
Furness Primary School  
Gladstone Park 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

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

31 March 2018	Brent Pension Fund	31 March 2019
35	Number of employers with active members	36
	Number of employees in scheme	
4,412	Brent Council	5209
1,835	Other employers	1547
<u>6,247</u>	Total	<u>6756</u>
	Number of pensioners	
5,666	Brent Council	6193
636	Other employers	537
<u>6,302</u>	Total	<u>6730</u>
	Deferred pensioners	
6,923	Brent Council	7053
990	Other employers	815
<u>7,913</u>	Total	<u>7868</u>

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 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. 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 2018/19, the most commonly applied employer contribution rate within the Brent Pension Fund was 33.8% of pensionable pay.

#### d) Benefits

Since April 2014, the scheme is 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.

For a summary of the Scheme before April 2014 and details of a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits please refer to the LGPS website: [www.lgpsmember.org](http://www.lgpsmember.org)

### 2. *Basis of preparation*

The Statement of Accounts summarises the Fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) 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 from the members and from the employers, 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) Contingent Assets

Admitted body employers in the Brent Pension Fund hold 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. Contingent Assets are disclosed in Note 25.

j) 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.

k) 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.

l) 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.

m) 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.

n) 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).

#### o) 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 Fund's accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

#### 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 2019 was £95m (£98m at 31 March 2018).

##### 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 2019 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 (Note 19)	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 £176m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £19m, and a one-year increase in assumed life expectancy would increase the liability by approximately £73m.

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 £95m. There is a risk that this investment may be under- or overstated in the accounts.

#### 6. Events after the Balance Sheet date

There have been no events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts.

## 7. Contributions receivable

### By category

	2017/18	2018/19
	£m	£m
Employees' contributions	8.1	9.2
Employers' contributions:		
Normal contributions	38.9	39.7
Deficit recovery contributions	1.7	1.7
Augmentation contributions	1.2	1.5
Total employers' contributions	41.7	42.9
<b>Total</b>	<b>49.9</b>	<b>52.1</b>

### By authority

	2017/18	2018/19
	£m	£m
Administering Authority	39.0	42.0
Scheduled bodies	8.9	8.5
Admitted bodies	2.0	1.6
<b>Total</b>	<b>49.9</b>	<b>52.1</b>

## 8. Transfers in from other pension funds

	2017/18	2018/19
	£m	£m
Individual transfers	3.6	2.8
<b>Total</b>	<b>3.6</b>	<b>2.8</b>

## 9. Benefits payable

### By category

	2017/18	2018/19
	£m	£m
Pensions	34.4	37.7
Commutation and lump sum retirement benefits	4.3	7.1
Lump sum death benefits	0.3	1.1
<b>Total</b>	<b>39.0</b>	<b>45.9</b>

### By authority

	2017/18	2018/19
	£m	£m
Administering Authority and Scheduled bodies	37.6	44.1
Admitted bodies	1.4	1.8
<b>Total</b>	<b>39.0</b>	<b>45.9</b>

## 10. Payments to and on account of leavers

	2017/18	2018/19
	£m	£m

Individual transfers	5.0	1.8
Refunds to members leaving service	0.2	0.1
Group transfers	30.9	(0.1)
<b>Total</b>	<b>36.1</b>	<b>1.8</b>

College of North West London left the Fund on 1st August 2017. Group transfers relates to the college's share of the Fund's net assets at that date. At 31st March 2018, this transfer had not taken place. In February 2019, the figure was revised to £30.8m, resulting in a surplus of £0.1m compared to the figure estimated in March 2018.

#### 11. Management Expenses

	2017/18	2018/19
	£m	£m
Administration costs	0.7	1.2
Investment management expenses	3.5	3.2
Oversight and Governance costs	0.1	0.2
Other expenses	0.0	2.2
<b>Total</b>	<b>4.3</b>	<b>6.8</b>

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments. Audit fees were £16.5k (21k 2017/18).

The £2.2m other expense relates to a write off of a number of memo balances that were historically held by Northern Trust, following a detailed review between Brent officers and Northern Trust. This does not represent a loss in investment terms or cash, rather a misstatement of balances held by Northern Trust that, for Brent, required an accounting adjustment between the balance sheet and the income and expenditure account.

#### a) Investment management expenses

	2017/18	2018/19
	£m	£m
Management Fees	3.4	2.7
Custody Fees	0.0	0.1
One-off Transaction Costs	0.0	0.4
<b>Total</b>	<b>3.4</b>	<b>3.2</b>

Management Fees are charged periodically as a percentage of the value of the assets invested in each fund. 2018/19 saw the implementation of a new investment strategy, with a number of new investments being purchased and sold in the 2<sup>nd</sup> half of the year, resulting in lower overall management fees, however increasing the amount of transaction fees incurred. New investments were done through the London CIV, allowing the Fund to benefit from lower overall fees.

One-off transactions costs are associated with implementing the funds new investment strategy which involved selling existing investments and buying new investments.

12. Investment income

	2017/18	2018/19
	£m	£m
Dividend income private equities/infrastructure	0.4	0.2
Income from Pooled property investments	0.3	0.5
Income from private equities/infrastructure	0.3	0.2
Interest on cash deposits	0.2	0.5
<b>Total</b>	<b>1.2</b>	<b>1.4</b>

13. Taxes on income

	2017/18	2018/19
	£m	£m
Withholding tax	0.3	0.0
<b>Total</b>	<b>0.3</b>	<b>0.0</b>

14. Investments

	Market value 31 March 2018	Market value 31 March 2019
	£m	£m
<b>Investment assets</b>		
Pooled investments	636.9	737.7
Pooled property investments	2.1	0.2
Private equity/infrastructure	98.3	95.0
<b>Total investments</b>	<b>737.3</b>	<b>832.9</b>

a) Investments 18/19

	Market value 1 April 2018	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2019
	£m	£m	£m	£m	£m
<b>Pooled investments</b>	636.9	181.9	(122.0)	40.9	737.7
<b>Pooled property investments</b>	2.1	0.0	(1.4)	(0.5)	0.2
<b>Private equity/infrastructure</b>	98.3	6.1	(30.7)	21.3	95.0
	<b>737.3</b>	<b>188.0</b>	<b>(154.1)</b>	<b>61.7</b>	<b>832.9</b>
<b>Other Investment balances:</b>					
Cash Deposit	94.0				23.5
Investment Income due	0.0				0.0
<b>Net investment assets</b>	<b>831.3</b>				<b>856.4</b>

Investments 17/18

	Market value 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2018
	£m	£m	£m	£m	£m
Pooled investments	620.3	0.0	(1.1)	17.8	636.9
Pooled property investments	3.6	0.0	(0.9)	(0.6)	2.1
Private equity/infrastructure	130.3	4.2	(44.4)	8.3	98.3
	<b>754.2</b>	<b>4.2</b>	<b>(46.4)</b>	<b>25.5</b>	<b>737.3</b>
<b>Other Investment balances:</b>					
Cash Deposit	47.5				94.0
Investment Income due	1.0				0.0
<b>Net investment assets</b>	<b>802.7</b>				<b>831.3</b>

b) Analysis of investments by category

	31 March 2018 £m	31 March 2019 £m
<b>Pooled funds – additional analysis</b>		
<b>UK</b>		
Fixed income unit trust – Public Sector	27.1	35.5
Fixed income unit trust – Other	67.1	
Unit trusts	140.1	224.6
Diversified growth funds	128.3	170.1
<b>Overseas</b>		
Unit trusts	274.3	307.5
<b>Total Pooled funds</b>	<b>636.9</b>	<b>737.7</b>
Pooled property investments	2.1	0.2
Private equity/infrastructure	98.3	95.0
<b>Total investments</b>	<b>737.3</b>	<b>832.9</b>

c) Investments analysed by fund manager

	Market value
31 March 2018	31 March 2019



£m	%		£m	%
382.7	51.9	Legal & General	422.9	50.8%
0.2	0.0	London CIV	0.2	0.0%
125.7	17.1	Henderson	30.3	3.6%
72.9	9.9	Capital Dynamics	69.4	8.3%
0.5	0.1	Yorkshire Fund Managers	0.0	0.0%
79.5	10.8	LCIV - Baillie Gifford	121.5	14.6%
48.8	6.6	LCIV - Ruffer	48.6	5.8%
0.0	0.0	LCIV- MAC (CQS)	35.5	4.3%
2.1	0.3	Aviva	0.2	0.0%
24.9	3.4	Alinda	25.6	3.1%
0	0	Blackrock	78.7	9.4%
<b>737.3</b>	<b>100.0</b>		<b>832.9</b>	<b>100.0</b>

All the above companies are registered in the United Kingdom.

#### d) Stock lending

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

#### 15a. Valuation of financial instruments carried at fair value

The basis of the valuation of each asset class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required

Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts
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### Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with our independent investment advisor, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value of decrease
		£m	£m	£m
Private equity	28%	58.0	74.2	41.8
Infrastructure	20%	37.0	44.8	29.2

### 15b. Fair value hierarchy

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

#### 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.

Transfers between levels will be recognised when there has been a change to observable market data (improvement or reduction) or other change in valuation technique.

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	
Values at 31 March 2019	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	0.0	737.9	95.0	832.9
Loans and receivables	23.5	0.0	0.0	23.5
<b>Total financial assets</b>	<b>23.5</b>	<b>737.9</b>	<b>95.0</b>	<b>856.4</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(0.9)			(0.9)
<b>Total financial liabilities</b>	<b>(0.9)</b>			<b>(0.9)</b>
<b>Net financial assets</b>	<b>22.6</b>	<b>737.9</b>	<b>95.0</b>	<b>855.5</b>

Values at 31 March 2018	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss		639.0	98.3	737.3
Loans and receivables	95.4			95.4
<b>Total financial assets</b>	<b>95.4</b>	<b>639.0</b>	<b>98.3</b>	<b>832.7</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	(31.6)			(31.6)
<b>Total financial liabilities</b>	<b>(31.6)</b>	<b>0</b>	<b>0</b>	<b>(31.6)</b>
<b>Net financial assets</b>	<b>63.8</b>	<b>639.0</b>	<b>98.3</b>	<b>801.1</b>

#### 15c. Transfers between Levels 1 and 2

There were no transfers between levels 1 and 2 during the year

#### 15d. Reconciliation of Fair Value Measurements within Level 3

	£m
Value at 31 March 2018	98.3
Transfers into Level 3	0
Transfers out of Level 3	0
Purchases	6.1
Sales	(30.7)
Issues	0
Settlements	0
Unrealised gains/losses	0
Realised gains/losses	21.3
Value at 31 March 2019	95.0

#### 16. 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 2018			31 March 2019		
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
£m	£m	£m	£m	£m	£m
<b>Financial assets</b>					
636.9			737.7		
2.1			0.2		
98.3			95.0		
	94.0			23.5	
	1.4			9.1	
<b>737.3</b>	<b>95.4</b>	<b>0.0</b>	<b>832.9</b>	<b>32.6</b>	<b>0.0</b>
<b>Financial Liabilities</b>					
		(31.6)			(0.9)
<b>737.3</b>	<b>95.4</b>	<b>(31.6)</b>	<b>832.9</b>	<b>32.6</b>	<b>(0.9)</b>

a) Net gains and losses on financial instruments

31 March 2018		31 March 2019	
£m		£m	
<b>Financial assets</b>			
25.4	Fair value through profit and loss	61.7	
<b>25.4</b>	<b>Total</b>	<b>61.7</b>	

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 2018		31 March 2019	
Carrying value	Fair value	Carrying value	Fair value
£m	£m	£m	£m
<b>Financial assets</b>			
737.3	737.3	832.9	832.9
95.4	95.4	32.6	32.6
<b>832.7</b>	<b>832.7</b>	<b>865.5</b>	<b>865.5</b>
<b>Financial liabilities</b>			
(31.6)	(31.6)	(0.9)	(0.9)

cost				
(31.6)	(31.6)	Total financial liabilities	(0.9)	(0.9)

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

### 17. *Nature and extent of risks arising from financial instruments*

#### Risk and risk management

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

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

#### a) Market risk

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

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

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

#### Other price risk

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

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

is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

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

#### Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

<b>Asset Type</b>	<b>31/03/2019 Value (£m)</b>	<b>Potential market movements (+/-)</b>
Bonds	35.5	9.7%
Equities	532.1	16.9%
Other Pooled investments	170.1	6.6%
Pooled Property investments	0.2	14.3%
Private Equity	95.0	28.3%

Had the market price of the fund investments increased/decreased the change in the net assets available to pay benefits in the market price would have been as follows.

<b>Asset Type</b>	<b>31/03/2019 Value (£m)</b>	<b>Potential value on increase (£m)</b>	<b>Potential value on decrease (£m)</b>
Bonds	35.5	38.9	32.1
Equities	532.1	622.0	442.2
Other Pooled investments	170.1	181.3	158.9
Pooled Property investments	0.2	0.2	0.2
Private Equity	95.0	121.9	68.1
<b>Total</b>	<b>832.9</b>	<b>964.4</b>	<b>701.4</b>

#### 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 2018 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£m</b>	<b>£m</b>
Cash balances	94.0	23.5
UK Fixed income unit trust	94.1	35.5
<b>Total</b>	<b>188.1</b>	<b>59.0</b>

<b>Asset type</b>	<b>Carrying amount as at 31 March 2019</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+100 BPS</b>	<b>-100 BPS</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash balances	23.5	0.2	(0.2)
UK Fixed income unit trust	35.5	0.4	(0.4)
<b>Total change in assets available</b>	<b>59.0</b>	<b>0.6</b>	<b>(0.6)</b>

<b>Asset type</b>	<b>Carrying amount as at 31 March 2018</b>	<b>Change in year in the net assets available to pay benefits</b>	
		<b>+100 BPS</b>	<b>-100 BPS</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cash balances	94.0	0.9	(0.9)
UK Fixed income unit trust	94.1	0.9	(0.9)
<b>Total change in assets available</b>	<b>188.1</b>	<b>1.8</b>	<b>(1.8)</b>

### 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 2019 and as at the previous period end:

Currency risk exposure – asset type	Asset value at 31	Asset value at 31
	March 2018	March 2019
	£m	£m
Overseas unit trusts	274.3	307.5
Overseas pooled property investments	2.1	0.2
Overseas private equity/infrastructure	98.3	95.0
<b>Total overseas assets</b>	<b>374.7</b>	<b>402.7</b>

A 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 2019	Change to net assets available to pay benefits	
		+1%	-1%
	£m	£m	£m
Overseas unit trusts	307.5	3.1	(3.1)
Overseas pooled property investments	0.2	0.0	(0.0)
Overseas private equity/infrastructure	95.0	1.0	(1.0)
<b>Total change in assets available</b>	<b>402.7</b>	<b>4.1</b>	<b>(4.1)</b>

	Asset value as at 31 March 2018	Change to net assets available to pay benefits	
		+1%	-1%
	£m	£m	£m
Overseas unit trusts	274.3	2.7	(2.7)
Overseas pooled property investments	2.1	0.0	(0.0)
Overseas private equity/infrastructure	98.3	1.0	(1.0)
<b>Total change in assets available</b>	<b>374.7</b>	<b>3.7</b>	<b>(3.7)</b>

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.

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 2019 was £34.2m (31 March 2018: £94m). This was held with the following institutions:

	Rating	Balances as at 31 March 2018 £m	Balances as at 31 March 2019 £m
<b>Bank deposit accounts</b>			
NatWest	BBB+	(1.5)	2.0
Northern Trust		6.6	5.6
Money Market deposits	A+	48.9	24.9
<b>Other short-term lending</b>			
Local authorities		40.0	35.0
<b>Total</b>		<b>94.0</b>	<b>67.5</b>

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 2019 the value of illiquid assets was £95.2m, which represented 11% (31 March 2018: £100.4m, which represented 12%) 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 2019 are due within one year.

d) Refinancing risk

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

## 18. Funding arrangements

In line with the LGPS (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at March 2019.

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

At the 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. As a result, a deficit recovery plan is in place which aims to achieve 100% funding over a period of 19 years from April 2016.

Contribution increases were phased in over the three-year period beginning 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.

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

In addition to the triennial funding valuation, the Fund's Actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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.

Calculated on an IAS19 basis, the actuarial present value of promised retirement benefits at 31 March 2019 was £1,826m (31 March 2018: £1,680m). This figure includes both vested and non-vested benefits, although the latter is assumed to have a negligible value. 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	2.5%
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Salary increase rate 2.8%  
Discount rate 2.4%

### 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.

## Sensitivity Analysis

<b>Sensitivity to the assumptions for the year ended 31 March 2019</b>	<b>Approximate % increase to liabilities</b>	<b>Approximate monetary amount (£m)</b>
0.5% p.a. increase in the Pension Increase Rate (CPI)	8%	148.0
0.5% p.a. increase in the Salary Increase Rate	1%	19.0
0.5% p.a. decrease in the discount rate	10%	176.0

### 20. Assets

#### a) Current assets

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£m</b>	<b>£m</b>
Debtors:		
- Contributions due – employees	0.2	1.3
- Contributions due – employers	1.0	7.0
- Sundry debtors	0.2	0.8
<b>Total</b>	<b>1.4</b>	<b>9.1</b>

#### Analysis of debtors

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£m</b>	<b>£m</b>
Central government bodies	0.0	0.1
Other local authorities	1.4	9.0
Other entities and individuals	0.0	0.0
<b>Total</b>	<b>1.4</b>	<b>9.1</b>

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

### 21. Current liabilities

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£m</b>	<b>£m</b>
Payments to and on account of leavers - Group transfers	30.9	(0.1)
Sundry creditors	0.7	1.0
<b>Total</b>	<b>31.6</b>	<b>0.9</b>

#### Analysis of creditors

	<b>31 March 2018</b>	<b>31 March 2019</b>
	<b>£m</b>	<b>£m</b>
College of North West London	30.9	(0.1)
Other entities and individuals	0.7	1.0
<b>Total</b>	<b>31.6</b>	<b>0.9</b>

## 22. Additional voluntary contributions

	Market value 31 March 2018 £m	Market value 31 March 2019 £m
Clerical Medical	1.2	1.3
Equitable Life	0.2	0.2
Prudential	0.1	0.3
<b>Total</b>	<b>1.5</b>	<b>1.8</b>

The Pension Fund's former provider, Equitable Life, no longer accepts AVC contributions from Scheme members.

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

In accordance with Regulation 4(1)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

## 23. 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 £0.796m (2017/18: £0.680m) 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 £32.5m to the Fund in 2018/19 (2017/18: £30.7m).

### 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

The key management personnel of the fund are the Chief Executive, the Director of Legal & HR, the Chief Finance Officer (s.151 officer) and the Head of Finance (Pensions). The proportion of the total remuneration payable to key management personnel that is charged to the Pension Fund is set out below:

	31st March 2018	31st March 2019
	£m	£m
Short Term Benefits	0.033	0.036
Post Employment Benefits	0.007	0.008
Termination Benefits	0	0
<b>Total Remuneration</b>	<b>0.040</b>	<b>0.044</b>

#### 24. Contingent liabilities

The Fund had no contingent liabilities at 31 March 2019.

#### 25. Contingent Assets

Outstanding capital commitments (investments) at 31 March 2019 totalled £26.9m (31 March 2018: £29.5m).

	31 March 2018	31 March 2019
	£m	£m
Capital Dynamics	13.0	14.1
Alinda Fund I	2.9	2.9
Alinda Fund II	13.6	9.9
<b>Total</b>	<b>29.5</b>	<b>26.9</b>

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.

#### Other 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 2018	31 March 2019
	£'000	£'000
Apleona HSG Ltd (previously Bilfinger and Europa)	0.1	0.1
Capita Business Services Limited	0.1	0.1
Conway Aecom	0.1	0.1
<b>Total</b>	<b>0.3</b>	<b>0.3</b>

#### 26. Impairment Losses

The Fund had no contingent liabilities at 31 March 2019.



# Independent auditor's report to the members of London Borough of Brent on the pension fund financial statements of Brent Pension Fund

## Opinion

We have audited the financial statements of Brent Pension Fund (the 'pension fund') administered by London Borough of Brent (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

## Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

**Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report 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
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

**Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on pages 79 to 80, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund's 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Paul Dossett*

Paul Dossett Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
London

18 July 2019



# Glossary

## **ACCRUALS**

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

## **BALANCE SHEET**

This 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. 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.

## **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.

## **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.

## **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.

## **GLOSSARY (Continued)**

### **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.

### **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.

### **EXPENDITURE AND FUNDING ANALYSIS**

The purpose of this statement 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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### **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.

## **GLOSSARY (Continued)**

### **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.

### **MINIMUM REVENUE PROVISION (MRP)**

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

## **GLOSSARY (Continued)**

### **MOVEMENT IN RESERVE 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.

### **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.



**GLOSSARY (Continued)**

**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
LBB	London Borough of Brent
LGPS	Local Government Pension Scheme
MHCLG	Ministry of Housing, Communities and Local Government's
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NAIL	New Accommodation for Independent Living
NNDR	National Non Domestic Rates (also called Business Rates)
PFI	Private Finance Initiative
PCT	Primary Care Trust
PWLB	Public Works Loans Board